

PIONEER NATURAL RESOURCES CO

Form S-4/A

August 22, 2001

1

As filed with the Securities and Exchange Commission on August 22, 2001.

Registration No. 333-59094

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

AMENDMENT NO. 2

TO  
FORM S-4  
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

PIONEER NATURAL RESOURCES COMPANY  
(Exact Name of Registrant as Specified in its Charter)

DELAWARE  
(State or Other Jurisdiction of  
Incorporation or Organization)

1311  
(Primary standard industrial  
classification code number)

75-2702753  
(I.R.S. Emplo  
Identification

5205 NORTH O'CONNOR BLVD., SUITE 1400

IRVING, TEXAS 75039

(972) 444-9001

(Address, including zip code, and telephone number,  
including area code, of registrant's principal executive offices)

SCOTT D. SHEFFIELD

PIONEER NATURAL RESOURCES COMPANY

5205 NORTH O'CONNOR BLVD., SUITE 1400

IRVING, TEXAS 75039

(972) 444-9001

(Name, address, including zip code, and telephone number,  
including area code, of agent for service)

Copies to:

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

ROBERT L. KIMBALL  
 VINSON & ELKINS L.L.P.  
 3700 TRAMMELL CROW CENTER  
 2001 ROSS AVENUE  
 DALLAS, TEXAS 75201  
 (214) 220-7700

BRIAN M. LIDJI  
 SAYLES, LIDJI & WERBNER  
 A PROFESSIONAL CORPORATION  
 4400 RENAISSANCE TOWER  
 1201 ELM STREET  
 DALLAS, TEXAS 75270  
 (214) 939-8700

-----

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as practicable after the effective date of this registration statement which relates to the merger of limited partnerships with and into Pioneer Natural Resources USA, Inc. pursuant to the merger agreement described in the enclosed proxy statement/prospectus.

-----

If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. [ ]

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

-----

CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED (1)	PROPOSED MAXIMUM OFFERING PRICE PER SHARE (2)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE (3)
Common stock, \$0.01 par value (3).....	6,691,407	\$9.13	\$61,100,000

(1) Based upon the registrant's estimate of the maximum number of shares that might be issued in connection with the proposed merger transaction.

(2) Estimated solely for the purpose of calculating the registration fee

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

pursuant to Rule 457(f), based on the book value of the unaffiliated partnership interests to be cancelled in the transaction, computed as of the latest practicable date. A filing fee of \$20,500 was paid pursuant to the filing on April 17, 2001, by the registrant and Pioneer Natural Resources USA, Inc. of a preliminary Schedule 13e-3. Pursuant to Rule 240.0-11(a) (2) of the Securities Exchange Act of 1934, this amount has been credited against the amount that would otherwise be payable in connection with this filing, resulting in no additional payment herewith.

(3) Includes associated rights to purchase shares of Series A Junior Participating Preferred Stock. Until the occurrence of certain prescribed events, none of which has occurred, the rights are not exercisable, are evidenced by the certificates representing the common stock, and will be transferred along with the common stock.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE SECURITIES AND EXCHANGE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.

-----  
-----  
2

PIONEER NATURAL RESOURCES USA, INC.

5205 NORTH O'CONNOR BLVD., SUITE 1400

IRVING, TEXAS 75039

NOTICE OF SPECIAL MEETINGS OF LIMITED PARTNERS  
TO BE HELD ON \_\_\_\_\_, 2001

To the Limited Partners of 46  
Parker & Parsley Limited Partnerships:

This is a notice that a special meeting of the limited partners of each of the following 46 limited partnerships will be held on \_\_\_\_\_, 2001, at 10:00 a.m., at the Dallas Marriott Las Colinas Hotel, Irving, Texas 75039:

- |   |   |
|---|---|
| Parker & Parsley 81-I, Ltd.                           | Parker & Parsley 88-A Conv., L.P.         |
| Parker & Parsley 81-II, Ltd.                          | Parker & Parsley 88-A, L.P.               |
| Parker & Parsley 82-I, Ltd.                           | Parker & Parsley 88-B Conv., L.P.         |
| Parker & Parsley 82-II, Ltd.                          | Parker & Parsley 88-B, L.P.               |
| Parker & Parsley 82-III, Ltd.                         | Parker & Parsley 88-C Conv., L.P.         |
| Parker & Parsley 83-A, Ltd.                           | Parker & Parsley 88-C, L.P.               |
| Parker & Parsley 83-B, Ltd.                           | Parker & Parsley Producing Properties 88- |
| Parker & Parsley 84-A, Ltd.                           | Parker & Parsley Private Investment 88, L |
| Parker & Parsley 85-A, Ltd.                           | Parker & Parsley 89-A Conv., L.P.         |
| Parker & Parsley 85-B, Ltd.                           | Parker & Parsley 89-A, L.P.               |
| Parker & Parsley Private Investment 85-A, Ltd.        | Parker & Parsley 89-B Conv., L.P.         |
| Parker & Parsley Selected 85 Private Investment, Ltd. | Parker & Parsley 89-B, L.P.               |
| Parker & Parsley 86-A, Ltd.                           | Parker & Parsley Private Investment 89, L |
| Parker & Parsley 86-B, Ltd.                           | Parker & Parsley 90-A Conv., L.P.         |
| Parker & Parsley 86-C, Ltd.                           | Parker & Parsley 90-A, L.P.               |

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Parker & Parsley Private Investment 86, Ltd.  
Parker & Parsley 87-A Conv., Ltd.  
Parker & Parsley 87-A , Ltd.  
Parker & Parsley 87-B Conv., Ltd.  
Parker & Parsley 87-B, Ltd.  
Parker & Parsley Producing Properties 87-A, Ltd.  
Parker & Parsley Producing Properties 87-B, Ltd.  
Parker & Parsley Private Investment 87, Ltd.

Parker & Parsley 90-B Conv., L.P.  
Parker & Parsley 90-B, L.P.  
Parker & Parsley 90-C Conv., L.P.  
Parker & Parsley 90-C, L.P.  
Parker & Parsley Private Investment 90, L.P.  
Parker & Parsley 90 Spraberry Private Dev  
L.P.  
Parker & Parsley 91-A, L.P.  
Parker & Parsley 91-B, L.P.

Parker & Parsley Petroleum USA, Inc. and other predecessors of Pioneer Natural Resources USA, Inc., a Delaware corporation that we call Pioneer USA, sponsored each of the partnerships. Pioneer USA is the managing or sole general partner of each of the partnerships. Pioneer USA is a direct 100% owned subsidiary of Pioneer Natural Resources Company, a Delaware corporation that we call Pioneer Parent.

The purpose of the special meeting for each partnership in which you own an interest is for you to consider and vote on the following matters:

1. A proposal to approve an Agreement and Plan of Merger dated as of \_\_\_\_\_, 2001, among Pioneer Parent, Pioneer USA and each of the partnerships. Each partnership that approves this proposal, which we call a participating partnership, will merge with and into Pioneer USA, with Pioneer USA surviving the merger. Each partnership interest of a participating partnership, other than Pioneer USA's partnership interests, will be converted into shares of common stock, par value \$.01 per share, of Pioneer Parent. The number of shares of common stock Pioneer Parent will offer for all partnership interests of a participating partnership will be based on (1) the participating partnership's merger value and (2) the average closing price of the Pioneer Parent common stock, as reported by the New York Stock Exchange, for the ten trading days ending three business days before the initial date scheduled for the special meeting for the partnership. The merger value for a participating partnership is equal to the sum of the present value of estimated future net revenues

3

from the partnership's estimated oil and gas reserves and its net working capital, in each case as of March 31, 2001, less its pro rata share, based on its reserve value, of the estimated expenses and fees of the mergers of all of the partnerships and less the cash distribution mailed on July 13, 2001, by the partnership to its partners. For purposes of illustration in this document, we have calculated the number of shares to be issued based on an assumed average closing price of \$18.00 per share of Pioneer Parent common stock. Prior to the date of the special meeting for each partnership, we will update the number of shares to be issued using the actual average closing price of Pioneer Parent common stock for the ten trading days ending three business days before the initial date of the special meeting. You may call D. F. King & Co., Inc. after \_\_\_\_\_, 2001 at 1-800-XXX-XXXX to learn the final number of shares you will receive. The Pioneer Parent common stock will be allocated among the partners based on the liquidation provisions of each partnership agreement. Pioneer Parent will not issue fractional shares to any limited partner upon completion of the merger of any partnership. Instead, Pioneer Parent will round any fractional shares of Pioneer Parent common stock up to the nearest whole share. Pioneer USA will not receive any Pioneer Parent common stock for its partnership interests in the participating partnerships.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

2. A proposal to amend the partnership agreement of each partnership to permit the partnership's merger with Pioneer USA. If the amendment is not approved, that partnership cannot merge into Pioneer USA even if the partners of that partnership approve the merger agreement.

3. A proposal (A) to approve the opinion issued to Pioneer USA by on behalf of the limited partners of each partnership that neither the grant nor the exercise of the right to approve the merger of the partnership by its limited partners (1) will result in the loss of any limited partner's limited liability or (2) will adversely affect the federal income tax classification of the partnership or any of its limited partners and (B) to approve the selection of as special legal counsel for the limited partners of each partnership to render the legal opinion. The partnership agreement of each partnership requires this opinion to be obtained and submitted to the limited partners for their approval.

Pioneer USA is also requesting authorization to use its discretionary voting authority to postpone or adjourn the special meeting of limited partners for the purpose of soliciting additional proxies.

The accompanying proxy statement/prospectus contains information about each merger, including the amount of Pioneer Parent common stock that will be offered to limited partners per \$1,000 initial investment in each partnership, and descriptions of the merger agreement, the merger amendment and the legal opinion of the special legal counsel for the limited partners. The proxy statement/prospectus also contains a copy of the merger agreement, the merger amendment and the legal opinion.

Pioneer USA set the close of business on , 2001, as the record date to identify the limited partners who are entitled to notice of and to vote at each special meeting or any adjournments or postponements of the special meeting. During the ten business days before the special meeting, you may examine lists of the limited partners of each partnership in which you own an interest at the offices of Pioneer USA during normal business hours for any purpose relevant to the special meeting for each partnership in which you own an interest.

ON AUGUST 20, 2001, PIONEER USA'S BOARD OF DIRECTORS UNANIMOUSLY DETERMINED THAT THE MERGER OF EACH PARTNERSHIP IN WHICH YOU OWN AN INTEREST IS ADVISABLE, FAIR TO YOU AS AN UNAFFILIATED LIMITED PARTNER, AND IN YOUR BEST INTERESTS. THE BOARD RECOMMENDS THAT YOU, AS AN UNAFFILIATED LIMITED PARTNER, VOTE FOR THE MERGER AGREEMENT, THE MERGER AMENDMENT, THE SELECTION OF SPECIAL LEGAL COUNSEL FOR THE LIMITED PARTNERS, THAT COUNSEL'S LEGAL OPINION FOR EACH PARTNERSHIP IN WHICH YOU OWN AN INTEREST, AND THE AUTHORIZATION TO ALLOW PIONEER USA TO USE ITS DISCRETIONARY VOTING AUTHORITY TO POSTPONE OR ADJOURN THE SPECIAL MEETING. ALTHOUGH PIONEER USA'S BOARD OF DIRECTORS HAS ATTEMPTED TO FULFILL ITS FIDUCIARY DUTIES TO YOU, PIONEER USA'S BOARD OF DIRECTORS HAD CONFLICTING INTERESTS IN EVALUATING EACH MERGER BECAUSE EACH MEMBER OF ITS BOARD OF DIRECTORS IS ALSO AN OFFICER OF PIONEER PARENT. Each partnership requires a favorable vote of the holders of a majority of its limited partnership interests to approve the merger agreement, the merger amendment, the selection of special legal counsel for the limited partners and that counsel's legal opinion, except that Parker & Parsley 91-A, L.P. and Parker & Parsley 91-B, L.P. each

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

4

require the favorable vote of the holders, other than Pioneer USA, of 66 2/3% of its limited partnership interests to approve those merger proposals. The postponement or adjournment of the special meeting to solicit additional proxies will require the favorable vote of a majority of the limited partnership interests present or represented at a meeting where such vote is taken.

IF YOU DO NOT SEND IN YOUR PROXY CARD OR VOTE AT THE SPECIAL MEETING FOR A PARTNERSHIP IN WHICH YOU OWN AN INTEREST, IT WILL HAVE THE SAME EFFECT AS IF YOU VOTED AGAINST THE MERGER OF THAT PARTNERSHIP.

You are requested to sign, vote and date the enclosed proxy card and return it promptly in the enclosed envelope, even if you expect to be present at each special meeting for the partnerships in which you own an interest. If you give a proxy, you can revoke it at any time before the special meeting for the partnership as to which you are revoking your proxy. If you are present at the special meeting for a partnership in which you own an interest, you may withdraw your proxy and vote in person.

WHETHER OR NOT YOU PLAN TO VOTE ON THE MERGER OF EACH PARTNERSHIP IN WHICH YOU OWN AN INTEREST, PLEASE TAKE THE TIME TO COMPLETE AND RETURN TO US THE ENCLOSED CERTIFICATION OF NON-FOREIGN STATUS.

BY ORDER OF THE BOARD OF DIRECTORS,

MARK L. WITHROW  
Director, Executive Vice President,  
General Counsel and Secretary

, 2001

5

THE INFORMATION IN THIS PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. WE MAY NOT SELL THESE SECURITIES UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PROSPECTUS IS NOT AN OFFER TO SELL THESE SECURITIES AND IT IS NOT SOLICITING AN OFFER TO BUY THESE SECURITIES IN ANY STATE WHERE THE OFFER OR SALE IS NOT PERMITTED.

PRELIMINARY PROXY STATEMENT/PROSPECTUS, SUBJECT TO COMPLETION, DATED AUGUST , 2001

[PIONEER LOGO]

PIONEER NATURAL RESOURCES USA, INC.

5205 NORTH O'CONNOR BLVD., SUITE 1400

IRVING, TEXAS 75039

, 2001

Dear Limited Partners:

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

We at Pioneer Natural Resources USA, Inc., together with our parent company, Pioneer Natural Resources Company, desire to acquire 46 limited partnerships. We are the managing or sole general partner of each of the partnerships. We are a Delaware corporation and call ourselves Pioneer USA. We are a wholly owned subsidiary of Pioneer Natural Resources Company, a Delaware corporation that we call Pioneer Parent.

If you and the other limited partners of a partnership approve the merger of the partnership, the partnership will be merged with and into Pioneer USA, with Pioneer USA surviving the merger. We call each partnership that merges into Pioneer USA a participating partnership. Each partnership interest of a participating partnership will be converted into shares of common stock, par value \$.01 per share, of Pioneer Parent. The number of shares of common stock Pioneer Parent will offer for all partnership interests of a participating partnership will be based on (1) the participating partnership's merger value and (2) the average closing price of the Pioneer Parent common stock, as reported by the New York Stock Exchange, for the ten trading days ending three business days before the initial date scheduled for the special meeting for the partnership. The merger value for a participating partnership is equal to the sum of the present value of estimated future net revenues from the partnership's estimated oil and gas reserves and its net working capital, in each case as of March 31, 2001, less its pro rata share, based on its reserve value, of the estimated expenses and fees of the mergers of all of the partnerships and less the cash distribution mailed on July 13, 2001, by the partnership to its partners.

The merger value for each partnership is based on the reserve value of the partnership's underlying properties, which reserve value has not been reduced for general and administrative expenses. As a result, we believe the merger value is essentially the same value or a higher value than the liquidation value that might have been achieved by selling the partnership's property interests on March 31, 2001, and liquidating the partnership at that time.

We have retained Robert A. Stanger & Co., Inc., which we call Stanger, to issue an opinion regarding the fairness of the merger value to the limited partners in connection with the merger of each partnership. The written opinion of Stanger is contained in this document. You should read all of it carefully.

We can complete the merger of each partnership only if the holders of its limited partnership interests approve the merger agreement, the amendment to the partnership agreement to permit the merger, the selection of special legal counsel for the limited partners, and that counsel's legal opinion. This document provides information about each proposed merger. This document also constitutes a prospectus by Pioneer Parent for up to an aggregate of 5,947,940 shares of Pioneer Parent common stock to be issued in the proposed merger transaction, based on an assumed average closing price of \$18.00 per share of Pioneer Parent common stock. Please give all of this information your careful attention. Pioneer Parent's common stock is traded on the New York Stock Exchange under the symbol "PXD." On August 21, 2001, the last reported sale price of the common stock on the NYSE was \$18.21 per share.

**YOUR VOTE IS IMPORTANT.** Whether or not you plan to attend the special meeting for each partnership in which you own an interest, please take the time to vote by completing and mailing to us the enclosed proxy card. This will not prevent you from revoking your proxy at any time prior to the special meeting for each partnership in which you own an interest or from voting your partnership interests in person if you later choose to attend the special meeting for each partnership in which you own an interest.

We intend to mail certificates representing shares of Pioneer Parent common stock to the partners of each partnership that approves the merger transaction promptly after completing the merger of the partnership. Certificates representing partnership interests will be automatically cancelled, and you will

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

not have to surrender your certificates to receive the Pioneer Parent common stock.

YOUR CERTIFICATE THAT YOU ARE NOT A FOREIGN PERSON, WHICH WE CALL A CERTIFICATION OF NON-FOREIGN STATUS, IS IMPORTANT. Whether or not you plan to vote on the merger of each partnership in which you own an interest, please take the time to complete and return to us the enclosed certification of non-foreign status. If we receive a properly completed certification of non-foreign status from you, we will not withhold federal income taxes on the Pioneer Parent common stock to be issued to you upon the merger of each partnership in which you own an interest.

Sincerely,

Mark L. Withrow  
Director, Executive Vice President,  
General Counsel and Secretary

YOU SHOULD CAREFULLY CONSIDER THE RISKS RELATING TO THE MERGER OF EACH PARTNERSHIP IN WHICH YOU OWN AN INTEREST DESCRIBED IN "RISK FACTORS" BEGINNING ON PAGE 22. THESE INCLUDE:

- THE MERGER VALUE FOR THE PARTNERSHIP DETERMINES THE AMOUNT OF PIONEER PARENT COMMON STOCK YOU WILL RECEIVE IN THE MERGER OF THE PARTNERSHIP. PIONEER PARENT AND PIONEER USA DETERMINED EACH MERGER VALUE AND WILL NOT ADJUST IT FOR CHANGES IN PARTNERSHIP VALUE BEFORE THE MERGER IS COMPLETED.
- YOU WERE NOT INDEPENDENTLY REPRESENTED IN ESTABLISHING THE TERMS OF ANY MERGER.
- OUR BOARD OF DIRECTORS HAD CONFLICTING INTERESTS IN EVALUATING EACH MERGER BECAUSE EACH MEMBER OF OUR BOARD OF DIRECTORS IS ALSO AN OFFICER OF PIONEER PARENT.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES REGULATORS HAVE APPROVED ANY OF THE MERGERS, THE PIONEER PARENT COMMON STOCK TO BE ISSUED IN EACH MERGER OR THE FAIRNESS OR THE MERITS OF EACH MERGER OR HAVE DETERMINED WHETHER THE INFORMATION CONTAINED IN THIS DOCUMENT IS ACCURATE OR ADEQUATE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

This proxy statement/prospectus is dated \_\_\_\_\_, 2001. It is first being mailed to the limited partners on or about \_\_\_\_\_, 2001.

6

### PIONEER NATURAL RESOURCES COMPANY

The world map below reflects the geographic locations of Pioneer Parent's exploration, development and production operations.

(MAP)

### WHERE YOU CAN FIND MORE INFORMATION

Pioneer Parent and each of the 25 partnerships listed below, which we call the reporting partnerships, file annual, quarterly and special reports, proxy statements and other information with the Securities and Exchange Commission:



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Parker & Parsley 82-I, Ltd.	Parker & Parsley Producing Properties 87-B, Ltd.
Parker & Parsley 82-II, Ltd.	
Parker & Parsley 83-A, Ltd.	Parker & Parsley 88-A, L.P.
Parker & Parsley 83-B, Ltd.	Parker & Parsley 88-B, L.P.
Parker & Parsley 84-A, Ltd.	Parker & Parsley Producing Properties 88-A, L.P.
Parker & Parsley 85-A, Ltd.	
Parker & Parsley 85-B, Ltd.	Parker & Parsley 89-A, L.P.
Parker & Parsley 86-A, Ltd.	Parker & Parsley 90-A L.P.
Parker & Parsley 86-B, Ltd.	Parker & Parsley 90-B Conv., L.P.
Parker & Parsley 86-C, Ltd.	Parker & Parsley 90-B, L.P.
Parker & Parsley 87-A, Ltd.	Parker & Parsley 90-C Conv., L.P.
Parker & Parsley 87-B, Ltd.	Parker & Parsley 90-C, L.P.
Parker & Parsley Producing Properties 87-A, Ltd.	Parker & Parsley 91-A, L.P.
	Parker & Parsley 91-B, L.P.

You may read and copy any reports, statements or other information that Pioneer Parent or any reporting partnership files at the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549, or at the SEC's public reference rooms at 7 World Trade Center, Suite 1300, New York, New York 10048, and at 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of these

7

materials may also be obtained from the SEC for a fee by writing to the Public Reference Section of the Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms. Pioneer Parent's and each reporting partnership's filings with the SEC are also available to the public from commercial document retrieval services and at the web site maintained by the SEC at [www.sec.gov](http://www.sec.gov).

Pioneer Parent's common stock is listed on the New York Stock Exchange and the Toronto Stock Exchange under the symbol "PXD." Pioneer Parent's reports and other information filed with the SEC can also be inspected at the offices of the New York Stock Exchange and the Toronto Stock Exchange.

Pioneer Parent filed a registration statement on Form S-4 to register with the SEC Pioneer Parent common stock to be issued to the limited partners of each participating partnership. This document is a part of that registration statement and constitutes the prospectus of Pioneer Parent in addition to being the proxy statement of each partnership. As allowed by SEC rules, this document does not contain all the information you can find in the registration statement or the exhibits to the registration statement.

The SEC allows Pioneer Parent to incorporate by reference information into this document, which means that Pioneer Parent can disclose important information to you by referring you to another document filed separately with the SEC. The information incorporated by reference is deemed to be part of this document, except for any information superseded by information in this document. This document incorporates by reference the documents set forth below that Pioneer Parent has previously filed with the SEC and that contain important information about Pioneer Parent and its finances:

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

- Annual Report on Form 10-K for the year ended December 31, 2000.
- Quarterly Report on Form 10-Q for the six months ended June 30, 2001.
- Current Report on Form 8-K filed on July 24, 2001.
- The description of Pioneer Parent common stock contained in Pioneer Parent's registration statement on Form 8-A filed on August 5, 1997, as amended by Form 8-A/A filed on August 8, 1997.
- The description of rights to acquire Series A Junior Participating Preferred Stock of Pioneer Parent contained in Pioneer Parent's registration statement on Form 8-A filed on July 24, 2001.

Pioneer Parent is also incorporating by reference additional documents that it files with the SEC under sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 between the date of this document and the date of the special meeting for each partnership.

The supplement to this document for each partnership contains financial information for the partnership. The information supplement for each partnership constitutes an integral part of this document. Please carefully read the supplement for each partnership in which you are a limited partner.

Pioneer Parent has supplied all information contained or incorporated by reference in this document relating to Pioneer Parent, and each partnership has supplied all the information contained in this document relating to the partnership.

You can obtain any of the documents incorporated by reference from Pioneer Parent or the SEC. Documents incorporated by reference are available from Pioneer Parent without charge. Exhibits to the documents will not be sent, however, unless those exhibits have specifically been incorporated by reference as exhibits in this document. Limited partners of each partnership may obtain documents incorporated by reference in this document by requesting them in writing or by telephone at the following address:

Pioneer Natural Resources Company

5205 North O'Connor Blvd., Suite 1400

Irving, Texas 75039

Telephone: (972) 444-9001  
Attention: Investor Relations

IF YOU WOULD LIKE TO REQUEST DOCUMENTS FROM PIONEER PARENT OR ANY PARTNERSHIP IN WHICH YOU OWN AN INTEREST, PLEASE DO SO BY \_\_\_\_\_, 2001 [INSERT 5TH BUSINESS DAY BEFORE MEETING] TO RECEIVE THEM BEFORE THE SPECIAL MEETING FOR THE PARTNERSHIP.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

reference in this document to vote on the merger of each partnership in which you own an interest. We have not authorized anyone to give any information that is different from what is contained in this document. This document is dated , 2001. You should not assume that the information contained in this document is accurate as of any date other than that date, and neither the mailing of this document to you nor the issuance of Pioneer Parent common stock in the merger of each partnership shall create an implication to the contrary.

9

TABLE OF CONTENTS

	PAGE
	----
QUESTIONS AND ANSWERS ABOUT THE MERGER OF EACH PARTNERSHIP.....	vi
SUMMARY.....	1
RISK FACTORS.....	22
RISK FACTORS RELATING TO THE MERGER OF EACH PARTNERSHIP.....	22
The Merger Value for Each Partnership Involves Estimates that May Vary Materially from the Quantities of Oil and Gas Actually Recovered, and Consequently Future Net Revenues May be Materially Different From the Estimates Used in the Calculation of the Merger Value and for a Particular Partnership.....	22
The Merger Value for a Partnership Will Not Be Adjusted For Changes in Oil and Gas Prices Before the Completion of Its Merger.....	22
The Number of Shares of Pioneer Parent Common Stock the Limited Partners of Each Partnership Will Receive May Decrease Between Now and the Completion of the Merger of the Partnership.....	22
Current Market Prices for Oil and Gas May Be Higher than the Merger Value for a Partnership, Which May Affect the Fairness Opinion.....	23
You Were Not Independently Represented in Establishing the Terms of the Merger of Each Partnership.....	23
The Interests of Pioneer Parent, Pioneer USA and Their Directors and Officers May Differ From Your Interests.....	23
It Is Unclear What the Market Demand Is For Any Partnership or its Assets or That the Terms of the Merger of Each Partnership Are As Favorable As Could Be Obtained in a Third Party Sale.....	23
Potential Litigation Challenging the Merger of a Partnership May Delay or Block the Merger and, As a Result, Your Receipt of the Pioneer Parent Common Stock.....	24
Repurchase Offers in 2001 by Each of the Six Partnerships with a Repurchase Obligation were Higher than the Merger Value for the Partnership.....	24
You Could be Bound by the Merger of Each Partnership in Which You Own an Interest Even If You Do Not Vote in Favor of the Merger.....	24
RISKS ASSOCIATED WITH AN INVESTMENT IN PIONEER PARENT.....	25
Limited Partners Who Become Pioneer Parent Stockholders Will Own Stock in a Corporation Rather than a Limited Partnership Interest in a Limited Partnership, Resulting in a Fundamental Change in the Nature of	

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Their Investments.....	25
Limited Partners Who Become Pioneer Parent Stockholders Will Own an Investment That Will be Subject to the Market Risks Attendant to an Investment in a Public Company.....	25
Pioneer Parent Might Not Declare Dividends.....	25
Limited Partners Who Become Pioneer Parent Stockholders May Be Diluted.....	25
Dividends Paid to Pioneer Parent Stockholders Are Taxed at Two Levels.....	26
Pioneer Parent's Profitability is Highly Dependent on the Prices of Oil and Gas, Which Have Historically Been Very Volatile.....	26
Pioneer Parent's Drilling Activities May Not be Productive.....	26
Pioneer Parent May be Required to Recognize Non-cash Charges Relating to Unproved Property Costs.....	27
Pioneer Parent's Growth Depends on its Ability to Acquire Oil and Gas Properties on a Profitable Basis.....	27
If Pioneer Parent is Unable to Dispose of Non-strategic Assets at Acceptable Prices, This Would Hinder its Ability to Make Capital Resources Available for More Profitable Activities.....	27
The Operation of Natural Gas Processing Plants Involves the Potential for Damage Claims.....	27
Pioneer Parent is Not Fully Insured Against Operating Hazards.....	27

	PAGE
	----
In the Event of Noncompliance, Liabilities Under Environmental Laws and Regulations Could be Substantial.....	28
There are Factors Outside of Pioneer Parent's Control Which Could Impair its Ability to Satisfy its Debt Obligations.....	28
The Oil and Gas Industry is Highly Competitive.....	28
Present or Future Regulations Could Adversely Affect Pioneer Parent's Business and Operations.....	28
Pioneer Parent Has International Operations Which are Subject to International Economic and Political Risks.....	28
Numerous Uncertainties Exist in Estimating Pioneer Parent's Quantities of Proved Reserves and Future Net Revenues.....	29
SPECIAL FACTORS.....	30
Background of the Merger of Each Partnership.....	30
Reasons for the Merger of Each Partnership.....	38
Recommendation of Pioneer USA.....	41
Fairness Opinion.....	42
Summary Reserve Report.....	51
Alternative Transactions to the Merger of Each Partnership.....	52

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

FORWARD-LOOKING STATEMENTS.....	54
METHOD OF DETERMINING MERGER VALUE FOR EACH PARTNERSHIP AND AMOUNT OF PIONEER PARENT COMMON STOCK OFFERED.....	55
Components of Merger Value for Each Partnership.....	55
Allocation of Merger Value for Each Partnership Among Partners of the Partnership.....	57
Other Methods of Determining Merger Values.....	57
THE MERGER OF EACH PARTNERSHIP.....	59
General.....	59
Legal Opinion for Limited Partners.....	59
Distribution of Pioneer Parent Common Stock.....	60
Fractional Shares.....	60
Material U.S. Federal Income Tax Consequences.....	60
Accounting Treatment.....	63
Effect of Debt Owed by a Limited Partner to Pioneer USA on Amount of Pioneer Parent Common Stock to be Received by the Limited Partner.....	63
Effect of Merger of Each Partnership on Limited Partners Who Do Not Vote in Favor of the Merger; No Appraisal or Dissenters' Rights.....	64
Future of Nonparticipating Partnerships.....	64
Nonmanaging General Partners of Some Partnerships.....	64
Third Party Offers.....	65
Merger Amendment.....	65
Termination of Registration and Reporting Requirements....	66
Elimination of a Fairness Opinion Requirement That Would Otherwise Benefit Pioneer USA.....	66
Payment of Expenses and Fees.....	67
THE MERGER AGREEMENT.....	68
Structure; Effective Time.....	68
Effect of the Merger of Each Partnership.....	68
Conduct of Business Prior to the Merger of Each Partnership.....	68
Other Agreements.....	68
Representations and Warranties of Pioneer Parent, Pioneer USA and Each Partnership.....	69
Conditions to the Merger of Each Partnership.....	69
Termination of the Merger Agreement and the Merger of Any Partnership.....	70
Amendments; Waivers.....	71

	PAGE
	----
THE SPECIAL MEETINGS.....	72
Time and Place; Purpose.....	72
Record Date; Voting Rights and Proxies.....	73
Revocation of Proxies.....	74
Solicitation of Proxies.....	74
Quorum.....	75
Required Vote; Broker Non-Votes.....	75
Participation by Assignees.....	75
Special Requirements for Some Limited Partners.....	76
Validity of Proxy Cards.....	76

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Local Laws.....	76
COMPARATIVE PER SHARE MARKET PRICE AND DIVIDEND INFORMATION.....	77
INTERESTS OF PIONEER PARENT, PIONEER USA AND THEIR DIRECTORS AND OFFICERS.....	78
Conflicting Duties of Pioneer USA, Individually and as General Partner.....	78
Pioneer USA's Employees Provide Services to the Partnerships.....	78
Financial Interests of Directors and Officers.....	78
The Partnerships Pay Operator Fees to Pioneer USA.....	78
OWNERSHIP OF PARTNERSHIP INTERESTS.....	79
TRANSACTIONS AMONG ANY PARTNERSHIP, PIONEER PARENT, PIONEER USA AND THEIR DIRECTORS AND OFFICERS.....	79
MANAGEMENT.....	81
Pioneer Parent.....	81
Pioneer USA.....	83
PIONEER PARENT.....	84
Key Projects to Increase Production.....	84
More Information.....	85
THE PARTNERSHIPS.....	86
General.....	86
The Drilling Partnerships.....	86
The Income Partnerships.....	87
COMPARISON OF RIGHTS OF STOCKHOLDERS AND PARTNERS.....	88
General.....	88
Summary Comparison of Terms of Shares of Pioneer Parent Common Stock and Partnership Interests.....	89
LEGAL MATTERS.....	96
INDEPENDENT AUDITORS AND INDEPENDENT PETROLEUM CONSULTANTS.....	96
COMMONLY USED OIL AND GAS TERMS.....	98
UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS.....	P-1

LIST OF APPENDICES

APPENDIX

-----

General Information Relating to Each Partnership.....	A
Table 1    Jurisdiction of Organization, Initial Subscription Price for Each Unit, Initial Investment by Limited Partners and Number of Limited Partners as of July 31, 2001	
Table 2    Merger Value Attributable to Pioneer USA, Nonmanaging General Partners and Limited Partners	
Table 3    Merger Value Attributable to Partnership Interests of Limited Partners Per \$1,000 Investment	
Table 4    Ownership Percentage and Merger Value Attributable to Nonmanaging General Partners Other Than Pioneer USA	
Table 5    Ownership Percentage and Merger Value Attributable to Pioneer USA in Its Capacities as General Partner, Nonmanaging General Partner and Limited Partner	
Table 6    Voting Percentage and Initial Investment Owned by Pioneer USA in Its Capacity as a Limited Partner as of July 31, 2001	

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Table 7	Historical Quarterly Partnership Distributions to the Limited Partners Per \$1,000 Investment from Inception through July 31, 2001	
Table 8	Annual Repurchase Prices and Aggregate Annual Repurchase Payments	
Table 9	Participation in Costs and Revenues of Each Partnership	
Table 10	Average Oil, Natural Gas Liquids and Gas Sales Prices and Production Costs for the Six Months Ended June 30, 2001 and 2000 and the Years Ended December 31, 2000, 1999 and 1998	
Table 11	Proved Reserves Attributable to Pioneer USA, Nonmanaging General Partners and Limited Partners as of December 31, 2000	
Table 12	Partnership Estimated Reserves Attributable to Pioneer USA, Nonmanaging General Partners and Limited Partners as of March 31, 2001	
Table 13	Oil, Natural Gas Liquids and Gas Production for the Six Months Ended June 30, 2001 and 2000 and the Years Ended December 31, 2000, 1999 and 1998	
Table 14	Productive Wells and Developed Acreage as of June 30, 2001	
Table 15	Recent Trades of Partnership Interests Per \$1,000 Investment for the Five Months Ended May 31, 2001 and the Years Ended December 31, 2000 and 1999	
Table 16	Reserve Value Attributable to Pioneer USA, Nonmanaging General Partners and Limited Partners as of March 31, 2001	
Summary Reserve Review of Williamson Petroleum Consultants, Inc. for the Partnerships as of March 31, 2001.....		B
Summary Reserve Report of Williamson Petroleum Consultants, Inc. for the Partnerships as of December 31, 2000.....		C
Fairness Opinion of Robert A. Stanger & Co., Inc. ....		D
The Merger Proposals.....		E
Form of Agreement and Plan of Merger.....		F

WE HAVE PREPARED A SEPARATE SUPPLEMENT TO THIS DOCUMENT FOR EACH PARTNERSHIP. EACH SUPPLEMENT INCLUDES:

- A TABLE CONTAINING:
  - THE AGGREGATE INITIAL INVESTMENT BY THE LIMITED PARTNERS
  - THE AGGREGATE HISTORICAL LIMITED PARTNER DISTRIBUTIONS THROUGH JULY 31, 2001

- THE MERGER VALUE ATTRIBUTABLE TO PARTNERSHIP INTERESTS OF LIMITED PARTNERS, EXCLUDING PIONEER USA
- THE MERGER VALUE PER \$1,000 LIMITED PARTNER INVESTMENT
- THE MERGER VALUE PER \$1,000 LIMITED PARTNER INVESTMENT AS A MULTIPLE OF DISTRIBUTIONS FOR THE PAST FOUR QUARTERLY DISTRIBUTIONS INCLUDING THE DISTRIBUTION IN JULY 2001
- THE BOOK VALUE PER \$1,000 LIMITED PARTNER INVESTMENT AS OF JUNE 30, 2001, AND AS OF DECEMBER 31, 2000
- THE GOING CONCERN VALUE PER \$1,000 LIMITED PARTNER INVESTMENT
- THE LIQUIDATION VALUE PER \$1,000 LIMITED PARTNER INVESTMENT
- THE ORDINARY TAX LOSS PER \$1,000 LIMITED PARTNER INVESTMENT IN YEAR OF INITIAL INVESTMENT
- INFORMATION ABOUT:
  - THE LEGAL OPINION FOR THE LIMITED PARTNERS
  - THE TERM OF THE PARTNERSHIP

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

- FOR EACH PARTNERSHIP THAT IS SUBJECT TO THE REPORTING REQUIREMENTS OF THE SECURITIES EXCHANGE ACT OF 1934, WHICH WE CALL A REPORTING PARTNERSHIP, THE PARTNERSHIP'S QUARTERLY REPORT ON FORM 10-Q, INCLUDING MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, FOR THE SIX MONTHS ENDED JUNE 30, 2001
  
- FOR EACH REPORTING PARTNERSHIP, THE PARTNERSHIP'S ANNUAL REPORT ON FORM 10-K, INCLUDING MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, FOR THE YEAR ENDED DECEMBER 31, 2000
  
- FOR EACH PARTNERSHIP THAT IS NOT SUBJECT TO THE REPORTING REQUIREMENTS OF THE SECURITIES EXCHANGE ACT OF 1934, WHICH WE CALL A NONREPORTING PARTNERSHIP, THE PARTNERSHIP'S FINANCIAL STATEMENTS, INCLUDING MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, FOR THE SIX MONTHS ENDED JUNE 30, 2001
  
- FOR EACH NONREPORTING PARTNERSHIP, THE PARTNERSHIP'S FINANCIAL STATEMENTS, INCLUDING MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, FOR THE YEAR ENDED DECEMBER 31, 2000
  
- SELECTED HISTORICAL FINANCIAL DATA FOR THE PARTNERSHIP FOR THE SIX MONTHS ENDED JUNE 30, 2001 AND 2000 AND THE FIVE YEARS ENDED DECEMBER 31, 2000

THE SUPPLEMENT CONSTITUTES AN INTEGRAL PART OF THIS DOCUMENT FOR EACH PARTNERSHIP. PLEASE CAREFULLY READ ALL OF THE SUPPLEMENTS FOR THE PARTNERSHIPS IN WHICH YOU ARE A LIMITED PARTNER.

v

14

### QUESTIONS AND ANSWERS ABOUT THE MERGER OF EACH PARTNERSHIP

Q: HOW DO I VOTE?

A: After reading this document, please fill out and sign your proxy card. Then mail your signed proxy card in the enclosed return envelope as soon as possible so that your partnership interests will be represented at the special meeting for each partnership in which you own an interest.

Q: WHAT HAPPENS IF I DO NOT RETURN A PROXY CARD?

A: The failure to return your proxy card will have the same effect as voting against the merger for each partnership in which you own an interest.

Q: MAY I VOTE IN PERSON?

A: Yes. You may attend the special meeting for each partnership in which you own an interest and vote your partnership interests in person, rather than signing and mailing your proxy card.

Q: MAY I CHANGE MY VOTE AFTER I HAVE MAILED MY SIGNED PROXY CARD?

A: Yes. You may revoke your vote at any time before your proxy is voted at the special meeting for each partnership in which you own an interest by following the instructions beginning on page 74. You then may either change



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

your vote by sending in a new proxy card or by attending the special meeting for each partnership in which you own an interest and voting in person.

Q: IF MY PARTNERSHIP INTERESTS ARE HELD IN A RETIREMENT ACCOUNT BY A CUSTODIAN, WILL MY CUSTODIAN VOTE MY PARTNERSHIP INTERESTS FOR ME?

A: Your custodian will not be able to vote your partnership interests. You should refer to the instructions included on your proxy card to vote your partnership interests.

Q: SHOULD I SEND IN MY CERTIFICATES FOR MY PARTNERSHIP INTERESTS NOW?

A: No. If the merger of a partnership in which you own an interest is completed, your certificates representing your partnership interests in that partnership will be cancelled without further action by you. We will mail certificates representing Pioneer Parent common stock issued to you on completion of the merger of that partnership.

Q: AM I ENTITLED TO APPRAISAL OR DISSENTERS' RIGHTS?

A: No. You will not have any appraisal or dissenters' rights in connection with the merger of any partnership in which you own an interest.

Q: WHAT HAPPENS TO MY FUTURE CASH DISTRIBUTIONS?

A: Since your partnership interests in participating partnerships will be cancelled upon completion of the merger of each such partnership, you will not receive any future distributions on those interests. Pioneer Parent's board of directors did not declare dividends to the holders of Pioneer Parent common stock during 1999, 2000 or the six months ended June 30, 2001. The amount of dividends, if any, paid by Pioneer Parent in the future will depend on business conditions, its financial condition and earnings, and other factors. Pioneer Parent's common stock is publicly traded, so if you prefer to receive cash you may sell the common stock you receive in the public markets.

Q: WHO CAN HELP ANSWER MY QUESTIONS?

A: If you have any questions about the merger of any of the partnerships in which you own an interest, please call Pioneer Parent's information agent, D.F. King & Co., Inc., at (XXX) XXX-XXXX.

vi

15

### SUMMARY

To understand the merger of each partnership in which you own an interest and to obtain a more detailed description of the legal terms of each merger, you should carefully read this entire document, the related partnership supplements, and the documents described in "Where You Can Find More Information" on the inside front cover page of this document. For definitions of oil and gas terms used in this document, see "Commonly Used Oil and Gas Terms" on page 98.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

When we use the terms "Pioneer USA," "we," "us" or "our," we are referring to your sole or managing general partner, Pioneer Natural Resources USA, Inc., including its consolidated subsidiaries and predecessors, unless the context otherwise requires. When we use the term "Pioneer Parent," we are referring to Pioneer Natural Resources Company. When we use the term "merger proposals," we are referring to the proposals to approve the merger agreement, the merger amendment, the selection of special legal counsel for the limited partners and the legal opinion of that counsel. When we use the term "participating partnership," we are referring to each partnership the limited partners of which approve the merger proposals.

### THE MERGERS

Pioneer Parent proposes to acquire each partnership by merging each partnership into us. We will be the survivor of each merger. The partnership interests of each participating partnership, other than our interests, will be converted into Pioneer Parent common stock.

The number of shares of common stock that Pioneer Parent will offer for all partnership interests of a participating partnership will be based on (1) the merger value for the partnership as described below and (2) the average closing price of the Pioneer Parent common stock, as reported by the New York Stock Exchange, for the ten trading days ending three business days before the initial date scheduled for the special meeting for the partnership. Pioneer Parent and Pioneer USA determined the merger value for each partnership primarily based on the present value of estimated future net revenues from the partnership's estimated oil and gas reserves at March 31, 2001, which was reviewed by Williamson Petroleum Consultants, Inc. as of March 31, 2001. Pioneer Parent and Pioneer USA used the following parameters in calculating the present value of estimated future net revenues: (1) a five-year New York Mercantile Exchange, or NYMEX, futures price for oil and gas as of March 30, 2001, with prices held constant after year five at the year-five price, less standard industry adjustments, (2) historical operating costs adjusted only for those items affected by commodity prices, such as production taxes and ad valorem taxes, and (3) a 10.0% discount rate. For 2001, the oil and gas prices were based on the average NYMEX futures price for the nine-month period beginning on April 1, 2001 and ending December 31, 2001. See the table on page 7 for the NYMEX futures prices. See "Method of Determining Merger Value For Each Partnership and Amount of Pioneer Parent Common Stock Offered -- Components of Merger Value For Each Partnership" on page 55 of this document for information on the basis of pricing. In addition, each partnership's merger value includes its net working capital as of March 31, 2001, less its pro rata share, based on its reserve value, of the estimated expenses and fees of the mergers of all of the partnerships and less the cash distribution mailed on July 13, 2001, by the partnership to its partners. The Pioneer Parent common stock will be allocated among the partners of a participating partnership based on the liquidation provisions of the partnership agreement of the partnership.

On pages 5 and 6 of this document is a table that shows important information about each partnership, including the amount of Pioneer Parent common stock that will be offered in the merger for each \$1,000 of initial investment for that partnership. For purposes of illustration in this document, we have calculated the number of shares to be issued based on an assumed average closing price of \$18.00 per share of Pioneer Parent common stock. Prior to the date of the special meeting for each partnership, we will update the number of shares to be issued using the actual average closing price of Pioneer Parent common stock for the ten trading days ending three business days before the initial date of the special meeting. You may call D. F. King & Co., Inc. after , 2001 at 1-800-XXX-XXXX to learn the final number of shares

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

you will receive.

1

16

Pioneer Parent and Pioneer USA agreed to structure the transaction as a merger of each partnership instead of as a property sale followed by liquidation of each partnership because the merger will:

- require fewer legal documents;
- reduce filing fees and other costs; and
- result in the same amount of Pioneer Parent common stock to the limited partners as would a property sale and liquidation using the same commodity prices.

Pioneer Parent and Pioneer USA expect to sign the merger agreement as soon as the Securities and Exchange Commission declares effective under the Securities Act of 1933 the registration statement that includes this document. However, if the oil and gas commodity prices materially increase or decrease from the prices used in calculating the merger value for any partnership, Pioneer Parent or Pioneer USA might abandon the proposed merger of the partnership before submitting the merger proposals to the limited partners for approval. In addition, Pioneer Parent may abandon the proposed merger of any or all of the partnerships at any time prior to the special meeting for any such partnership for any reason including changes in, among other things, the price of Pioneer Parent common stock, the market prices for oil and gas generally or the oil and gas industry generally.

### THE COMPANIES

#### PIONEER NATURAL RESOURCES COMPANY

5205 North O'Connor Blvd., Suite 1400

Irving, Texas 75039  
(972) 444-9001

Pioneer Parent is a large, independent exploration and production company with total proved reserves equivalent to 3.8 trillion cubic feet of natural gas, or 628 million barrels of oil. Pioneer Parent's proved reserves are balanced equally between natural gas and oil, and Pioneer Parent has a reserves-to-production ratio of 14 years. Sixty-seven percent of Pioneer Parent's proved reserves are in three U.S. areas: the Hugoton gas field, the West Panhandle gas field, and the Spraberry oil and natural gas field. Pioneer Parent also has properties in East Texas, the Gulf Coast, and the offshore Gulf of Mexico as well as in Argentina, Canada, South Africa, and Gabon. Pioneer Parent seeks to increase net asset value and production by combining lower risk development drilling with higher-risk exploration activity.

Pioneer Parent's common stock is traded on the New York Stock Exchange and the Toronto Stock Exchange under the symbol "PXD." Pioneer Parent prepared this document to offer its common stock to you. See "Pioneer Parent" on page 84 of this document for more information about Pioneer Parent.

Pioneer Parent files annual, quarterly and special reports, proxy statements and other information with the Securities and Exchange Commission. Those SEC filings are available to you in the same manner as each reporting

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

partnership's information. See "Where You Can Find More Information" on the inside front cover page of this document.

PIONEER NATURAL RESOURCES USA, INC.

5205 North O'Connor Blvd., Suite 1400

Irving, Texas 75039  
(972) 444-9001

We prepared this document to solicit your proxy. We are a 100% owned subsidiary of Pioneer Parent. We directly own almost all of Pioneer Parent's United States oil and gas properties.

THE PARTNERSHIPS  
c/o Pioneer Natural Resources USA, Inc.

5205 North O'Connor Blvd., Suite 1400

Irving, Texas 75039  
(972) 444-9001

The name of each partnership is found in the table beginning on page 5. Each partnership produces and sells oil and gas. Each partnership was formed to provide the general and limited partners cash flow from operations and, except for Parker & Parsley Producing Properties 87-A, Ltd., Parker & Parsley Producing Properties 87-B, Ltd. and Parker & Parsley Producing Properties 88-A, L.P., a one time deduction for intangible drilling and development costs. See the supplement to this document for each of your partnerships for specific information about the partnership, including the merger value as a

2

17

multiple of distributions for the past four quarterly distributions including the distribution in July 2001. As a result of each partnership's oil and gas operations, each partnership distributes cash to the limited and general partners from the partnership's net cash flows. These distributions are made quarterly, unless sufficient cash is not available.

The partnerships' properties consist of interests in approximately 1,100 oil and gas wells that are located primarily in the Spraberry field of the Permian Basin of West Texas. We operate approximately 92% of the partnerships' wells. At December 31, 2000, the partnerships' combined total proved reserves were 33.6 million barrels of oil equivalent, or MMBOE, consisting of 27.3 million barrels, or MMBbls, of oil and natural gas liquids and 37.6 billion cubic feet, or Bcf, of natural gas. Approximately 93% of the reserves are attributable to the limited partners' partnership interests, excluding partnership interests we directly own. Approximately 81% of the total proved reserves attributable to the properties are oil and liquids, and 19% are natural gas, based on six Mcf of gas being equivalent to one Bbl of oil. See "The Partnerships" on page 86 of this document for more information about the partnerships.

### RISK FACTORS

You should carefully consider the risks relating to the merger of each partnership in which you own an interest described in "Risk Factors" beginning

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

on page 22 of this document. These include:

- The merger value for the partnership determines the amount of Pioneer Parent common stock you will receive in the merger of the partnership. Pioneer Parent and Pioneer USA determined each merger value and will not adjust it for changes in partnership value before the merger is completed.
- You were not independently represented in establishing the terms of any merger.
- Our board of directors had conflicting interests in evaluating each merger because each member of our board of directors is also an officer of Pioneer Parent.
- Repurchase offers in 2001 by each of the six partnerships with a repurchase obligation were higher than the merger value for the partnership.
- Limited partners who become Pioneer Parent stockholders will own stock in a corporation rather than a limited partnership interest in a limited partnership, resulting in a fundamental change in the nature of their investments.

### SUMMARY TABLE -- MERGER VALUE AND AMOUNT OF INITIAL LIMITED PARTNER INVESTMENT REPAID

The table on pages 5 and 6 contains the following summary information for each partnership:

- the merger value attributable to:
  - Pioneer USA's partnership interests, whether general or limited;
  - the partnership interests of the unaffiliated limited partners of the nonmanaging general partner, if any, of each partnership;
  - the limited partners' partnership interests, including the estimated number of shares of Pioneer Parent common stock offered to the limited partners other than Pioneer USA;
- for each \$1,000 initial limited partner investment in the partnership:
  - the estimated number of shares of Pioneer Parent common stock offered;
  - the merger value;
  - the total historical cash distributions through July 31, 2001; and
  - the total amount of initial investment by the limited partners that has been repaid, after giving effect to the merger of the partnership, stated in dollars and as a percentage; and
- the reserve value attributable to the limited partners other than Pioneer USA per barrel of oil equivalent, or BOE.

This information is based on assumptions, including the following:

- Pioneer Parent and Pioneer USA estimated the present value of estimated future net revenues for each partnership from the estimated reserves for each partnership at March 31, 2001.
  
- Pioneer Parent and Pioneer USA used the following parameters in calculating the present value of estimated future net revenues: (1) a five-year NYMEX futures price for oil and gas as of March 30, 2001, with prices held constant after year five at the year-five price, less standard industry adjustments, (2) historical operating costs adjusted only for those items affected by commodity prices, such as production taxes and ad valorem taxes, and (3) a discount rate of 10.0%.
  
- Williamson Petroleum Consultants, Inc. reviewed these estimates of each partnership's reserves as of March 31, 2001. Williamson's review included testing and evaluating the reserve information for all of the properties of each partnership. The review is more comprehensive than an audit, which involves testing and evaluating the reserve information of a representative subgroup of properties of each partnership.

See "Method of Determining Merger Value for Each Partnership and Amount of Pioneer Parent Common Stock Offered -- Components of Merger Value for Each Partnership."

You should read the following table together with the detailed information in Table 2 and Table 3 of Appendix A to this document, including the footnotes to those tables. For purposes of illustration in this document, we have calculated the number of shares to be issued based on an assumed average closing price of \$18.00 per share of Pioneer Parent common stock. Prior to the date of the special meeting for each partnership, we will update the number of shares to be issued using the actual average closing price of Pioneer Parent common stock for the ten trading days ending three business days before the initial date scheduled for the special meeting.

Interests in some partnerships were sold in units at prices other than \$1,000. We have presented this information based on a \$1,000 initial investment for ease of use and comparison among partnerships. You should not assume that the amount shown per \$1,000 investment is the same as the value or amount attributable to a single unit investment. See Table 1 of Appendix A to this document for the initial subscription price for each unit.

SUMMARY TABLE -- MERGER VALUE AND AMOUNT OF INITIAL LIMITED PARTNER INVESTMENT  
REPAID

MERGER VALUE

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	PIONEER USA	NONMANAGING GENERAL PARTNERS	LIMITED PARTNERS	
			MERGER VALUE	ESTIMATED NUMBER OF SHARES OF PIONEER COMMON STOCK OFFERED (A)
Parker & Parsley 81-I, Ltd. ....	\$ 235,285	\$ 16,888	\$ 653,690	36,317
Parker & Parsley 81-II, Ltd. ....	160,791	6,535	526,536	29,252
Parker & Parsley 82-I, Ltd. ....	410,553	13,871	868,381	48,244
Parker & Parsley 82-II, Ltd. ....	433,854	13,187	1,210,097	67,228
Parker & Parsley 82-III, Ltd. ...	305,910	9,927	787,628	43,758
Parker & Parsley 83-A, Ltd. ....	962,385	37,202	2,660,522	147,807
Parker & Parsley 83-B, Ltd. ....	1,310,513	49,882	3,564,642	198,036
Parker & Parsley 84-A, Ltd. ....	1,313,732	55,855	3,741,823	207,880
Parker & Parsley 85-A, Ltd. ....	39,179	--	1,299,886	72,216
Parker & Parsley 85-B, Ltd. ....	20,208	--	1,155,472	64,193
Parker & Parsley Private Investment 85-A, Ltd. ....	47,872	--	1,370,151	76,120
Parker & Parsley Selected 85 Private Investment, Ltd. ....	28,332	--	1,025,397	56,967
Parker & Parsley 86-A, Ltd. ....	23,353	--	1,716,778	95,377
Parker & Parsley 86-B, Ltd. ....	69,533	--	3,934,914	218,607
Parker & Parsley 86-C, Ltd. ....	42,190	--	3,184,609	176,923
Parker & Parsley Private Investment 86, Ltd. ....	13,416	--	1,328,134	73,786
Parker & Parsley 87-A Conv., Ltd. ....	14,805	--	764,998	42,500
Parker & Parsley 87-A, Ltd. ....	92,985	--	5,713,729	317,430
Parker & Parsley 87-B Conv., Ltd. ....	12,399	--	1,019,742	56,653
Parker & Parsley 87-B, Ltd. ....	51,532	--	4,166,286	231,461
Parker & Parsley Producing Properties 87-A, Ltd. ....	35,395	--	2,589,227	143,846
Parker & Parsley Producing Properties 87-B, Ltd. ....	61,106	--	2,296,689	127,594
Parker & Parsley Private Investment 87, Ltd. ....	26,261	--	2,599,862	144,437
Parker & Parsley 88-A Conv., L.P. ....	21,776	--	922,941	51,275
Parker & Parsley 88-A, L.P. ....	75,042	--	3,153,865	175,215
Parker & Parsley 88-B Conv., L.P. ....	19,347	--	1,233,237	68,514
Parker & Parsley 88-B, L.P. ....	62,940	--	3,023,397	167,967

PER \$1,000 INITIAL LIMITED PARTNER INVESTMENT

	ESTIMATED NUMBER OF SHARES OF PIONEER COMMON STOCK OFFERED (A)	MERGER VALUE	DISTRIBUTIONS FROM INCEPTION THROUGH JULY 31, 2001	AMOUNT OF INITIAL INVESTMENT REPAYED	
				\$	%
Parker & Parsley 81-I, Ltd. ....	5.21	\$ 93.68	\$ 657.13	\$ 750.81	75.0

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Parker & Parsley 81-II, Ltd. ....	4.57	82.20	841.87	924.07	92.4
Parker & Parsley 82-I, Ltd. ....	4.63	83.32	985.93	1,069.25	106.9
Parker & Parsley 82-II, Ltd. ....	5.74	103.27	1,141.98	1,245.25	124.5
Parker & Parsley 82-III, Ltd. ...	6.76	121.71	985.34	1,107.05	110.7
Parker & Parsley 83-A, Ltd. ....	7.90	142.17	1,328.26	1,470.43	147.0
Parker & Parsley 83-B, Ltd. ....	8.88	159.87	1,532.16	1,692.03	169.2
Parker & Parsley 84-A, Ltd. ....	11.06	199.06	1,471.45	1,670.51	167.0
Parker & Parsley 85-A, Ltd. ....	7.66	137.90	757.31	895.21	89.5
Parker & Parsley 85-B, Ltd. ....	8.09	145.71	954.81	1,100.52	110.0
Parker & Parsley Private					
Investment 85-A, Ltd. ....	15.60	280.77	1,131.64	1,412.41	141.2
Parker & Parsley Selected 85					
Private Investment, Ltd. ....	12.36	222.43	967.15	1,189.58	118.9
Parker & Parsley 86-A, Ltd. ....	9.45	170.04	1,369.16	1,539.20	153.9
Parker & Parsley 86-B, Ltd. ....	12.80	230.38	1,575.72	1,806.10	180.6
Parker & Parsley 86-C, Ltd. ....	9.19	165.38	1,486.92	1,652.30	165.2
Parker & Parsley Private					
Investment 86, Ltd. ....	15.00	269.95	1,634.33	1,904.28	190.4
Parker & Parsley 87-A Conv.,					
Ltd. ....	11.12	200.21	1,332.03	1,532.24	153.2
Parker & Parsley 87-A, Ltd. ....	11.08	199.53	1,332.10	1,531.63	153.1
Parker & Parsley 87-B Conv.,					
Ltd. ....	11.54	207.73	1,251.46	1,459.19	145.9
Parker & Parsley 87-B, Ltd. ....	11.55	207.86	1,251.53	1,459.39	145.9
Parker & Parsley Producing					
Properties 87-A, Ltd. ....	11.82	212.75	1,000.38	1,213.13	121.3
Parker & Parsley Producing					
Properties 87-B, Ltd. ....	21.27	382.94	1,127.05	1,509.99	151.0
Parker & Parsley Private					
Investment 87, Ltd. ....	13.78	248.07	1,575.74	1,823.81	182.3
Parker & Parsley 88-A Conv.,					
L.P. ....	13.70	246.58	1,120.44	1,367.02	136.7
Parker & Parsley 88-A, L.P. ....	13.73	247.13	1,120.54	1,367.67	136.7
Parker & Parsley 88-B Conv.,					
L.P. ....	18.95	341.05	1,129.70	1,470.75	147.0
Parker & Parsley 88-B, L.P. ....	18.96	341.24	1,129.74	1,470.98	147.1

-5-

20

MERGER VALUE

	PIONEER USA	NONMANAGING GENERAL PARTNERS	LIMITED PARTNERS	
			MERGER VALUE	ESTIMATED NUMBER OF SHARES OF PIONEER COMMON STOCK OFFERED (A)
Parker & Parsley 88-C Conv.,				
L.P. ....	\$ 13,021	--	\$ 996,208	55,345
Parker & Parsley 88-C, L.P. ....	8,602	--	706,056	39,226
Parker & Parsley Producing				
Properties 88-A, L.P. ....	35,259	--	2,053,405	114,079
Parker & Parsley Private				



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Investment 88, L.P.....	35,389	--	3,503,510	194,640
Parker & Parsley 89-A Conv., L.P.....	9,382	--	928,839	51,603
Parker & Parsley 89-A, L.P.....	62,877	--	2,731,848	151,770
Parker & Parsley 89-B Conv., L.P.....	23,451	--	1,761,305	97,851
Parker & Parsley 89-B, L.P.....	39,784	--	1,924,144	106,897
Parker & Parsley Private Investment 89, L.P.....	31,687	--	1,998,362	111,021
Parker & Parsley 90-A Conv., L.P.....	9,413	--	583,543	32,420
Parker & Parsley 90-A, L.P.....	53,832	--	1,662,363	92,354
Parker & Parsley 90-B Conv., L.P.....	54,557	--	3,220,716	178,929
Parker & Parsley 90-B, L.P.....	111,674	--	8,788,939	488,275
Parker & Parsley 90-C Conv., L.P.....	26,279	--	1,858,388	103,244
Parker & Parsley 90-C, L.P.....	36,882	--	2,984,323	165,796
Parker & Parsley Private Investment 90, L.P.....	52,606	--	3,360,078	186,671
Parker & Parsley 90 Spraberry Private Dev., L.P.....	16,330	--	1,616,696	89,817
Parker & Parsley 91-A, L.P.....	65,445	--	4,665,291	259,183
Parker & Parsley 91-B, L.P.....	55,026	--	5,002,516	277,918
	-----	-----	-----	-----
	\$6,632,190	\$203,347	\$106,859,163	5,936,642
	=====	=====	=====	=====

PER \$1,000 INITIAL LIMITED PARTNER INVESTMENT

	ESTIMATED NUMBER OF SHARES OF PIONEER COMMON STOCK OFFERED (A)	MERGER VALUE	DISTRIBUTIONS FROM INCEPTION THROUGH JULY 31, 2001	AMOUNT OF INITIAL INVESTMENT REPAYED	
				\$	%
Parker & Parsley 88-C Conv., L.P.....	16.27	\$ 292.92	\$ 1,052.80	\$ 1,345.72	134.5
Parker & Parsley 88-C, L.P.....	16.17	291.04	1,052.39	1,343.43	134.3
Parker & Parsley Producing Properties 88-A, L.P.....	20.47	368.52	1,234.73	1,603.25	160.3
Parker & Parsley Private Investment 88, L.P.....	19.54	351.76	1,185.95	1,537.71	153.7
Parker & Parsley 89-A Conv., L.P.....	18.45	332.08	1,070.24	1,402.32	140.2
Parker & Parsley 89-A, L.P.....	18.48	332.67	1,070.30	1,402.97	140.3
Parker & Parsley 89-B Conv., L.P.....	15.56	280.15	931.42	1,211.57	121.1
Parker & Parsley 89-B, L.P.....	15.54	279.80	931.43	1,211.23	121.1
Parker & Parsley Private Investment 89, L.P.....	15.81	284.67	800.47	1,085.14	108.5
Parker & Parsley 90-A Conv., L.P.....	13.83	248.84	909.70	1,158.54	115.8
Parker & Parsley 90-A, L.P.....	13.86	249.45	909.76	1,159.21	115.9
Parker & Parsley 90-B Conv., L.P.....	15.14	272.55	736.72	1,009.27	100.9
Parker & Parsley 90-B, L.P.....	15.17	273.11	736.80	1,009.91	100.9
Parker & Parsley 90-C Conv.,					

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

L.P.....	13.76	247.75	657.33	905.08	90.5
Parker & Parsley 90-C, L.P.....	13.72	247.05	657.33	904.38	90.4
Parker & Parsley Private Investment 90, L.P.....	17.11	307.98	823.21	1,131.19	113.1
Parker & Parsley 90 Spraberry Private Dev., L.P.....	17.27	310.90	760.35	1,071.25	107.1
Parker & Parsley 91-A, L.P.....	22.39	403.05	854.43	1,257.48	125.7
Parker & Parsley 91-B, L.P.....	24.73	445.11	737.60	1,182.71	118.2
	-----	-----	-----	-----	

(a) For purposes of illustration in this document, the number of shares of Pioneer common stock offered is based upon an assumed average closing price of \$18.00 per share of Pioneer common stock.

-6-

21

NYMEX FUTURES PRICES

The following table shows the NYMEX futures prices for oil and gas as of March 30, 2001, which Pioneer Parent and Pioneer USA used in the calculation of the reserve value portion of the merger value for each partnership:

DATE	OILS (\$/BBL)	GAS (\$/MCF) (1)
----	-----	-----
April - December 2001.....	26.17	5.18
2002.....	24.36	4.61
2003.....	22.83	4.16
2004.....	22.31	4.09
2005.....	21.97	4.12
Thereafter.....	21.97	4.12

(1) The NYMEX price for gas is quoted in dollars per million British thermal units, or MMBTU. We converted those prices to dollars per thousand cubic feet, or Mcf.

The reserve value portion of the merger value for each partnership was calculated using a 10.0% discount rate.

EXAMPLE CALCULATION OF MERGER VALUE FOR PARKER & PARSLEY 81-I, LTD.

Merger value for limited partners:

Reserve value (Table 16 of Appendix A to this document).....	(1)	\$ 652,136
Plus working capital value.....	(2)	65,041

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Less estimated merger expenses and fees.....	(3)	(11,675)	
Less July 2001 distribution.....	(4)	(51,812)	
		-----	
Merger value (page 5 of this document and Table 2 of Appendix A to this document).....	(5)	\$ 653,690	
		=====	
Initial investment:			
Initial investment by limited partners (Table 1 of Appendix A to this document).....		\$7,410,000	
Less initial investment by Pioneer USA (Table 6 of Appendix A to this document).....		433,000	
		-----	
Initial investment without Pioneer USA.....		\$6,977,000	
		=====	
Number of per \$1,000 limited partner investments:...	(6)	6,977	
		=====	
Per \$1,000 limited partner investment as set forth in Table 3 of Appendix A to this document:			
Reserve value.....		\$ 93.46	(1) divided by (6)
Working capital value.....		9.32	(2) divided by (6)
Less estimated merger expenses and fees.....		(1.67)	(3) divided by (6)
Less July 2001 distribution.....		(7.43)	(4) divided by (6)
		-----	
Merger value.....		\$ 93.68	
		=====	
Aggregate number of shares of Pioneer Parent common stock offered to limited partners of the partnership before rounding.....		36,316.11	(5) divided by \$18.00
		=====	
Aggregate number of shares of Pioneer Parent common stock offered to limited partners of the partnership rounded up to the nearest whole share.....	(7)	36,317	
		=====	
Number of shares of Pioneer Parent common stock offered per \$1,000 limited partner investment.....		5.21	(7) divided by (6)
		=====	

For purposes of illustration in this calculation, we have calculated the estimated number of shares offered based on an assumed average closing price of \$18.00 per share of Pioneer Parent common stock. You may call D.F. King & Co., Inc., after \_\_\_\_\_, 2001, at 1-800-XXX-XXXX to learn the final number of shares you will receive.

### BENEFITS AND DISADVANTAGES TO THE LIMITED PARTNERS

We believe the merger of each partnership provides the following benefits to the limited partners of the partnership:

**Liquidity.** None of the partnership interests of any of the partnerships is traded on a national stock exchange or in any other significant market. No liquid market exists for interests in any of the partnerships. Although some partnership interests are occasionally sold in private or an informal secondary

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

market for limited partner securities, we believe the potential buyers in such transactions are few and the prices generally reflect a significant discount for illiquidity. See Table 15 of Appendix A for historical information about recent trades of partnership interests in each partnership. Repurchase obligations exist in only a few of the partnerships and are limited in both amount and price by formula in the partnership agreements. See Table 8 of Appendix A for repurchase information.

The merger of each partnership provides liquidity to the limited partners of that partnership at a price based on oil and gas reserve values, not on limited market demand for illiquid partnership interests. All limited partners of a participating partnership will receive Pioneer Parent common stock in exchange for their partnership interests shortly after completion of the merger of the partnership. Shares of Pioneer Parent common stock are freely transferable and listed on the New York Stock Exchange and the Toronto Stock Exchange. On April 16, 2001, the last full trading day prior to the announcement of the proposed merger of each partnership, the last reported sales price of Pioneer Parent common stock, as reported by the New York Stock Exchange, was \$17.27. On August 21, 2001, that price was \$18.21 per share.

Oil and Gas Investment Vehicle. For those limited partners who do not wish to liquidate their investment into cash but wish to remain invested in the oil and gas industry, we believe Pioneer Parent's common stock provides an attractive oil and gas investment vehicle because:

- Expansion and Balancing of Reserves. The limited partners will have the opportunity to benefit from Pioneer Parent's efforts (1) to expand its reserve base through acquisitions and development or exploratory drilling, and (2) to maintain a strategic balance between oil and natural gas reserves. At December 31, 2000, Pioneer Parent's reserve mix was 50% oil and NGLs and 50% natural gas compared to the combined partnerships' reserve mix of 81% oil and NGLs and 19% natural gas at such date.
- Geographic Diversification and Large Oil and Gas Reserve Base. Pioneer Parent's oil and gas reserves are substantially larger and more geographically diversified than the properties of any partnership individually. This increased size and the resulting consolidation of operations spread the risk of an investment in Pioneer Parent over a broader group of assets and reduces the dependence of the investment upon the performance of any particular asset or group of assets, such as assets in the same geographical area.

Liquidation Value. The merger value for each partnership is based on the value of the underlying properties, which we believe is essentially the same value or a higher value than could be achieved by selling the partnership's property interests and liquidating the partnership at that time. In addition, we believe that the value of Pioneer Parent common stock to be distributed to each limited partner in the merger of each partnership is higher than what the limited partners would otherwise receive over the life of the partnership, assuming the same oil and gas commodity prices and operating costs as used to determine the reserve value for each partnership and giving effect to the time value of money, for the following reasons:

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

- The partnership agreement for each partnership requires cash distributions to be reduced by general and administrative expenses allocable to the partnership. The merger value for each partnership reflects a liquidation value that has not been reduced for general and administrative expenses.
- The merger value for each partnership is based primarily upon the reserve value for the partnership, which was determined using recent NYMEX futures oil and gas prices that are, on average, higher than historical oil and gas prices. It is likely that actual oil and gas prices will vary often and possibly widely, as has been demonstrated historically, from the prices used

8

23

to prepare these estimates. Although future oil and gas prices could be higher than the prices on March 30, 2001 which were used in calculating the merger value for each partnership, using a fixed date for determining the merger value for each partnership eliminates the potential loss in value that could occur if oil and gas prices decline.

Acceleration of Realization of Value. Pioneer Parent's common stock provides the limited partners of each participating partnership with liquidity earlier than if the limited partners remain in the partnership and receive the expected ordinary cash distributions from oil and gas production. Because each partnership's properties are mature producing properties, we believe that production from those properties will continue to decline at the rate predicted in the partnership's oil and gas engineering reserve reports. Accordingly, cash distributions from each partnership are also expected to decline, subject to variation for changes in oil and gas prices.

Elimination of Partnership Tax Reports. The merger of each participating partnership will eliminate the limited partners' Schedule K-1 tax reports for the partnership for tax years after the merger occurs. This is expected to simplify the limited partners' individual tax return preparation and reduce preparation costs.

We also considered the following disadvantages of the merger of each partnership:

- Limited partners of each partnership will own stock in a corporation, which is a different investment objective from investing in a partnership designed to generate recurring cash distributions.
- Limited partners who become Pioneer Parent stockholders will no longer receive partnership cash distributions.
- Pioneer Parent will engage in the acquisition, exploration and development of new oil and gas properties that will expose limited partners of each partnership to all of the attendant risks associated with such activities. Each partnership owns producing properties and does not conduct drilling activities. Pioneer Parent's activities may, therefore, involve greater risks than the activities of each partnership.
- Increases in prices for oil and gas may have a more direct effect on limited partners of each partnership due to the immediate effect on potential cash distributions.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

- Limited partners who become Pioneer Parent stockholders will be subject to the volatility of the market value of Pioneer Parent common stock. Market factors that may affect the common stock price will include factors other than those that affect the value of a limited partner's interest in a partnership, such as general market conditions. Accordingly, the price for which a limited partner may be able to sell the Pioneer Parent common stock received in the merger may be lower than the value used to determine the number of shares issued in the merger.
- Limited partners who become Pioneer Parent stockholders may have to recognize a taxable gain on the transaction.
- Limited partners of each participating partnership will pay their pro rata share of the expenses and fees to be incurred in connection with the merger of each partnership.

### FRACTIONAL SHARES

Pioneer Parent will not issue fractional shares to any limited partner upon completion of the merger of any partnership. Instead, Pioneer Parent will round any fractional shares of Pioneer Parent common stock up to the nearest whole share.

### RECOMMENDATION TO LIMITED PARTNERS

(SEE PAGE 41)

On August 20, 2001, our board of directors unanimously determined that the merger of each partnership in which you own an interest is advisable, fair to you, as an unaffiliated limited partner, and in your best interests. Our board recommends that you, as an unaffiliated limited partner, vote for the merger proposals for each partnership in which you own an interest. Although our board of directors has attempted to fulfill its fiduciary duties to you, our board of directors had conflicting interests in evaluating each merger because each member of our board of directors is also an officer of Pioneer Parent.

9

24

### FAIRNESS

In deciding to approve the merger of each partnership on August 20, 2001, our board of directors decided that each merger of a partnership in which you own an interest is advisable, fair to you as an unaffiliated limited partner, and in your best interests based on a variety of factors. These factors include:

- the form and amount of consideration offered to you;
- the comparison of the amount of Pioneer Parent common stock offered in each merger to the future cash distributions otherwise expected as oil and gas production continues to decline and general and administrative expenses

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

continue to be incurred;

- the elimination after the merger of each participating partnership of its limited partners' tax preparation costs relating to partnership tax information;
- the belief that the price offered by Pioneer Parent is a competitive price because of:
  - the commodity pricing used in determining the merger value for each partnership;
  - Pioneer USA's position as operator of most of each partnership's wells; and
  - Pioneer USA's significant ownership of nearby properties;
- the fairness opinion from Stanger.

### FAIRNESS OPINION OF FINANCIAL ADVISOR

(SEE PAGE 41)

Stanger has issued a fairness opinion dated August 20, 2001, that, subject to the qualifications expressed in the opinion, the merger value for each partnership and the allocation of the merger value of the partnership (1) to the limited partners of the partnership as a group, (2) to the general partners of the partnership as a group, (3) to Pioneer USA as the managing or sole general partner of the partnership, (4) to the unaffiliated limited partners of the partnership as a group and (5) to the unaffiliated limited partners of the nonmanaging general partner, if any, of the partnership as a group, is fair to the unaffiliated limited partners of the partnership and the unaffiliated limited partners of the nonmanaging general partner, if any, of the partnership, from a financial point of view. The full text of the form of written opinion of Stanger is attached to this document as Appendix D. You should read all of it carefully. THE OPINION OF STANGER IS DIRECTED TO OUR BOARD OF DIRECTORS. IT IS NOT A RECOMMENDATION TO YOU ABOUT HOW YOU SHOULD VOTE ON MATTERS RELATING TO THE PROPOSED MERGER OF ANY PARTNERSHIP IN WHICH YOU OWN AN INTEREST.

### MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES

(SEE PAGE 60)

You will generally recognize gain or loss equal to the difference between (1) the value of the Pioneer Parent common stock you receive in the merger of each partnership in which you own interests and (2) your adjusted tax basis in your partnership interests in that participating partnership. Your gain or loss will be capital or ordinary depending on the nature of the assets held by each participating partnership in which you own an interest and the amount of depletion and intangible drilling and development costs that must be recaptured. You must calculate your ordinary and capital gain or loss separately for each partnership in which you own an interest.

TAX MATTERS ARE VERY COMPLICATED. THE TAX CONSEQUENCES TO YOU OF EACH MERGER OF A PARTNERSHIP IN WHICH YOU OWN AN INTEREST WILL DEPEND ON THE FACTS OF

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

YOUR OWN SITUATION. WE URGE YOU TO SEEK TAX ADVICE FOR A FULL UNDERSTANDING OF THE PARTICULAR TAX CONSEQUENCES OF EACH MERGER TO YOU.

### CERTIFICATION OF NON-FOREIGN STATUS

YOUR CERTIFICATE THAT YOU ARE NOT A FOREIGN PERSON, WHICH WE CALL A CERTIFICATION OF NON-FOREIGN STATUS, IS IMPORTANT. Whether or not you plan to vote on the merger of each partnership in which you own an interest, please take the time to complete and return to us the enclosed certification of non-foreign status. If we receive a properly completed certification of non-foreign status from you, we will not withhold federal income taxes on the Pioneer Parent common stock to be issued to you upon the merger of each partnership in which you own an interest.

10

25

If we, on behalf of a partnership, are required to withhold federal income taxes from the Pioneer Parent common stock to be issued to you upon the merger of each partnership in which you own an interest, we will be entitled to deduct and withhold such taxes from the Pioneer Parent common stock otherwise payable to you. If amounts are withheld, we may, in our sole discretion:

- sell any Pioneer Parent common stock withheld from you and use the sale proceeds to pay the required withholding taxes;
- hold any Pioneer Parent common stock withheld from you as security until you satisfy the required withholding taxes, at which time the withheld Pioneer Parent common stock will be released to you; or
- take such other reasonable action, at your expense, as is required or appropriate to satisfy the required withholding taxes.

Any amounts withheld as described above will be treated as having been paid to you.

### RECORD DATE; VOTING POWER

You may vote at the special meeting for each partnership in which you own an interest if you owned partnership interests of record as of the close of business on \_\_\_\_\_, 2001. We call this date the record date. For each partnership in which you own a partnership interest, you may cast one vote representing your percentage of partnership interests in that partnership. The percentage of partnership interests that you own is determined by comparing the amount of:

- your, or your predecessor's, initial investment, including any additional assessments, in the partnership; to
- the total investment of all partners, including any additional assessments, in the partnership.

YOUR VOTE IS IMPORTANT. Whether or not you plan to attend the special meeting for each partnership in which you own an interest, please take the time to vote by completing and mailing to us the enclosed proxy card. This will not prevent you from revoking your proxy at any time prior to the special meeting for each partnership in which you own an interest or from voting your



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

partnership interests in person if you later choose to attend the special meeting for each partnership in which you own an interest.

### PARTNER VOTE REQUIRED TO APPROVE THE MERGERS

The favorable vote of the holders of a majority of the limited partnership interests in a partnership is required to approve the merger proposals for that partnership, except that Parker & Parsley 91-A, L.P. and Parker & Parsley 91-B, L.P. each require the favorable vote of the holders, other than Pioneer USA, of 66 2/3% of its limited partnership interests to approve the merger proposals.

We are generally entitled under the partnership agreements to vote partnership interests we hold as limited partners at the special meeting for each partnership in which we hold an interest. See "The Special Meetings -- Record Date; Voting Rights and Proxies" on page 73 of this document. We plan to vote all our partnership interests for the merger proposals. The voting interest that we hold in each partnership is found in Table 6 of Appendix A.

Except as set forth above and in "Ownership of Partnership Interests" on page 79 of this document, none of Pioneer Parent, Pioneer USA, or, to the knowledge of Pioneer USA, any of their directors or executive officers, or any associate or subsidiary of Pioneer Parent, Pioneer USA or any such director or officer, beneficially owns any partnership interests of any partnership or is otherwise entitled to vote any partnership interests.

If limited partners of a partnership approve the merger agreement, but do not approve the merger amendment, or vice versa, the partnership will not be able to merge. LIMITED PARTNERS WHO WANT THEIR PARTNERSHIP TO PARTICIPATE IN THE MERGER SHOULD VOTE FOR EACH OF THE MERGER PROPOSALS.

### CONDITIONS TO EACH MERGER

(SEE PAGE 69)

We will complete the merger of each partnership only if the conditions of the merger agreement are satisfied or, if permitted, waived. These conditions include:

- the limited partners' adoption and approval of the merger proposals;

11

26

- the absence of any law or court order that prohibits the merger; and

- the absence of any lawsuit challenging the legality or any aspect of the merger.

So long as the law allows us to do so, Pioneer Parent and we may choose to complete a merger of any partnership even though a condition has not been satisfied if the limited partners have approved the merger proposals. Pioneer Parent and we may complete the merger of any one or some of the partnerships for which the listed conditions have been satisfied, even if limited partners in other partnerships do not approve the merger proposals. If we choose to waive a material condition to a merger, we will disclose that waiver to the limited

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

partners of the affected partnership and resolicit proxies for that merger.

### TERMINATION OF THE MERGER OF A PARTNERSHIP

(SEE PAGE 70)

Pioneer Parent and Pioneer USA may jointly terminate the merger agreement, for any or all of the partnerships, at any time, even after limited partner approval. Either Pioneer Parent or Pioneer USA may terminate the merger agreement for any or all of the partnerships in some circumstances, including the following:

- the limited partners of a partnership fail to approve that partnership's merger; or
- if any of the other parties is in material breach of the merger agreement.

In addition, (1) Pioneer USA may terminate the merger agreement for any partnership, if Pioneer USA determines that termination of the merger agreement is required for its board of directors to comply with its fiduciary duties and (2) Pioneer Parent may abandon the proposed merger of any or all of the partnerships at any time prior to the special meeting for any such partnership for any reason including changes in, among other things, the price of Pioneer Parent common stock, the market prices for oil and gas generally or the oil and gas industry generally.

### EFFECT OF DEBT OWED BY A LIMITED PARTNER TO PIONEER USA ON AMOUNT OF PIONEER PARENT COMMON STOCK TO BE RECEIVED BY THE LIMITED PARTNER

If a limited partner is indebted to Pioneer USA for any portion of the limited partner's original investment in the partnership, Pioneer USA plans to apply the Pioneer Parent common stock that would otherwise be distributed to the limited partner upon completion of the merger of the partnership against that limited partner's indebtedness. If a limited partner's indebtedness to Pioneer USA is less than the merger value allocated to limited partnership interests held by the limited partner, the limited partner will receive Pioneer Parent common stock equal to the amount by which such merger value exceeds such indebtedness. If a limited partner's indebtedness to Pioneer USA is greater than the merger value allocated to the limited partnership interests held by the limited partner, Pioneer USA may collect the deficiency from the limited partner.

### EFFECTS OF THE MERGER OF A PARTNERSHIP ON ITS LIMITED PARTNERS WHO DO NOT VOTE IN FAVOR OF THE MERGER

You will be bound by the merger of a partnership in which you own interests if the limited partners in your partnership vote a majority, or 66 2/3% for Parker & Parsley 91-A, L.P. and Parker & Parsley 91-B, L.P., of their partnership interests in favor of the merger, even if you vote against the merger. If the merger of your partnership occurs, you will be entitled to receive only an amount of Pioneer Parent common stock based on the merger value for your partnership interests. You will not have appraisal, dissenters' or similar rights in connection with the merger, even if you vote against the merger.

### FUTURE OF A PARTNERSHIP THAT DOES NOT PARTICIPATE IN THE MERGER

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

(SEE PAGE 64)

If your partnership does not participate in the merger of that partnership for any reason, that partnership will remain in existence. Some reasons your partnership might not participate in the merger are (1) that the limited partners vote against the merger, (2) that a condition in the merger agreement is not satisfied, or (3) that

12

27

Pioneer Parent or we exercise a termination right with respect to the merger for that partnership.

At about the same time that we mail certificates representing shares of Pioneer Parent common stock to the partners of each participating partnership in payment of the merger value for that partnership, we will mail any cash distributions that were delayed for administrative purposes prior to the completion of the merger of each participating partnership to the partners of each nonparticipating partnership.

We have not formulated an alternative business plan for any nonparticipating partnership. The business objectives of each nonparticipating partnership will continue as they are. We plan to continue to manage each nonparticipating partnership and operate it in accordance with the terms of its current partnership agreement. Each nonparticipating partnership will continue to operate as a separate legal entity with its own assets and liabilities. Distributions from any nonparticipating partnership are expected to continue to decline since its production revenues are expected to continue to decline more quickly than its production costs. Regardless of whether any nonparticipating partnership distributes cash, limited partners must continue to include their share of partnership income and loss in their individual tax returns.

The board of directors of each of Pioneer Parent and Pioneer USA will decide what, if any, actions Pioneer Parent or Pioneer USA, respectively, will take regarding any nonparticipating partnership. Potential activities might include a tender offer for partnership interests of limited partners or a proposal to acquire the assets of, or merge with, one or more of the nonparticipating partnerships. The proposal may be on terms similar to or different from those of the mergers described in this document.

### EXPENSES AND FEES

The expenses and fees to be incurred in connection with the merger of each partnership are expected to be approximately \$2.0 million in total. Each participating partnership will pay its pro rata share, based on its reserve value, of those estimated expenses and fees. Pioneer Parent will pay the pro rata share of each nonparticipating partnership's estimated expenses and fees. Pioneer Parent has also agreed to pay any expenses and fees actually incurred in excess of \$2.0 million and if Pioneer Parent terminates or abandons the merger as to any partnership, any expenses or fees allocated to that partnership. Pioneer Parent and Pioneer USA have reduced each partnership's merger value by that partnership's pro rata share of the estimated expenses and fees.

### REGULATORY REQUIREMENTS

No federal or state regulatory requirements must be satisfied or approvals

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

obtained in connection with the merger of any of the partnerships as described in this document, except (1) filing a registration statement that includes this document with the SEC and obtaining the SEC's declaration that the registration statement is effective under the Securities Act of 1933, and (2) filing certificates of merger with the Secretary of State of the State of Delaware and the Secretary of the State of the State of Texas.

### SIMILAR TRANSACTIONS

During March 2001, Pioneer Parent offered to acquire all of the direct oil and gas interests owned by some former officers and employees of Pioneer Parent and Pioneer USA in properties in which Pioneer Parent and Pioneer USA own interests. The merger value for the direct oil and gas interests was equal to the present value of estimated future net revenues from the oil and gas reserves attributable to the interests, as of March 31, 2001. In determining the present value, Pioneer Parent and Pioneer USA used (1) a five-year NYMEX futures price for oil and gas as of March 19, 2001 with prices held constant after year five at the year five price, less standard industry adjustments, (2) historical operating costs adjusted only for those items affected by commodity prices, such as production taxes and ad valorem taxes, and (3) a 13.5% discount rate. The consideration offered in the purchases of the direct oil and gas interests was all cash since offering and registering Pioneer Parent common stock in those purchases was cost-prohibitive due to the small size of such transactions.

Additionally, in December 2000, Pioneer Parent received the approval of the partners of 13 employee limited partnerships to merge with Pioneer USA for total merger consideration of

13

28

\$2.0 million. Of the total merger consideration, \$0.3 million was paid to current Pioneer Parent employees. The merger value of each employee partnership was equal to the sum of the present value of estimated future net revenues from the partnership's estimated oil and gas reserves and its net working capital, in each case as of September 30, 2000, less the cash distributions on October 15, 2000 and November 15, 2000, by that partnership to its partners. In determining the present value, Pioneer Parent and Pioneer USA used (1) a five-year NYMEX futures price for oil and gas as of August 25, 2000 with prices held constant after year five at the year five price, less standard industry adjustments, (2) historical operating costs adjusted only for those items affected by commodity prices, such as production taxes and ad valorem taxes, and (3) a 13.5% discount rate. The consideration paid in the mergers of the employee limited partnerships was all cash. Using the same parameters as described above, Pioneer Parent purchased all of the direct oil and gas interests held by Scott D. Sheffield, its chairman of the board of directors and chief executive officer, for \$0.2 million during October 2000. As with the purchases of the direct oil and gas interests described above, offering and registering Pioneer Parent common stock in those mergers was cost-prohibitive due to the small size of such transactions.

In each of the transactions referred to above Pioneer Parent paid all of the expenses of acquiring the direct oil and gas interests and of merging the employee limited partnerships into Pioneer USA. This is because of the small size of the transactions and the absence of significant external costs to the transactions. In the proposed transaction Pioneer Parent will pay the pro rata share of each nonparticipating partnership's estimated expenses and fees. The participating partnerships will pay their pro rata share of the expenses and fees.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

### THIRD PARTY OFFERS

(SEE PAGE 65)

We will consider any offers from third parties to purchase any partnership or its assets. Those who wish to make an offer for any partnership or its assets must demonstrate to our reasonable satisfaction their financial ability and willingness to complete such a transaction. Before reviewing non-public information about a partnership, a third party will need to enter into a customary confidentiality agreement. Offers should be at prices and on terms that are fair to the partners of the partnership and more favorable to the unaffiliated limited partners than the prices and terms proposed in the merger for that partnership described in this document. Pioneer Parent has the right to match or top any such offer. In addition, any such offer would be subject to our right to continue operation of the properties. Since first announcing our willingness to consider third party offers in September 1999, we have not received any third party offer for any partnership or its assets.

Other than announcing that we will consider third party offers for any partnership or its assets, we have not actively solicited bids from third parties.

### COMPARATIVE PER SHARE MARKET PRICE

INFORMATION (SEE PAGE 77)

On April 16, 2001, the last full trading day before the public announcement of the proposed merger of each partnership, Pioneer Parent common stock closed at \$17.27 per share. On August 21, 2001, Pioneer Parent common stock closed at \$18.21 per share.

No liquid market exists for interests in any of the partnerships. See Table 15 of Appendix A for historical information about recent trades per \$1,000 initial limited partner investment in each partnership and Table 7 of Appendix A for the average historical quarterly cash distributions per \$1,000 initial limited partner investment for each partnership.

14

29

### SUMMARY HISTORICAL CONSOLIDATED FINANCIAL DATA OF PIONEER PARENT

The following table sets forth summary financial information of Pioneer Parent for the six months ended June 30, 2001 and 2000 and each of the five years in the period ended December 31, 2000. This financial information was derived from the consolidated financial statements of Pioneer Parent. This data should be read in conjunction with the consolidated financial statements of Pioneer Parent and Management's Discussion and Analysis of Financial Condition and Results of Operations contained in the reports incorporated by reference in this document.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	SIX MONTHS ENDED JUNE 30,		YEAR ENDED	
	2001	2000	2000	1999
	(UNAUDITED)		(IN MILLIONS EXCEPT PER	
<b>STATEMENT OF OPERATIONS DATA:</b>				
Revenues:				
Oil and gas.....	\$ 476.6	\$ 372.3	\$ 852.7	\$ 644.6
Natural gas processing.....	--	--	--	--
Interest and other(b).....	16.1	8.9	25.8	89.7
Gain (loss) on disposition of assets, net.....	8.8	3.6	34.2	(24.2)
	-----	-----	-----	-----
	501.5	384.8	912.7	710.1
	-----	-----	-----	-----
Costs and expenses:				
Oil and gas production.....	107.8	86.3	189.3	159.5
Natural gas processing.....	--	--	--	--
Depletion, depreciation and amortization.....	109.6	105.5	214.9	236.1
Impairment of properties and facilities.....	--	--	--	17.9
Exploration and abandonments.....	69.4	40.8	87.5	66.0
General and administrative.....	18.4	16.7	33.3	40.2
Reorganization.....	--	--	--	8.5
Interest.....	69.9	81.6	162.0	170.3
Other(c).....	27.1	44.8	67.2	34.7
	-----	-----	-----	-----
	402.2	375.7	754.2	733.2
	-----	-----	-----	-----
Income (loss) before income taxes and extraordinary item.....	99.3	9.1	158.5	(23.1)
Income tax benefit (provision).....	(3.0)	1.9	6.0	.6
	-----	-----	-----	-----
Income (loss) before extraordinary item.....	96.3	11.0	164.5	(22.5)
Extraordinary item.....	--	(12.3)	(12.3)	--
	-----	-----	-----	-----
Net income (loss).....	\$ 96.3	\$ (1.3)	\$ 152.2	\$ (22.5)
	=====	=====	=====	=====
Income (loss) before extraordinary item per share:				
Basic.....	\$ .98	\$ .11	\$ 1.65	\$ (.22)
	=====	=====	=====	=====
Diluted.....	\$ .97	\$ .11	\$ 1.65	\$ (.22)
	=====	=====	=====	=====
Net income (loss) per share:				
Basic.....	\$ .98	\$ (.01)	\$ 1.53	\$ (.22)
	=====	=====	=====	=====
Diluted.....	\$ .97	\$ (.01)	\$ 1.53	\$ (.22)
	=====	=====	=====	=====
Dividends per share.....	--	\$ --	\$ --	\$ --
	=====	=====	=====	=====
Weighted average basic shares outstanding.....	98.4	99.9	99.4	100.3
<b>STATEMENT OF CASH FLOWS DATA:</b>				
Cash flows from operating activities.....	\$ 267.1	\$ 169.4	\$ 430.1	\$ 255.2
Cash flows from (used in) investing activities.....	\$ (227.5)	\$ (82.9)	\$ (194.5)	\$ 199.0
Cash flows from (used in) financing activities.....	\$ (47.4)	\$ (82.9)	\$ (244.1)	\$ (479.1)
<b>BALANCE SHEET DATA (AT PERIOD END):</b>				
Working capital (deficit)(d).....	\$ (45.5)	\$ (29.7)	\$ (25.1)	\$ (13.7)
Property, plant and equipment, net.....	\$2,607.3	\$2,485.9	\$2,515.0	\$2,503.0

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Total assets.....	\$3,062.1	\$2,933.2	\$2,954.4	\$2,929.5
Long-term obligations.....	\$1,751.9	\$1,872.1	\$1,804.5	\$1,914.5
Preferred stock of subsidiary.....	\$ --	\$ --	\$ --	\$ --
Total stockholders' equity(e).....	\$1,039.0	\$ 805.8	\$ 904.9	\$ 774.6

15

30

- 
- (a) Includes amounts relating to the acquisition of MESA Inc. and Chauvco Resources Ltd. in August and December 1997, respectively.
  
  - (b) The six month period ended June 30, 2001 includes non-cash mark-to-market gains for changes in the fair values of non-hedge financial instruments of \$7.3 million. 1999 includes \$41.8 million of option fees and liquidated damages related to an unsuccessful asset sale and \$30.2 million of income associated with an excise tax refund.
  
  - (c) The six month periods ended June 30, 2001 and 2000 and the years ended December 31, 2000, 1999, 1998 and 1997 include non-cash mark-to-market charges for changes in the fair values of non-hedge financial instruments of \$6.6 million, \$42.0 million, \$58.5 million, \$27.0 million, \$21.2 million and \$5.2 million, respectively.
  
  - (d) The 1998 working capital deficit includes \$306.5 million of current maturities of long-term debt.
  
  - (e) On January 1, 2001, Pioneer Parent adopted the provisions of Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities." In accordance with those provisions, as of June 30, 2001, deferred hedge gains and losses have increased Pioneer Parent's stockholders' equity by \$49.4 million.

### SUMMARY UNAUDITED PRO FORMA COMBINED FINANCIAL DATA OF PIONEER PARENT

The following table sets forth summary unaudited pro forma combined financial data of Pioneer Parent that is presented to give effect to the merger of each of the partnerships. The information was prepared based on the following assumptions:

- The merger of each partnership will be accounted for as a purchase business combination under generally accepted accounting principles.
  
- The income statement data is presented as if the merger of each partnership had been consummated on January 1, 2000.
  
- The balance sheet data is presented as if the merger of each partnership had been consummated on June 30, 2001.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

You should consider the following:

- The unaudited pro forma combined financial data are not necessarily indicative of the results of operations or the financial position of Pioneer Parent that would have occurred had the merger of each partnership in which you own an interest been consummated on January 1, 2000, nor are they necessarily indicative of future results of operations or financial position of Pioneer Parent.
- The unaudited pro forma combined revenue and expense data exclude the cost savings expected to be realized through the consolidation of operations of Pioneer Parent and each partnership and the elimination of duplicate expenses.

The unaudited pro forma combined financial statements should be read together with (1) the historical consolidated financial statements of Pioneer Parent incorporated by reference in this document, (2) the historical financial statements of each partnership contained in the supplement to this document for the partnership, and (3) the unaudited pro forma combined financial statements contained elsewhere in this document. With respect to future cash distributions, see "Questions and Answers About the Merger of

16

31

Each Partnership -- What Happens to My Future Cash Distributions?" See also "Where You Can Find More Information" on the inside front cover page of this document.

	PRO FORMA SIX MONTHS ENDED JUNE 30, 2001	PRO FORMA YEAR ENDED DECEMBER 31, 2000
-----		
(IN THOUSANDS EXCEPT PER SHARE DATA)		
<b>STATEMENTS OF OPERATIONS:</b>		
Revenues:		
Oil and gas.....	\$ 500,185	\$901,382
Interest and other.....	16,305	26,231
Gain on disposition of assets, net.....	8,943	34,425
	-----	-----
	525,433	962,038
	-----	-----
Costs and Expenses:		
Oil and gas production.....	115,003	202,176
Depletion, depreciation and amortization.....	112,909	221,942
Exploration and abandonments.....	69,585	87,619
General and administrative.....	22,483	40,406
Interest.....	69,876	161,952
Other.....	27,091	67,231
	-----	-----
	416,947	781,326
	-----	-----
Income from continuing operations before income taxes.....	108,486	180,712
Income tax benefit (provision).....	(3,008)	6,000
	-----	-----
Income from continuing operations.....	\$ 105,478	\$186,712



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	=====	=====
Income from continuing operations per common share, basic.....	\$ 1.01	\$ 1.77
Income from continuing operations per common share, diluted.....	\$ 1.00	\$ 1.77
Weighted average number of shares outstanding, basic.....	104,306	105,326
Weighted average number of shares outstanding, diluted....	105,657	105,710
BALANCE SHEET DATA (AT PERIOD END):		
Property, plant and equipment, net.....	\$2,703,942	
Total assets.....	\$3,169,166	
Long-term debt.....	\$1,572,227	
Stockholders' equity.....	\$1,146,065	

17

32

SUMMARY OIL AND GAS RESERVE INFORMATION

The following table sets forth summary information on Pioneer Parent's and the combined partnerships' proved oil and gas reserves at December 31, 2000, and the summary pro forma combined information of Pioneer Parent on proved oil and gas reserves assuming the merger of each partnership had taken place on December 31, 2000. Pioneer Parent's and the combined partnerships' historical and Pioneer Parent's pro forma combined proved oil and gas reserve information set forth below and incorporated by reference in this document are only estimates based primarily on reports prepared by Pioneer Parent's engineers for Pioneer Parent's proved reserves and independent petroleum engineers for the combined partnerships' proved reserves as of December 31, 2000. The reserve information as of December 31, 2000 is based on the prices of oil and gas as of that time. The discounted future net cash flows set forth or incorporated by reference in this document should not be considered as the current market value of the estimated oil and gas reserves attributable to Pioneer Parent's, the combined partnerships' or any partnership's properties. Under the applicable requirements of the Securities and Exchange Commission, the estimated discounted future net cash flows from proved reserves are based on prices and costs as of the date of the estimate, while actual future prices and costs may be materially higher or lower.

SUMMARY HISTORICAL AND PRO FORMA OIL AND GAS RESERVE INFORMATION  
AT DECEMBER 31, 2000

	OIL AND NGLS (MMBBLs)	NATURAL GAS (BCF)	BARRELS OF EQUIVALENTS (MMBOE)
	-----	-----	-----
NET PROVED RESERVES (HISTORICAL):			
PIONEER PARENT:			
Developed.....	232.5	1,507.8	483.8
Undeveloped.....	79.8	387.7	144.4
	-----	-----	-----
Total.....	312.3	1,895.5	628.2
	=====	=====	=====
COMBINED PARTNERSHIPS:			
Developed.....	27.3	37.6	33.6

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	=====	=====	=====
NET PROVED RESERVES (PRO FORMA COMBINED):			
Developed.....	261.8	1,546.8	519.6
Undeveloped.....	79.8	387.7	144.4
	-----	-----	-----
Total.....	341.6	1,934.5	664.0
	=====	=====	=====
RESERVE VALUATION INFORMATION (IN MILLIONS):			
PIONEER PARENT:			
Estimated future net cash flows.....			\$10,864
Standardized measure of discounted future net cash flows.....			\$ 5,646
COMBINED PARTNERSHIPS:			
Estimated future net cash flows.....			\$ 423
Standardized measure of discounted future net cash flows(1).....			\$ 207
PRO FORMA COMBINED:			
Estimated future net cash flows.....			\$11,267
Standardized measure of discounted future net cash flows.....			\$ 5,838

-----

(1) The combined partnerships do not reflect a federal income tax provision since the partners of each partnership include the income of the partnership in their respective individual federal income tax returns.

COMPARATIVE PER SHARE DATA

The following table summarizes the per share information for Pioneer Parent and the per \$1,000 limited partner investment for the combined partnerships on a historical, equivalent pro forma combined and pro forma combined basis. The pro forma information gives effect to the merger of each partnership accounted for by Pioneer Parent as a purchase business combination. You should read this information together with the historical financial statements (1) included in the annual reports on Form 10-K and other information that Pioneer Parent has filed with the Securities and Exchange Commission and (2) included in the supplement to this document for each partnership. See "Where You Can Find More Information" on the inside front cover page of this document. With respect to future cash distributions, see "Questions and Answers About the Merger of Each Partnership -- What Happens to My Future Cash Distributions?" and "Risk Factors -- Pioneer Parent Might Not Declare Dividends." You should not rely on the pro forma combined information as being indicative of the results that would have occurred had the merger of each partnership been completed on January 1, 2000, or the future results that Pioneer Parent will experience after the merger of each partnership. In addition, because Pioneer Parent has both a different legal structure and purpose from each partnership, the information about Pioneer Parent and the information about the combined partnerships are not necessarily comparable.

SIX MONTHS ENDED      YEAR ENDED  
JUNE 30,                      DECEMBER 31,

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	2001	2000
	-----	-----
HISTORICAL -- PIONEER PARENT:		
Income from continuing operations per share:		
Basic.....	\$ .98	\$1.65
Diluted.....	.97	1.65
Book value per share.....	10.55	9.19
Cash dividends per common share.....	0.00	0.00
PRO FORMA COMBINED -- PIONEER PARENT:		
Income from continuing operations per share:		
Basic.....	\$ 1.01	\$1.77
Diluted.....	1.00	1.77
Book value per share.....	10.85	

19

34

HISTORICAL -- COMBINED PARTNERSHIPS PER \$1,000 LIMITED PARTNER INVESTMENT

	INCOME		BOOK VALUE	
	SIX MONTHS ENDED JUNE 30, 2001	YEAR ENDED DECEMBER 31, 2000	SIX MONTHS ENDED JUNE 30, 2001	YEAR EN DECEMBER 2000
	-----	-----	-----	-----
Parker & Parsley 81-I, Ltd. ....	\$11.62	\$ 22.18	\$ 25.01	\$ 20.3
Parker & Parsley 81-II, Ltd. ....	7.89	15.34	85.94	84.9
Parker & Parsley 82-I, Ltd. ....	12.54	21.14	28.17	23.7
Parker & Parsley 82-II, Ltd. ....	9.97	20.92	69.35	67.3
Parker & Parsley 82-III, Ltd. ....	14.07	32.48	59.63	55.8
Parker & Parsley 83-A, Ltd. ....	16.46	35.02	80.97	76.5
Parker & Parsley 83-B, Ltd. ....	13.58	36.37	85.77	83.3
Parker & Parsley 84-A, Ltd. ....	19.38	46.96	111.99	106.9
Parker & Parsley 85-A, Ltd. ....	17.64	39.05	75.25	71.3
Parker & Parsley 85-B, Ltd. ....	18.78	34.37	120.38	117.1
Parker & Parsley Private Investment 85-A, Ltd. ....	25.53	52.21	155.76	148.9
Parker & Parsley Selected 85 Private Investment, Ltd. ....	28.01	46.47	120.03	110.6
Parker & Parsley 86-A, Ltd. ....	15.10	47.65	54.68	58.3
Parker & Parsley 86-B, Ltd. ....	23.94	53.69	134.43	128.8
Parker & Parsley 86-C, Ltd. ....	22.50	42.45	104.90	98.3
Parker & Parsley Private Investment 86, Ltd. ....	26.53	53.89	187.43	183.5
Parker & Parsley 87-A Conv., Ltd. ....	24.48	49.70	120.97	113.3
Parker & Parsley 87-A Ltd. ....	24.47	49.63	121.20	113.6
Parker & Parsley 87-B Conv., Ltd. ....	16.42	46.65	138.24	138.9
Parker & Parsley 87-B, Ltd. ....	16.42	46.62	138.40	139.1
Parker & Parsley Producing Properties 87-A, Ltd. ....	28.57	48.76	97.65	90.8
Parker & Parsley Producing Properties 87-B, Ltd. ....	32.04	91.38	140.92	136.4

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Parker & Parsley Private Investment 87, Ltd. ....	26.82	52.59	152.52	144.0
Parker & Parsley 88-A Conv., L.P. ....	30.29	57.28	160.19	150.7
Parker & Parsley 88-A, L.P. ....	30.31	57.35	160.73	151.2
Parker & Parsley 88-B Conv., L.P. ....	36.61	89.12	152.48	144.7
Parker & Parsley 88-B, L.P. ....	36.64	89.06	152.74	145.0
Parker & Parsley 88-C Conv., L.P. ....	32.79	75.89	150.70	142.8
Parker & Parsley 88-C, L.P. ....	32.66	75.74	148.52	140.7
Parker & Parsley Producing Properties 88-A, L.P. ....	31.33	63.02	267.85	263.7
Parker & Parsley Private Investment 88, L.P. ....	33.92	78.46	170.44	160.0
Parker & Parsley 89-A Conv., L.P. ....	36.68	75.55	166.00	158.8
Parker & Parsley 89-A, L.P. ....	36.47	75.48	166.58	159.6
Parker & Parsley 89-B Conv., L.P. ....	33.17	68.01	177.67	171.0
Parker & Parsley 89-B, L.P. ....	33.14	67.95	177.79	171.1
Parker & Parsley Private Investment 89, L.P. ....	24.05	63.69	161.58	150.7
Parker & Parsley 90-A Conv., L.P. ....	30.64	56.80	194.62	183.9
Parker & Parsley 90-A, L.P. ....	30.60	56.79	195.17	184.5
Parker & Parsley 90-B Conv., L.P. ....	34.01	65.53	166.60	156.3
Parker & Parsley 90-B, L.P. ....	34.04	65.55	166.86	156.5
Parker & Parsley 90-C Conv., L.P. ....	27.83	66.98	139.39	132.7
Parker & Parsley 90-C, L.P. ....	27.82	66.95	138.59	131.9
Parker & Parsley Private Investment 90, L.P. ....	34.12	74.42	163.59	156.9
Parker & Parsley 90 Spraberry Private Dev., L.P. ....	38.77	65.85	160.21	141.8
Parker & Parsley 91-A, L.P. ....	41.11	95.06	220.44	206.6
Parker & Parsley 91-B, L.P. ....	34.74	119.17	170.62	160.6

20

35

EQUIVALENT PRO FORMA COMBINED PARTNERSHIPS PER \$1,000 LIMITED PARTNER INVESTMENT

ON AN EQUIVALENT PER SHARE BASIS (1)

	ESTIMATED NUMBER OF SHARES OF PIONEER COMMON STOCK OFFERED	SIX MONTHS ENDED JUNE 30, 2001		D BAS
		BASIC	DILUTED	
Parker & Parsley 81-I, Ltd. ....	\$ 5.21	\$ 5.26	\$ 5.21	\$ 9
Parker & Parsley 81-II, Ltd. ....	4.57	4.61	4.57	8
Parker & Parsley 82-I, Ltd. ....	4.63	4.68	4.63	8
Parker & Parsley 82-II, Ltd. ....	5.74	5.80	5.74	10
Parker & Parsley 82-III, Ltd. ....	6.76	6.83	6.76	11
Parker & Parsley 83-A, Ltd. ....	7.90	7.98	7.90	13
Parker & Parsley 83-B, Ltd. ....	8.88	8.97	8.88	15
Parker & Parsley 84-A, Ltd. ....	11.06	11.17	11.06	19

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Parker & Parsley 85-A, Ltd. ....	7.66	7.74	7.66	13
Parker & Parsley 85-B, Ltd. ....	8.09	8.18	8.09	14
Parker & Parsley Private Investment 85-A, Ltd. ....	15.60	15.75	15.60	27
Parker & Parsley Selected 85 Private Investment, Ltd. ...	12.36	12.48	12.36	21
Parker & Parsley 86-A, Ltd. ....	9.45	9.54	9.45	16
Parker & Parsley 86-B, Ltd. ....	12.80	12.93	12.80	22
Parker & Parsley 86-C, Ltd. ....	9.19	9.28	9.19	16
Parker & Parsley Private Investment 86, Ltd. ....	15.00	15.15	15.00	26
Parker & Parsley 87-A Conv., Ltd. ....	11.12	11.23	11.12	19
Parker & Parsley 87-A, Ltd. ....	11.08	11.20	11.08	19
Parker & Parsley 87-B Conv., Ltd. ....	11.54	11.66	11.54	20
Parker & Parsley 87-B, Ltd. ....	11.55	11.66	11.55	20
Parker & Parsley Producing Properties 87-A, Ltd. ....	11.82	11.94	11.82	20
Parker & Parsley Producing Properties 87-B, Ltd. ....	21.27	21.49	21.27	37
Parker & Parsley Private Investment 87, Ltd. ....	13.78	13.92	13.78	24
Parker & Parsley 88-A Conv., L.P. ....	13.70	13.84	13.70	24
Parker & Parsley 88-A, L.P. ....	13.73	13.87	13.73	24
Parker & Parsley 88-B Conv., L.P. ....	18.95	19.14	18.95	33
Parker & Parsley 88-B, L.P. ....	18.96	19.15	18.96	33
Parker & Parsley 88-C Conv., L.P. ....	16.27	16.44	16.27	28
Parker & Parsley 88-C, L.P. ....	16.17	16.33	16.17	28
Parker & Parsley Producing Properties 88-A, L.P. ....	20.47	20.68	20.47	36
Parker & Parsley Private Investment 88, L.P. ....	19.54	19.74	19.54	34
Parker & Parsley 89-A Conv., L.P. ....	18.45	18.63	18.45	32
Parker & Parsley 89-A, L.P. ....	18.48	18.67	18.48	32
Parker & Parsley 89-B Conv., L.P. ....	15.56	15.72	15.56	27
Parker & Parsley 89-B, L.P. ....	15.54	15.70	15.54	27
Parker & Parsley Private Investment 89, L.P. ....	15.81	15.97	15.81	27
Parker & Parsley 90-A Conv., L.P. ....	13.83	13.96	13.83	24
Parker & Parsley 90-A, L.P. ....	13.86	14.00	13.86	24
Parker & Parsley 90-B Conv., L.P. ....	15.14	15.29	15.14	26
Parker & Parsley 90-B, L.P. ....	15.17	15.32	15.17	26
Parker & Parsley 90-C Conv., L.P. ....	13.76	13.90	13.76	24
Parker & Parsley 90-C, L.P. ....	13.72	13.86	13.72	24
Parker & Parsley Private Investment 90, L.P. ....	17.11	17.28	17.11	30
Parker & Parsley 90 Spraberry Private Dev., L.P. ....	17.27	17.45	17.27	30
Parker & Parsley 91-A, L.P. ....	22.39	22.62	22.39	39
Parker & Parsley 91-B, L.P. ....	24.73	24.98	24.73	43

-----

(1) Represents the "Pro Forma Combined -- Pioneer Parent" amounts multiplied by the estimated number of shares of Pioneer Parent common stock to be received per \$1,000 limited partner investment for each Partnership.

### RISK FACTORS

You should carefully consider the following risk factors in determining whether to vote to approve the merger proposals for each partnership in which you own interests.

#### RISK FACTORS RELATING TO THE MERGER OF EACH PARTNERSHIP

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

THE MERGER VALUE FOR EACH PARTNERSHIP INVOLVES ESTIMATES THAT MAY VARY MATERIALLY FROM THE QUANTITIES OF OIL AND GAS ACTUALLY RECOVERED, AND CONSEQUENTLY FUTURE NET REVENUES MAY BE MATERIALLY DIFFERENT FROM THE ESTIMATES USED IN THE CALCULATION OF THE MERGER VALUE AND FOR A PARTICULAR PARTNERSHIP

The calculations of each partnership's estimated reserves of crude oil, natural gas liquids and natural gas and future net revenues from those reserves included in this document are only estimates. Actual prices, production, operating expenses and quantities of recoverable oil and natural gas reserves may vary from those assumed in the estimates. Any significant variance from the assumptions used could result in the actual quantity of each partnership's reserves and future net revenues being materially different from the estimates used in the calculation of the merger value for that partnership. If this turns out to be the case, the merger value you will receive may not be a reflection of the actual value of the applicable partnership's reserves.

THE MERGER VALUE FOR A PARTNERSHIP WILL NOT BE ADJUSTED FOR CHANGES IN OIL AND GAS PRICES BEFORE THE COMPLETION OF ITS MERGER

The merger value for each partnership in which you own an interest determines the amount of Pioneer Parent common stock you will receive in the merger of that partnership. The merger value for each partnership is equal to the sum of the present value of estimated future net revenues from the partnership's estimated oil and gas reserves and its net working capital, in each case as of March 31, 2001, less its pro rata share, based on its reserve value, of the estimated expenses and fees of the mergers of all of the partnerships and less the cash distribution mailed on July 13, 2001, by the partnership to its partners. Although oil and gas prices have fluctuated greatly in the recent past and may continue to do so, the merger value for a partnership will not be adjusted as of the closing date of the merger of that partnership to reflect any general changes in oil or gas prices, or any other matter generally affecting the oil and gas industry, occurring after March 31, 2001 and prior to the closing date of the merger.

THE NUMBER OF SHARES OF PIONEER PARENT COMMON STOCK THE LIMITED PARTNERS OF EACH PARTNERSHIP WILL RECEIVE MAY DECREASE BETWEEN NOW AND THE COMPLETION OF THE MERGER OF THE PARTNERSHIP

The number of shares of Pioneer Parent common stock to be issued to the limited partners of each partnership upon the merger of the partnership will be determined by dividing the merger value assigned to the partnership by the value of one share of Pioneer Parent common stock determined as described below. As discussed above, the merger value for each partnership will not be changed between now and the completion of the merger for the partnership. In addition, for purposes of example in this document, a share of Pioneer Parent common stock has been valued at an assumed average closing price of \$18.00. However, the value of a share of Pioneer Parent common stock will be recalculated by computing the average closing price of the Pioneer Parent common stock, as reported by the New York Stock Exchange, for the ten trading days ending three business days before the initial date scheduled for the special meeting for each partnership. This recalculated value, and not the assumed closing average closing price of \$18.00 per share of Pioneer Parent common stock used for illustration purposes in this document and on each limited partner's proxy card, will be used to determine the actual number of shares of Pioneer Parent common stock to be issued in the merger of each partnership. The recalculated value may

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

be more or less than the assumed average closing price of \$18.00 per share of Pioneer Parent common stock. If it is more than \$18.00, you will receive fewer shares of Pioneer Parent common stock than the illustrations in this

22

37

document show. For historical and current market prices of Pioneer Parent common stock, see "Comparative Per Share Market Price and Dividend Information" on page 77.

CURRENT MARKET PRICES FOR OIL AND GAS MAY BE HIGHER THAN THE MERGER VALUE FOR A PARTNERSHIP, WHICH MAY AFFECT THE FAIRNESS OPINION

Oil and gas prices have fluctuated greatly in the recent past and may continue to do so in the future. Pioneer Parent calculated each merger value based on oil and gas prices that it believes to be fair and that are supported by current market prices. Changes in current oil and gas prices may affect the willingness or ability of Stanger to update its opinion at the time this document is mailed to the limited partners of each partnership as to the fairness of the consideration to be received by limited partners. If the prices used in the calculation of each merger value significantly differ from current prices and if Pioneer Parent does not modify its offer, the fairness opinion provider may be unable to update its opinion.

YOU WERE NOT INDEPENDENTLY REPRESENTED IN ESTABLISHING THE TERMS OF THE MERGER OF EACH PARTNERSHIP

Pioneer Parent and Pioneer USA determined the terms of the merger of each partnership, including the method for determining the merger value for that partnership, and the type and allocation among the partners of the consideration to be given in exchange for partnership interests. We did not seek recommendations about the type of transaction or the terms or prices from any independent underwriter, financial advisor or other securities professional prior to accepting the consideration Pioneer Parent offered. The only independent representatives in the mergers were Sayles, Lidji & Werbner, A Professional Corporation, which provided legal services to Pioneer USA's board of directors, Robert A. Stanger & Co., Inc., which will rendered its fairness opinion to Pioneer USA's board of directors, and \_\_\_\_\_, which will render the legal opinion required under the partnership agreement for each partnership, other than Parker & Parsley Producing Properties 88-A, L.P. No representative group of limited partners and no outside experts or consultants, such as investment bankers, legal counsel, accountants or financial experts, were engaged solely to represent the independent interests of the limited partners of any partnership in structuring and negotiating the terms of the merger for the partnership. If you had been separately represented, the terms of the merger for a partnership in which you own interests might have been different and possibly more favorable to you.

THE INTERESTS OF PIONEER PARENT, PIONEER USA AND THEIR DIRECTORS AND OFFICERS MAY DIFFER FROM YOUR INTERESTS

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The interests of Pioneer Parent, Pioneer USA, and their directors and officers may differ from your interests as a result of the relationships among them. For example, Pioneer USA, as general or managing partner of each partnership, has a duty to manage the partnership in the best interests of the limited partners. Additionally, Pioneer USA has a duty to operate its business for the benefit of its sole stockholder, Pioneer Parent. Also, the members of Pioneer USA's board of directors have duties to both the limited partners of each partnership and to Pioneer Parent. All of the members of Pioneer USA's board of directors are officers of Pioneer Parent and have duties to Pioneer Parent's stockholders. Pioneer USA's board of directors was aware of these interests and considered them in approving the merger proposals for each partnership. See "Interests of Pioneer Parent, Pioneer USA and Their Directors and Officers" on page 78 of this document.

IT IS UNCLEAR WHAT THE MARKET DEMAND IS FOR ANY PARTNERSHIP OR ITS ASSETS OR THAT THE TERMS OF THE MERGER OF EACH PARTNERSHIP ARE AS FAVORABLE AS COULD BE OBTAINED IN A THIRD PARTY SALE

In September 1999, we first announced our willingness to consider third party offers to purchase any partnership or its assets at prices that are higher than the 1999 merger value for the partnership, but subject to our right to continue operation of the properties. Other than announcing that we will consider third party offers for any partnership or its assets, we have not actively solicited bids from third parties. We believed this invitation for third party bids would result in a better price to the limited partners of

23

38

each partnership than if we merely offered the partnership or its assets for sale at any price. Since that time, we have not received any third party offer for any partnership or its assets. As a result, we cannot be sure what the market demand is for any partnership or its assets, individually or as a whole with the other partnerships, or what a third party would offer for any partnership. Also, although we do not have any plans to sell or relinquish our operating rights in any third party sale, we cannot be sure what the market demand is for any partnership or its assets if we also sold or relinquished our operating rights. We cannot assure you that the terms of the merger of each partnership are as favorable as could be obtained from a sale of any partnership or its assets, individually or as a whole with the other partnerships, to an unrelated party.

POTENTIAL LITIGATION CHALLENGING THE MERGER OF A PARTNERSHIP MAY DELAY OR BLOCK THE MERGER AND, AS A RESULT, YOUR RECEIPT OF THE PIONEER PARENT COMMON STOCK

One or more of the partners opposed to the merger of a partnership in which such partner or partners own an interest may initiate legal action to stop the merger of the partnership or to seek damages for alleged violations of federal and state laws. Litigation challenging the merger of any partnership may delay or block the closing of the merger for one or more of the partnerships. In addition, if any lawsuits are filed, Pioneer Parent or Pioneer USA may decide to terminate one or more of the mergers. If the merger of a partnership in which you own an interest is delayed, blocked or terminated, we will delay or terminate the issuance of the Pioneer Parent common stock that you would otherwise receive.

REPURCHASE OFFERS IN 2001 BY EACH OF THE SIX PARTNERSHIPS WITH A REPURCHASE



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

OBLIGATION WERE HIGHER THAN THE MERGER VALUE FOR THE PARTNERSHIP

The limited partners of each of the partnerships listed below may require us to repurchase their partnership interests for cash at the times and under the conditions described in the partnership agreements for the partnership:

Parker & Parsley 82-I, Ltd.  
Parker & Parsley 82-II, Ltd.  
Parker & Parsley 82-III, Ltd.  
Parker & Parsley 83-A, Ltd.  
Parker & Parsley 83-B, Ltd.  
Parker & Parsley 84-A, Ltd.

The 2001 repurchase offers were commenced and completed before the date of this document. In each of the partnerships with a repurchase obligation, the repurchase price in 2001 is higher than the price being offered in the merger of the partnership. For a list of the repurchase prices in 2001 and the prior two years, see Table 8 of Appendix A. For a description of the mechanics of the repurchase rights, see "Special Factors -- Fairness Opinion -- Repurchase Offers" on page 48.

In addition, if the limited partners of a partnership with repurchase rights vote a majority of their partnership interests in favor of the merger of the partnership, those repurchase rights will terminate on completion of the merger. As a result, if the oil and gas prices used in calculating the repurchase prices in the future were high enough to offset the additional 33 1/3% discount factor used in the repurchase calculation, the limited partners would not have the opportunity to require Pioneer USA to repurchase the limited partners' partnership interests for a price higher than the merger value for the partnership.

YOU COULD BE BOUND BY THE MERGER OF EACH PARTNERSHIP IN WHICH YOU OWN AN INTEREST EVEN IF YOU DO NOT VOTE IN FAVOR OF THE MERGER

You will be bound by the merger of each partnership in which you own an interest if the limited partners in the partnership vote a majority, or 66 2/3% for Parker & Parsley 91-A, L.P. and Parker & Parsley 91-B, L.P., of their partnership interests in favor of the merger, even if you vote against the merger or do not vote. If the merger of the partnership occurs, you will be entitled to receive only an amount of

24

39

Pioneer Parent common stock based on the merger value of your partnership interests in the partnership. Under the laws of the State of Delaware and the State of Texas, which are the states of formation of the partnerships, you are not entitled to appraisal or dissenters' rights with respect to the merger of any partnership.

### RISKS ASSOCIATED WITH AN INVESTMENT IN PIONEER PARENT

LIMITED PARTNERS WHO BECOME PIONEER PARENT STOCKHOLDERS WILL OWN STOCK IN A CORPORATION RATHER THAN A LIMITED PARTNERSHIP INTEREST IN A LIMITED PARTNERSHIP, RESULTING IN A FUNDAMENTAL CHANGE IN THE NATURE OF THEIR INVESTMENTS

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Limited partners of a participating partnership will become stockholders of Pioneer Parent and will fundamentally change the nature of their investments. Each partnership, other than Parker & Parsley 81-I, Ltd., Parker & Parsley 81-II, Ltd., Parker & Parsley 82-I, Ltd., Parker & Parsley 82-II, Ltd., Parker & Parsley 82-III, Ltd., Parker & Parsley 83-A, Ltd., Parker & Parsley 83-B, Ltd. and Parker & Parsley 84-A, Ltd., was formed as a finite-life investment. The partners of each partnership receive regular cash distributions out of the partnership's net operating income and special distributions upon liquidation of the partnership's oil and gas assets. In contrast, Pioneer Parent intends to operate for an indefinite period of time and has no specific plans for the sale of its investments. Because Pioneer Parent will spend a portion of its cash flow on acquisitions, drilling and other activities, the activities of Pioneer Parent may involve higher levels of risk than those associated with the present or future operations of each partnership. Instead of having their investments liquidated through the liquidation of Pioneer Parent's assets, stockholders should expect to be able to liquidate their investment in Pioneer Parent only through the sale of their Pioneer Parent common stock in the market. The amount realized through the sale of shares of Pioneer Parent common stock may not be equal to the amount that would have been realized by stockholders through the sale of Pioneer Parent's assets. For a description of the differences between the terms of shares of Pioneer Parent common stock and partnership interests in each partnership, see "Comparison of Rights of Stockholders and Partners" on page 88.

LIMITED PARTNERS WHO BECOME PIONEER PARENT STOCKHOLDERS WILL OWN AN INVESTMENT THAT WILL BE SUBJECT TO THE MARKET RISKS ATTENDANT TO AN INVESTMENT IN A PUBLIC COMPANY

Limited Partners who become Pioneer Parent stockholders will own an investment in a public company traded on the New York Stock Exchange and the Toronto Stock Exchange that does not currently pay a dividend, rather than an investment in a limited partnership with a limited trading market that pays regular cash distributions. Limited Partners who become Pioneer Parent stockholders will therefore be subject to the market risks attendant to an investment in a public company. An investment in Pioneer Parent common stock will fluctuate from time to time depending upon general market conditions, conditions in the oil and gas industry, and Pioneer Parent's future performance. In addition, there is the potential for decreased market prices for Pioneer Parent common stock in the near term if significant numbers of limited partners elect to sell their Pioneer Parent common stock following completion of the proposed mergers.

PIONEER PARENT MIGHT NOT DECLARE DIVIDENDS

Limited partners of a participating partnership will become stockholders of Pioneer Parent and will not receive cash distributions or will receive distributions much smaller than the distributions received from the partnership. Pioneer Parent's board of directors did not declare dividends to its stockholders during 1999, 2000 or the six months ended June 30, 2001. The determination of the amount of future cash dividends, if any, to be declared and paid is in the sole discretion of Pioneer Parent's board of directors.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

### LIMITED PARTNERS WHO BECOME PIONEER PARENT STOCKHOLDERS MAY BE DILUTED

If all partnerships participate in the mergers, the shares of Pioneer Parent common stock to be issued will represent approximately 6% of the shares of Pioneer Parent common stock outstanding on the date of this document. That percentage is based upon the number of shares to be issued upon the merger of each partnership using an assumed average closing price of \$18.00 per share of Pioneer Parent common stock and may increase or decrease depending on the actual number of shares issued upon the merger of each partnership, which number will be determined using the actual average closing price of Pioneer Parent common stock for the ten trading days ending three business days before the initial date scheduled for the special meeting. Because of the increased liquidity afforded to the limited partners of each partnership after the merger of the partnership, all of those shares of Pioneer Parent common stock may be offered for sale in a relatively short period of time, which could result in the price at which shares of Pioneer Parent common stock trade after completion of the merger of each partnership being less than the price at which such shares traded immediately prior to the completion of the merger of each partnership. In addition, limited partners of a partnership who become Pioneer Parent stockholders will be subject to the risk that their equity interests in Pioneer Parent may be diluted through the issuance of additional equity securities. Pioneer Parent has the right to issue, at the discretion of its board of directors, shares other than those to be issued in the merger of each partnership, upon such terms and conditions and at such prices as its board of directors may establish. In addition, Pioneer Parent may in the future issue preferred stock that might have priority over the Pioneer Parent common stock as to distributions and liquidation proceeds.

### DIVIDENDS PAID TO PIONEER PARENT STOCKHOLDERS ARE TAXED AT TWO LEVELS

Pioneer Parent is taxed on its income, after deduction of expenses, at both the federal and state levels. Pioneer Parent stockholders, including limited partners who become Pioneer Parent stockholders, are separately taxed on the receipt, if any, of dividends.

### PIONEER PARENT'S PROFITABILITY IS HIGHLY DEPENDENT ON THE PRICES OF OIL AND GAS, WHICH HAVE HISTORICALLY BEEN VERY VOLATILE

Pioneer Parent's revenues, profitability, cash flow and future rate of growth are highly dependent on prices of oil and gas, which are affected by numerous factors beyond Pioneer Parent's control. Oil and gas prices historically have been very volatile. If the significant downward trend in oil and gas prices experienced in 1998, as compared to 2000 and 1999, were to resume, it would have a material adverse effect on Pioneer Parent's revenues, profitability and cash flow and could result in a reduction in the carrying value of Pioneer Parent's oil and gas properties and an increase in Pioneer Parent's deferred tax asset valuation allowance.

### PIONEER PARENT'S DRILLING ACTIVITIES MAY NOT BE PRODUCTIVE

Drilling involves numerous risks, including the risk that no commercially productive gas or oil reservoirs will be encountered. The cost of drilling, completing and operating wells is often uncertain and drilling operations may be curtailed, delayed or canceled as a result of a variety of factors, including

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

- unexpected drilling conditions,
- pressure or irregularities in formations,
- equipment failures or accidents,
- adverse weather conditions, and
- shortages or delays in the delivery of equipment.

Pioneer Parent's future drilling activities may not be successful and, if unsuccessful, such failure could have an adverse effect on Pioneer Parent's future results of operations and financial condition. While all drilling, whether developmental or exploratory, involves these risks, exploratory drilling involves greater risks of dry holes or failure to find commercial quantities of hydrocarbons. Because of the percentage of

26

41

Pioneer Parent's capital budget devoted to exploratory projects, it is likely that Pioneer Parent will continue to experience exploration and abandonment expense.

### PIONEER PARENT MAY BE REQUIRED TO RECOGNIZE NON-CASH CHARGES RELATING TO UNPROVED PROPERTY COSTS

At December 31, 2000 and 1999, Pioneer Parent carried unproved property costs of \$229.2 million and \$257.6 million, respectively. United States generally accepted accounting principles require Pioneer Parent to periodically evaluate these costs on a project-by-project basis in comparison to their estimated value. These evaluations will be affected by

- results of exploration activities,
- commodity price outlooks,
- planned future sales, or
- expiration of all or a portion of the leases, contracts and permits related to such projects.

If the quantity of potential reserves determined by such evaluations is not

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

sufficient to fully recover the cost invested in each project, Pioneer Parent will recognize non-cash charges in the earnings of future periods. During 1999 and 1998, Pioneer Parent recognized non-cash impairment provisions of \$17.9 million and \$147.3 million, respectively, to reduce the carrying value of its unproved properties.

### PIONEER PARENT'S GROWTH DEPENDS ON ITS ABILITY TO ACQUIRE OIL AND GAS PROPERTIES ON A PROFITABLE BASIS

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

### IF PIONEER PARENT IS UNABLE TO DISPOSE OF NON-STRATEGIC ASSETS AT ACCEPTABLE PRICES, THIS WOULD HINDER ITS ABILITY TO MAKE CAPITAL RESOURCES AVAILABLE FOR MORE PROFITABLE ACTIVITIES

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

### THE OPERATION OF NATURAL GAS PROCESSING PLANTS INVOLVES THE POTENTIAL FOR DAMAGE CLAIMS

As of December 31, 2000, Pioneer Parent owns interests in nine natural gas processing plants and four treating facilities. Pioneer Parent operates six of the plants and all four treating facilities. There are significant risks associated with the operation of natural gas processing plants. Gas and natural gas liquids are volatile and explosive and may include carcinogens. Damage to or misoperation of a natural gas processing plant or facility could result in an explosion or the discharge of toxic gases, which could result in significant damage claims in addition to interrupting a revenue source.

### PIONEER PARENT IS NOT FULLY INSURED AGAINST OPERATING HAZARDS

Pioneer Parent's operations are subject to all the risks normally incident to the oil and gas exploration and production business, including blowouts, cratering, explosions and pollution and other environmental damage, any of which could result in substantial losses to Pioneer Parent due to injury or loss of life,

damage to or destruction of wells, production facilities or other property, clean-up responsibilities, regulatory investigations and penalties and suspension of operations. Although Pioneer Parent currently maintains insurance coverage that it considers reasonable and that is similar to that maintained by comparable companies in the oil and gas industry, it is not fully insured against certain of these risks, either because such insurance is not available or because of high premium costs.

IN THE EVENT OF NONCOMPLIANCE, LIABILITIES UNDER ENVIRONMENTAL LAWS AND REGULATIONS COULD BE SUBSTANTIAL

The oil and gas business is also subject to environmental hazards, such as oil spills, gas leaks and ruptures and discharges of toxic substances or gases that could expose Pioneer Parent to substantial liability due to pollution and other environmental damage. A variety of federal, state and foreign laws and regulations govern the environmental aspects of the oil and gas business. Noncompliance with these laws and regulations may subject Pioneer Parent to penalties, damages or other liabilities, and compliance may increase the cost of Pioneer Parent's operations. Such laws and regulations may also affect the costs of acquisitions.

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

THERE ARE FACTORS OUTSIDE OF PIONEER PARENT'S CONTROL WHICH COULD IMPAIR ITS ABILITY TO SATISFY ITS DEBT OBLIGATIONS

Pioneer Parent is a borrower under fixed term senior notes and a line of credit. The terms of Pioneer Parent's borrowings under the senior notes and the line of credit specify scheduled debt repayments and require Pioneer Parent to comply with covenants and restrictions. Pioneer Parent's ability to comply with the debt repayment terms, associated covenants and restrictions is dependent on, among other things, factors outside Pioneer Parent's direct control, such as commodity prices, interest rates and competition for available debt financing.

THE OIL AND GAS INDUSTRY IS HIGHLY COMPETITIVE

Pioneer Parent competes with other companies, producers and operators for acquisitions and in the exploration, development, production and marketing of oil and gas. Some of these competitors have substantially greater financial and other resources than Pioneer Parent.

PRESENT OR FUTURE REGULATIONS COULD ADVERSELY AFFECT PIONEER PARENT'S BUSINESS AND OPERATIONS

Pioneer Parent's business is regulated by a variety of federal, state, local and foreign laws and regulations. There can be no assurance that present

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

or future regulations will not adversely affect Pioneer Parent's business and operations.

PIONEER PARENT HAS INTERNATIONAL OPERATIONS THAT ARE SUBJECT TO INTERNATIONAL ECONOMIC AND POLITICAL RISKS

At December 31, 2000, approximately 22% of Pioneer Parent's proved reserves of oil, natural gas liquids and gas were located outside the United States (17% in Argentina, 4% in Canada and 1% in South Africa). The success and profitability of international operations may be adversely affected by risks associated with international activities, including

- economic and labor conditions,
  
- political instability,

28

43

- tax laws, including United States taxes on foreign subsidiaries, and
  
- changes in the value of the United States dollar versus the local currency.

To the extent that Pioneer Parent is involved in international activities, changes in exchange rates may adversely affect Pioneer Parent's consolidated revenues and expenses, as expressed in United States dollars.

NUMEROUS UNCERTAINTIES EXIST IN ESTIMATING PIONEER PARENT'S QUANTITIES OF PROVED RESERVES AND FUTURE NET REVENUES

Estimates of proved reserves and related future net revenues are based on various assumptions which may prove to be inaccurate. Therefore, those estimates should not be construed as being accurate estimates of the current market value of Pioneer Parent's proved reserves.

29

44

### SPECIAL FACTORS

#### BACKGROUND OF THE MERGER OF EACH PARTNERSHIP

The partnerships were formed from 1981 through 1991 under the sponsorship of various affiliated companies collectively known as Parker & Parsley. On February 19, 1991, Parker & Parsley's principal company converted from limited partnership form to corporate form and acquired most of the assets of five oil and gas limited partnerships. The new corporation was called Parker & Parsley Petroleum Company, and it owned the sole or managing general partners of the partnerships.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

In early 1992, Parker & Parsley Petroleum Company decided that it could not fully realize the benefits of the properties it had acquired while continuing to devote substantial resources to the sponsorship of and drilling for partnerships. It stopped sponsoring oil and gas development drilling and income partnerships and focused on its corporate development. In 1997, Parker & Parsley Petroleum Company and MESA Inc. combined their businesses in a merger that created Pioneer Natural Resources Company. That same year, Pioneer Parent combined many of its U.S. subsidiaries, including the managing or sole general partner of each of the partnerships, into its main subsidiary, Pioneer USA.

From time to time since 1992, Pioneer Parent and its predecessors have had general, internal discussions about whether to consolidate each partnership pursuant to a merger or similar transaction with each partnership. On several occasions, Pioneer Parent or its predecessors engaged outside legal counsel and had discussions with investment banks about a possible combination with each of the partnerships. Some of those discussions were with Stanger. The contemplated structure of the combination has varied significantly during these internal discussions and has included issuances of common stock, combinations of common stock and cash, and cash-only transactions through asset sales, mergers, tender offers, and combinations of those types of transactions. See "Special Factors -- Reasons for the Merger of Each Partnership" for a discussion of why Pioneer Parent and Pioneer USA selected the proposed transaction. In general, the contemplated transactions would have been taxable to the limited partners of each partnership because of the difficulties involved in structuring a tax-free transaction for the partnership. Until 1999, every time Pioneer Parent or its predecessors considered such a transaction, it decided not to complete the transaction. The reasons Pioneer Parent and its predecessors did not previously complete a transaction varied. In some early cases, they wanted to collect and fully distribute proceeds to the limited partners of each partnership from litigation against an oilfield services company before trying to value any partnership. In other cases, they wanted to avoid periods of volatility in oil and gas prices or in Pioneer Parent's stock price. On several occasions, Pioneer Parent was involved in other corporate transactions that could not be completed on schedule if a transaction with each partnership was also pending.

In early 1998, Pioneer Parent was formulating a strategic plan to focus on its 25 core area oil and gas fields and to eliminate ancillary operations. Pioneer Parent began discussions internally to consider a transaction involving each partnership, including the basis for valuing each partnership and whether the consideration should be Pioneer Parent common stock, cash or some combination of both.

During the second quarter of 1998, Pioneer Parent and Pioneer USA began to discuss the methods for valuing each partnership. At that time, the board of directors of Pioneer USA engaged Sayles, Lidji & Werbner, A Professional Corporation (then known as Sayles & Lidji, A Professional Corporation) based in Dallas, Texas, as its independent legal counsel to assist the board in evaluating a potential transaction with Pioneer Parent. Pioneer USA's board also engaged Stanger as its financial advisor to review any proposed transaction and to render an opinion as to the fairness of the offer price, from a financial point of view, to the unaffiliated limited partners of each partnership. In May 1998, Pioneer Parent submitted an offer to merge each partnership into Pioneer USA using Pioneer Parent common stock or a combination of Pioneer Parent common stock and cash. The pricing for that offer was primarily based on oil and gas prices and the present value of estimated future net revenues from each partnership's oil and gas reserves, in each case as of December 31, 1997. The present value of estimated future net revenues was determined in accordance with



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

the SEC's reporting convention that provides a common basis for comparing oil and gas companies and requires the use of oil and gas prices as of the date of computation, but using a 15%

30

45

discount rate. After some negotiation with Pioneer USA, Pioneer Parent withdrew the May 1998 offer due to the decline in oil prices. In July 1998, Pioneer Parent submitted a second offer using Pioneer Parent common stock, or at its option upon the occurrence of specified events, a combination of Pioneer Parent common stock and cash. The oil and gas pricing for the second offer was lower than the pricing in the May 1998 offer due to the continued decline in oil prices, but the discount rate for the second offer was the same as the May 1998 offer. Pioneer Parent and Pioneer USA decided to discontinue further discussions and not to submit the proposed transaction to the limited partners of any partnership because of:

- the continued decline in oil prices, which in turn would reduce any merger value to be paid to the limited partners of each partnership;
- the decline in Pioneer Parent's stock price; and
- the tight lending environment for many oil and gas companies, including Pioneer Parent.

As oil and gas prices improved, in June 1999, Pioneer Parent and Pioneer USA again began discussions internally to consider a transaction involving each partnership. At that time, Scott Sheffield, the President and Chief Executive Officer of Pioneer Parent, contacted members of Pioneer USA's board regarding consideration of a potential transaction involving each partnership. Pioneer Parent did not submit a written offer to Pioneer USA at that time.

During the second quarter of 1999, Pioneer Parent and Pioneer USA attempted to formally address the conflicting interests inherent in the relationships among Pioneer Parent, Pioneer USA, each partnership and the officers and directors of Pioneer Parent and Pioneer USA. Pioneer USA caused Scott D. Sheffield to resign from Pioneer USA's board of directors because he is also a member of Pioneer Parent's board of directors. He was not replaced. Pioneer USA did not consider replacing Mr. Sheffield with an unaffiliated director because Pioneer USA is a 100% subsidiary of Pioneer Parent and typically such wholly-owned subsidiaries do not have unaffiliated directors. Because all of the board members of Pioneer USA are also employees of Pioneer Parent, an inherent conflict exists with respect to their duties to the limited partners of each partnership in their capacity as directors of Pioneer USA, on the one hand, and their duties to Pioneer Parent as employees, on the other hand.

Shortly thereafter, Pioneer USA's board again engaged Sayles, Lidji & Werbner to advise the board in connection with a proposed transaction with Pioneer Parent and any other alternative transaction that the board determined was worth consideration.

Pioneer USA's board also engaged, on behalf of each partnership, Stanger, as its financial advisor to advise the board on the fairness from a financial point of view of the merger value for each partnership to be paid to the unaffiliated limited partners in the partnership for the limited partnership interests in the partnership and to assist in Pioneer USA's evaluation of the merger transaction and other strategic alternatives. Stanger was familiar with the circumstances from its 1998 engagement.

On July 14, 1999, Pioneer USA's board met with its counsel and Stanger to discuss the proposed merger of each partnership. Stanger presented an overview

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

of the analysis it planned to perform in evaluating the fairness of the proposed transaction. Stanger advised Pioneer USA's board that Stanger would review the following for each partnership:

- the reserve report to be prepared by Williamson Petroleum Consultants, Inc. as of September 30, 1999;
- the most recent quarterly financial statements;
- the estimated cash distributions;
- the estimated net asset value, going concern value and liquidation value;
- secondary market prices;

31

46

- tender offers; and
- repurchase offers.

Sayles, Lidji & Werbner then reviewed and discussed with the board the procedures that would be involved in completing the proposed transaction with Pioneer Parent. The discussion topics included:

- the process in which Pioneer USA's board of directors would approve the proposed transaction;
- the submission of the proposed merger of each partnership to the limited partners of the partnership for approval;
- the evaluation of offers from third parties;
- the application of and compliance with the requirements of the federal securities laws; and
- the timing of the proposed transaction.

Members of the Pioneer USA board met informally on several occasions during July and early August to discuss among each other the proposed terms of the merger transaction and other potential alternative transactions, including the formation of a royalty trust or a master limited partnership.

On August 16, 1999, at a special meeting of the Pioneer USA board, the board met with representatives of Sayles, Lidji & Werbner and Stanger to discuss the proposed merger of each partnership into Pioneer USA. Pioneer USA's board discussed with the representatives of Stanger and Sayles, Lidji & Werbner the proposed terms of the offer expected from Pioneer Parent, including the expected pricing parameters of \$18 per Bbl of oil and \$2.40 per Mcf of gas and the expected timing of receipt of Pioneer Parent's formal written offer. Stanger discussed the progress it was making on its financial analysis of each partnership and its determination of the fairness from a financial point of view of the merger value for each partnership to be paid in cash for the limited partners' interests in the partnership. Stanger's discussion centered on (1) the price to be paid for the oil and gas reserves, (2) the discount rate, (3) the application of overhead charges and administrative charges, and (4) the responsibility for any transaction expenses. Following this discussion, the board and its counsel discussed the board's fiduciary duties in evaluating the proposed transaction with Pioneer Parent and the making of a recommendation to the unaffiliated limited partners. Finally, the board decided to request that Pioneer Parent make a formal written offer outlining the terms of the proposed

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

merger transaction.

On August 17, 1999, in response to Pioneer USA's request for a written offer, Pioneer Parent delivered to Pioneer USA's board a written proposal which outlined the terms of the proposed merger transaction. The written offer specified that the pricing for the oil and gas reserves would be based on 95% of the arithmetic average of a four-year or five-year NYMEX futures price. The future cash flows generated by this pricing structure would then be discounted using a 15% discount rate. At a special meeting that day of Pioneer USA's board, the board, its counsel and Stanger met to discuss the specifics of Pioneer Parent's offer, including oil and gas pricing, the present value discount rate, the right to allow others to bid on the property, and the costs of the merger of each partnership. Following the board meeting, Pioneer USA's directors determined that it would be advantageous to each partnership to seek more favorable pricing terms and a lower discount rate. Thus, the board decided to continue discussions of the written offer.

On August 23, 1999, at a special meeting of Pioneer USA's board, the board updated its counsel and Stanger on the status of its discussions with Pioneer Parent. As a result of continued discussions, Pioneer Parent and Pioneer USA agreed, in response to requests by Stanger, (1) to reduce the discount rate from 15% to 12.5%, (2) to increase the pricing of the oil reserves from 95% of the arithmetic average of a four-year or five-year NYMEX futures price to 100% of the arithmetic average of the five-year NYMEX futures price, (3) to a fixed price of \$2.40 per Mcf of gas instead of a floating NYMEX futures price and (4) to allocate the merger expenses and fees to each participating partnership.

32

47

On September 2, 1999, at a special meeting of Pioneer USA's board, the board and representatives of Stanger and Sayles, Lidji & Werbner reviewed the terms of a revised proposal submitted by Pioneer Parent which incorporated these changes. The parties discussed the revised terms of the merger of each partnership and the strategic rationale for and benefits of the merger of each partnership. At this meeting, Stanger reviewed with the board its financial analysis and its evaluation of the merger consideration and the feasibility of other strategic alternatives. Stanger also orally presented to the board the status of its findings and its preliminary evaluation of the proposed transaction.

After considering Stanger's evaluation of the proposed merger transaction, Pioneer USA's board, together with representatives of Stanger, engaged in a general discussion of other possible transactions it had considered over the last six to eight months. This discussion included anticipated ongoing operations of each partnership under its current structure and the operation of each partnership through a master limited partnership structure, as well as through a royalty trust. The board discussed selling the oil and gas properties of each partnership at auction and potentially soliciting other buyers or merger partners. The board also considered the fact that other potential buyers of each partnership would have an opportunity to make an offer for each partnership before the board submitted the merger transaction to the limited partners of each partnership for their consideration and approval.

At a special meeting held on September 8, 1999, Pioneer USA's board continued discussions with Sayles, Lidji & Werbner and Stanger regarding the merger proposals for each partnership. After considering the alternatives discussed in the preceding paragraph, including the advantages and disadvantages of each, the board concluded that none of the alternatives was more advantageous to the limited partners of any partnership than the terms of the proposed merger of the partnership. The board then unanimously approved proceeding with the merger of each partnership, subject to determination of September 30, 1999

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

pricing, its receipt of Stanger's fairness opinion, and the board's determination that the merger consideration of each partnership is fair to the unaffiliated limited partners of that partnership based on all circumstances as of September 30, 1999, including without limitation, the then current market conditions and the existence, if any, of any other proposal for the partnership on terms more favorable to the limited partners.

On September 8, 1999, in connection with the proposed merger transaction, Pioneer Parent and Pioneer USA filed a preliminary proxy statement and preliminary Schedule 13e-3s with the Securities and Exchange Commission. In addition, Pioneer Parent and Pioneer USA publicly announced the proposed merger of each partnership. In that announcement, Pioneer USA also announced that it would consider proposals from other potential buyers of one or more of the partnerships.

On or about October 19, 1999, Pioneer Parent submitted a verbal offer to Pioneer USA to revise the oil reserve component of the pricing used in the preliminary proxy statement to \$18.35 per Bbl of oil. On or about November 3, 1999, Pioneer Parent submitted a second verbal offer to Pioneer USA to further revise the oil reserve pricing to \$18.40 per Bbl of oil. Later that month, due to the increase in oil and gas prices over the previous several months and in response to a request from Pioneer USA, Pioneer Parent proposed to Pioneer USA that the merger value calculation for each partnership be further modified (1) to increase the pricing to \$18.90 per Bbl for oil and \$2.55 per Mcf of gas and (2) to increase the discount rate to 15%.

On November 17, 1999, in connection with the approval of Pioneer Parent's capital budget for 2000, Pioneer Parent's board of directors met and voted to approve the merger of each partnership and to proceed with the completion of each merger, subject to the pricing information and other relevant conditions at the time.

At a special board meeting held on November 22, 1999, Pioneer USA's board of directors met with representatives from Stanger and Sayles, Lidji & Werbner to discuss Pioneer Parent's proposed pricing. Pioneer USA's board agreed that an increase in the merger value for each partnership based on Pioneer Parent's proposed pricing was warranted to more closely reflect the current oil and gas prices. Similarly, in view of increases in interest rates during the months since the original proposal was made and in view of the volatility of oil and gas prices over the previous year, Pioneer USA's board agreed to increase the

33

48

discount rate used to determine the merger value for each partnership from 12.5% to 15%. Pioneer USA's board reported that management had worked to reduce the expected merger expenses and fees from an estimated \$4.6 million to an estimated \$1.8 million, thereby increasing the merger value for each partnership to be received by the limited partners of the partnership. The board also received a status report on whether or not any third party offers had been received since September 8, 1999, the date on which Pioneer Parent and Pioneer USA announced that it would consider such offers. In that regard, Pioneer Parent and Pioneer USA had not received any formal offers, but did receive a few inquiries from third parties expressing an interest in possibly making a bid on one or more of the partnerships or the assets of one or more of the partnerships. The nature of the inquiries was to understand the structure and pricing of the transaction proposed by Pioneer and Pioneer USA. None of the third parties who made inquiries (1) specified any terms, (2) made any offer or (3) have pursued the matter further. The board then voted to extend the period it would be willing to consider third party offers from November 1, 1999 to December 31, 1999. Stanger then reviewed for the board Stanger's analysis of the fairness of the merger transaction using the new terms agreed to by Pioneer Parent and Pioneer USA. Stanger expressed its preliminary view that the revised merger value for each

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

partnership to be paid in cash for the limited partnership interests in each partnership would be fair from a financial point of view to the unaffiliated limited partners of the partnership under recent market conditions, but stated that whether or not the transaction would be considered fair by Stanger at the time its fairness opinion was sought would depend on market conditions at that time. Following this discussion, the board approved proceeding with the merger of each partnership on the new terms, subject to (1) its receipt of a fairness opinion from Stanger, and (2) its determination that the merger value to be paid in cash for the limited partnership interests in each partnership is fair to the unaffiliated limited partners of the partnership based on all circumstances, including without limitation, the then current market conditions and the existence, if any, of any other proposal for such partnership or its assets on terms more favorable to the unaffiliated limited partners than the proposed merger transaction.

In December 1999, Pioneer Parent became involved in discussions with an independent oil and gas company similar in size to Pioneer Parent relating to a corporate merger opportunity. Those discussions required the dedicated time and attention of Pioneer Parent's management. The corporate merger opportunity subsequently failed to come to fruition. Meanwhile, during December 1999 and the first quarter of 2000, oil and gas prices continued to increase. As a result, during the first quarter of 2000, Pioneer Parent and Pioneer USA began to discuss revising the pricing terms of the proposed merger transaction to (1) an arithmetic average of the five-year NYMEX futures price for oil and for gas and (2) a 15% discount rate. Pioneer Parent also proposed to offer Pioneer Parent common stock instead of cash to the limited partners of each participating partnership. In April 2000, Pioneer Parent and Pioneer USA discontinued these discussions and did not submit the proposed merger transaction to the limited partners of any partnership because of:

- the decline in Pioneer Parent's stock price;
- the increase in interest rates; and
- Pioneer Parent's involvement in replacing existing debt with new publicly-held debt and a new credit facility.

In September 2000, Pioneer Parent and Pioneer USA began internal discussions to consider a merger transaction involving 13 privately-held employee limited partnerships. Pioneer Parent offered to pay an amount of cash to the limited partners of each participating partnership equal to the sum of the present value of estimated future net revenues from the partnership's estimated oil and gas reserves and its net working capital, in each case as of September 30, 2000, less the cash distributions on October 15, 2000 and November 15, 2000, by the partnership to its partners. Pioneer Parent and Pioneer USA calculated the present value of the estimated future net revenues from each partnership's estimated oil and gas reserves using (1) a five-year NYMEX futures price for oil and gas as of August 25, 2000, with prices held constant after year five at the year five price, less standard industry adjustments, (2) historical operating costs adjusted only for those items affected by commodity prices, such as production taxes and

34

49

ad valorem taxes, and (3) a 13.5% discount rate. Pioneer Parent also agreed to bear the merger expenses and fees. Using the same parameters as described above, Pioneer Parent purchased all of the direct oil and gas interests held by Scott D. Sheffield, its chairman of the board of directors and chief executive officer, for \$0.2 million during October 2000. The consideration paid in the mergers of the employee limited partnerships and in the purchase of the direct

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

oil and gas interests was all cash since offering and registering Pioneer Parent common stock in those transactions was cost-prohibitive due to the small size of such transactions. In December 2000, Pioneer Parent and Pioneer USA completed the merger of each of the 13 privately-held employee limited partnerships with and into Pioneer USA.

In October 2000, Pioneer Parent terminated the preliminary proxy statement and preliminary Schedule 13e-3s filed with the Securities and Exchange Commission on September 8, 1999 in connection with the proposed merger transaction.

As oil and gas prices continued to improve, in January 2001, Pioneer Parent and Pioneer USA renewed their internal discussions to consider a transaction involving each of the partnerships described in this document. For a discussion of why Pioneer Parent and Pioneer USA selected the proposed merger transaction, see "Alternative Transactions to the Merger of Each Partnership" on page 41. Pioneer Parent offered a combination of its common stock and cash. Pioneer Parent and Pioneer USA agreed on a merger value for each participating partnership equal to the sum of the present value of estimated future net revenues from the partnership's estimated oil and gas reserves and its net working capital, in each case as of March 31, 2001. Pioneer Parent and Pioneer USA agreed to calculate the present value of the estimated future net revenues from each partnership's estimated oil and gas reserves using (1) a five-year NYMEX futures price for oil and gas as of March 30, 2001, with prices held constant after year five at the year five price, less standard industry adjustments, (2) historical operating costs adjusted only for those items affected by commodity prices, such as production taxes and ad valorem taxes, and (3) a 13.5% discount rate. For 2001, the oil and gas prices would be based on the average NYMEX futures price for the nine-month period beginning on April 1, 2001 and ending December 31, 2001. Pioneer Parent also agreed to bear the merger expenses and fees.

On February 15, 2001, Pioneer Parent's board of directors met and voted to approve the merger of each partnership, the issuance of Pioneer Parent common stock and the payment of cash upon each such merger, and to otherwise proceed with the completion of each merger, subject to the pricing information and other relevant conditions at the time.

During March 2001, Pioneer Parent offered to acquire all of the direct oil and gas interests owned by some former officers and employees of Pioneer Parent and Pioneer USA in properties in which Pioneer Parent and Pioneer USA own interests. The merger value for the direct oil and gas interests was equal to the present value of estimated future net revenues from the oil and gas reserves attributable to the interests, as of March 31, 2001. In determining the present value, Pioneer Parent and Pioneer USA used (1) a five-year NYMEX futures price for oil and gas as of March 19, 2001 with prices held constant after year five at the year five price, less standard industry adjustments, (2) historical operating costs adjusted only for those items affected by commodity prices, such as production taxes and ad valorem taxes, and (3) a 13.5% discount rate. The consideration offered in the purchases of the direct oil and gas interests was all cash since offering and registering Pioneer Parent common stock in those purchases was cost-prohibitive due to the small size of such transactions.

In April 2001, Pioneer USA contacted Sayles, Lidji & Werbner and Stanger to advise them of the proposed merger transaction, pricing terms and merger consideration.

On April 9, 2001, Pioneer USA's board met with Sayles, Lidji & Werbner to discuss the proposed merger of each partnership into Pioneer USA. The board members reviewed the terms of the merger transaction, including the pricing terms, the merger consideration and the terms and conditions of the proposed merger agreement. The board members also discussed the engagement of special

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

legal counsel to render the legal opinion required by each partnership's partnership agreement. Finally, Pioneer USA's board discussed the fairness opinion to be delivered by Stanger and decided to hold another board meeting at which Stanger would present in detail its methodology in determining that the merger value for each

35

50

partnership and the allocation of the merger value of each partnership (1) to the limited partners of each partnership as a group, (2) to the general partners of each partnership as a group, (3) to Pioneer USA as the managing or sole general partner of each partnership, (4) to the unaffiliated limited partners of each partnership as a group and (5) to the unaffiliated limited partners of the nonmanaging general partner, if any, of each partnership as a group, is fair to the unaffiliated limited partners of each partnership and the unaffiliated limited partners of the nonmanaging general partner, if any, of each partnership, from a financial point of view. The board decided to proceed with the merger transaction, but would withhold recommending the merger transaction to the limited partners or executing the merger agreement until it received the fairness opinion from Stanger and determined that the merger of each partnership is advisable, fair to the unaffiliated limited partners and in the unaffiliated limited partners' best interests.

On April 17, 2001, in connection with the proposed merger transaction, Pioneer Parent and Pioneer USA filed a registration statement on Form S-4 and preliminary Schedule 13e-3s with the Securities and Exchange Commission. In addition, Pioneer Parent and Pioneer USA publicly announced the proposed merger of each partnership. In that announcement, Pioneer USA also announced that it would continue to consider proposals from other potential buyers of any partnership or its assets.

On or about April 30, 2001, Stanger contacted members of Pioneer USA's board and expressed concern regarding the pricing terms of the merger transaction which Stanger had received during the week ended April 15, 2001. Based on Stanger's updated analysis of the new pricing terms for the merger transaction, Stanger questioned whether the merger value was fair to the unaffiliated limited partners of the partnerships and the unaffiliated limited partners of the nonmanaging general partners of the partnerships from a financial point of view. Stanger's updated analysis included (i) an analysis of reserve values under six alternative pricing cases and discount rate assumptions, (ii) a review of reserve pricing parameters, (iii) a summary of selected recent reserve acquisition transactions, (iv) a review of the trading history, net asset value estimates and projected cash flow for Pioneer Parent, and (v) a review of the revised offer price per \$1,000 investment in each partnership and a comparison to such partnership's net asset value, going concern value, liquidation value, secondary market price, tender offers and repurchase offers, as applicable. After discussions between members of Pioneer USA's board and Stanger to discuss pricing terms which Stanger and the Pioneer USA board believed would be fair to the unaffiliated limited partners of the partnerships and the unaffiliated limited partners of the nonmanaging general partners of the partnerships from a financial point of view, the Pioneer USA board requested that Stanger meet with Pioneer Parent to discuss the issue. Stanger met with officers of Pioneer Parent on June 15, 2001, to discuss Stanger's concerns about the proposed pricing terms of the mergers and the need for new pricing terms that were more favorable to the partnerships in order to support a fairness opinion.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

On May 7, 2001, Pioneer USA received proposed solicitation materials prepared by Sierra Fund 3 indicating that Sierra Fund planned to make a tender offer for up to 4.9% of the limited partnership interests of Parker & Parsley 88-A, L.P. and Parker & Parsley 89-A, L.P. at a price equivalent to \$200 and \$240 per \$1,000 initial investment, respectively, in each of the partnerships. Sierra Fund requested and received a list of limited partners of these partnerships. On June 28, 2001, Pioneer USA learned that on or about June 14, 2001 Sierra Fund made a tender offer for up to 4.9% of the limited partnership interests of Parker & Parsley 83-A, Ltd., Parker & Parsley 83-B, Ltd., Parker & Parsley 84-A, Ltd., Parker & Parsley 85-A, Ltd., Parker & Parsley 86-B, Ltd., and Parker & Parsley 87-B, Ltd. at a price equivalent to \$75, \$85, \$110, \$80, \$110 and \$110 per \$1,000 investment, respectively, in each of the partnerships. On July 11, 2001, as required by law, Pioneer USA filed with the SEC a response to each of Sierra Fund's tender offers taking a neutral position with respect to each tender offer.

Three other limited partners have expressed interest to Pioneer USA in either making offers for the assets of particular partnerships or in purchasing the limited partnership interests of other limited partners. In May 2001, Salvage Investors, L.L.C. expressed interest in making an offer for the assets of Parker & Parsley 82-I, Ltd. but did not indicate a price at which it would be willing to purchase those assets. Also in May 2001, Horace Potts IV expressed interest in making an offer for the assets of unspecified partnerships or, alternatively, in soliciting higher offers on the assets of those partnerships, but did not indicate a price at which he would be willing to purchase those assets. In June 2001, Nancy R. Schauer

36

51

expressed interest in purchasing limited partnership interests of Parker & Parsley 87-A Conv., Ltd., Parker & Parsley 87-B Conv., Ltd. and Parker & Parsley Private Investment 88, L.P. Pioneer USA received a copy of correspondence from Ms. Schauer to the limited partners of those partnerships in which Ms. Schauer asked the limited partners to vote against the proposed mergers and to call her if they wanted to sell their limited partnership interest.

Additionally, in May 2001 James A. Smith of Indigo Ventures requested, and Pioneer later sent to him, a list of the limited partners of Parker & Parsley Private Investment 89, L.P. and Parker and Parsley 90 Spraberry Private Development, L.P. Pioneer Parent and Pioneer USA do not know if Mr. Smith contacted any limited partners of those partnerships.

On June 12, 2001, the Pioneer USA board of directors voted to change the method for allocating the expenses of the mergers such that (i) the limited partners of the participating partnerships would bear their pro rata portion of the merger expenses, and (ii) the limited partners of each nonparticipating partnership would bear a portion of the merger expenses equal to the number of limited partnership interests of such partnership voting in favor of the merger divided by the total number of limited partnership interests of such partnership voting on the merger. On July 27, 2001, in order to make the transaction more favorable to the limited partners, Pioneer Parent agreed to bear the merger expenses of the nonparticipating partnerships, and therefore to eliminate the requirement that the nonparticipating partnerships bear a portion of the merger expenses.

On June 18, 2001, in follow-up discussions between Pioneer Parent, Pioneer



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

USA and Stanger, Pioneer Parent and Pioneer USA orally agreed, subject to the approval of their respective boards, to revise the pricing terms of the merger transaction as follows: (1) that the merger value for each partnership would equal the sum of the partnership's reserve value and its working capital, in each case as of March 31, 2001, less the cash distribution to be paid in July 2001 and less the partnership's pro rata share of expenses and fees to be incurred in connection with the mergers of all of the partnerships, except that Pioneer Parent would pay (A) any such expenses and fees in excess of \$2,000,000 in the aggregate and (B) a portion of such expenses and fees otherwise allocable to any nonparticipating partnership, (2) to reduce the discount rate that would be used in calculating the present value of the estimated future net revenues from 13.5% to 10%, (3) to change the composition of the payment of the merger value for each partnership from 25% in cash and 75% in shares of Pioneer Parent common stock to 100% in shares of Pioneer Parent common stock based on the average closing price of the Pioneer Parent common stock, as reported by the New York Stock Exchange, for the ten trading days ending three days business days before the date of the special meeting of the partnership, and (4) to engage Williamson Petroleum Consultants, Inc. to review the estimate of each partnership's reserves and the present value of the estimated future net revenues from those estimated reserves as of March 31, 2001. The effect of the revised pricing terms was to increase the merger consideration that would be paid to each of the participating partnerships upon completion of the merger transaction.

On June 21, 2001, Pioneer Parent's board met and approved the revised pricing terms.

At a special meeting held on June 21, 2001, Pioneer USA's board continued discussions with Sayles, Lidji & Werbner and Stanger regarding the merger proposals for each partnership. Stanger also orally presented to Pioneer USA's board the status of its findings and its preliminary evaluation of the proposed transaction based on the new pricing terms for the merger transaction. Pioneer USA's board decided that it would take the recommendation of the merger transaction to the limited partners of each partnership under advisement, so that the board members could review the written presentation materials provided by Stanger and the revised written offer to be submitted by Pioneer Parent, and agreed to convene a special meeting on June 25, 2001.

On June 22, 2001, Pioneer Parent submitted its written offer with the revised pricing terms to Pioneer USA.

On June 25, 2001, Pioneer USA's board held a special meeting with Sayles, Lidji & Werbner and Stanger to discuss the merger proposals for each partnership and Stanger's fairness opinion. The board

37

52

then unanimously approved proceeding with the merger of each partnership, subject to (1) the execution of a definitive merger agreement, (2) its receipt of Stanger's fairness opinion, and (3) the Securities and Exchange Commission's declaration that the registration statement that includes this document is effective under the Securities Act of 1933.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

On July 3, 2001, Pioneer USA received a letter from a publicly-traded independent oil and gas company indicating its interest in making an offer to acquire the partnerships or the partnerships' assets. At the company's request, Pioneer USA provided a draft confidentiality agreement and established a data room as a predicate to the company's review of the partnerships and the partnerships' assets. In August, the company informed Pioneer USA that it decided not to pursue the acquisition of the partnerships or the partnerships' assets.

In a special meeting of the board of Pioneer USA held on August 20, 2001, Stanger presented its analysis of the merger transaction and delivered its fairness opinion dated August 20, 2001, that the merger value for each partnership and the allocation of such merger value (1) to the limited partners of each partnership as a group, (2) to the general partners of each partnership as a group, (3) to Pioneer USA as the managing or sole general partner of each partnership, (4) to the unaffiliated limited partners of each partnership as a group and (5) to the unaffiliated limited partners of the nonmanaging general partner, if any, of each partnership as a group, is fair to the unaffiliated limited partners of each partnership and the unaffiliated limited partners of the nonmanaging general partner, if any, of each partnership, from a financial point of view. The board of Pioneer USA then unanimously determined that the merger proposals for each partnership are advisable, fair to the unaffiliated limited partners of each partnership and in the best interests of the unaffiliated limited partners of each partnership. Accordingly, the board recommended that the unaffiliated limited partners of each partnership vote for the merger proposals.

### REASONS FOR THE MERGER OF EACH PARTNERSHIP

General. For all of the reasons listed below, Pioneer Parent believes that it is the party in the position to pay the highest price for the limited partnership interests of each partnership. Pioneer USA also believes that Pioneer Parent is the most likely buyer for each partnership's properties in light of:

- Pioneer USA's operation of most of the properties;
- Pioneer USA's extensive property holdings in the same fields; and
- Pioneer Parent's ability to achieve efficiencies by consolidating operations with its existing operations in the same areas.

Pioneer Parent's Reasons. Pioneer Parent believes that completion of the merger of each partnership at this time is advantageous to it for the following reasons:

- Consolidate Core Area of Operations. The Spraberry field of the Permian Basin is one of Pioneer Parent's 25 fields of focus in its strategic plan. Acquisition of each partnership's properties would help consolidate Pioneer Parent's operations in the Spraberry field and achieve operating efficiencies. Pioneer USA operates most of each partnership's wells, and Pioneer Parent has extensive properties around each partnership's properties, including interests in most of each partnership's wells.
- Achieve Operating Efficiencies. Pioneer Parent expects to improve operating efficiencies with respect to the properties acquired in the merger of each partnership because it will be able to com-mingle production of oil from each participating partnership's properties with

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

production of oil from other Pioneer Parent properties for storage, transportation and sale. Production of oil from each partnership's properties is predominantly segregated from Pioneer Parent's production of oil until sale. Gas production is currently, and will continue to be, metered, which means that it is measured and allocated based on ownership.

38

53

- Achieve Administrative Efficiencies. Pioneer Parent will eliminate the costs, including time spent by Pioneer Parent employees, related to preparing and filing each partnership's separate tax returns, financial statements and, for each reporting partnership, reports with the SEC, as well as dealing with the concerns of approximately 29,000 limited partners of record. The merger of each partnership will result in administrative efficiencies and cost reductions in the management and operation of the properties now owned by each partnership, particularly in the areas of audit, accounting and tax services, engineering services, bookkeeping, data processing, record maintenance and mailing information to the partners. Although Pioneer Parent will lose the benefit of each partnership's reimbursement for general and administrative expenses, it will be able to use the additional time of its personnel to help achieve its corporate strategic goals.

Pioneer USA's Reasons. In considering the merger of each partnership, the board of directors of Pioneer USA considered the benefits to the limited partners of each partnership set forth on page 7 as well as the following factors:

- Maturity of Partnerships and Properties. Although each partnership's properties were long-lived at the formation of the partnership, each partnership's properties are now mature, ranging from approximately 10 to approximately 20 years old. Pioneer Parent and Pioneer USA anticipated that at some point each partnership would need to be liquidated. Pioneer USA is recommending the merger transaction for each partnership at this time because:
- Pioneer USA believes that Pioneer Parent is the most likely buyer and is the only potential buyer with an offer outstanding. While third parties have made inquiries, no one except Pioneer Parent has made an offer to Pioneer USA to acquire any of the partnerships.
- Oil and gas prices have recovered from significant lows in 1998. As a result, Pioneer USA believes that Pioneer Parent's pricing is higher than it would have been otherwise.
- As our production continues to decline, administrative expenses for each partnership are increasing on a per BOE produced basis. Moreover, the administrative cost of continuing to produce each partnership to depletion could be significant, especially if no buyer is available at the time each partnership is shut down.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

- As discussed below, the tax incentives for which each partnership (other than Parker & Parsley Producing Properties 87-A, Ltd., Parker & Parsley Producing Properties 87-B, Ltd. and Parker & Parsley Producing Properties 88-A, L.P., which were formed to purchase producing properties) was originally formed have been realized.
  
- Declining Cash Flows. As each partnership's properties have matured, the net cash flows from operations for the partnership have generally declined, except in periods of substantially increasing commodity prices. See Table 7 of Appendix A for each partnership's historical cash distributions. The marginal benefit of continuing the operations of each partnership is offset by the related administrative costs. These administrative costs consume an increasing amount, and ultimately will consume the entire amount, of the cash flows of each partnership as production declines.
  
- Tax Incentives Have Been Realized. Each partnership (other than Parker & Parsley Producing Properties 87-A, Ltd., Parker & Parsley Producing Properties 87-B, Ltd. and Parker & Parsley Producing Properties 88-A, L.P., which were formed to purchase producing properties) was intended to provide to its partners federal income tax deductions for intangible drilling and development costs incurred by the partnership during the initial years of the partnership. Pioneer USA believes that the tax incentives have been realized through the drilling activities that each partnership has completed.
  
- Partnership Tax Burdens May Now Exceed Benefits. As net cash flow available for distribution of each partnership has declined or, at times, disappeared, some limited partners of the partnership may incur greater costs to include their share of the tax information of the partnership in their returns than they receive in cash distributions. In any event, all limited partners of each partnership

39

54

are expected to benefit by the elimination of the obligation to include partnership information in their tax returns for the years after the merger of each partnership in which they own interests.

- Each Partnership is Unable to Access Additional Capital. Pioneer Parent, through its subsidiary, Pioneer USA, has the ability, financial and otherwise, to take advantage of corporate opportunities to expand its reserve base through acquisitions. None of the partnerships has the ability to raise capital for reserve acquisitions or development of any undeveloped reserves. The partnership agreements of the partnerships do not authorize the partnerships to raise additional capital, whether debt or equity. Even if the partnership agreement of each partnership is amended to authorize additional capital, Pioneer Parent does not believe that the limited partners of the partnership would desire to contribute additional capital or to apply all cash flow to debt service, while remaining taxable on the related income.
  
- Fairness of Procedures. Pioneer USA considered the following factors in making its recommendation that the unaffiliated limited partners vote for the merger proposals for each partnership in which they own interests:

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

- None of the partnerships has any employees or directors, and all of Pioneer USA's directors are officers of Pioneer USA and of Pioneer Parent. As a result, there has been no approval by directors who are not Pioneer Parent employees.
  
- Pioneer USA did not retain an unaffiliated representative to act solely on behalf of the unaffiliated limited partners of each partnership for purposes of negotiating the terms of the merger of the partnership or preparing a report concerning the fairness of the merger of the partnership.
  
- Since Pioneer USA is entitled to vote its limited partnership interests other than as described below, the transaction is not structured so that the approval of at least a majority of unaffiliated limited partnership interests is required. Pioneer USA intends to vote in favor of the transaction for the partnership interests it holds as a limited partner of each partnership as permitted by the partnership agreement of each partnership except in the following partnerships where the partnership agreement does not allow Pioneer USA to vote on the proposed transaction:

Parker & Parsley 85-A, Ltd.  
Parker & Parsley 85-B, Ltd.  
Parker & Parsley Private Investment 85-A, Ltd  
Parker & Parsley Selected 85 Private Investment, Ltd  
Parker & Parsley Private Investment 86, Ltd.  
Parker & Parsley 91-A, L.P.  
Parker & Parsley 91-B, L.P.

Despite the foregoing factors, Pioneer USA believes each merger is procedurally fair to the unaffiliated limited partners of each partnership because:

- Pioneer USA has been willing to consider any offer from third parties to purchase any partnership or the assets of any partnership since September 8, 1999, and will continue to do so, although Pioneer USA has not actively solicited any third party offers during this time; and
  
- Pioneer Parent does not directly own any partnership interests in the partnerships. Pioneer Parent beneficially owns all of Pioneer USA's partnership interests in the partnerships. Pioneer USA does not beneficially own more than 5% of the outstanding limited partnership interests in any partnership, except Parker & Parsley 81-I, Ltd., Parker & Parsley 82-I, Ltd. and Parker & Parsley 82-III, Ltd. In those partnerships, Pioneer USA repurchased and now owns partnership interests representing the following beneficial ownership percentages:

Parker & Parsley 81-I, Ltd.....5.84%  
  
Parker & Parsley 82-I, Ltd.....11.71%  
  
Parker & Parsley 82-III, Ltd.....5.97%

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Except as set forth above, none of Pioneer Parent, Pioneer USA, or, to the knowledge of Pioneer USA, any of their directors or executive officers, or any associate or subsidiary of Pioneer Parent, Pioneer USA beneficially owns any partnership interests of any partnership. As a result, Pioneer USA believes that neither it nor its affiliates have a meaningful voting percentage for any partnership, other than Parker & Parsley 81-I, Ltd., Parker & Parsley 82-I, Ltd. and Parker & Parsley 82-III, Ltd. See "Ownership of Partnership Interests" on page 79 of this document and Table 6 of Appendix A to this document.

- Fairness of Transaction. Pioneer USA's board of directors determined that the merger of each partnership is advisable, fair to the unaffiliated limited partners of the partnership and in their best interests. In reaching this determination for each partnership, Pioneer USA's board of directors considered the following factors:
  - The form and amount of consideration offered to the partners of the partnership;
  - The objectives of the merger of the partnership, including providing liquidity to the partners;
  - Pioneer USA's right to consider third party offers;
  - The current market prices for oil and gas, including the increase in market prices, and the subsequent increase in merger value for the partnership, since the merger transaction was initially proposed in 1999;
  - The historical market prices for oil and gas;
  - The net book value, going concern value and liquidation value of the partnership;
  - The purchase prices paid in previous repurchases by Pioneer USA;
  - The trading price of limited partnership interests in secondary market transactions;
  - The analysis of alternative transactions to the proposed merger of each partnership; and

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

- The fairness opinion of Stanger, including the analyses conducted by Stanger in rendering the fairness opinion.

### RECOMMENDATION OF PIONEER USA

On August 20, 2001, Pioneer USA's board of directors unanimously determined that the merger of each partnership is advisable, fair to the unaffiliated limited partners of the partnership, and in their best interests. PIONEER USA'S BOARD OF DIRECTORS RECOMMENDS THAT THE UNAFFILIATED LIMITED PARTNERS VOTE FOR THE MERGER PROPOSALS FOR EACH PARTNERSHIP IN WHICH THEY OWN INTERESTS.

In making this recommendation, Pioneer USA's board of directors considered a number of factors, including (1) the reasons for the merger of each partnership set forth above in "Special Factors -- Reasons for the Merger of Each Partnership," such as the fairness opinion and analyses conducted by Stanger, and (2) the matters described under "Risk Factors" beginning on page 22 of this document, such as its conflicting interests. Pioneer USA's board of directors also considered the likelihood, benefits and costs of other transactions, including possible third party offers. Pioneer USA will consider any offers from third parties to purchase any partnership or its assets. See "The Merger of Each Partnership -- Third Party Offers" on page 65 of this document for a description of the procedures for these offers. In view of the numerous factors taken into consideration, Pioneer USA's board of directors did not consider it practical to, and did not attempt to, quantify or assign relative weights to the factors considered by it in reaching its decision to recommend the merger of each partnership. Rather, the board viewed its position and recommendation as being based on the total information presented to and considered by the board.

41

56

### FAIRNESS OPINION

Pioneer USA, on behalf of each partnership, engaged Robert A. Stanger & Co., Inc., an independent financial advisory firm, to conduct an independent review and deliver a written opinion in connection with the merger of each partnership that the merger value for each partnership and the allocation of the merger value of the partnership (1) to the limited partners of the partnership as a group, (2) to the general partners of the partnership as a group, (3) to Pioneer USA as the managing or sole general partner of the partnership, (4) to the unaffiliated limited partners of the partnership as a group and (5) to the unaffiliated limited partners of the nonmanaging general partner, if any, of the partnership as a group, is fair to the unaffiliated limited partners of the partnership and the unaffiliated limited partners of the nonmanaging general partner, if any, of the partnership, from a financial point of view. The full text of Stanger's fairness opinion is attached as Appendix D to this document and is incorporated into this document by reference. Limited partners of each partnership are urged to read the opinion in its entirety. This summary of Stanger's fairness opinion is qualified in its entirety by reference to the full text of the opinion. Stanger has advised us that arriving at a fairness opinion is a complex analytical process not necessarily susceptible to partial analysis or amenable to summary description. For a more complete description of the assumptions and qualifications to the fairness opinion see "Qualifications to

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Fairness Opinion" beginning on page 42 and "Assumptions" on page 48.

Except for assumptions which Pioneer USA advised Stanger would be reasonable and appropriate in its view, neither Pioneer USA nor any partnership imposed any conditions or limitations on the scope of the investigation by Stanger or the methods and procedures to be followed by Stanger in rendering the fairness opinion. In addition, each partnership has agreed to indemnify Stanger against some liabilities arising out of Stanger's engagement to prepare and deliver its opinion. Upon consummation of the merger of the partnership, those indemnification obligations will become obligations of Pioneer USA.

Experience of Stanger. Since its founding in 1978, Stanger has provided information, research, investment banking and consulting services to clients located throughout the United States, including major New York Stock Exchange member firms and insurance companies and over 70 companies engaged in the management and operation of partnerships. The investment banking activities of Stanger include financial advisory and fairness opinion services, asset and securities valuations, industry and company research and analysis, litigation support and expert witness services, and due diligence investigations in connection with both publicly registered and privately placed securities transactions.

Stanger was selected because of its experience in the valuation of businesses and their securities in connection with mergers, acquisitions, reorganizations and for estate, tax, corporate and other purposes, including the valuation of partnerships, partnership securities and the assets typically held through partnerships including oil and gas assets. Pioneer USA has previously engaged Stanger to provide financial advisory services in connection with proposed transactions between one or more of the partnerships and Pioneer Parent which were never consummated.

Qualifications to Fairness Opinion. In the fairness opinion, Stanger specifically states that it was not requested to, and did not:

- make any recommendations to Pioneer USA, any partnership or the limited partners of any partnership with respect to whether to approve or reject the merger of any partnership;
- determine or negotiate the amount or form of the merger value for any partnership to be paid for limited partners' interests in the merger of the partnership;
- offer the assets of any partnership for sale to any third party;
- express any opinion as to:
  - the impact on Pioneer USA or the limited partners of any partnership that does not participate in the proposed merger transaction;

- the tax consequences of the merger of any partnership for Pioneer USA, the nonmanaging general partner, if any, of the partnership or the



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

limited partners of the partnership;

- Pioneer USA's or Pioneer Parent's ability to finance their obligations under the merger agreement or the impact of a failure to obtain financing on the financial performance of Pioneer USA, Pioneer Parent or any partnership;
- Pioneer USA's decision to estimate the reserve value of the oil and gas reserves of each partnership based upon the continued operation of the properties by Pioneer USA and the payment of overhead charges in accordance with existing operating agreements or the impact, if any, on the estimated value of each partnership's oil and gas reserves if Pioneer Parent and Pioneer USA determined to offer or operate the assets subject to revised operating agreements;
- whether or not alternative methods of determining the merger value for each partnership would have also provided fair results or results substantially similar to the methodology used;
- alternatives to the merger of each partnership, including the offering of such assets for sale to third party buyers;
- the trading price of shares of Pioneer Parent common stock immediately following the closing of the merger of each partnership and the distribution of shares of Pioneer Parent common stock in connection with the merger of each partnership;
- the fairness of the termination of the repurchase obligations of Pioneer USA with respect to some partnerships, which repurchase obligations require Pioneer USA to offer to repurchase limited partnership interests annually based upon a formula which in some circumstances, including the repurchase offers based upon December 31, 2000 oil and gas prices, result in repurchase offer prices above the market value for the reserves of any such partnership; or
- any other terms of the merger of any partnership.

Summary of Material Considered and Investigation Undertaken. Stanger's analysis of the merger of each partnership involved a review of the following information:

- a draft of this preliminary document;
- a draft of the merger agreement which Pioneer USA has indicated is substantially the form which will be executed in connection with the merger of each partnership;

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

- financial statements of each partnership, including, if applicable, the partnership's Form 10-Q and Form 10-K, for the six months ended June 30, 2001 and for the years ended December 31, 2000, 1999 and 1998;
- the reserve reports prepared by Pioneer Parent and Pioneer USA and the review by Williamson Petroleum Consultants, Inc., as of March 31, 2001, relating to the reserves of each partnership;
- the reserve reports prepared by Williamson Petroleum Consultants, Inc., as of December 31, 2000, relating to the reserves of each partnership;
- calculations prepared by Pioneer Parent and Pioneer USA of the merger value per \$1,000 of limited partner investment in each partnership;
- Pioneer USA's analysis of other alternatives to the merger of each partnership, including going concern value, liquidation value, royalty trust and production payment;
- estimates prepared by Pioneer Parent and Pioneer USA of the going concern value and liquidation value per \$1,000 of limited partner investment in each partnership;
- the financial statements of Pioneer Parent included in its Form 10-Q for the six months ended June 30, 2001 and its Form 10-K for the years ended December 31, 2000, 1999 and 1998;

43

58

- pro forma financial data for Pioneer Parent assuming the completion of the proposed merger transaction; and
- recent trading activity in shares of Pioneer Parent common stock.

In the course of its analysis, Stanger conducted interviews of senior management personnel of Pioneer USA. During such interviews, Stanger and the senior management personnel reviewed the status of the merger of each partnership, the reserve pricing and related value estimates, the estimated timing of the merger of each partnership and other matters.

Stanger reviewed estimates of the merger value, going-concern value, and liquidation value prepared by Pioneer USA with respect to each partnership. In addition, Stanger reviewed secondary market prices, as tracked by Stanger, for limited partnership interests in each partnership along with tender offers received by limited partners as derived from data provided by Pioneer USA. Stanger's analysis is summarized below.

Review of Merger Value for Each Partnership. Stanger reviewed the calculation of the merger value for each partnership prepared by Pioneer USA. Stanger observed that such calculation includes the reserve value, as described below, and other current assets as of March 31, 2001, as reduced by other current liabilities as of March 31, 2001, less the partnership's pro rata share, based on its reserve value, of the estimated expenses and fees of the mergers of

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

all of the partnerships and less the cash distribution mailed on July 13, 2001, by the partnership to its partners. Stanger reviewed the balance sheet of each partnership as of March 31, 2001 as prepared by Pioneer USA, and reconciled the current assets and current liabilities on such financial statements to the balances included in the merger value calculation for each partnership.

Stanger reviewed the summary reserve reports for each partnership prepared by Pioneer Parent and Pioneer USA as reviewed by Williamson Petroleum Consultants, Inc. as of March 31, 2001. Stanger noted that the summary reserve report was prepared based upon the following pricing case: (1) a five-year NYMEX futures price for oil and gas as of March 30, 2001, with prices held constant after year five at the year five price and (2) historical operating costs adjusted only for those items affected by commodity prices, such as production taxes and ad valorem taxes. For 2001, the oil and gas prices were based on the average NYMEX futures price for the nine-month period beginning on April 1, 2001 and ending December 31, 2001. The standard industry adjustments reflect oil quality, BTU content, oil and gas gathering and transportation costs, and gas processing costs and shrinkage.

Stanger further observed that the summary reserve report utilized a discount rate of 10.0% and resulted in a per barrel of oil equivalent, or BOE, value of the reserves for each of the partnerships ranging from \$3.52 to \$4.60. Stanger observed that such BOE values are low by general industry averages. However, Stanger observed that such properties are long-lived, generally low-volume properties, not operated by any of the partnerships, and are subject to overhead charges by the operator, Pioneer USA. In the course of its engagement, Stanger reviewed selected comparable transactions in the BOE value range described above for long-lived, generally low-volume properties. Such transactions, including some transactions involving other Pioneer USA affiliates, provided a range of value per BOE of \$2.97 to 5.08 and an average of \$4.00.

Stanger, in connection with its engagement, interviewed acquisitions personnel at seven oil and gas companies regarding targeted pricing case ranges and discount rate ranges in order to assess the reasonableness of the pricing case and discount rates utilized to establish the reserve value for the partnerships. With respect to the pricing case ranges, Stanger observed a low pricing case range pursuant to the survey of \$22 per barrel of oil and \$3.50 per Mcf of gas, held flat for the life of the reserves to a high pricing case range of NYMEX strip pricing (plus \$2 per barrel of oil) and NYMEX strip pricing for gas, held flat after five years for the life of the reserves. With respect to discount rates, Stanger observed a range of discount rates from a low of 9% to 13% applied generally to a low range pricing case to a high range of 15% to 20%, applied generally to a high range pricing case. Stanger concluded that the pricing case and discount rates utilized to establish the merger value for each partnership fall within the ranges established in interviews with acquisition professionals.

44

59

Going Concern Value. Stanger reviewed the going concern value calculation prepared for each partnership by Pioneer USA. The going concern value was based upon:

- The sum of (1) the estimated net cash flow from sale of the reserves during a 10-year operating period and (2) the estimated residual value from the sale of the remaining reserves at the end of the operating period, in each case using the same pricing and discount rate as in the merger value calculation; less

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

- The cash distributions on July 13, 2001 by the partnership to its partners; and
  
- Partnership level general and administrative expenses, calculated as follows and, consistent with the calculation of 2000 and 1999 expenses, generally representing the maximum expense percentages permitted under the partnership agreements:
  - The partnership agreement for each of Parker & Parsley 81-I, Ltd., Parker & Parsley 81-II, Ltd., Parker & Parsley 82-I, Ltd., Parker & Parsley 82-II, Ltd. and Parker & Parsley 82-III, Ltd. permits Pioneer USA to allocate to the partnership (1) general and administrative expenses and (2) all expenses directly attributable to the partnership as a result of fees or charges by parties other than Pioneer USA or its affiliates, including legal, auditing and engineering fees. However, for purposes of clause (1) and for administrative ease and to the benefit of each of those partnerships, Pioneer USA allocates to each of those partnerships general and administrative expenses based on 3% of the revenues of the partnership.
  
  - The partnership agreement for each of Parker & Parsley 83-A, Ltd. and Parker & Parsley 83-B, Ltd. permits Pioneer USA to allocate to the partnership (1) general and administrative expenses in an annual amount not to exceed the sum of 2% of the initial partner capital for the partnership and 2.25% of the drilling and completion expenses, of which there are none, and (2) all expenses directly attributable to the partnership as a result of fees or charges by parties other than Pioneer USA or its affiliates, including legal, auditing and engineering fees. However, for purposes of clause (1) and for administrative ease and to the benefit of each of those partnerships, Pioneer USA allocates to each of those partnerships general and administrative expenses based on 3% of the revenues of the partnership.
  
  - The partnership agreement for Parker & Parsley 84-A, Ltd. permits Pioneer USA to allocate to the partnership (1) general and administrative expenses in an annual amount not to exceed the sum of 3.25% of the revenues of the partnership and 2.25% of the drilling and completion expenses, of which there are none, and (2) all expenses directly attributable to the partnership as a result of fees or charges by parties other than Pioneer USA or its affiliates, including legal, auditing and engineering fees. However, for purposes of clause (1) and for administrative ease and to the benefit of the partnership, Pioneer USA allocates to the partnership general and administrative expenses based on 3% of the revenues of the partnership.
  
  - The partnership agreement for each of the following partnerships permits Pioneer USA to allocate to the partnership general and administrative expenses, including all expenses directly attributable to the partnership as a result of fees or charges by parties other than Pioneer USA or its affiliates, such as legal, auditing and engineering fees, in an annual amount not to exceed 2% of the revenues of the partnership.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Parker & Parsley Private Investment 85-A, Ltd.  
Parker & Parsley Selected 85 Private Investment, Ltd.  
Parker & Parsley Private Investment 86, Ltd.

- The partnership agreement for each of the following partnerships permits Pioneer USA to allocate to the partnership general and administrative expenses, including all expenses directly attributable to the partnership as a result of fees or charges by parties other than Pioneer USA or

45

60

its affiliates, such as legal, auditing and engineering fees, in an annual amount not to exceed 3% of the revenues of the partnership.

Parker & Parsley 85-A, Ltd.  
Parker & Parsley 85-B, Ltd.  
Parker & Parsley 86-A, Ltd.  
Parker & Parsley 86-B, Ltd.  
Parker & Parsley 86-C, Ltd.  
Parker & Parsley 87-A Conv., Ltd.  
Parker & Parsley 87-A, Ltd.  
Parker & Parsley 87-B Conv., Ltd.  
Parker & Parsley 87-B, Ltd.  
Parker & Parsley Producing Properties 87-A, Ltd.  
Parker & Parsley Producing Properties 87-B, Ltd.  
Parker & Parsley Private Investment 87, Ltd.  
Parker & Parsley 88-A Conv., L.P.  
Parker & Parsley 88-A, L.P.  
Parker & Parsley 88-B Conv., L.P.  
Parker & Parsley 88-B, L.P.  
Parker & Parsley 88-C Conv., L.P.  
Parker & Parsley 88-C, L.P.  
Parker & Parsley Producing Properties 88-A, L.P.  
Parker & Parsley Private Investment 88, L.P.

- The partnership agreement for each of the following partnerships permits Pioneer USA to allocate to the partnership (1) general and administrative expenses in an annual amount not to exceed 3% of the revenues of the partnership, and (2) all expenses directly attributable to the partnership as a result of fees or charges by parties other than Pioneer USA or its affiliates, including legal, auditing and engineering fees.

Parker & Parsley 89-A Conv., L.P.  
Parker & Parsley 89-A, L.P.  
Parker & Parsley 89-B Conv., L.P.  
Parker & Parsley 89-B, L.P.  
Parker & Parsley 90-A Conv., L.P.  
Parker & Parsley 90-A, L.P.  
Parker & Parsley 90-B Conv., L.P.  
Parker & Parsley 90-B, L.P.  
Parker & Parsley 90-C Conv., L.P.  
Parker & Parsley 90-C, L.P.  
Parker & Parsley 91-A, L.P.  
Parker & Parsley 91-B, L.P.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

- The partnership agreement for each of the following partnerships permits Pioneer USA to allocate to the partnership (1) general and administrative expenses in an annual amount not to exceed 5% of the revenues of the partnership, and (2) all expenses directly attributable to the partnership as a result of fees or charges by parties other than Pioneer USA or its affiliates, including legal, auditing and engineering fees. However, for purposes of clause (1) and for administrative ease and to the benefit of each of the partnerships, Pioneer USA allocates to the partnership general and administrative expenses based on 3% of the revenues of the partnership.

Parker & Parsley Private Investment 89, L.P.  
Parker & Parsley Private Investment 90, L.P.  
Parker & Parsley 90 Spraberry Private Development, L.P.

46

61

Stanger observed that the going concern value of each partnership was adjusted for the March 31, 2001 working capital balance less the distribution mailed on July 13, 2001 and that such going concern value ranged from 4.7% to 9.8% less than the merger value for each partnership. See the supplemental information table on the second page of the supplement for each partnership for its merger value and its going concern value, in each case per \$1,000 limited partner investment.

Liquidation Value. Stanger reviewed the liquidation value calculation prepared for each partnership by Pioneer USA. Such liquidation value was based upon the sale of the reserves at the reserve value, less (1) liquidation expenses which are estimated to be the sum of (A) the partnership's pro rata share of the estimated expenses and fees of the mergers of all of the partnerships and (B) 3% of the partnership's reserve value, and (2) the cash distributions on July 13, 2001 by the partnership to its partners. The liquidation expenses represent the estimated costs to retain an investment banker or broker to sell the assets of each partnership and the legal and other closing costs associated with such transaction. Stanger observed that such merger expenses are intended to reflect Pioneer USA's estimate of the cost associated with brokers' commissions on asset sales and the additional wind-down costs of the partnership. Stanger observed that the liquidation value for each partnership ranged from 2.7% to 3.0% less than the merger value for each partnership. See the supplemental information table on the second page of the supplement for each partnership for its merger value and its liquidation value, in each case per \$1,000 limited partner investment.

Secondary Market Prices. To determine the most up-to-date secondary market prices, Stanger reviewed the secondary market prices for units of limited partnership interests in each of the partnerships during the 12 months ended June 30, 2001, collected from data maintained on partnerships by Stanger. Stanger observed that secondary market transactions were reported for 24 of the partnerships during such period. Stanger observed that for all partnerships except Parker & Parsley Producing Properties 87-A, Ltd., the weighted average secondary market price on a per \$1,000 original investment basis was less than the merger value per \$1,000 original investment. For such other partnerships, the range of discount to the merger value per \$1,000 investment was 7.7% to

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

55.5%, averaging 28.6%. For Parker & Parsley Producing Properties 87-A, Ltd., Stanger observed that only one transaction involving \$10,000 of original investment (20 units) was at a price in excess of the merger value per \$1,000 of original investment. All other secondary market transactions for Parker & Parsley Producing Properties 87-A, Ltd. were reported at prices below the merger value. Stanger also observed secondary market transactions at prices in excess of the merger value for two additional partnerships. Secondary market firms reported a single transaction during the twelve months ended June 30, 2001 for Parker & Parsley 82-II, Ltd. and Parker & Parsley 84-A, Ltd. at a price in excess of merger value. All other transactions reported for such partnerships were at amounts less than the merger value during the twelve months ended June 30, 2001.

Stanger also reviewed the secondary market data obtained by Pioneer USA from Partnership Spectrum and included in Table 15 of Appendix A to this document. Stanger observed that such data included partnerships which reported a secondary market transaction price in excess of the high-end transaction price Stanger observed in its data. In all cases, except Parker & Parsley 82-II, Ltd., Parker & Parsley 84-A, Ltd. and Parker & Parsley Producing Properties 87-A, Ltd., such high-end range was lower than the merger value.

Prices in the secondary market are based on market prices at the time of the secondary market transaction, which prices may be lower than prices prevailing at June 30, 2001, or as of the date of mailing this document.

47

62

Selected Tender Offers. Stanger observed that Pioneer USA reported unsolicited tender offers from unaffiliated third parties for less than 5% of the interests in the following partnerships during the period June 1998 through July 2001. Stanger observed that the tender offers and related merger value per limited partnership interest for each of those partnerships were as follows:

PARTNERSHIP -----	MERGER VALUE (PER \$1,000 INVESTMENT) -----	TENDER OFFER (PER \$1,000 INVESTMENT) -----	DISCOUNT T VALU
Parker & Parsley 82-II, Ltd.....	\$103.27	\$13.75	(86.7
Parker & Parsley 82-III, Ltd.....	121.71	26.25	(78.4
Parker & Parsley 83-A, Ltd. (a)...	142.17	40.00 to 75.00	(47.2%) to
Parker & Parsley 83-B, Ltd. (a)...	159.87	50.00 to 85.00	(46.8%) to
Parker & Parsley 84-A, Ltd. (a)...	199.06	60.00 to 110.00	(44.7%) to
Parker & Parsley 85-A, Ltd.....	137.90	80.00	(42.0
Parker & Parsley 86-A, Ltd.....	170.04	40.00	(76.5
Parker & Parsley 86-B, Ltd. (a)...	230.38	110.00 to 115.00	(50.1%) to
Parker & Parsley 86-C, Ltd. (a)...	165.38	65.00 to 67.50	(59.2%) to
Parker & Parsley 87-A, Ltd. (a)...	199.53	90.00 to 105.00	(47.4%) to
Parker & Parsley 87-B, Ltd. (a)...	207.86	60.00 to 110.00	(47.1%) to
Parker & Parsley 88-A, L.P.....	247.13	80.00	(67.6
Parker & Parsley 88-B, L.P.....	341.24	50.00	(85.3
Parker & Parsley Private			

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Investment 89, L.P.....	284.67	162.50	(42.9
Parker & Parsley 90-B, L.P.(a)...	273.11	102.50 to 160.00	(41.4%) to
Parker & Parsley 90-C, L.P.(a)...	247.05	30.00 to 40.00	(83.8%) to
Parker & Parsley 90 Spraberry			
Private Dev., L.P.....	310.90	162.50	(47.7

-----

(a) More than one tender offer for partnership interests was made. Amounts shown represent the range of tender offer prices.

Stanger observed that the above tender offers represent a discount to the merger value for each of those partnerships of 41.4% to 87.9%. Stanger also observed that tender offers for limited partnership securities are generally at prices which represent a substantial discount to the underlying value of the assets held by such partnerships. Furthermore, the tender offer prices are based on oil prices prevailing at the time of the tender offer, which prices may have been lower than oil prices prevailing at March 30, 2001 or as of the date of mailing this document.

Repurchase Offers. Stanger observed that for each of the six partnerships listed below, which Stanger calls the repurchase partnerships, Pioneer USA is required under the partnership agreement for the partnership to offer to repurchase units of limited partnership interests in the partnership annually at a formula price based upon the December 31 year end reserve report. Stanger observed that the repurchase offer pricing at December 31, 2000 tends to overstate the value of units of the repurchase partnerships due primarily to the oil and gas prices in effect on such date and the effect of such pricing on the cash flows and recoverable reserves. Stanger observed that the repurchase offers for 2000 for the repurchase partnerships are at premiums to the merger value ranging from 24.6% to 65.6% as follows:

	PER \$1,000 ORIGINAL INVESTMENT		
	MERGER VALUE	REPURCHASE OFFER	PREMIUM
Parker & Parsley 82-I, Ltd.....	\$ 83.32	\$137.97	65.6%
Parker & Parsley 82-II, Ltd.....	103.27	133.72	29.5%
Parker & Parsley 82-III, Ltd.....	121.71	151.60	24.6%
Parker & Parsley 83-A, Ltd.....	142.17	196.67	38.3%
Parker & Parsley 83-B, Ltd.....	159.87	210.15	31.5%
Parker & Parsley 84-A, Ltd.....	199.06	267.03	34.1%

Stanger observed that the repurchase rights may be exercised only once a year and that a limited partner may exercise its repurchase right by delivering a written request to Pioneer USA no later than March 31 of each year. Pioneer USA advised Stanger that on or before May 31 of each year, Pioneer USA must



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

notify each limited partner who has exercised its repurchase right of the amount of limited partnership interests to be repurchased and the method of calculating the repurchase price. Pioneer USA advised Stanger that the aggregate amount of limited partnership interests required to be repurchased in any one year is limited to \$100,000 per partnership. A repurchase price is calculated by multiplying:

- the present value of the estimated future net revenues, calculated using a discount rate equal to prime plus 1% as of December 31 of each year, from a partnership's estimated reserves, as determined by independent petroleum consultants; by
- 66 2/3%.

Stanger advised that each limited partner who has exercised its repurchase right has 60 days to accept Pioneer USA's repurchase offer and that Pioneer USA must pay the repurchase price to each limited partner who accepts the repurchase offer within 30 days after acceptance.

Stanger further advised Pioneer USA and each repurchase partnership that no adjustment was made to the merger value offered to the repurchase partnership to reflect the repurchase offer obligation and Stanger's opinion does not include an opinion as to the fairness of the termination of Pioneer USA's repurchase obligation.

Assumptions. Pioneer Parent and Pioneer USA advised Stanger that the oil and gas properties owned by each partnership are subject to operating agreements with Pioneer USA and that:

- such operating agreements provide for the payment of overhead charges and that such charges are reasonable compared with amounts charged for similar services by third party operators;
- except for cause, such operating agreements do not provide for the termination of Pioneer USA as operator; and
- such operating agreements do not provide for the revision of the overhead charges, except as escalated under the terms of such operating agreements.

Furthermore, Pioneer Parent and Pioneer USA advised Stanger that if each partnership's reserves were offered for sale to a third party, a condition of such sale would be that the oil and gas reserves would continue to be subject to the operating agreements with Pioneer USA which provide for the payment of overhead charges, and that it would be appropriate to assume, when estimating the value of such reserves, that such charges would continue.

In addition, Pioneer Parent and Pioneer USA advised Stanger that the reserve value and working capital balance of each partnership has been properly allocated between the general partners and the limited partners of each partnership in accordance with the partnership agreement with respect to a liquidation.

Stanger did not conduct any engineering studies and has relied on estimates of Pioneer Parent and Pioneer USA with respect to oil and gas reserve volumes, prices, operating costs and overhead charges with respect to the reserve value estimates. Furthermore, Stanger has relied upon the review by Williamson of the summary reserve reports as of March 31, 2001.

Stanger also relied on the assurance of Pioneer Parent, Pioneer USA and each partnership that:

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

- the summary reserve report reviewed by Williamson Petroleum Consultants, Inc. as of March 31, 2001, and provided to Stanger was in the judgment of Pioneer USA and each partnership reasonably prepared on bases consistent with actual historical experience and reflect their best currently available estimates and good faith judgments;

49

64

- there are no estimates of costs to remediate environmental conditions included in the reserve analysis;
- any historical financial data, balance sheet data, merger value analyses, going concern value analyses and liquidation value analyses are accurate and complete in all material respects;
- all allocations included in the calculations of merger values, going concern values and liquidation values have been made in accordance with the partnership agreement of each partnership;
- no material changes have occurred in the information reviewed or in the value of the oil and gas reserves or working capital balances as of March 31, 2001, of each partnership between the date the information was provided to Stanger and the date of Stanger's opinion;
- the relative ownership interests of (1) the limited partners of each partnership, (2) the unaffiliated limited partners of each partnership, (3) the general partners of each partnership, (4) the unaffiliated limited partners of the nonmanaging general partner, if any, of each partnership and (5) Pioneer USA, as the managing or sole general partner of each partnership, is accurately included in accordance with the partnership agreement for each partnership in the analyses provided to Stanger by Pioneer USA;
- neither Pioneer Parent or any of its affiliates has during the 30 days prior to the date hereof commenced or continued a share repurchase program or similar transaction which could affect the price of shares of Pioneer Parent common stock to be used in the proposed merger transaction; and
- Pioneer Parent, Pioneer USA and each partnership are not aware of any information or facts regarding the partnership, the oil and gas properties, the reserve analysis or the working capital balances of the partnership that would cause the information supplied to Stanger to be incomplete or misleading in any material respect.

Stanger's opinion is based upon business, economic, oil and gas market and other conditions as of the date of its analysis and addresses the merger value for each partnership in the context of information available as of the date of Stanger's analysis. Events occurring after the date of Stanger's analysis could affect the value of the assets of each partnership or the assumptions used in the preparation of Stanger's fairness opinion.

Conclusions. Stanger concluded that, based upon and subject to its analysis, assumptions, limitations and qualifications cited in its opinion, and as of the date of the fairness opinion, the merger value for each partnership and the allocation of the merger value of the partnership (1) to the limited partners of the partnership as a group, (2) to the general partners of the

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

partnership as a group, (3) to Pioneer USA as the managing or sole general partner of the partnership, (4) to the unaffiliated limited partners of the partnership as a group and (5) to the unaffiliated limited partners of the nonmanaging general partner, if any, of the partnership as a group, is fair to the unaffiliated limited partners of the partnership and the unaffiliated limited partners of the nonmanaging general partner, if any, of the partnership, from a financial point of view.

Compensation and Material Relationships. Stanger has been paid a total fee of \$350,000 in connection with the rendering of the fairness opinion. Such fee was not conditioned on Stanger's findings and is payable whether or not the merger of each partnership is consummated. In addition, Stanger will be reimbursed for all reasonable out-of-pocket expenses, including legal fees, and will be indemnified against some liabilities, including some liabilities under the securities laws. To the extent that such indemnification includes liabilities arising under the federal securities laws, it may not be enforceable as it may be determined to be against public policy.

During the past two years, Pioneer USA engaged Stanger to render financial advisory services in connection with proposed transactions which were withdrawn and never consummated. In connection with such assignments Stanger was paid fees aggregating \$175,000.

50

65

### SUMMARY RESERVE REPORT

Pioneer USA engaged Williamson Petroleum Consultants, Inc., which we call Williamson, an independent petroleum engineering consulting firm based in Midland, Texas, to review a summary reserve report of the property interests of each of the partnerships as of March 31, 2001. THE FULL TEXT OF THE REVIEW OF THE SUMMARY RESERVE REPORT BY WILLIAMSON PETROLEUM CONSULTANTS, INC. EFFECTIVE AS OF MARCH 31, 2001, IS ATTACHED AS APPENDIX B. WE URGE YOU TO READ IT CAREFULLY IN ITS ENTIRETY.

Qualifications and Method of Selection. Williamson is engaged solely in the business of petroleum evaluation and engineering studies for public and private oil and gas companies. Williamson is widely recognized in its field. Williamson is an independent consulting firm as provided in the Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information promulgated by the Society of Petroleum Engineers.

Pioneer USA engaged Williamson based upon Pioneer USA's assessment of their professional reputations and qualifications, capabilities, experience and responsiveness. In addition, Williamson is the independent petroleum engineering firm most familiar with the properties in which each partnership has interests and has prepared the annual independent reserve report for each partnership's reserves since the inception of each partnership.

Summary of Procedures, Scope and Findings. Williamson reviewed the calculations of the estimated total net estimated reserves for each partnership and the present value of the estimated future net revenues from the estimated reserves for each partnership as of March 31, 2001, based on the following parameters provided by Pioneer USA: (1) a five-year NYMEX futures price for oil and gas as of March 30, 2001 with prices held constant after year five at the year five price, less standard industry adjustments, (2) historical operating costs adjusted only for those items affected by commodity prices, such as production taxes and ad valorem taxes, and (3) a 10.0% discount rate. For 2001, the oil and gas prices were based on the average NYMEX futures price for the

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

nine-month period beginning on April 1, 2001 and ending December 31, 2001. Williamson's estimated total net estimated reserves and the present value of the estimated future net revenues from the estimated reserves for each partnership are set forth in the exhibits to the summary reserve report attached as Appendix B to this document.

Pioneer Parent determined the amount of Pioneer Parent common stock to be offered. Williamson did not opine on the fairness of the transaction.

In preparing its summary reserve report, Williamson assumed the accuracy and completeness of all information provided by Pioneer USA or information which was publicly available and did not attempt to independently verify such information. Williamson did not make field inspections or judgments relative to environmental or other legal liabilities. Except as described in this document, Pioneer USA did not instruct Williamson as to the pricing, cost or other economic parameters or methods or the assessment of reserves characteristics, nor did it limit the scope of Williamson's investigation for purposes of preparing its summary reserve report.

Pioneer USA provided Williamson with all evaluation data with respect to interests, reversionary status, oil and gas prices, gas categories, gas contract terms, operating expenses, investments, salvage values, abandonment costs, net profit interests, well information and current operating conditions for Williamson's use in determining each partnership's reserves. Williamson used production data provided by Pioneer USA, and where information was not provided by Pioneer USA, Williamson used production data from public records. Williamson prepared its own reserve estimates of the property interests.

Williamson's review included testing and evaluating the reserve information for all of the properties of each partnership. The review is more comprehensive than an audit, which involves testing and evaluating the reserve information of a representative subgroup of properties of each partnership.

Prior Material Relationships. Williamson has estimated total proved reserves and the present value of estimated future revenues from those reserves for each of the partnerships since their respective

51

66

inceptions. In addition, Pioneer USA engaged Williamson to prepare a summary reserve report in connection with a proposed transaction in 1999, similar to the one described in this document, which was withdrawn and never consummated. Pioneer USA and its affiliates have paid \$112,700 over the past two years to Williamson. Neither Williamson nor any of its personnel has any direct or indirect interest in Pioneer USA or any of the partnerships, and Williamson's compensation is not contingent upon the results of its summary reserve report.

### ALTERNATIVE TRANSACTIONS TO THE MERGER OF EACH PARTNERSHIP

We considered the following alternative types of transactions before selecting the merger transaction described in this document. As discussed below, we believe that the merger of each partnership is the best available alternative for each partnership to maximize the consideration to the limited partners.

Comparison of the Merger of Each Partnership to Continuing Operations. Because each partnership's properties are mature, producing properties, we believe that production from those properties will continue to decline at the rate predicted in the partnership's oil and gas engineering

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

reserve reports. Accordingly, cash distributions from each partnership will also decline, subject to variation for changes in oil and gas prices. The marginal benefit of continuing operations of each partnership is offset by the general and administrative costs related to continuing operations. See "Special Factors -- Reasons for the Merger of Each Partnership" beginning on page 38 of this document.

We also believe there is a substantial advantage in receiving the liquidating distribution at present in the form of Pioneer Parent common stock, rather than continuing to receive decreasing levels of cash distributions over a long period of time. We believe that the merger value for each partnership is higher than the net present value of estimated future cash distributions to the limited partners from continued operations because the merger value has not been reduced for the reimbursement of Pioneer USA's general and administrative expenses allocable to the partnership. In addition, although future oil and gas prices could be higher than the prices on March 30, 2001 which were used in calculating the merger value for each partnership, continued operations over a long period of time subject the limited partners of each partnership to the risk of receiving lower levels of cash distributions if oil and gas prices over this period are lower on average than those used in preparing the estimates of cash distributions from continued operations. Continued operations also subject the limited partners of each partnership to possible changes in costs or need for workover or similar significant remedial work on each partnership's properties. In contrast, the Pioneer Parent common stock is a liquid tradeable security which can be sold and redeployed in other investments. The Pioneer Parent common stock provides the limited partners of each partnership the opportunity to participate in a larger entity having more diversified producing reserves and other oil and gas properties, with the resulting spreading of risks.

We expect that any nonparticipating partnership will continue operations and will produce its reserves until depletion with steadily decreasing rates of cash flow and, as a result, decreasing cash distributions.

Comparison of the Merger of Each Partnership to Master Limited Partnership. We considered accomplishing the consolidation of each partnership through a master limited partnership, pursuant to which the partnership interests of the limited partners of the partnership would be exchanged for interests in the master limited partnership. However, we believe each partnership's oil and gas properties are not of sufficient size, individually or in the aggregate with the other partnerships, to attract new capital through a master limited partnership. In addition, the partnership interests in a master limited partnership might not be traded on a national stock exchange or in any other significant market. Some master limited partnership interests might be sold from time to time in private or over-the-counter transactions, but the prices would likely reflect a discount for illiquidity. As a result, we believe a master limited partnership would not provide the limited partners with immediate and complete liquidity for their investment in each partnership. Finally, a master limited partnership would still be burdened with general and administrative expenses, which would reduce any cash distributions paid to the partners of the master limited partnership. The merger value for each partnership reflects a liquidation value and has not been reduced for any reimbursement of Pioneer USA's general and administrative expenses allocable to the partnership.

Comparison of the Merger of Each Partnership to Royalty Trust. We also considered a royalty trust, pursuant to which the partnership interests of each

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

partnership would be exchanged for beneficial ownership interests in the trust. Like the master limited partnership alternative discussed above, we believe each partnership's oil and gas properties are not of sufficient size, individually or in the aggregate with the other partnerships, to attract new capital through a royalty trust. In addition, the beneficial ownership interests in a royalty trust might not be publicly traded in a significant market. As a result, this alternative was not selected because we believe it would not result in immediate and complete liquidity for the limited partners' investments in any partnership. Finally, a royalty trust would still be burdened with general and administrative expenses, which would reduce any cash distributions paid to the beneficiaries of the royalty trust. The merger value for each partnership reflects a liquidation value and has not been reduced for any reimbursement of Pioneer USA's general and administrative expenses allocable to the partnership.

Comparison of the Merger of Each Partnership to Production Payment. We also considered whether each partnership would benefit from attempting to sell a production payment against its future oil and gas production in exchange for cash. Like the master limited partnership and royalty trust alternatives discussed above, we believe each partnership's oil and gas properties are not of a sufficient size, individually or in the aggregate with the other partnerships, to attract new capital from lenders or investors. In addition, lenders or investors that provide production payment alternatives will not advance funds against 100% of future oil and gas production, and typically limit any production payment transaction to less than 70% of estimated future oil and gas production. As a result, this alternative was not selected because we believe it would not provide the limited partners with immediate and complete liquidity for their investment in each partnership. Even with a production payment transaction, each partnership would continue to be burdened with general and administrative expenses which would reduce any cash distributions paid to the limited partners. The merger value for each partnership reflects a liquidation value and has not been reduced for any reimbursement of Pioneer USA's general and administrative expenses allocable to the partnership.

Comparison of the Merger of Each Partnership to Negotiated Sale. We also considered whether each partnership would benefit from attempting to sell its property interests in negotiated transactions. Buyers would be purchasing the partnership's property interests which they would neither control nor operate. A portion of the properties in which each partnership owns interests would continue to be operated by Pioneer USA because Pioneer USA controls other interests in fields in which the partnership's properties are located. Because of Pioneer USA's control of such properties, Pioneer Parent and Pioneer USA believe Pioneer Parent is the party in the position to pay the highest price for such interests and the one most likely to do so. In contrast, Pioneer USA's control of such properties could negatively affect the amount a third party is willing to pay and the overall interest of third parties in buying such properties.

In addition, sale of each partnership's properties on a direct basis often involves substantial periods of time for due diligence, negotiation and execution of agreements and closings, often with different purchasers for different properties. Satisfying due diligence requests requires large amounts of time to create and supervise data rooms or disseminate data to possible purchasers, plus the time needed to deal directly with multiple prospective purchasers. Furthermore, some issues, such as environmental and title matters, may come to light in the late stages of a negotiated sale, which may delay or preclude the consummation of the sale.

The transaction costs for offering properties in a negotiated sale could be substantial, and often are higher than other means of sale. Those costs include:

- preparing and disseminating information on properties to be offered;

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

- soliciting attendance by prospective purchasers; and
- screening and qualifying purchasers.

In a third party sale, we expect that each partnership would have to pay its own expenses or that the price would be reduced to take the expenses into account.

53

68

Based on the factors described above, we decided to issue an invitation for third party bids rather than conduct a full auction. That is, in September 1999 we established a price and publicly announced that we will consider third party offers to purchase any partnership or its assets at prices that are higher than the 1999 merger value for such partnership. We have repeated our willingness to consider third party offers in connection with the merger of each partnership we now propose, so long as the prices offered exceed those we are offering. We believe this process would result in a better price to the limited partners than if we merely offered the partnership or its assets for sale at any price. Pioneer Parent has the right to match or top any third party offer. In addition, any such offer would be subject to our right to continue operation of the properties. See "The Merger of Each Partnership -- Third Party Offers" on page 65. Although we received some preliminary indications of interest from third parties during the last quarter of 1999 and from a third party in July 2001, none of those third parties has ever made a formal bid for any partnership or its assets. In May and June of 2001, we were contacted by several parties interested in purchasing partnership interests from the limited partners of certain partnerships. See "Special Factors -- Background of the Merger of Each Partnership" on page 36. Other than announcing that we will consider third party offers for any partnership or its assets, we have not actively solicited bids from third parties.

### FORWARD-LOOKING STATEMENTS

This document includes "forward-looking statements" as defined by the Securities and Exchange Commission. These statements concern Pioneer Parent's, Pioneer USA's and each partnership's plans, expectations and objectives for future operations. All statements, other than statements of historical facts, included in this document that address activities, events or developments that Pioneer Parent, Pioneer USA and each partnership expect, believe or anticipate will or may occur in the future are forward-looking statements and include the following:

- completion of the proposed merger of each partnership;
- reserve estimates;
- future production of oil and gas; and
- future financial performance.

These forward-looking statements are based on assumptions, which Pioneer Parent, Pioneer USA and each partnership believe are reasonable, but which are open to a wide range of uncertainties and business risks. Factors that could cause actual results to differ materially from those anticipated are discussed in (1) "Risk Factors" beginning on page 22 of this document, (2) periodic

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

filings with the Securities and Exchange Commission, including Annual Reports on Form 10-K for the year ended December 31, 2000, for Pioneer Parent and each reporting partnership, and (3) "Management's Discussion and Analysis of Financial Condition and Results of Operations" for the year ended December 31, 2000 included in the supplement to this document for each nonreporting partnership.

"Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995: Statements in this document regarding each company's business which are not historical facts are "forward-looking statements" that involve risks and uncertainties. For a discussion of these risks and uncertainties, which could cause actual results to differ from those contained in the forward looking statements, see "Risk Factors" beginning on page 22 of this document.

54

69

### METHOD OF DETERMINING MERGER VALUE FOR EACH PARTNERSHIP AND AMOUNT OF PIONEER PARENT COMMON STOCK OFFERED

Pioneer Parent and Pioneer USA have agreed to a merger value for each partnership for purposes of the merger of the partnership. The method of determining the merger value for each partnership was not determined by arm's-length negotiations. See "Risk Factors -- You Were Not Independently Represented in Establishing the Terms of the Merger of Each Partnership" on page 23 and "Interests of Pioneer Parent, Pioneer USA and Their Directors and Officers" on page 78. The calculations made by Pioneer Parent and Pioneer USA in determining the merger values were based primarily on data maintained by Pioneer USA in conjunction with its responsibilities as operator of the properties and keeper of the books and records of the partnerships.

In March 2001, Pioneer Parent and Pioneer USA agreed to use March 31, 2001 to determine the merger value for each partnership and to base the number of shares of Pioneer Parent common stock to be offered on the average closing price of the Pioneer Parent common stock, as reported by the New York Stock Exchange, for the ten trading days ending three business days before the initial date of the special meeting for each partnership. On July 27, 2001, it was agreed that each participating partnership would bear its pro rata portion of the merger expenses and that Pioneer Parent would bear the merger expenses of the nonparticipating partnerships and the merger expenses in excess of \$2,000,000. The method of determining the merger value was finalized on August 17, 2001, when Pioneer USA received the summary letter of Williamson Petroleum Consultants, Inc. reviewing estimates of each partnership's reserves. For purposes of illustration in this document, we have calculated the number of shares to be issued based on an assumed average closing price of \$18.00 per share of Pioneer Parent common stock. Prior to the date of the special meeting for each partnership, we will update the number of shares to be issued using the actual average closing price of Pioneer Parent common stock for the ten trading days ending three business days before the initial date scheduled for the special meeting. Neither Pioneer Parent nor Pioneer USA will adjust any of the other components of the merger value for any partnership.

### COMPONENTS OF MERGER VALUE FOR EACH PARTNERSHIP

Pioneer Parent and Pioneer USA calculated the merger value assigned to each



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

partnership as follows:

- Pioneer Parent and Pioneer USA agreed to use the volumes of the partnership's estimated reserves as of March 31, 2001, as taken from the summary reserve report reviewed by Williamson Petroleum Consultants, Inc. as of March 31, 2001.
  
- Pioneer Parent and Pioneer USA agreed to use the present value of estimated future net revenues for each partnership from the estimated reserves for each partnership at March 31, 2001, as reviewed by Williamson Petroleum Consultants, Inc. in its summary reserve report dated August 17, 2001. In its review, Williamson Petroleum Consultants, Inc. evaluated the methods and procedures used by Pioneer USA in the preparation of Pioneer USA's estimates of reserves and associated future net revenue and rendered its opinion that the estimates are reasonable in the aggregate and prepared in accordance with generally accepted petroleum engineering and evaluation principles. See Appendix B to this document. The reserve value component of the merger value for each partnership is also set forth in Table 16 of Appendix A to this document. Pioneer Parent and Pioneer USA instructed Williamson to use the following parameters in calculating the present value of estimated future net revenues: (1) a five-year NYMEX futures price for oil and gas as of March 30, 2001, with prices held constant after year five at the year five price, less standard industry adjustments, (2) historical operating costs adjusted only for those items affected by commodity prices, such as production taxes and ad valorem taxes, and (3) a discount rate of 10.0%. For 2001, the oil and gas prices were based on the average NYMEX futures price for the nine-month period beginning on April 1, 2001 and ending December 31, 2001. See the table on page 7 for the NYMEX futures prices. Pioneer Parent and Pioneer USA believe that the five-year

55

70

NYMEX futures prices provide a reasonable benchmark on the outlook for energy prices and are regularly used by financial markets, industry participants, and lenders in evaluating transactions.

- The standard industry price adjustments include:
  - (1) the effects of oil quality;
  - (2) British thermal unit, or BTU, content for gas;
  - (3) any bonus paid;
  - (4) oil and gas gathering and transportation costs; and
  - (5) gas processing costs and shrinkage.

Those adjustments reflect assumptions about the costs to extract, transport and process, if necessary, crude oil, natural gas liquids and natural gas to their point of sale.

- Pioneer Parent and Pioneer USA agreed to use a 10.0% discount rate because Pioneer Parent believes that a 10% discount rate is necessary based upon the risks involved in the oil and gas industry and Pioneer Parent's requirement to achieve a minimum rate of return on its investment.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

- Pioneer Parent and Pioneer USA added the present value of the partnership's estimated future net revenues as of March 31, 2001 to the partnership's net working capital as of March 31, 2001 and then reduced that sum by (i) the partnership's pro rata share, based on its reserve value, of the estimated expenses and fees of the mergers of all of the partnerships and (2) the cash distribution mailed on July 13, 2001, by the partnership to its partners. Since the merger value for each partnership includes net working capital, the merger value assigned to the partnership includes the partnership's assets and liabilities other than its oil and gas reserves. Each partnership's other assets and liabilities consist mainly of cash, accounts receivable from the sale of oil and gas production and accounts payable.
- The number of shares of Pioneer Parent common stock to be issued to the limited partners of each partnership upon the merger of the partnership will be determined by dividing the merger value assigned to the partnership by the value of one share of Pioneer Parent common stock determined as described below. For purposes of example in this document, a share of Pioneer Parent common stock has been valued at an assumed average closing price of \$18.00. However, on the closing date of the merger of each partnership, the value of a share of Pioneer Parent common stock will be recalculated by computing the average closing price of the Pioneer Parent common stock, as reported by the New York Stock Exchange, for the ten trading days ending three business days before the initial date of the special meeting for each partnership. This recalculated value, and not the assumed average closing price of \$18.00 per share of Pioneer Parent common stock, used for illustration purposes in this document and on each limited partner's proxy card, will be used to determine the actual number of shares of Pioneer Parent common stock to be issued in the merger of each partnership. The recalculated value may be more or less than the assumed average closing price of \$18.00 per share of Pioneer Parent common stock. Pioneer Parent may abandon the proposed merger of any or all of the partnerships at any time prior to the special meeting for any such partnership for any reason including changes in, among other things, the price of Pioneer Parent common stock, the market prices for oil and gas generally or the oil and gas industry generally.

Distributions. No cash distributions will be made by any partnership to its partners after the distribution made on July 13, 2001, through the closing date or termination date of the merger of the partnership. The Pioneer Parent common stock to be distributed as payment of the merger value of each participating partnership already reflects the expected amount of those distributions. However, any cash distributions by a nonparticipating partnership which would have been paid during that time period in the ordinary course of that partnership's business will be distributed to its partners at about the same time that

the certificates representing Pioneer Parent common stock are mailed to the partners of each participating partnership.

Liabilities. Pioneer USA will assume all of the liabilities, including contingent liabilities and obligations, of each participating partnership as of the closing date of the merger of the partnership. As of the date of this

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

document, Pioneer USA is not aware of any material contingent liabilities to which any partnership is subject.

Expenses. The expenses and fees to be incurred in connection with the merger of each partnership are expected to be approximately \$2.0 million in total. Each participating partnership will pay its pro rata share, based on its reserve value, of those estimated expenses and fees. Pioneer Parent will pay the pro rata share of each nonparticipating partnership's estimated expenses and fees. Pioneer Parent has also agreed to pay any expenses and fees actually incurred in excess of \$2.0 million and, if Pioneer Parent terminates or abandons the merger as to any partnership, any expenses or fees allocated to that partnership. Pioneer Parent and Pioneer USA have reduced each partnership's merger value by that partnership's pro rata share of the estimated expenses and fees.

### ALLOCATION OF MERGER VALUE FOR EACH PARTNERSHIP AMONG PARTNERS OF THE PARTNERSHIP

In determining the portion of the merger value attributable to each \$1,000 of initial limited partner investment in a partnership, Pioneer Parent determined the amount payable per \$1,000 investment as if the assets of the partnership had been sold on March 31, 2001 for cash equal to the merger value of the partnership and the proceeds distributed in accordance with the liquidation provisions of the partnership's partnership agreement. The limited partners of each participating partnership would receive the same amounts if the merger value of the partnership was allocated among the partners based on the revenue-sharing provisions of the partnership agreement except for each of the following partnerships which will receive more proceeds under the liquidation provisions of its respective partnership agreement than under its revenue-sharing provisions due to certain prospect-by-prospect payout provisions not being met:

- Parker & Parsley 81-I, Ltd.
- Parker & Parsley 81-II, Ltd.
- Parker & Parsley 82-I, Ltd.
- Parker & Parsley 82-II, Ltd.
- Parker & Parsley 82-III, Ltd.

### OTHER METHODS OF DETERMINING MERGER VALUES

Pioneer Parent and Pioneer USA believe that the method used to determine the merger value for each partnership is a fair and reasonable method of valuing the partnership's properties. Pioneer Parent and Pioneer USA considered a number of alternative methods of determining the merger value for each partnership before selecting a method. However, the selected method might not accurately reflect the value of each partnership's assets. See "Risk Factors -- Risk Factors Relating to the Merger of Each Partnership -- The Merger Values for a Partnership Will Not be Adjusted For Changes in Oil and Gas Prices Before the Completion of Its Merger" on page 22. The following alternative methods for determining the merger value for each partnership should be taken into account in assessing the adequacy of the selected method.

Book Value of Assets. Pioneer Parent and Pioneer USA did not base the calculation of merger value for each partnership on the net book value of the partnership's assets. The net book value of each partnership's assets is based upon the financial statements reported in accordance with generally accepted accounting principles. The net book value is not adjusted for estimates in changes in the fair market value of the assets. For this reason, Pioneer Parent

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

and Pioneer USA believe that the merger value for each partnership is more indicative of the fair market value of the assets of each partnership than the net book value of the partnership's assets. See the supplemental information table on the second page of the supplement for each partnership for the partnership's merger value and its book value, in each case per \$1,000 limited partner investment. In all cases except Parker & Parsley 81-II, Ltd., the merger value is

57

72

higher than the book value. For Parker & Parsley 81-II, Ltd., the merger value is lower than book value because of the long-lived nature of the oil and gas properties owned by Parker & Parsley 81-II, Ltd. The merger value of Parker & Parsley 81-II, Ltd. takes into account the discounting effect of owning long-lived oil and gas reserves that is not reflected in a book value computation for the partnership. Nonetheless, Pioneer USA has determined that the merger transaction is fair to the limited partners of Parker & Parsley 81-II, Ltd. (1) for the reasons noted above and (2) because Pioneer Parent and Pioneer USA believe that the five-year NYMEX futures prices used in the calculation of the merger value for the partnership (A) provide a reasonable benchmark on the outlook for energy prices, (B) are regularly used by financial markets, industry participants, and lenders in evaluating transactions, and (C) are higher than historic prices.

**Trading Price of Units.** None of the partnership interests are traded on a national stock exchange or in any other significant market. Although some partnership interests are occasionally sold in private or an informal secondary market for limited partner securities, Pioneer Parent and Pioneer USA believe any market for the partnership interests is not reliable as an indicator of value because any such market is highly illiquid and generally reflects an illiquidity discount. As a result, Pioneer Parent and Pioneer USA did not base the calculation of the merger value for any partnership on recent trading prices of partnership interests in the partnership. See Table 15 of Appendix A for historical information about recent trades of partnership interests in each partnership.

**Repurchase Offers.** Pioneer Parent and Pioneer USA did not base the calculation of the merger value for any partnership on the price of recent repurchase offers in the partnership. Most partnerships do not have a repurchase offer obligation, so no repurchase price information was available for those partnerships. Of the partnerships with a repurchase offer obligation, the most recent repurchase offers were based on December 31, 2000 oil and gas prices. The merger value for each partnership with repurchase offer obligations is lower than the 2001 repurchase offer price for the partnership because the repurchase price was based on NYMEX oil and gas prices as of December 31, 2000, which were \$26.69 per Bbl of oil and \$9.95 per Mcf of gas. Pioneer Parent and Pioneer USA believe that the repurchase obligation is not an indicator of fair value because it is calculated annually on December 31 using oil and gas prices for that specific day. The value determined under the repurchase obligation does not adequately reflect future demand and supply fundamentals which have historically resulted in significant volatility to oil and gas prices. See "Risk Factors -- Risk Factors Relating to the Merger of Each Partnership -- Repurchase Offers in 2001 By Each of the Six Partnerships with a Repurchase Obligation were Higher than the Merger Value for the Partnership" on page 24 of this document and Table 8 of Appendix A to this document for information on each partnership with repurchase offer obligations.

**Timing of Pricing.** Oil and gas prices have recovered from NYMEX oil and gas prices of \$12.00 per Bbl of oil and \$2.00 per Mcf of gas as of December 31,

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

1998, to the five-year NYMEX futures prices for oil and gas as of March 30, 2001, set forth in the table on page 7 of this document. Pioneer Parent and Pioneer USA used those recovered oil and gas prices to calculate the merger value for each partnership. Future oil and gas prices could be higher or lower than the prices on March 30, 2001 which were used in calculating the merger value for each partnership. Significant increases in future prices would increase cash available for distribution from each partnership and could, in retrospect, suggest that the merger value for such partnership was low by comparison. If those prices were to continue to prevail in the future, the merger value for each partnership would appear low by comparison. In contrast, however, if those prices decline in the future, the merger value for each partnership would appear high by comparison.

58

73

### THE MERGER OF EACH PARTNERSHIP

#### GENERAL

Immediately before the effective time of the merger of each participating partnership, the partnership agreement for the partnership will be amended by the merger amendment to permit the merger of the partnership with and into us. At the effective time of the merger of each participating partnership, the partnership will be merged with and into us. We will be the surviving entity. In addition, at the effective time of the merger of each participating partnership, each of your partnership interests in the partnership will be converted into the right to receive Pioneer Parent common stock.

#### LEGAL OPINION FOR LIMITED PARTNERS

Each of the partnership agreements, except the partnership agreement for Parker & Parsley Producing Properties 88-A, L.P., requires that special legal counsel render an opinion on behalf of the limited partners of each partnership to Pioneer USA that neither the grant nor the exercise of the right to approve the merger of the partnership by its limited partners will adversely affect the federal income tax classification of the partnership or any of its limited partners. In addition, the partnership agreement for each of the following partnerships requires an opinion that neither the grant nor exercise of such right will result in the loss of any limited partner's limited liability:

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

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Parker & Parsley Producing Properties 87-B, Ltd.

For each of the partnerships, other than those listed below, the counsel designated to render the opinion described above must be counsel other than counsel to Pioneer USA or any partnership:

Parker & Parsley 88-A Conv., L.P.  
Parker & Parsley 88-A, L.P.  
Parker & Parsley 88-B Conv., L.P.  
Parker & Parsley 88-B, L.P.  
Parker & Parsley 88-C Conv., L.P.  
Parker & Parsley 88-C, L.P.  
Parker & Parsley Private Investment 88, L.P.  
Parker & Parsley 89-A Conv., L.P.  
Parker & Parsley 89-A, L.P.  
Parker & Parsley 89-B Conv., L.P.  
Parker & Parsley 89-B, L.P.  
Parker & Parsley Private Investment 89, L.P.  
Parker & Parsley 90-A Conv., L.P.  
Parker & Parsley 90-A, L.P.  
Parker & Parsley 90-B Conv., L.P.  
Parker & Parsley 90-B, L.P.  
Parker & Parsley 90-C Conv., L.P.  
Parker & Parsley 90-C, L.P.  
Parker & Parsley Private Investment 90, L.P.  
Parker & Parsley 90 Spraberry Private Dev., L.P.  
Parker & Parsley 91-A, L.P.  
Parker & Parsley 91-B, L.P.

In all cases, the designated counsel and the legal opinion must be approved by the limited partners of each partnership.

Neither Pioneer Parent nor Pioneer USA believe that approval of the legal opinions of the special legal counsel to the limited partners will have any effect on any rights the limited partners may have to bring suit against Pioneer Parent or Pioneer USA (other than any claim of breach of these provisions of the partnership agreements), nor do Pioneer Parent or Pioneer USA expect that approval of the legal

59

74

opinions would alter any right the limited partners may have to bring suit against the special legal counsel to the limited partners. Pioneer Parent and Pioneer USA believe that these provisions of the partnership agreement were written at a time when the effect of limited partner votes were not well established under tax and limited partnership laws. More recent partnership agreements generally do not have these kinds of requirements because revised uniform limited partnership laws and amendments to tax laws and regulations have eliminated these issues for most typical partnership voting situations.

In all cases, Pioneer USA has retained \_\_\_\_\_ of \_\_\_\_\_, \_\_\_\_\_ for the purpose of rendering the legal opinions described above on behalf of the limited partners of each partnership to Pioneer USA. \_\_\_\_\_ is not affiliated with Pioneer Parent, Pioneer USA or any of the partnerships. The merger proposals for each partnership include an approval of that counsel and the form of its opinion. See "The Special Meetings -- Time and Place; Purpose" on page 58 of

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

this document. A copy of the opinion is attached as an exhibit to the merger proposals for each partnership.

### DISTRIBUTION OF PIONEER PARENT COMMON STOCK

Upon completion of the merger of each participating partnership, the partners of the partnership will have no continuing interest in, or rights as partners of, the partnership. The transfer books of each participating partnership will be closed on the closing date of the merger of the partnership. All partnership interests in each participating partnership will cease to be outstanding, will automatically be cancelled and retired, and will cease to exist. The certificates previously representing partnership interests in each participating partnership held by record partners will represent only the right to receive Pioneer Parent common stock.

We intend to mail certificates representing Pioneer Parent common stock to the partners of record of each participating partnership promptly following the effectiveness of the merger of the partnership in payment of the merger value for the partnership. Partners of each participating partnership will not be required to surrender partnership interest certificates to receive the Pioneer Parent common stock.

### FRACTIONAL SHARES

Pioneer Parent will not issue fractional shares to any limited partner upon completion of the merger of any partnership. For each fractional share that would otherwise be issued, Pioneer Parent will round any fractional shares of Pioneer Parent common stock up to the nearest whole share.

### MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES

The legal conclusions contained in the following summary of the material federal income tax consequences of the conversion of partnership interests into Pioneer Parent common stock pursuant to the merger of each participating partnership constitute the opinion of Vinson & Elkins L.L.P., counsel for Pioneer Parent, based upon the facts and assumptions set forth in the registration statement on Form S-4 of which this proxy statement/prospectus is a part and upon current law. Future legislative, judicial or administrative changes or interpretations could alter or modify the following statements and conclusions, and any of these changes or interpretations could be retroactive and could affect the tax consequences to the limited partners of each partnership. Further, any inaccuracy in any of the facts or assumptions set forth in the registration statement could adversely affect or render obsolete the opinion.

The opinion does not contain an exhaustive discussion of all possible tax consequences. It does not address any state, local or foreign tax consequences, nor does it discuss all of the aspects of federal income taxation that may be relevant to specific partners in light of their particular circumstances. The opinion describes the material federal income tax consequences applicable to individuals who are citizens or residents of the United States, and therefore has limited application to domestic corporations and persons subject to specialized federal income tax treatment, such as foreign persons, tax-exempt entities, regulated investment companies and insurance companies. The federal tax consequences of each merger will vary for each limited partner because of the different circumstances of each participating partnership and the individual

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

federal income tax position of each limited partner.

60

75

THE STATEMENTS AND CONCLUSIONS BELOW DO NOT ADDRESS THE PARTICULAR FACTS AND CIRCUMSTANCES OF ANY PARTICULAR LIMITED PARTNER. YOU ARE ADVISED TO CONSULT YOUR OWN TAX ADVISOR TO DETERMINE ALL OF THE RELEVANT FEDERAL, STATE AND LOCAL TAX CONSEQUENCES OF EACH MERGER PARTICULAR TO YOU.

### Tax Consequences of a Conversion of Partnership Interests.

- Generally. As more fully described below, if you own partnership interests in a participating partnership, you will generally recognize an aggregate amount of net gain or loss equal to the difference between (1) the fair market value of Pioneer Parent common stock you receive in the merger of that partnership and (2) your adjusted tax basis in your partnership interests exclusive of any basis attributable to liabilities of the partnership immediately prior to the merger. A component of that net gain or loss may be ordinary income or ordinary loss depending upon the extent of any recapture of depletion or intangible drilling and development costs and any appreciation or depreciation in the ordinary assets of the partnership. The recognition of ordinary income will decrease the capital gain component or increase the capital loss component of the net gain or loss otherwise recognizable as a consequence of the merger.
  
- Characterization of the Merger of Each Partnership. The merger of a participating partnership into Pioneer USA should be treated for federal income tax purposes as a sale by such partnership of its assets for Pioneer Parent common stock followed by a distribution of the Pioneer Parent common stock received in liquidation of the limited partnership interests. Under Section 613A of the Internal Revenue Code, each of the partners of such partnership must:
  - maintain the partner's share of the basis in the partnership's oil and gas properties at the partner level;
  - adjust such basis for depletion deductions; and
  - use such basis to calculate gain or loss at the partner level on any sale by the partnership of its oil and gas properties.

Accordingly, each of the mergers should be generally treated for tax computation purposes as:

- a taxable sale by you of your interest in a participating partnership's oil and gas properties for Pioneer Parent common stock and the assumption of liabilities; and
- a taxable sale of any remaining partnership assets by the participating partnership for Pioneer Parent common stock followed by a liquidation of the participating partnership.
  
- Gain or Loss on Sale of Partnership Oil and Gas Properties. Upon the deemed sale of a partnership's oil and gas properties in the merger of the partnership, you will recognize gain or loss equal to the difference between:



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

- the portion of the partnership's "amount realized" on the sale of its oil and gas properties allocated to you; and
- your adjusted tax basis in the partnership oil and gas properties sold, which must be reduced to reflect depletion claimed during the current year in respect of production prior to the date of the merger.

The amount realized will include the fair market value of Pioneer Parent common stock received and the amount of any liability assumed by Pioneer USA in connection with the merger of the partnership which is attributable to the partnership's oil and gas properties. If gain is recognized on such sale, the portion of the gain that is treated as recapture of intangible drilling and development costs or depletion will be treated as ordinary income. See "Recapture of Intangible Drilling and Development Costs" and "Recapture of Depletion" below. The remainder of such gain generally will constitute "Section 1231 gain." If loss is recognized on such sale, such loss generally will constitute "Section 1231 loss." See "Section 1231 Gains and Losses" below. You must take into account your share of the portion of the gain that constitutes recapture income, if any, as ordinary income and must aggregate your share of the

61

76

Section 1231 gains and losses described above with any Section 1231 gains and losses you realize from other sources.

- Other Gain or Loss. You will also recognize your allocable share of the partnership's gain or loss, if any, on the deemed sale of its assets other than oil and gas properties. Such gain or loss will be equal to the difference between the amount realized by the partnership on the sale of such assets and the partnership's adjusted tax basis in such assets. Such gain or loss will be capital or ordinary depending on the nature of the assets sold.

Finally, in the event that the fair market value of Pioneer Parent common stock you receive in the merger of the partnership is more or less than the adjusted tax basis in your partnership interests, as adjusted to reflect gains and losses described in the two preceding paragraphs as well as the effects of the partnership's current year activities, then upon the deemed liquidation of a partnership, you will recognize capital gain or loss equal to the difference between such amounts. See "Tax Consequences of Partnership Operations" below.

Pioneer USA will provide you with information necessary to make the calculations under Section 613A of the Internal Revenue Code described above for purposes of filing your own federal income tax return. In order to simplify your federal income tax reporting, this information will include a calculation of the amount and character of your gain on the deemed sale of the partnership's oil and gas properties based upon our estimates. You should verify the accuracy of these calculations based upon your own records.

- Section 1231 Gains and Losses. Generally, if the total amount of the Section 1231 gains exceeds the total amount of Section 1231 losses, all such gains and losses will be treated as capital gains and losses, and if the total amount of the Section 1231 losses exceeds the total amount of the gains, all such gains and losses will be treated as ordinary income and losses. However, your net Section 1231 gains will be treated as ordinary income to the extent of your net Section 1231 losses during the

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

immediately preceding five years, reduced by any amount of net Section 1231 losses that have been previously "recaptured" by you pursuant to this rule.

- Recapture of Intangible Drilling and Development Costs. Generally, all or a portion of the amounts previously deducted for intangible drilling and development costs for a property must be recaptured upon the disposition of such property by treating the gain, if any, realized on such disposition as ordinary income to the extent of such amounts. For a property placed in service prior to 1987, the potential recapture amount is equal to the excess of the aggregate amounts previously deducted for intangible drilling and development costs for such property over the amount by which the deduction for depletion for such property would have been increased had the intangible drilling and development costs been capitalized and recovered through depletion rather than deducted in the year incurred. It should be noted that, if percentage depletion, rather than cost depletion, has been claimed for such property, the hypothetical capitalization of intangible drilling and development costs may result in little or no increase in depletion deductions and, as a consequence, most or all of the intangible drilling and development costs for such property may be subject to recapture. For property placed in service during 1987 or thereafter, the full amount of intangible drilling and development costs previously deducted, unreduced by depletion, is subject to recapture to the extent of any gain.
- Recapture of Depletion. Upon the disposition of a property that was placed in service during 1987 or thereafter, all amounts previously deducted for depletion, whether cost depletion or percentage depletion, to the extent such amounts reduced the basis in the property, must be recaptured by treating the gain, if any, recognized on such disposition as ordinary income to the extent of such amounts. No such recapture rule is applicable to a property placed in service before 1987.
- Tax Rates. The capital gains rate for individuals and other non-corporate taxpayers is 20% if the capital asset has been held for more than one year at the time of consummation of the merger of each partnership. Corporate taxpayers are taxed at a maximum marginal rate of 35% for both

62

77

capital gains and ordinary income. The maximum marginal federal income tax rate for ordinary income of individuals and other non-corporate taxpayers is 39.1% for the 2001 calendar year under recent legislation. Capital losses are deductible only to the extent of capital gains, except that, subject to the passive activity loss limitation discussed below, non-corporate taxpayers may deduct up to \$3,000 of capital losses in excess of the amount of their capital gains against ordinary income. Excess capital losses generally can be carried forward to succeeding years. A corporation is permitted to carry back excess capital losses to the three preceding years, provided the carryback does not increase or produce a net operating loss for any of those years. A corporation's carryforward period is five years and a non-corporate taxpayer can carry such losses forward indefinitely.

- Passive Activity Loss Limitation. Under Section 469 of the Internal Revenue Code, any losses from any participating partnership that have been suspended under the passive loss rules will become fully deductible as a result of the merger of any such partnership.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

FIRPTA Withholding. Gain recognized by a foreign limited partner on the sale by a participating partnership of its assets pursuant to the merger of the partnership will be subject to federal income tax if such gain is effectively connected with the conduct of a U.S. trade or business by the partnership or the foreign limited partner. Gain recognized on the sale of U.S. real property, including a participating partnership's oil and gas properties, is treated as effectively connected with the conduct of a U.S. trade or business for this purpose. Under Internal Revenue Code Section 1446, a participating partnership in which an interest is held by a foreign person generally is required to deduct and withhold a tax equal to the highest marginal federal income tax rate applicable to the partner multiplied by such partner's allocable share of effectively connected income. In order to comply with this requirement, each participating partnership will withhold the prescribed percentage of the effectively connected income allocated to you unless you properly complete and sign a certification of non-foreign status certifying your taxpayer identification number and address, and that you are not a foreign person. Amounts withheld will be creditable against a limited partner's federal income tax liability and, if in excess thereof, a refund may be obtained from the Internal Revenue Service by filing a U.S. income tax return.

Tax Consequences of Partnership Operations. The federal income tax consequences of the merger of each partnership, described above, are in addition to the tax consequences of a participating partnership for the taxable year ending on the closing date of the merger of the partnership. You must include your allocable share of a participating partnership's items of income, gain, loss, deduction and credit for that taxable year, including your allocable share through the closing date of the merger of the partnership, on your federal income tax return for that taxable year. That information will be provided to you by or on behalf of the partnership on a Schedule K-1 as required by tax law. The results of partnership operations for such period will impact your tax basis in your interest in a participating partnership, and your computation of gain or loss resulting from the merger of the partnership.

### ACCOUNTING TREATMENT

The merger of each participating partnership will be accounted for as a purchase under generally accepted accounting principles. Under those rules, Pioneer USA will record the assets and liabilities of each participating partnership on its books at its estimated fair market value.

### EFFECT OF DEBT OWED BY A LIMITED PARTNER TO PIONEER USA ON AMOUNT OF PIONEER PARENT COMMON STOCK TO BE RECEIVED BY THE LIMITED PARTNER

If a limited partner is indebted to Pioneer USA for any portion of the limited partner's original investment in the partnership, Pioneer USA plans to apply the Pioneer Parent common stock that would otherwise be distributed to the limited partner upon completion of the merger of the partnership against that limited partner's indebtedness. If a limited partner's indebtedness to Pioneer USA is less than the merger value allocated to limited partnership interests held by the limited partner, the limited partner will receive Pioneer Parent common stock equal to the amount by which such merger value exceeds such

indebtedness. If a limited partner's indebtedness to Pioneer USA is greater than the merger value allocated to the limited partnership interests held by the

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

limited partner, Pioneer USA may collect the deficiency from the limited partner.

### EFFECT OF MERGER OF EACH PARTNERSHIP ON LIMITED PARTNERS WHO DO NOT VOTE IN FAVOR OF THE MERGER; NO APPRAISAL OR DISSENTERS' RIGHTS

You will be bound by the merger of each partnership in which you own an interest if the limited partners in the partnership vote a majority, or 66 2/3% for Parker & Parsley 91-A, L.P. and Parker & Parsley 91-B, L.P., of their partnership interests in favor of the merger, even if you vote against the merger or do not vote. If the merger of the partnership occurs, you will be entitled to receive only Pioneer Parent common stock based on the merger value of your partnership interests in the partnership. Under the laws of the State of Delaware and the State of Texas, which are the states of formation of the partnerships, you are not entitled to appraisal or dissenters' rights with respect to the merger of any partnership.

### FUTURE OF NONPARTICIPATING PARTNERSHIPS

If the limited partners of a partnership do not approve the merger of that partnership, the partnership will remain in existence. Each nonparticipating partnership will continue to operate as a separate legal entity with its own assets and liabilities. There will be no immediate change in its business objectives, and Pioneer USA plans to continue to manage and operate each nonparticipating partnership in accordance with the terms of its current partnership agreement. A limited partner in a nonparticipating partnership will retain the rights, privileges and obligations that the limited partner currently has pursuant to the partnership agreement of the nonparticipating partnership. At about the same time that Pioneer USA mails certificates for Pioneer Parent common stock to the partners of each participating partnership in payment of the merger value for the partnership, Pioneer USA will mail any cash distributions that were delayed for administrative purposes prior to the completion of the merger of each participating partnership to the partners of each nonparticipating partnership.

Pioneer USA's board of directors will determine each nonparticipating partnership's business plan. In addition, the board of directors of each of Pioneer Parent and Pioneer USA will decide what, if any, actions they will take with respect to each nonparticipating partnership. Potential activities may include a tender offer for partnership interests of limited partners or a proposal to acquire the assets of, or merge with, one or more of the nonparticipating partnerships. Such proposals may be on terms similar to or different from those of the merger of each partnership described in this document.

Pioneer USA plans to continue to manage each nonparticipating partnership until such partnership is dissolved or Pioneer USA is replaced as the general partner of such partnership. The replacement of Pioneer USA as general partner would require compliance with the partnership agreement of such nonparticipating partnership, including the requisite vote of the limited partners thereof. A nonparticipating partnership may be dissolved in the future in accordance with its partnership agreement if Pioneer USA or any substituted general partner withdraws from the nonparticipating partnership, or in some cases, otherwise elects to dissolve that partnership. Pioneer USA might withdraw from, or otherwise elect to dissolve, a nonparticipating partnership if Pioneer USA determines that the nonparticipating partnership's continued operation is uneconomical or its dissolution and liquidation are in the best interests of the partners of that partnership. Upon dissolution, the nonparticipating partnership's assets may be sold for cash or securities, which may be more or less than the merger value assigned to that partnership, or distributed in kind to the partners of the nonparticipating partnership. Any such sale may be to Pioneer Parent or an affiliate of Pioneer Parent and may involve cash or

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

securities of Pioneer Parent.

### NONMANAGING GENERAL PARTNERS OF SOME PARTNERSHIPS

Eight of the partnerships described in this document have two general partners. In those eight partnerships, Pioneer USA is the managing general partner. The second general partner in those partnerships is a partnership whose limited partners are former affiliates of Pioneer Parent's predecessors.

64

79

The names of the eight partnerships and the names of the nonmanaging general partner in each of those partnerships are:

PARTNERSHIP	NONMANAGING GENERAL PARTNER
Parker & Parsley 81-I, Ltd.....	P&P Employees 81-I, Ltd.
Parker & Parsley 81-II, Ltd.....	P&P Employees 81-II, Ltd.
Parker & Parsley 82-I, Ltd.....	P&P Employees 82-I, Ltd.
Parker & Parsley 82-II, Ltd.....	P&P Employees 82-II, Ltd.
Parker & Parsley 82-III, Ltd.....	P&P Employees 82-III, Ltd.
Parker & Parsley 83-A, Ltd.....	P&P Employees 83-A, Ltd.
Parker & Parsley 83-B, Ltd.....	P&P Employees 83-B, Ltd.
Parker & Parsley 84-A, Ltd.....	P&P Employees 84-A, Ltd.

Pioneer USA is the sole general partner of each of the nonmanaging general partners. In that capacity, Pioneer USA has authority:

- to cause the nonmanaging general partner to perform its obligations relating to the partnership described above; and
- to exercise on behalf of the nonmanaging general partner all of the rights and elections granted to the nonmanaging general partner by the partnership described above.

None of the nonmanaging general partners has the right to vote on the merger of any partnership. However, Pioneer USA, as the general partner of each nonmanaging general partner, has approved the merger of each partnership and the distribution of this document to the limited partners of each partnership and to the unaffiliated limited partners of each nonmanaging general partner, if any, of each partnership. The merger value attributable to the unaffiliated limited partners of the nonmanaging general partners is \$203,347, consisting of approximately 11,298 shares of Pioneer Parent common stock in the aggregate assuming an average closing price of \$18.00 per share of Pioneer Parent common stock. Pioneer USA will not receive any Pioneer Parent common stock in any merger for its partnership interests in any nonmanaging general partner.

### THIRD PARTY OFFERS

Pioneer USA will consider offers from third parties to purchase any partnership or its assets. Those who wish to make an offer for any partnership or its assets must demonstrate to Pioneer USA's reasonable satisfaction their

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

financial ability and willingness to complete such a transaction. Before reviewing non-public information about a partnership, a third party will need to enter into a customary confidentiality agreement. Offers should be at prices and on terms that are fair to the partners of the partnership for which the offer is being made and more favorable to the unaffiliated limited partners than the prices and terms proposed for the merger of that partnership in this document. Pioneer Parent reserves the right to match or top any such offer. In addition, any such offer would be subject to Pioneer USA's right to continue operation of the properties. Since first announcing our willingness to consider third party offers in September 1999, Pioneer USA has not received any third party offer for any partnership or its assets. Other than announcing that we will consider third party offers for any partnership or its assets we have not actively solicited bids from third parties. Persons desiring to make an offer for any partnership should contact Timothy L. Dove or Mark L. Withrow, Board of Directors, Pioneer Natural Resources USA, Inc., 5205 North O'Connor Boulevard, Suite 1400, Irving, Texas 75039 by August 1, 2001.

### MERGER AMENDMENT

In order to complete the merger of each partnership, the partnership agreement for the partnership requires an amendment to add a provision permitting the merger of the partnership with and into Pioneer USA. See the merger proposals, which include the merger amendment, set forth in Appendix E to this document. At the special meeting for each partnership, the limited partners of the partnership will vote

65

80

upon the merger amendment, which, if approved, will be effective immediately prior to the effectiveness of the merger of the partnership.

### TERMINATION OF REGISTRATION AND REPORTING REQUIREMENTS

As a result of the merger of each participating partnership, the partnership interests in the partnership, as well as the partnership itself, will cease to exist. Twenty-five of the partnerships described in this document have registered their partnership interests under, or are otherwise subject to the informational requirements of, the Securities Exchange Act of 1934. See "Where You Can Find More Information" for a list of those partnerships. Upon the completion of the merger of each reporting partnership, Pioneer USA intends to terminate:

- registration of the partnership interests of the partnership under the Securities Exchange Act of 1934; and
- the partnership's obligations to file reports and other information under the Securities Exchange Act of 1934.

Pioneer USA plans to cause each nonparticipating partnership that is also a reporting partnership to continue to file reports and other information under the Securities Exchange Act of 1934. However, Pioneer USA's board of directors could determine in the future to cause each such partnership to terminate its reporting obligations as permitted by federal securities laws.

The advantages of remaining registered, or remaining obligated to file reports, under the Securities Exchange Act of 1934 include the informational and reporting requirements under that act, including requirements related to tender offers, proxy solicitation and consents and insiders' transactions in partnership interests. Those reporting requirements may provide limited partners

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

with more detailed information on a more frequent basis than might otherwise be required under the partnership agreement for the partnership. In addition, a partnership's filings under the Securities Exchange Act of 1934 are available to the public over the Internet at the SEC's web site at [www.sec.gov](http://www.sec.gov) and are also available at the SEC's public reference rooms in Washington, D.C., New York, New York and Chicago, Illinois.

The disadvantages of remaining registered, or remaining obligated to file reports, include the partnership's cost to prepare and distribute the various reports and other information required under the Securities Exchange Act of 1934. Deregistering the partnership interests of a nonparticipating partnership or otherwise terminating its filing and reporting obligations could reduce that partnership's general and administrative expenses because the reporting obligations of the partnership under its partnership agreement require annual and semi-annual reports, but not quarterly reports.

### ELIMINATION OF A FAIRNESS OPINION REQUIREMENT THAT WOULD OTHERWISE BENEFIT PIONEER USA

Pioneer USA, as the sole general partner of each of Parker & Parsley 91-A, L.P. and Parker & Parsley 91-B, L.P., is entitled to receive an opinion as to the fairness of the proposed merger transaction to Pioneer USA in its capacity as sole general partner of each of those partnerships. However, since Pioneer Parent and Pioneer USA are the parties making the offer for the proposed merger transaction, Pioneer USA will not seek such a fairness opinion. In addition, Pioneer USA, as the sole general partner of each of those two partnerships, is entitled to amend, and Pioneer USA will amend, the partnership agreement for the partnership to eliminate the requirement for such fairness opinion for Pioneer USA in connection with the proposed merger of the partnership.

66

81

### PAYMENT OF EXPENSES AND FEES

Pioneer Parent and Pioneer USA estimate that the aggregate expenses and fees of the mergers of all of the partnerships will be as follows:

Filing fee with SEC.....	\$ 20,500
Legal fees.....	350,000
Accounting fees.....	100,000
Financial advisor fees.....	350,000
Independent petroleum consultant fees.....	50,000
Printing and mailing fees.....	850,000
Information agent fees and solicitation and tabulation expenses.....	225,000
Miscellaneous.....	54,500
	-----
Total expenses.....	\$2,000,000
	=====

Each participating partnership will pay its pro rata share, based on its reserve value, of the aggregate estimated expenses and fees of the mergers of all of the partnerships. Pioneer Parent will pay the pro rata share of each nonparticipating partnership's estimated expenses and fees. Pioneer Parent has

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

also agreed to pay any expenses and fees actually incurred in excess of \$2.0 million and if Pioneer Parent terminates or abandons the merger as to any partnership, any expenses or fees allocated to that partnership. Pioneer Parent and Pioneer USA have reduced the net working capital component of each partnership's merger value by that partnership's pro rata share of the estimated expenses and fees.

67

82

### THE MERGER AGREEMENT

The following describes the material terms of the merger agreement. Pioneer Parent and Pioneer USA expect to sign the merger agreement as soon as the Securities and Exchange Commission declares effective under the Securities Act of 1933 the registration statement that includes this document. The full text of the merger agreement is attached as Appendix F to this document and is incorporated by reference in this document. We encourage you to read the entire merger agreement.

#### STRUCTURE; EFFECTIVE TIME

The merger agreement provides for the merger of each participating partnership with and into Pioneer USA, with Pioneer USA surviving each merger. Each merger will become effective at the time of the filing of the certificate of merger for each participating partnership with the Secretary of State of the State of Delaware and, for each participating partnership formed in Texas, with the Secretary of State of the State of Texas. Each certificate of merger is expected to be filed as soon as practicable after the last condition precedent to the related merger set forth in the merger agreement has been satisfied or waived. We estimate that the closing of the merger of each partnership will be in the third quarter of 2001.

#### EFFECT OF THE MERGER OF EACH PARTNERSHIP

As a result of the merger of each participating partnership, the partners in the partnership will have no continuing interest in that partnership. Following the merger of each participating partnership, there will be no trading market for the partnership interests in, and no further distributions paid to the former partners of, the partnership. In addition, following the consummation of the merger of each participating partnership that is also a reporting partnership, the registration of any partnership interests in the partnership under the Securities Exchange Act of 1934 will be terminated.

#### CONDUCT OF BUSINESS PRIOR TO THE MERGER OF EACH PARTNERSHIP

From the date of the merger agreement until the effective time of the merger of each partnership, each partnership is required:

- to conduct its business only in the ordinary course consistent with past practice; and
- to use its reasonable best efforts:
- to preserve intact its business organization;



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

- to keep available the services of its officers, employees and consultants; and
- to preserve its relationships with customers, suppliers and other persons with which it has significant business dealings.

Pioneer USA has suspended cash distributions to the partners of each partnership until after the effective time of the merger of the partnership. Partners of each nonparticipating partnership will receive cash distributions that are delayed for administrative purposes at about the same time Pioneer USA mails certificates for Pioneer Parent common stock to the partners of each participating partnership in payment of merger value for each partnership.

### OTHER AGREEMENTS

Special Meetings; Proxies. Pioneer USA has agreed to cause the special meeting of the limited partners of each partnership to be duly called and held as soon as reasonably practicable for the purpose of voting on the approval and adoption of the merger proposals for the partnership. Pioneer USA has also agreed to use its reasonable best efforts to solicit from the limited partners of each partnership proxies in favor of the merger proposals and to take all other action necessary or advisable to secure any vote or consent of the limited partners of the partnership required by the partnership agreement of the partnership or the merger agreement or by law in connection with the merger of the partnership.

68

83

Reasonable Commercial Efforts. Each party has agreed to use all reasonable commercial efforts:

- to obtain in a timely manner all necessary waivers, consents and approvals and to effect all necessary registrations and filings; and
- to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable under applicable laws and regulations to consummate as promptly as practicable the transactions contemplated by the merger agreement.

### REPRESENTATIONS AND WARRANTIES OF PIONEER PARENT, PIONEER USA AND EACH PARTNERSHIP

The merger agreement contains substantially reciprocal representations and warranties of Pioneer Parent, Pioneer USA and each of the partnerships, including the following matters:

- due organization or formation, standing, corporate or partnership power and qualification;
- absence of any conflict, breach, notice requirement or default under organizational documents and material agreements as a result of each contemplated merger;
- authority to enter into and the validity and enforceability of the merger agreement;
- absence of any material adverse change since June 30, 2001; and

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

- accuracy of information.

In addition, the merger agreement contains representations and warranties by:

- each of the partnerships as to capitalization;
- each of Pioneer Parent and each reporting partnership, as to the absence in its reports filed with the SEC of any untrue statement of a material fact or any omission to state a material fact necessary to make the statements in such reports not misleading;
- each of Pioneer Parent and each partnership, that its financial statements have been prepared in accordance with generally accepted accounting principles applied on a consistent basis and fairly present its financial condition and results of operations; and
- Pioneer USA as to its capacity as the managing or sole general partner of each partnership and as the sole general partner of each nonmanaging general partner.

### CONDITIONS TO THE MERGER OF EACH PARTNERSHIP

Conditions to the Obligations of Each Party. The obligations of Pioneer Parent, Pioneer USA and each partnership to complete the merger of the partnership are dependent on the satisfaction of the following conditions:

- the merger agreement shall have been approved by the requisite vote of the limited partners of the partnership entitled to vote at the partnership's special meeting;
- Pioneer USA shall have received the fairness opinion from Stanger that, as of the date of that opinion, that the merger value for each partnership and the allocation of the merger value of the partnership (1) to the limited partners of the partnership as a group, (2) to the general partners of the partnership as a group, (3) to Pioneer USA as the managing or sole general partner of the partnership, (4) to the unaffiliated limited partners of the partnership as a group and (5) to the unaffiliated limited partners of the nonmanaging general partner, if any, of the partnership as a group, is fair to the unaffiliated limited partners of the partnership and the unaffiliated limited partners of the nonmanaging general partner, if any, of the partnership, from a financial point of view, and such opinion shall not have been withdrawn;
- Pioneer USA shall have received the opinion of counsel to the limited partners of each partnership that (1) neither the grant nor the exercise of the right to approve the merger of the partnership by

69

84

its limited partners will adversely affect the federal income tax classification of the partnership or any of its limited partners and (2) neither the grant nor exercise of such right will result in the loss of any limited partner's limited liability;

- the absence of any law, regulation, judgment, injunction, order or decree that would prohibit the consummation of any merger;
- the absence of any pending suit, action or proceeding challenging the

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

legality or any aspect of the merger of any partnership or the transactions related to the merger;

- the authorization for listing on the New York Stock Exchange and the Toronto Stock Exchange upon official issuance of notice shall have been received for the shares of Pioneer Parent common stock to be issued upon the merger of each partnership;
- all material filings and registrations with, and notifications to, third parties shall have been made and all material approvals and consents of third parties shall have been received; and
- the absence of any opinion of counsel that the exercise by the limited partners of each partnership of the right to approve the merger of the partnership is not permitted by state law.

Conditions to the Obligations of Pioneer Parent. The obligations of Pioneer Parent to complete the merger of each partnership are further subject to the satisfaction of the following conditions:

- each of Pioneer USA and each partnership having performed in all material respects its agreements contained in the merger agreement; and
- the representations and warranties of Pioneer USA and each partnership being true and correct in all material respects at the closing date of the merger of the partnership as if made at that time unless they relate to another specified time.

Conditions to the Obligations of Pioneer USA and Each Partnership. The obligations of Pioneer USA and each partnership to complete the merger of the partnership are further subject to the satisfaction of the following conditions:

- Pioneer Parent having performed in all material respects its agreements contained in the merger agreement; and
- the representations and warranties of Pioneer Parent being true and correct in all material respects at the closing date of the merger of the partnership as if made at that time unless they relate to another specified time.

If we choose to waive a material condition to a merger, we will disclose that waiver to the limited partners of the affected partnerships and resolicit proxies for that merger.

### TERMINATION OF THE MERGER AGREEMENT AND THE MERGER OF ANY PARTNERSHIP

The merger agreement may be terminated and the merger of any partnership abandoned at any time prior to the effective time, whether before or after approval by the limited partners:

- by the mutual written consent of the parties;
- by any party, if:
  - any applicable law, rule or regulation makes consummation of any merger illegal or otherwise prohibited or any final and non-appealable judgment, injunction, order or decree enjoining any party from consummating any merger is entered;

- the requisite limited partner approval for a partnership is not obtained by a vote at the special meeting for the partnership or at any adjournment or postponement of the special meeting; or

70

85

- any suit, action or proceeding is filed against Pioneer Parent, Pioneer USA, any partnership or any officer, director or affiliate of Pioneer Parent or Pioneer USA challenging the legality or any aspect of the merger of any partnership or the transactions related to the merger;
- by Pioneer Parent, if Pioneer USA or any partnership is in material breach of the merger agreement;
- by Pioneer USA or any partnership as to that partnership's merger, if Pioneer Parent is in material breach of the merger agreement;
- by Pioneer USA, if Pioneer USA's board of directors determines that termination of the merger agreement is required in order for the board to comply with its fiduciary duties; or
- by Pioneer Parent, if there shall have occurred any event, circumstance, condition, development or occurrence causing, resulting in or having, or reasonably expected to cause, result in or have, a material adverse effect (1) on any partnership's business, operations, properties, taken as a whole, condition, financial or otherwise, results of operations, assets, taken as a whole, liabilities, cash flows or prospects, (2) on market prices for oil and gas prevailing generally in the oil and gas industry since the date of determination of the oil and gas commodity prices used in the determination of the merger value for each partnership, (3) on the price of Pioneer Parent common stock or (4) on the oil and gas industry generally.

If the merger agreement is validly terminated or the merger of any partnership is abandoned, none of Pioneer Parent, Pioneer USA nor any such partnership shall have any liabilities or obligations to the other parties based on the merger agreement or such merger except:

- Pioneer Parent will pay all expenses and fees of each partnership in connection with the merger of that partnership incurred before the termination of the merger agreement or abandonment of the merger of the partnership; and
- a party will be liable if that party is in breach of the merger agreement.

#### AMENDMENTS; WAIVERS

Any provision of the merger agreement may be amended prior to the effective time if the amendment is in writing and signed by Pioneer Parent and Pioneer USA; provided, that after the approval of the merger proposals by the limited partners of each partnership, no amendment shall, without the further approval of the limited partners of each partnership:

- adversely change the type or amount of, or the method of determining, the consideration to be received in exchange for any partnership interests in

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

the partnership; or

- materially and adversely affect the rights of the limited partners of the partnership, other than a termination of the merger agreement or abandonment of the merger of the partnership.

Prior to the effective time, the parties may:

- extend the time for the performance of any of the obligations of the parties;
- waive any inaccuracies in the representations and warranties in the merger agreement or in a document delivered pursuant to the merger agreement; and
- waive compliance with any agreement or condition in the merger agreement.

Any such extension or waiver will be valid only if it is in writing and signed by the party against whom the extension or waiver is to be effective.

71

86

### THE SPECIAL MEETINGS

#### TIME AND PLACE; PURPOSE

The special meeting of the limited partners of each partnership will be held on \_\_\_\_\_, 2001, at 10:00 a.m., at the Dallas Marriott Las Colinas Hotel, Irving, Texas 75039. The purpose of each special meeting, and any adjournment or postponement of the special meeting for each partnership, is for the limited partners of each partnership to consider and vote on the following matters:

- A proposal to approve an Agreement and Plan of Merger dated as of \_\_\_\_\_, 2001, among Pioneer Parent, Pioneer USA and each of the partnerships. Each participating partnership will merge with and into Pioneer USA, with Pioneer USA surviving the merger. Each partnership interest of a participating partnership will be converted into Pioneer Parent common stock. The number of shares of common stock Pioneer Parent will offer for all partnership interests of a participating partnership will be based on (1) the participating partnership's merger value and (2) the average closing price of the Pioneer Parent common stock, as reported by the New York Stock Exchange, for the ten trading days ending three business days before the initial date scheduled for the special meeting for the partnership. The merger value for a participating partnership is equal to the sum of the present value of estimated future net revenues from the partnership's estimated oil and gas reserves and its net working capital, in each case as of March 31, 2001, less its pro rata share, based on its reserve value, of the estimated expenses and fees of the mergers of all of the partnerships and less the cash distribution mailed on July 13, 2001, by the partnership to its partners. For purposes of illustration in this document, we have calculated the number of shares to be issued based on an assumed average closing price of \$18.00 per share of Pioneer Parent common stock. Prior to the date of the special meeting for each partnership, we will update the number of shares to be issued using the actual average closing price of Pioneer Parent common stock for the ten trading days ending three business days before the initial date of the special meeting. The Pioneer Parent common stock will be allocated among the partners based on the liquidation provisions of each partnership agreement. Pioneer Parent will not issue fractional shares to

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

any limited partner upon completion of the merger of any partnership. Instead, Pioneer Parent will round any fractional shares of Pioneer Parent common stock up to the nearest whole share. Pioneer USA will not receive any Pioneer Parent common stock for its partnership interests in the participating partnerships.

- A proposal to amend the partnership agreement of each partnership to permit the partnership's merger with Pioneer USA. If the amendment is not approved, that partnership cannot merge into Pioneer USA even if the partners of that partnership approve the merger agreement.
- A proposal (A) to approve the opinion issued to Pioneer USA by on behalf of the limited partners of each partnership that neither the grant nor the exercise of the right to approve the merger of the partnership by its limited partners (1) will result in the loss of any limited partner's limited liability or (2) will adversely affect the federal income tax classification of the partnership or any of its limited partners and (B) to approve the selection of \_\_\_\_\_ as special legal counsel for the limited partners of each partnership to render such legal opinion.

Pioneer USA is also soliciting authorization to use its discretionary voting authority to vote proxies in favor of any adjournment or postponement of the special meeting in order to solicit additional proxies.

The Delaware Revised Uniform Limited Partnership Act and the Texas Revised Limited Partnership Act require limited partner approval and adoption of the merger agreement and the merger amendment. Generally, the partnership agreement of each partnership requires that special legal counsel for the limited partners render its legal opinion related to the limited partners' approval of the merger of that partnership. See "The Merger of Each Partnership -- Legal Opinion for Limited Partners" on page 59 of this document.

72

87

PIONEER USA'S BOARD OF DIRECTORS UNANIMOUSLY DETERMINED THAT THE MERGER OF EACH PARTNERSHIP IS ADVISABLE, FAIR TO THE UNAFFILIATED LIMITED PARTNERS OF THE PARTNERSHIP, AND IN THEIR BEST INTERESTS. THE BOARD RECOMMENDS THAT THE UNAFFILIATED LIMITED PARTNERS VOTE FOR THE MERGER PROPOSALS FOR EACH PARTNERSHIP IN WHICH THEY OWN AN INTEREST. ALTHOUGH PIONEER USA'S BOARD OF DIRECTORS HAS ATTEMPTED TO FULFILL ITS FIDUCIARY DUTIES TO THE LIMITED PARTNERS OF EACH PARTNERSHIP, PIONEER USA'S BOARD OF DIRECTORS HAD CONFLICTING INTERESTS IN EVALUATING EACH MERGER BECAUSE EACH MEMBER OF ITS BOARD OF DIRECTORS IS ALSO AN OFFICER OF PIONEER PARENT.

### RECORD DATE; VOTING RIGHTS AND PROXIES

Only limited partners of record of each partnership at the close of business on \_\_\_\_\_, 2001 are entitled to notice of and to vote at the special meeting for the partnership in which they own partnership interests, or any adjournments or postponements of such special meeting. Pioneer USA is entitled to vote partnership interests it holds as a limited partner in all of the partnerships except:

Parker & Parsley 85-A, Ltd.  
Parker & Parsley 85-B, Ltd.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Parker & Parsley Private Investment 85-A, Ltd.  
Parker & Parsley Selected 85 Private Investment, Ltd.  
Parker & Parsley Private Investment 86, Ltd.  
Parker & Parsley 91-A, L.P.  
Parker & Parsley 91-B, L.P.

Pioneer USA's affiliates are also entitled to vote partnership interests they hold as limited partners in all but the seven partnerships listed above. However, no affiliates of Pioneer USA own such interests. See "Ownership of Partnership Interests" on page 79 of this document.

Limited partners of record of each partnership are entitled to vote at the partnership's special meeting based on the limited partners' respective percentage of partnership interests in the partnership. Each limited partner will receive a proxy card for all partnerships in which that limited partner holds partnership interests. The proxy card will indicate the amount of Pioneer Parent common stock offered with respect to such partnership interests in each partnership. Although the number of shares of Pioneer Parent common stock offered as shown on the proxy card may change, the value of Pioneer Parent common stock offered as shown on the proxy card will not be adjusted. The percentage of partnership interests that a limited partner holds in a partnership is determined by comparing the amount of the limited partner's initial investment, including any additional assessments, in the partnership to the total investment of all partners, including any additional assessments, in the partnership. The aggregate initial investment, including any additional assessments, in each of the partnerships by the limited partners is set forth in Table 1 of Appendix A.

A limited partner of record may grant a proxy to vote for or against, or may abstain from voting on, the merger proposals applicable to each of the partnerships in which the limited partner holds partnership interests. To be effective for purposes of granting a proxy to vote on the merger proposals applicable to each partnership, a proxy card must be properly completed, executed and delivered to Pioneer USA's information agent, in person or by mail, telegraph, telex or facsimile before the special meeting for the partnership. All partnership interests represented by properly executed proxies will, unless these proxies have been previously revoked, be voted in accordance with the instructions indicated in these proxies. If no instructions are indicated, the partnership interests will be voted for approval and adoption of the merger proposals. A properly executed proxy card for a partnership marked abstain is counted as present for purposes of determining the presence or absence of a quorum at the special meeting for the partnership, but will not be voted. Accordingly, abstentions will have the same effect as a vote against the merger proposals.

Unrevoked proxies granted in the proxy cards for a partnership will be voted at the special meeting for that partnership or at any adjournment or postponement of the special meeting, if received by Pioneer

USA's information agent before the special meeting for the partnership. Proxies granted in the proxy cards for a partnership will remain valid until the completion of the special meeting for the partnership. Each partnership agreement requires that a meeting be held within 60 days of the date of mailing of the notice of meeting. None of the partnership agreements specifically addresses, and Pioneer USA has not sought any opinions of counsel as to, whether proxies may be voted at a meeting originally scheduled to be held within 60 days of the sending of the notice and adjourned or postponed to a date more than 60

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

days after the date of notice. Pioneer USA will not accept a vote of the limited partners of any partnership in such circumstances unless it receives an opinion of counsel that such a vote would be valid.

The inspector of election appointed for the special meeting for each partnership will tabulate the votes cast by proxy or in person at the special meeting.

### REVOCATION OF PROXIES

You may revoke a proxy you have given at any time before that proxy is voted at the special meeting for each partnership in which you own an interest by:

- giving written notice of revocation to Pioneer USA;
- signing and returning a later dated proxy; or
- voting in person at the special meeting.

Your notice of revocation will not be effective until Pioneer USA receives it at or before the special meeting for each partnership in which you own an interest. Your presence at any such special meeting will not automatically revoke your proxy in a proxy card. Revocation during any such special meeting will not affect votes previously taken.

You may deliver your written notice of revocation in person or by mail, telegraph, telex, or facsimile. Any written notice of revocation must specify your name and limited partner number as shown on your proxy card and the name of the partnership to which your revocation relates.

### SOLICITATION OF PROXIES

We are soliciting your proxy pursuant to this document. The aggregate estimated expenses and fees of the merger of each partnership that have been allocated to each partnership include those incurred in connection with solicitation of the enclosed proxy as described below.

Pioneer USA has retained D.F. King & Co., Inc. to assist in the solicitation of proxies from the limited partners of each partnership. The total fees and expenses of D.F. King & Co., Inc. are estimated to aggregate \$225,000 and have been allocated among the partnerships, on a pro rata basis, based on each partnership's reserve value. In addition to solicitation by use of the mail, proxies may be solicited by D.F. King & Co., Inc. and by directors, officers and employees of Pioneer Parent and Pioneer USA in person or by telephone, telegram, facsimile or e-mail. The directors, officers and employees will not be additionally compensated, but may be reimbursed for out-of-pocket expenses incurred in connection with the solicitation.

Arrangements may also be made with other brokerage firms, banks, custodians, nominees and fiduciaries for the forwarding of proxy solicitation materials to owners of limited partnership interests held of record by those persons. Each partnership will pay its pro rata share, based on its reserve value, of those persons' reasonable expenses incurred in forwarding those materials.

Pioneer USA has also retained D.F. King & Co., Inc. to act as information agent to perform consulting, administration and clerical work with respect to the merger of each partnership. Pioneer USA has agreed to indemnify D.F. King & Co., Inc. against certain liabilities, including liabilities under the federal securities laws. D.F. King & Co., Inc. will also be responsible for the receipt and tabulation of the proxy cards. The fees and expenses of D.F. King & Co.,



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Inc. for its services as information agent and tabulator are included in the aggregate amount set forth above.

74

89

We intend to mail certificates representing shares of Pioneer Parent common stock to the partners of record of each participating partnership promptly after completing the merger of that partnership. Certificates representing partnership interests will be automatically canceled, and you will not have to surrender your certificates to receive the Pioneer Parent common stock.

### QUORUM

The presence in person or by properly executed proxy of a majority of limited partnership interests entitled to vote in each partnership is necessary to constitute a quorum at that partnership's special meeting.

If a quorum is not present at any special meeting, the limited partners entitled to vote who are present or represented by proxy at that special meeting may adjourn or postpone that special meeting without notice until a quorum is present. If a quorum is present at the adjourned or postponed meeting, any business may be transacted that may have been transacted at the special meeting had a quorum originally been present. If the adjournment or postponement is for more than 30 days or if after the adjournment or postponement a new record date is fixed for the adjourned or postponed meeting, a notice of the adjourned or postponed meeting shall be given to each limited partner of record entitled to vote at the adjourned or postponed meeting. We are soliciting your proxy to vote in favor of any motion to adjourn or postpone the special meeting of any partnership if, prior to the special meeting, we have not received sufficient proxies to approve the merger of the partnership as described in this document. If we receive sufficient proxies to vote in favor of adjourning the meetings for this reason, this process will be repeated at any adjourned or postponed meeting until sufficient proxies to vote in favor of the merger of the partnership have been received or it appears that sufficient proxies will not be received.

### REQUIRED VOTE; BROKER NON-VOTES

Approval of the merger proposals for each partnership requires the affirmative vote of the limited partners holding a majority of limited partnership interests in that partnership, except that Parker & Parsley 91-A, L.P. and Parker & Parsley 91-B, L.P. each require the favorable vote of the holders, other than Pioneer USA, of 66 2/3% of its limited partnership interests to approve those merger proposals. Pioneer USA is entitled to vote its partnership interests on the merger proposals for each partnership except for the partnerships set forth under "The Special Meetings -- Record Date; Voting Rights and Proxies" on page 73. As a result, for each partnership in which Pioneer USA is entitled to vote, approval of at least a majority, and for Parker & Parsley 91-A, L.P. and Parker & Parsley 91-B, L.P., at least 66 2/3%, of the unaffiliated limited partners is not required to approve the merger proposals. However, for each partnership in which Pioneer Parent is not entitled to vote, the approval of the unaffiliated limited partners is required to approve the merger proposals.

Brokers, if any, who hold partnership interests in street name for customers have the authority to vote on "routine" proposals when they have not received instructions from beneficial owners. However, these brokers are precluded from exercising their voting discretion with respect to the approval and adoption of non-routine matters such as the merger proposals and thus,

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

absent specific instructions from the beneficial owner of the partnership interests, brokers are not empowered to vote the partnership interests with respect to the merger proposals. These "broker non-votes" will have the effect of a vote against the merger proposals.

### PARTICIPATION BY ASSIGNEES

Pioneer USA has the discretionary authority granted to it under each partnership agreement to withhold its consent to the substitution of any assignees as partners of the partnership. To facilitate the notification given to limited partners of each partnership about the merger of the partnership, Pioneer USA intends to exercise that authority and withhold its consent to the substitution of any assignees as partners of the partnership from \_\_\_\_\_, 2001 until the earlier to occur of the closing date of the merger of the partnership, or the termination or abandonment of the transaction by Pioneer Parent and Pioneer USA.

75

90

### SPECIAL REQUIREMENTS FOR SOME LIMITED PARTNERS

Pioneer USA may require that any proxy card executed by an entity, such as a trust, corporation, or partnership, be accompanied by evidence or an opinion of counsel that such entity:

- has met all requirements of its governing instruments; and
- is authorized to execute and deliver the proxy card under the laws of the jurisdiction under which the entity was organized.

Pioneer USA will require the named trustee and the beneficial owner of trusts, including individual retirement accounts, to execute the proxy card. In some cases, Pioneer USA may provide a limited partner with an envelope, pre-addressed to his individual retirement account trustee, so that the limited partner may forward his executed proxy card to the trustee for the trustee's signature, if necessary, and subsequent delivery to Pioneer USA. Delivery of a proxy card to the trustee, with or without the use of a pre-addressed envelope, and delivery of a proxy card from the trustee to Pioneer USA are at the risk of the limited partner.

### VALIDITY OF PROXY CARDS

A proxy card will not be valid unless it has been properly completed and executed and timely delivered to Pioneer USA's information agent with all other required documents. Pioneer USA will determine all questions as to the validity, form, eligibility, time of receipt and acceptance of a proxy card and its determination will be final and binding. Pioneer USA's interpretation of the terms and conditions of the merger of each partnership, including the instructions for the proxy card, will also be final and binding.

A proxy card will not be valid until any irregularities have been cured or waived. If Pioneer USA does not waive the irregularities, it will return the defective proxy card to the limited partner as soon as practicable. Pioneer USA is under no duty to give notification of defects in a proxy card and will incur no liability if it fails to give such notification.

Delivery of a proxy card is at the risk of the limited partner. A proxy card will be effective for purposes of voting only when it is actually received by Pioneer USA's information agent. To ensure receipt of the proxy card and all

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

other required documents, Pioneer USA suggests that limited partners use overnight courier delivery or certified or registered mail, return receipt requested.

### LOCAL LAWS

Proxy solicitations will not be made to, nor will proxy cards be accepted from, limited partners of any partnership in any jurisdiction in which the solicitations would not be in compliance with federal and state securities or other laws.

76

91

### COMPARATIVE PER SHARE MARKET PRICE AND DIVIDEND INFORMATION

The table below sets forth, for the calendar quarters indicated, the reported high and low closing prices of Pioneer Parent common stock as reported on the New York Stock Exchange Composite Transaction Tape, in each case based on published financial sources. Pioneer Parent's board of directors did not declare dividends to the holders of Pioneer Parent common stock during 1999, 2000 or the six months ended June 30, 2001. The determination of the amount of future cash dividends, if any, to be declared and paid is in the sole discretion of Pioneer Parent's board of directors and will depend on the following factors:

- Pioneer Parent's financial condition;
- earnings and funds from operations;
- the level of Pioneer Parent's capital and exploration expenditures;
- dividend restrictions in Pioneer Parent's financing agreements;
- Pioneer Parent's future business prospects; and
- other matters that Pioneer Parent's board of directors deems relevant.

None of the partnership interests of any partnership are traded on a national stock exchange or in any other significant market. No liquid market exists for interests in any of the partnerships. See Table 15 of Appendix A for historical information about recent trades per \$1,000 limited partner investment in each partnership for the five months ended May 31, 2001 and the years ended December 31, 2000 and 1999. The average quarterly cash distributions per \$1,000 limited partner investment in each partnership for 1999, 2000 and the year-to-date in 2001 are set forth in Table 7 of Appendix A.

On April 16, 2001, the last full trading day prior to the announcement of the proposed merger of each partnership, Pioneer Parent common stock closed at \$17.27 per share. On \_\_\_\_\_, 2001, Pioneer Parent common stock closed at \$ \_\_\_\_\_ per share.

PIONEER PARENT  
COMMON STOCK

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	MARKET PRICE	
	HIGH	LOW
2001		
Third Quarter (through August 22, 2001).....	\$19.38	\$15.00
Second quarter.....	23.05	14.30
First quarter.....	20.24	15.45
2000		
Fourth quarter.....	20.63	12.44
Third quarter.....	16.06	10.63
Second quarter.....	15.63	9.00
First quarter.....	10.75	6.75
1999		
Fourth quarter.....	11.50	7.63
Third quarter.....	12.81	9.38
Second quarter.....	13.19	7.06
First quarter.....	9.75	5.00

We urge the limited partners of each partnership to obtain current market quotations prior to making any decision with respect to the merger of the partnership.

77

92

INTERESTS OF PIONEER PARENT, PIONEER USA  
AND THEIR DIRECTORS AND OFFICERS

A number of conflicts of interest are inherent in the relationships among each partnership, Pioneer Parent, Pioneer USA and their respective directors and officers.

CONFLICTING DUTIES OF PIONEER USA, INDIVIDUALLY AND AS GENERAL PARTNER

Pioneer USA, as general partner of each partnership, has a duty to manage each partnership in the best interests of the limited partners. Pioneer USA also has a duty to operate its business for the benefit of its sole stockholder, Pioneer Parent. Consequently, Pioneer USA's duties to the limited partners of each partnership may conflict with its duties to Pioneer Parent.

The members of the board of directors of Pioneer USA have a duty to cause Pioneer USA to manage each partnership in the best interests of the limited partners. All members of the board of directors of Pioneer USA are officers of Pioneer Parent and Pioneer USA. Thus, the members of the board of directors of Pioneer USA have duties to operate Pioneer USA's business for the benefit of its sole stockholder, Pioneer Parent, and, as officers of Pioneer Parent, to operate Pioneer Parent's business in its best interests. Consequently, the duties of the members of the board of directors of Pioneer USA to the limited partners may conflict with the duties of those members to Pioneer Parent, Pioneer USA and their stockholders.

Neither Pioneer Parent nor Pioneer USA retained an independent representative to negotiate on behalf of the limited partners of each partnership because:

- neither the partnership agreement for any partnership nor any applicable law provides for any procedure to identify and select an independent representative, unless each limited partner of the partnership agrees to

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

the independent representative;

- Pioneer USA, as sole or managing general partner of each partnership, still has its fiduciary duty to the limited partners; and
- it would be (1) cost-prohibitive to find one or more persons to represent the limited partners in all of the partnerships because no one other than Pioneer USA owns an interest in all of the partnerships and (2) impractical to have 46 independent representatives.

### PIONEER USA'S EMPLOYEES PROVIDE SERVICES TO THE PARTNERSHIPS

None of the partnerships currently has any employees. Each partnership relies on Pioneer USA's personnel. Pioneer USA provides all management functions on behalf of each partnership. Therefore, each partnership currently competes with Pioneer USA for the time and resources of Pioneer USA's employees.

### FINANCIAL INTERESTS OF DIRECTORS AND OFFICERS

The directors and officers of Pioneer Parent and Pioneer USA have equity interests in Pioneer Parent through stock ownership, stock options and other stock-based compensation, but do not have financial or equity interests in any partnership. See "Ownership of Partnership Interests" on page 79. The boards of directors of Pioneer Parent and Pioneer USA believe that any economic benefit their directors and officers may obtain from the merger of each partnership, or the mergers of all of the partnerships in the aggregate, will be minimal, if any, and will not result in a material economic benefit, if any, to their directors and officers individually.

### THE PARTNERSHIPS PAY OPERATOR FEES TO PIONEER USA

Pioneer USA operates most of each partnership's wells. Each partnership has entered into one or more standard industry operating agreements with Pioneer USA. Those operating agreements establish the base fee paid by the partnership to Pioneer USA for its lease operating services. That base fee adjusts

78

93

annually based on a rate established by the Council of Petroleum Accountants Society, or COPAS, for the oil and gas industry.

### OWNERSHIP OF PARTNERSHIP INTERESTS

Pioneer Parent does not directly own any partnership interests in any partnership. Pioneer Parent beneficially owns all of Pioneer USA's partnership interests in each partnership. Table 6 of Appendix A to this document contains the voting percentage as of July 31, 2001, of the outstanding limited partnership interests for each partnership that are beneficially owned by Pioneer USA as a limited partner. As of July 31, 2001, no person or entity known by Pioneer USA beneficially owns more than 5% of the outstanding limited partnership interests in any partnership, except in Parker & Parsley 81-I, Ltd., Parker & Parsley 82-I, Ltd. and Parker and Parsley 82-III, Ltd. In those partnerships, Pioneer USA repurchased and now owns partnership interests representing the following beneficial ownership percentages:

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Parker & Parsley 81-I, Ltd. ....	5.84%
Parker & Parsley 82-I, Ltd. ....	11.71%
Parker & Parsley 82-III, Ltd. ....	5.97%

Pioneer USA has sole investment and voting power with respect to partnership interests it beneficially owns.

Except as set forth above, none of Pioneer Parent, Pioneer USA, or, to the knowledge of Pioneer USA, any of their directors or executive officers, or any associate or majority-owned subsidiary of Pioneer Parent, Pioneer USA or any such director or officer:

- beneficially owns any partnership interests of any partnership; or
- has effected any transactions in any partnership interests of any partnership during the past 60 days.

### TRANSACTIONS AMONG ANY PARTNERSHIP, PIONEER PARENT, PIONEER USA AND THEIR DIRECTORS AND OFFICERS

Except as described in this document, including the supplements for each partnership, there have not been any transactions, negotiations or material contacts between Pioneer Parent, Pioneer USA, any of their respective subsidiaries, or, to the knowledge of Pioneer Parent and Pioneer USA, any director or executive officer of Pioneer Parent or Pioneer USA or any associate of any such persons, on the one hand, and any partnership or any of its general partners, including Pioneer USA, directors, officers or affiliates, on the other hand, that are required to be disclosed pursuant to the rules and regulations of the SEC. Except as described in this document, none of Pioneer Parent, Pioneer USA, or, to the knowledge of Pioneer Parent and Pioneer USA, any director or executive officer of Pioneer Parent or Pioneer USA, has any agreement, arrangement or understanding with any other person with respect to any securities of any partnership.

During March 2001, Pioneer Parent offered to acquire all of the direct oil and gas interests owned by some former officers and employees of Pioneer Parent and Pioneer USA in properties in which Pioneer Parent and Pioneer USA own interests. The merger value for the direct oil and gas interests was equal to the present value of estimated future net revenues from the oil and gas reserves attributable to the interests, as of March 31, 2001. In determining the present value, Pioneer Parent and Pioneer USA used (1) a five-year NYMEX futures price for oil and gas as of March 2001 with prices held constant after year five at the year five price, less standard industry adjustments, (2) historical operating costs adjusted only for those items affected by commodity prices, such as production taxes and ad valorem taxes, and (3) a 13.5% discount rate. The consideration offered in the purchases of the direct oil and gas interests was all cash since offering and registering Pioneer Parent common stock in those purchases was cost-prohibitive due to the small size of such transactions.

Additionally, in December 2000, Pioneer Parent received the approval of the partners of 13 employee limited partnerships to merge with Pioneer USA for total merger consideration of \$2.0 million. Of the total merger consideration, \$0.3 million was paid to current Pioneer Parent employees. The merger value of each employee partnership was equal to the sum of the present value of estimated

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

future net revenues from the partnership's estimated oil and gas reserves and its net working capital, in each case as of September 30, 2000, less the cash distributions on October 15, 2000 and November 15, 2000, by that partnership to its partners. In determining the present value, Pioneer Parent and Pioneer USA used (1) a five-year NYMEX futures price for oil and gas as of August 25, 2000 with prices held constant after year five at the year five price, less standard industry adjustments, (2) historical operating costs adjusted only for those items affected by commodity prices, such as production taxes and ad valorem taxes, and (3) a 13.5% discount rate. Using the same parameters as described above, Pioneer Parent purchased all of the direct oil and gas interests held by Scott D. Sheffield, its chairman of the board of directors and chief executive officer, for \$0.2 million during October 2000. The consideration paid in the mergers of the employee limited partnerships and the purchase of Mr. Sheffield's direct oil and gas interests was all cash. As with the purchases of the direct oil and gas interests described above, offering and registering Pioneer Parent common stock in these transactions was cost-prohibitive due to the small size of such transactions.

If you approve the merger of each partnership in which you own an interest, there are various ways that Pioneer USA may use the properties. Pioneer USA may continue to operate the properties, it may sell the properties to third parties, including a royalty trust, or it may spin-off the properties to its stockholder. Although Pioneer USA plans to operate the properties in the immediate future following completion of the merger of each partnership, it has not decided how to use the properties in the long-term.

80

95

### MANAGEMENT

#### PIONEER PARENT

The following information sets forth the age, business experience during the past five years, positions and offices with Pioneer Parent, and periods of service of each director and executive officer of Pioneer Parent.

NAME ----	AGE ---	POSITION -----
Scott D. Sheffield.....	48	Chairman of the Board of Directors, President and Chief Executive Officer
Timothy L. Dove.....	44	Executive Vice President and Chief Financial Officer
Dennis E. Fagerstone.....	52	Executive Vice President
Mark L. Withrow.....	53	Executive Vice President, General Counsel and Secretary
Danny L. Kellum.....	46	Executive Vice President -- Domestic Operations
James R. Baroffio.....	69	Director
R. Hartwell Gardner.....	66	Director
James L. Houghton.....	70	Director
Jerry P. Jones.....	69	Director
Charles E. Ramsey, Jr. ....	64	Director

Scott D. Sheffield. Mr. Sheffield, a distinguished graduate of the University of Texas with a Bachelor of Science degree in Petroleum Engineering, has been the Chairman of the Board of Directors of Pioneer Parent since August 1999 and the President and Chief Executive Officer of Pioneer Parent since August 1997. Mr. Sheffield was the Chairman of the Board of Directors, President

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

and Chief Executive Officer of Parker & Parsley Petroleum Company from October 1990 until August 1997. He was the President and a director of Parker & Parsley Petroleum Company from May 1990 until October 1990. Mr. Sheffield was the sole director of Parker & Parsley Petroleum Company from May 1990 until October 1990. Mr. Sheffield joined Parker & Parsley Development Company, a predecessor of Parker & Parsley Petroleum Company, as a petroleum engineer in 1979. Mr. Sheffield served as Vice President -- Engineering of Parker & Parsley Development Company from September 1981 until April 1985, when he was elected President and a director. In March 1989, Mr. Sheffield was elected Chairman of the Board of Directors and Chief Executive Officer of Parker & Parsley Development Company. Before joining Parker & Parsley Development Company's predecessor, Mr. Sheffield was employed as a production and reservoir engineer for Amoco Production Company.

Timothy L. Dove. Mr. Dove, a graduate of Massachusetts Institute of Technology with a Bachelor of Science degree in Mechanical Engineering and the University of Chicago with an M.B.A., has been Executive Vice President and Chief Financial Officer of Pioneer Parent since February 2000. He was Executive Vice President -- Business Development of Pioneer Parent from August 1997 until February 2000. Mr. Dove joined Parker & Parsley Petroleum Company in May 1994 as Vice President -- International and was promoted to Senior Vice President -- Business Development in October 1996, in which position he served until August 1997. Before joining Parker & Parsley Petroleum Company, Mr. Dove was employed with Diamond Shamrock Corp., and its successor, Maxus Energy Corp., in various capacities in international exploration and production, marketing, refining, and planning and development.

Dennis E. Fagerstone. Mr. Fagerstone, a graduate of the Colorado School of Mines with a B.S. in Petroleum Engineering, has been an Executive Vice President of Pioneer Parent since August 1997. Mr. Fagerstone served as Executive Vice President and Chief Operating Officer of MESA Inc. from March 1997 until August 1997. Mr. Fagerstone served as Senior Vice President and Chief Operating Officer of MESA Inc. from October 1996 to February 1997, and served as Vice President -- Exploration

81

96

and Production of MESA Inc. from May 1991 to October 1996. Mr. Fagerstone served as Vice President -- Operations of MESA Inc. from June 1988 until May 1991.

Mark L. Withrow. Mr. Withrow, a graduate of Abilene Christian University with a Bachelor of Science degree in Accounting and Texas Tech University with a J.D. degree, has been the Executive Vice President, General Counsel and Secretary of Pioneer Parent since August 1997. He served as Vice President -- General Counsel of Parker & Parsley Petroleum Company from February 1991 until January 1995, and served as Senior Vice President and General Counsel of Parker & Parsley Petroleum Company from January 1995 until August 1997. He was Parker & Parsley Petroleum Company's Secretary from August 1992 until August 1997. Mr. Withrow joined Parker & Parsley Development Company in January 1991. Before joining Parker & Parsley Development Company, Mr. Withrow was the managing partner of the law firm of Turpin, Smith, Dyer, Saxe & MacDonald, Midland, Texas.

Danny L. Kellum. Mr. Kellum, a graduate of Texas Tech University with a Bachelor of Science degree in Petroleum Engineering in 1979, has been Executive Vice President -- Domestic Operations of Pioneer Parent since May 2000. From January 2000 until May 2000, Mr. Kellum served as Vice President -- Domestic Operations. From August 1997 until December 1999, Mr. Kellum served as Vice President -- Permian Division. Mr. Kellum served as Spraberry District Manager for Parker & Parsley Petroleum Company from 1989 until 1994 and as Vice President of the Spraberry and Permian Divisions for Parker & Parsley Petroleum



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Company from 1994 until August 1997. He joined Parker & Parsley Petroleum Company in 1981 as Operations Engineer after a brief career with Mobil Oil Corporation.

James R. Baroffio. Dr. Baroffio received a B.A. in Geology at the College of Wooster, Ohio, an M.S. in Geology at Ohio State University, and a Ph.D. in Geology at the University of Illinois. Before becoming a director of Pioneer Parent in December 1997, Dr. Baroffio enjoyed a long career with Standard Oil Company of California, the predecessor of Chevron Corporation, where he served as President, Chevron Research and Technology Center from 1980 to 1985 and eventually retired as President of Chevron Canada Resources in 1994. Dr. Baroffio was a member of the Board of Directors of the Rocky Mountain Oil & Gas Association and Chairman of the U.S. National Committee of the World Petroleum Congress. His community leadership positions included membership on the Board of Directors of Glenbow Museum and the Nature Conservancy of Canada, as well as serving as President of the Alberta Nature Conservancy.

R. Hartwell Gardner. Mr. Gardner, a graduate of Colgate University with a Bachelor of Arts degree in Economics and Harvard University with an M.B.A., became a director of Pioneer Parent in August 1997. He served as a director of Parker & Parsley Petroleum Company from November 1995 until August 1997. Until his retirement in September 1995, Mr. Gardner was the Treasurer of Mobil Oil Corporation and Mobil Corporation from 1974 and 1976, respectively. Mr. Gardner is a member of the Financial Executives Institute of which he served as Chairman in 1986/1987 and is a Director of Oil Investment Corporation Ltd. and Oil Casualty Investment Corporation Ltd., Pembroke, Bermuda.

James L. Houghton. Mr. Houghton is a certified public accountant and a graduate of Kansas University with a Bachelor of Science degree in Accounting, as well as a Bachelor of Law degree. Mr. Houghton has served as a director of Pioneer Parent since August 1997, and as a director of Parker & Parsley Petroleum Company from October 1991 until August 1997. Until his retirement in September 1991, Mr. Houghton was the lead oil and gas tax specialist for the accounting firm of Ernst & Young LLP, was a member of Ernst & Young's National Energy Group, and had served as its Southwest Regional Director of Tax. Mr. Houghton is a member of the American Institute of Certified Public Accountants, a member of the Oklahoma Society of Certified Public Accountants, a former Chairman of its Federal and Oklahoma Taxation Committee and past President of the Oklahoma Institute of Taxation. He has also served as a Director for the Independent Petroleum Association of America and as a member of its Tax Committee.

Jerry P. Jones. Mr. Jones earned a Bachelor of Science degree from West Texas State College in 1953 and a Bachelor of Law degree from the University of Texas School of Law in 1959. Mr. Jones has served as a director of Pioneer Parent since August 1997, and as a director of Parker & Parsley Petroleum

82

97

Company from May 1991 until August 1997. Mr. Jones has been an attorney with the law firm of Thompson & Knight, P.C., Dallas, Texas, since September 1959 and was a shareholder in that firm until January 1998, when he retired and became of counsel to the firm. Mr. Jones specialized in civil litigation, especially in the area of energy disputes.

Charles E. Ramsey, Jr. Mr. Ramsey is a graduate of the Colorado School of Mines with a Petroleum Engineering degree and a graduate of the Smaller Company Management program at the Harvard Graduate School of Business Administration. Mr. Ramsey has served as a director of Pioneer Parent since August 1997. Mr. Ramsey served as a director of Parker & Parsley Petroleum Company from October

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

1991 until August 1997. Since October 1991, he has operated Ramsey Energy LLC, an independent management and financial consulting firm. From June 1958 until June 1986, Mr. Ramsey held various engineering and management positions in the oil and gas industry and, for six years before October 1991, was a Senior Vice President in the Corporate Finance Department of Dean Witter Reynolds Inc. in Dallas, Texas. His industry experience includes 12 years of senior management experience in the positions of President, Chief Executive Officer and Executive Officer and Executive Vice President of May Petroleum Inc. Mr. Ramsey is also a former director of MBank Dallas, the Dallas Petroleum Club and Lear Petroleum Corporation.

PIONEER USA

The following information sets forth the age, business experience during the past five years, positions and offices with Pioneer USA, and periods of service of each director and executive officer of Pioneer USA.

NAME ----	AGE ---	POSITION -----
Timothy L. Dove.....	44	Director, Executive Vice President and Chief Financial Officer
Dennis E. Fagerstone.....	52	Director and Executive Vice President
Mark L. Withrow.....	53	Director, Executive Vice President, General Counsel and Secretary
Danny L. Kellum.....	46	Director and Executive Vice President

Timothy L. Dove. Mr. Dove has been a Director of Pioneer USA since August 1997 and has been Executive Vice President and Chief Financial Officer of Pioneer USA since February 2000. He was the Executive Vice President -- Business Development of Pioneer USA from August 1997 until February 2000. He served as a Director of Parker & Parsley Petroleum USA, Inc. from June 1997 until August 1997. He was a Senior Vice President of Parker & Parsley Petroleum USA, Inc. from October 1996 until August 1997. He was a Vice President of Parker & Parsley Petroleum USA, Inc. from December 1995 until October 1996. Mr. Dove's other business experience and biographical information are set forth above under "Management -- Pioneer Parent."

Dennis E. Fagerstone. Mr. Fagerstone has been a Director and an Executive Vice President of Pioneer USA since August 1997. Mr. Fagerstone's other business experience and biographical information are set forth above under "Management -- Pioneer Parent."

Mark L. Withrow. Mr. Withrow has been a Director of Pioneer USA since August 1997. He became an Executive Vice President, the General Counsel and the Secretary of Pioneer USA in August 1997. He served as a Director of Parker & Parsley Petroleum USA, Inc. from January 1996 until August 1997. He was a Senior Vice President and the Secretary of Parker & Parsley Petroleum USA, Inc. from January 1995 until August 1997. He was a Vice President and the Secretary of Parker & Parsley Petroleum USA, Inc. from December 1993 until January 1995. He was a Vice President of Parker & Parsley Petroleum USA, Inc. from January 1991 until December 1993. Mr. Withrow's other business experience and biographical information are set forth above under "Management -- Pioneer Parent."

Danny L. Kellum. Mr. Kellum has been a Director of Pioneer USA since February 2000, and has been Executive Vice President of Pioneer USA since May 2000. He served as Vice President -- Domestic Operations of Pioneer USA from January 2000 until May 2000, as Vice President -- Permian Division of Pioneer USA from April 1998 until December 1999 and as Vice President -- Spraberry Division of Pioneer USA from December 1997 until March 1998. Mr. Kellum's other business experience and biographical information are set forth above under "Management -- Pioneer Parent."

#### PIONEER PARENT

Pioneer Parent is a large independent exploration and production company with total proved reserves equivalent to 3.8 trillion cubic feet of natural gas, or 628 million barrels of oil. Pioneer Parent's proved reserves are balanced equally between natural gas and oil, and Pioneer Parent has a reserves-to-production ratio of 14 years. Three core areas in the United States comprise 67% of Pioneer Parent's reserve base: the Hugoton gas field, the West Panhandle gas field, and the Spraberry oil and natural gas field. Pioneer Parent also has domestic properties in East Texas, the Gulf Coast, and the offshore Gulf of Mexico as well as a significant international presence through its properties in Argentina, Canada, South Africa, and Gabon.

Pioneer Parent seeks to increase net asset value and production by combining lower risk development drilling with higher risk exploration activity. Pioneer Parent has identified over 1,700 development drilling locations on its properties in the U.S., Argentina and Canada. Approximately 76% of the identified 1,700 development drilling locations have proved undeveloped reserves attributable to them. Pioneer Parent's exploration program is focused in the deepwater Gulf of Mexico, the Gulf Coast shelf, South Africa and Gabon. Pioneer Parent expects significant new production from the deepwater Gulf of Mexico and South Africa in 2002 and 2003 as it builds on its recent exploration successes in those areas. The production from Pioneer Parent's long-lived reserves in the Spraberry, Hugoton and West Panhandle fields are expected to provide stable cash flows to fund Pioneer Parent's development and exploration activities.

During 2000, Pioneer Parent spent \$340 million for capital expenditures to add 437 billion cubic feet of natural gas equivalent reserves. As a consequence, in 2000 Pioneer Parent replaced 167% of its production at an acquisition and finding cost of \$.78 per Mcf equivalent. Pioneer Parent's acquisition and finding cost is the result obtained by dividing total costs incurred by the sum of revisions of previous estimates, purchases of minerals-in-place and new discoveries and extensions. Pioneer Parent drilled 296 wells with 90% success worldwide, including 83 exploration and extension wells with 73% success.

For 2001, Pioneer Parent has budgeted \$480 million of capital expenditures, a 41% increase over 2000 capital expenditures but slightly less than expected available cash flow. Approximately 73% of the 2001 capital expenditure budget is for development activities with the remaining 27% for exploration. Pioneer Parent plans to drill approximately 460 development wells and 26 exploratory wells in its 2001 program, and approximately 65% of the capital expenditures will be for drilling activities in the U.S.

#### KEY PROJECTS TO INCREASE PRODUCTION

Pioneer Parent expects to increase its production of oil and gas from current levels by 25% to 30% on a gas equivalent basis by early to mid 2003,

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

primarily from four projects. The production increases anticipated from the four projects are derived from currently booked proved undeveloped reserves. The projects in general build on Pioneer Parent's recent exploration successes.

- The Canyon Express project is a joint development of three deepwater Gulf of Mexico discoveries, including Pioneer Parent's Aconcagua and Camden Hills fields. The project is being developed with a capacity to deliver 500 million cubic feet of natural gas per day by the summer of 2002. Pioneer Parent owns an 18% interest in the Canyon Express project and expects that production from the project will increase Pioneer Parent's North American natural gas production by 30% from current levels.

84

99

- Pioneer Parent's first well in offshore South Africa confirmed the presence of commercial oil reserves and resulted in Pioneer Parent's plans to develop the Sable oil field. First production from the field is expected in late 2002 or early 2003 at daily rates of 25 to 30 thousand barrels per day. Pioneer Parent has a 35% working interest in the field, and production from the project is expected to increase Pioneer Parent's total oil production by more than 20%. Pioneer Parent has also discovered oil and natural gas at its Boomslang prospect in offshore South Africa.
- The Devils Tower discovery was Pioneer Parent's second in the deepwater Gulf of Mexico. The oil field has been successfully appraised, and development plans call for first production in early 2003. Pioneer Parent has a 25% working interest in the field, and production from the field is expected to increase Pioneer Parent's total oil production by approximately 20% from current levels.

### MORE INFORMATION

A more complete description of Pioneer Parent and its business is found in the reports that Pioneer Parent files with the SEC. Please see "Where You Can Find More Information" on the inside front cover page of this document. Pioneer Parent's business, and its expectations about its future, are subject to many risks. Please also read "Risks Associated with an Investment in Pioneer Parent" under the caption "Risk Factors" beginning on page 22 of this document.

85

100

### THE PARTNERSHIPS

#### GENERAL

Pioneer USA's predecessor, Parker & Parsley Petroleum USA, Inc. or its predecessors or affiliates, sponsored each partnership. As a result of the merger of Parker & Parsley Petroleum Company and MESA Inc. to form Pioneer Parent on August 7, 1997, Pioneer USA became the managing or sole general partner of each partnership.

Appendix A to this document sets forth information about each partnership, including proved reserves as of December 31, 2000, estimated reserves as of March 31, 2001, oil and gas production, average sales prices and production

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

costs, productive wells and developed acreage, and historical cash distributions. In addition, the supplement for each partnership constitutes an integral part of this document. You should read Appendix A and the supplement carefully in their entirety.

THE DRILLING PARTNERSHIPS

The drilling partnerships consist of the following 43 limited partnerships that were formed from 1981 through 1991:

NAME ----	STATE OF FORMATION -----
Parker & Parsley 81-I, Ltd.....	Texas
Parker & Parsley 81-II, Ltd.....	Texas
Parker & Parsley 82-I, Ltd.....	Texas
Parker & Parsley 82-II, Ltd.....	Texas
Parker & Parsley 82-III, Ltd.....	Texas
Parker & Parsley 83-A, Ltd.....	Texas
Parker & Parsley 83-B, Ltd.....	Texas
Parker & Parsley 84-A, Ltd.....	Texas
Parker & Parsley 85-A, Ltd.....	Texas
Parker & Parsley 85-B, Ltd.....	Texas
Parker & Parsley Private Investment 85-A, Ltd.....	Texas
Parker & Parsley Selected 85 Private Investment, Ltd.....	Texas
Parker & Parsley 86-A, Ltd.....	Texas
Parker & Parsley 86-B, Ltd.....	Texas
Parker & Parsley 86-C, Ltd.....	Texas
Parker & Parsley Private Investment 86, Ltd.....	Texas
Parker & Parsley 87-A Conv., Ltd.....	Texas
Parker & Parsley 87-A, Ltd.....	Texas
Parker & Parsley 87-B Conv., Ltd.....	Texas
Parker & Parsley 87-B, Ltd.....	Texas
Parker & Parsley Private Investment 87, Ltd.....	Texas
Parker & Parsley 88-A Conv., L.P.....	Delaware
Parker & Parsley 88-A, L.P.....	Delaware
Parker & Parsley 88-B Conv., L.P.....	Delaware
Parker & Parsley 88-B L.P.....	Delaware
Parker & Parsley 88-C Conv., L.P.....	Delaware
Parker & Parsley 88-C, L.P.....	Delaware
Parker & Parsley Private Investment 88, L.P.....	Delaware
Parker & Parsley 89-A Conv., L.P.....	Delaware
Parker & Parsley 89-A, L.P.....	Delaware
Parker & Parsley 89-B Conv., L.P.....	Delaware
Parker & Parsley 89-B, L.P.....	Delaware
Parker & Parsley Private Investment 89, L.P.....	Delaware

NAME ----	STATE OF FORMATION -----
Parker & Parsley 90-A Conv., L.P.....	Delaware
Parker & Parsley 90-A, L.P.....	Delaware

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Parker & Parsley 90-B Conv., L.P.....	Delaware
Parker & Parsley 90-B, L.P.....	Delaware
Parker & Parsley 90-C Conv., L.P.....	Delaware
Parker & Parsley 90-C, L.P.....	Delaware
Parker & Parsley Private Investment 90, L.P.....	Delaware
Parker & Parsley 90 Spraberry Private Development, L.P.....	Delaware
Parker & Parsley 91-A, L.P.....	Delaware
Parker & Parsley 91-B, L.P.....	Delaware

Each drilling partnership was formed to establish long-lived oil and gas reserves primarily by drilling low-risk development wells in the Spraberry field of the Permian Basin of West Texas. The oil and gas properties of each drilling partnership consist primarily of leasehold interests in producing properties located in Texas. The partners of a drilling partnership received a tax benefit from drilling activities in the partnership's first year. Subsequently, each drilling partnership has regularly distributed its net cash flow. As of the date of this document, each drilling partnership has expended all of its initial capital contributions.

For a discussion of transactions between each drilling partnership and Pioneer USA, see the notes to the financial statements of each drilling partnership included in the supplement for the partnership.

### THE INCOME PARTNERSHIPS

The income partnerships consist of the following three limited partnerships that were formed in 1987 and 1988:

NAME	STATE OF FORMATION
----	-----
Parker & Parsley Producing Properties 87-A, Ltd.....	Texas
Parker & Parsley Producing Properties 87-B, Ltd.....	Texas
Parker & Parsley Producing Properties 88-A, L.P.....	Delaware

The primary objective of each income partnership was to acquire long-lived, producing oil and gas properties in the Spraberry field of the Permian Basin of West Texas. Subsequently, each income partnership has regularly distributed its net cash flow. As of the date of this document, each income partnership has expended all of its initial capital contributions.

For a discussion of transactions between each income partnership and Pioneer USA, see the notes to the financial statements of each income partnership included in the supplement for the partnership.

### COMPARISON OF RIGHTS OF STOCKHOLDERS AND PARTNERS

#### GENERAL

The rights of Pioneer Parent stockholders are currently governed by the Delaware General Corporation Law and the certificate of incorporation and bylaws of Pioneer Parent. The rights of the limited partners of each partnership are

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

currently governed by the Delaware Revised Uniform Limited Partnership Act or the Texas Revised Limited Partnership Act and, in either case, the partnership agreement of the partnership. Accordingly, on completion of the merger of each partnership, the rights of Pioneer Parent stockholders and of limited partners who become Pioneer Parent stockholders in the merger of their partnerships will be governed by the Delaware General Corporation Law, Pioneer Parent's certificate of incorporation and Pioneer Parent's bylaws. The following is a summary of the material differences between the current rights of Pioneer Parent stockholders and those of the limited partners of each partnership.

The following summary of the material differences between the Pioneer Parent certificate of incorporation, the Pioneer Parent bylaws and the partnership agreement for each partnership may not contain all the information that is important to you. To review all provisions and differences of such documents in full detail, please read the full text of these documents, the Delaware General Corporation Law, the Delaware Revised Uniform Limited Partnership Act and the Texas Revised Limited Partnership Act. Copies of the Pioneer Parent certificate of incorporation, the Pioneer Parent bylaws and the partnership agreement for each partnership in which you own an interest will be sent to you upon request. For information on how these documents may be obtained, see "Where You Can Find More Information" on the inside front cover page of this document.

Pioneer Parent's certificate of incorporation and bylaws will not be amended in conjunction with the merger of any partnership.

SUMMARY COMPARISON OF TERMS OF SHARES OF PIONEER PARENT COMMON STOCK AND PARTNERSHIP INTERESTS

SHARES	PARTNERSHIP INTERESTS
--------	-----------------------

LIQUIDITY AND MARKETABILITY

Shares of Pioneer Parent common stock are generally freely transferable. The shares of Pioneer Parent common stock that are currently outstanding are traded on the New York Stock Exchange and the Toronto Stock Exchange, and the shares of Pioneer Parent common stock to be issued in the merger of each participating partnership have been approved for listing on the New York Stock Exchange and the Toronto Stock Exchange upon official notice of issuance.

The partnership interests of each partnership may not be transferred if, in the opinion of counsel to the partnership, (1) such transfers would result in the termination of the partnership for federal income tax purposes under Section 708 of the Internal Revenue Code, or (2) such transfers may not be effected without registration under the Securities Act of 1933 or would result in the violation of any applicable state securities laws. Clause (1) is not applicable to Parker & Parsley 85-A, Ltd., Parker & Parsley 85-B, Ltd., Parker & Parsley Private Investment 85-A, Ltd., Parker & Parsley Selected 85 Private Investment, Ltd., Parker & Parsley Private Investment 86, Ltd., Parker & Parsley 87-A Conv., Ltd., Parker & Parsley 87-A, Ltd., Parker & Parsley 87-B Conv., Ltd. and Parker & Parsley 87-B, Ltd. and Parker & Parsley Private Investment 87, Ltd. In addition, no

transferee of a partnership interest has the right to become a substitute limited partner unless, among other things, such substitution is approved by Pioneer USA, which may grant or withhold such consent in its absolute discretion. In view of the foregoing restrictions, it was never intended that the partnership interests would be actively traded. No broad-based secondary market for the partnership interests of any partnership exists.

-----  
 RIGHTS OF REPURCHASE  
 -----

Pioneer Parent's stockholders have no right to present their shares of Pioneer Parent common stock for repurchase by Pioneer Parent or any other person.

Within the time periods specified in the partnership agreements of Parker & Parsley 82- I, Ltd., Parker & Parsley 82-II, Ltd., Parker & Parsley 82-III, Ltd., Parker & Parsley 83-A, Ltd., Parker & Parsley 83-B, Ltd. and Parker & Parsley 84-A, Ltd., a limited partner of any of those partnerships may tender all or, subject to some limitations, part of his partnership interests in the partnership to Pioneer USA for repurchase in accordance with the partnership agreement for the partnership. See "Risk Factors -- Risk Factors Relating to the Merger of Each Partnership -- Repurchase Rights Terminate on Completion of the Mergers." A comparison of the merger value for each of these partnerships and the repurchase prices in 2001 is set forth in Table 8 of Appendix A.

-----  
 SHARES  
 -----

-----  
 PARTNERSHIP INTERESTS  
 -----

MANAGEMENT, MANAGEMENT LIABILITY AND INDEMNIFICATION  
 -----

Pioneer Parent is managed by a board of directors elected by its stockholders. Under Delaware law, the directors are accountable to Pioneer Parent and its stockholders as fiduciaries and are required to perform their duties (1) in good faith, (2) in a manner believed to be in the best interests of Pioneer Parent and its stockholders and (3) with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances. The liability of the directors is limited pursuant to the provisions of Delaware law and Pioneer

Each of the partnerships is managed by Pioneer USA, which generally has exclusive authority over each of the partnership's operations. The limited partners may not participate in management of the partnerships. Under Delaware and Texas law, Pioneer USA and any nonmanaging general partners of any of the partnerships are accountable to the partnership as fiduciaries and consequently are required to exercise good faith and integrity in all of their dealings with respect to the affairs of the partnership. Under Texas or Delaware law, as applicable, Pioneer USA and any



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Parent's certificate of incorporation, which limits a director's liability for monetary damages to Pioneer Parent or its stockholders for breach of the director's duty of care, where a director fails to exercise sufficient care in carrying out the responsibilities of office. Such provisions, however, would not protect a director for (1) a breach of duty of loyalty, (2) intentional misconduct or knowing violations of law, (3) unlawful dividend payments or redemption of stock, or (4) any transaction in which the director derived an improper personal benefit. Such provisions do not foreclose any other remedy which might be available to Pioneer Parent or its stockholders. Pioneer Parent's certificate of incorporation and Delaware law provide broad indemnification rights to directors and officers who

- act in good faith,
- in a manner reasonably believed to be in or not opposed to the best interests of Pioneer Parent and,
- with respect to criminal actions or proceedings, without reasonable cause to believe their conduct was unlawful.

Pioneer Parent's certificate of incorporation also requires Pioneer Parent to indemnify its officers and directors under some circumstances for expenses or liabilities incurred as a result of litigation. In addition, Pioneer Parent's certificate of incorporation authorizes Pioneer Parent to advance expenses incurred in the defense of its directors and officers. Pioneer Parent intends to take full advantage of those provisions and has entered into agreements with Pioneer Parent's directors and officers indemnifying them to the fullest extent permitted by Delaware law.

nonmanaging general partners of any of the partnerships have liability for the payment of partnership obligations and debts, unless limitations upon such liability are expressly stated in the obligation. The partnership agreement of each partnership provides generally that Pioneer USA, any nonmanaging general partners of the partnership and, in some cases, their affiliates will be indemnified for losses relating to acts performed or omitted to be performed in good faith and in the best interests of the partnership; provided that the conduct of Pioneer USA, any such nonmanaging general partner or affiliate, as applicable, did not constitute negligence or misconduct. Pioneer USA and any nonmanaging general partners of the partnership may be removed by an affirmative vote of limited partners holding a majority of the outstanding limited partnership interests in the partnership; provided, that an opinion of counsel to the limited partners and acceptable to the partnership is delivered to the partnership to the effect that the exercise of such rights by the limited partners (1) will not result in the loss of the limited partners' limited liability and (2) will not adversely affect the tax status of the partnership, Pioneer USA or the other partners.

SHARES

PARTNERSHIP INTERESTS

MANAGEMENT COMPENSATION

The board of directors of Pioneer Parent appoints officers to serve at the discretion

Each partnership reimburses Pioneer USA for its general and administrative expenses.

of the board of directors. The board of directors of Pioneer Parent determines the officer salaries and incentive compensation; provided, that the board of directors of Pioneer Parent may delegate the power to determine such compensation to the chairman of the board, the president or any committee of the board of directors.

---

MANAGEMENT CONTROL

---

Pioneer Parent's board of directors has exclusive control over Pioneer Parent's business and affairs subject only to the restrictions in Pioneer Parent's certificate of incorporation and bylaws. Pioneer Parent's stockholders have the right to elect members of the board of directors by a plurality vote at each annual meeting of the stockholders. The directors are accountable to Pioneer Parent and its subsidiaries as fiduciaries.

Under the partnership agreement of each partnership, Pioneer USA is generally vested with all management authority to manage, control, administer and operate the business, properties and affairs of the partnership, including authority and responsibility for overseeing all executive, supervisory and administrative services rendered to the partnership. Pioneer USA and any nonmanaging general partners have the right to continue to serve in such capacity unless Pioneer USA or such nonmanaging general partner is removed upon the affirmative vote of limited partners holding a majority of the outstanding limited partnership interests in the partnership; provided, that an opinion of counsel to the limited partners, and acceptable to the partnership, is delivered to the partnership to the effect that the exercise of such rights by the limited partners (1) will not result in the loss of the limited partners' limited liability and (2) will not adversely affect the tax status of the partnership, Pioneer USA or the other partners. The limited partners of each partnership have no right to participate in the management and control of the partnership and have no voice in the partnership's affairs except for some limited matters that may be submitted to a vote of the limited partners under the terms of the partnership agreement of the partnership. See "Voting Rights and Amendments" below. Pioneer USA is accountable as a fiduciary to each partnership.

---

SHARES

---

PARTNERSHIP INTERESTS

---

VOTING RIGHTS AND AMENDMENTS

---

Pioneer Parent's certificate of

Generally, meetings of each partnership may

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

incorporation provides that (1) stockholders of Pioneer Parent may act only at annual or special meetings of stockholders and not by written consent, (2) Pioneer Parent will hold an annual meeting each calendar year at which its stockholders will elect directors, (3) special meetings of stockholders may be called only by the board of directors, and (4) only business proposed by the board of directors may be considered at special meetings of stockholders.

be called by Pioneer USA or by limited partners owning at least 10% of the outstanding limited partnership interests. The limited partners may conduct any partnership business at such meeting which is permitted under the partnership agreement for such partnership and is specified in the notice of such meeting, but the limited partners may not engage in any activity which would be deemed taking part in the management or control of the partnership's business.

Most amendments to Pioneer Parent's certificate of incorporation require the approval of the stockholders who own a majority of the outstanding shares of Pioneer Parent common stock. A number of fundamental amendments, however, require approval by a greater percentage of stockholders. For example, any amendment to the following provisions requires the approval of two-thirds of the stockholders: (1) election of directors, (2) authority of the board of directors, (3) stockholder meetings and (4) limitation on the liability of directors. Any amendment to the provision that prohibits action by the written consent of the stockholders in lieu of a meeting requires the approval of 80% of the stockholders. In addition, the following actions require the approval of 80% of the stockholders and the approval of two-thirds of the disinterested stockholders: (1) any merger, consolidation or share exchange involving any person, other than Pioneer Parent or a subsidiary of Pioneer Parent, who beneficially owns 10% or more of the outstanding voting securities of Pioneer Parent, which person we call a related party, (2) some sales, leases, exchanges or similar transactions with related parties, (3) some issuances of securities to related parties, (4) adoption of any plan or proposal for liquidation of Pioneer Parent initiated by related parties, or (5) any series or combination of any of the actions described in clauses (1) through (4).

Amendments to the partnership agreement of each partnership generally require the approval by limited partners holding a majority of outstanding limited partnership interests in the partnership. An amendment that has any of the following effects requires the unanimous approval of Pioneer USA and the limited partners: (1) increases the liability or duties of any of the partners, (2) changes the contributions required of the partners, (3) provides for any reallocation of profits, losses or deductions to the detriment of a partner, (4) establishes any new priority in one or more partners as to the return of capital contributions or as to profits, losses, deductions or distribution to the detriment of a partner, or (5) causes the partnership to be taxed as a corporation. Pioneer USA may, in its sole discretion, adopt any of the following amendments: (1) change the name of the partnership, (2) change the location of the principal place of business of the partnership, (3) admit a new or substitute limited partner, (4) modify its general partnership interest as a result of a transfer of a portion of such interest, (5) correct a typographical error, or (6) any other similar change where the Pioneer USA determines that the amendment will not adversely affect the limited partners and Pioneer USA believes the amendment is necessary or advisable to qualify the partnership under the laws of a state in which it engages or proposes to engage in business or to keep the partnership from being treated as a corporation for tax purposes.

ANTI-TAKEOVER PROVISIONS

The certificate of incorporation and bylaws of Pioneer Parent and the Delaware General Corporation Law include a number of provisions which may have the effect of encouraging persons considering unsolicited tender offers or other unilateral takeover proposals to negotiate with Pioneer Parent's board of directors rather than pursue non-negotiated takeover attempts. These provisions include (1) a classified board of directors, (2) advance notice requirements for shareholder proposals and director nominations, (3) restrictions on certain business combinations and (4) prohibition against actions approved by written consent without the approval of a specified percentage of the shareholders. In addition, Pioneer Parent has adopted a rights plan and distributed to each holder of its common stock and Canadian exchangeable shares rights to acquire shares of Series A Junior Participating Preferred Stock in certain circumstances. The rights plan, which is also known as a "poison pill," is intended to prevent any person from accumulating a significant position in Pioneer Parent's voting stock without approval of Pioneer Parent's board of directors.

There are no anti-takeover provisions in the partnership agreement for any of the partnerships or under Delaware or Texas, partnership law, as the case may be.

CONTINUITY OF EXISTENCE

Pioneer Parent has a perpetual existence.

Except for the following partnerships, each partnership has a finite life of 50 years from the year of its formation. The following partnerships continue until terminated by mutual agreement of the partners of the partnership:

Parker & Parsley 81-I, Ltd.  
Parker & Parsley 81-II, Ltd.  
Parker & Parsley 82-I, Ltd.  
Parker & Parsley 82-II, Ltd.  
Parker & Parsley 82-III, Ltd.  
Parker & Parsley 83-A, Ltd.  
Parker & Parsley 83-B, Ltd.  
Parker & Parsley 84-A, Ltd.

LIMITED LIABILITY

A stockholder's liability will generally be limited to such stockholder's contribution to Pioneer Parent's capital. Under Delaware law, Pioneer Parent's stockholders will not be liable for Pioneer Parent's debts or obligations. The shares of Pioneer Parent common stock offered by Pioneer Parent under this document, upon issuance, will be fully paid and nonassessable.

Assuming the limited partners of a partnership do not take part in the management or control of the business of such partnership, a limited partner's liability is generally limited to the limited partner's contribution to the capital of the partnership and such limited partner's share of assets and undistributed profits of the partnership. A limited partner will receive a return of the limited partner's capital contribution to the partnership to the extent that a distribution to the limited partner reduces the limited partner's share of the fair value of the partnership's net assets below the value of the limited partner's unreturned capital contributions. A substituted limited partner is subject to the liabilities and obligations of the substituted limited partner's assignor, except those liabilities of which the substituted limited partner was unaware at the time he became a substituted limited partner and which could not be ascertained from the partnership agreement of the partnership.

BUSINESS ACTIVITIES AND FINANCING

Pioneer Parent's mission is to provide its stockholders with superior investment returns through strategies that maximize Pioneer Parent's long-term profitability and net asset values. The strategies employed to achieve this mission are anchored by Pioneer Parent's long-lived Spraberry oil and gas field and Hugoton and West Panhandle gas fields' reserves and production. Underlying these fields are approximately 67% of Pioneer Parent's proved oil and gas reserves which have a remaining productive life in excess of 40 years. The stable base of oil and gas production from these fields generates operating cash flows that allow Pioneer Parent the financial flexibility to selectively reinvest capital:

- to develop and increase production from existing properties through low-risk development drilling activities;
- to leverage cost containment opportunities to achieve operating and technical efficiencies; and
- to pursue strategic acquisitions in Pioneer Parent's core areas that will complement Pioneer Parent's existing asset base and provide additional growth opportunities.

The business operations of each partnership have consisted of the acquisition, development and production of oil and gas reserves. Each partnership has expended its initial partnership capital, and additional properties cannot be acquired. Operations can be financed only through permitted borrowings, reinvestment of earnings not distributed, permitted assessments, or permitted sales of assets. Each partnership generally is required to distribute to its partners all or substantially all its net cash flow from operations, after provision for any reserves deemed appropriate by Pioneer USA.

---

 SHARES
 

---



---

 PARTNERSHIP INTERESTS
 

---

Pioneer Parent also has the financial flexibility to use portions of its operating cash flows:

- to selectively expand into new geographic areas that feature producing properties and provide exploration or exploitation opportunities;
- to invest in the personnel and technology necessary to increase Pioneer Parent's exploration opportunities; and
- to enhance liquidity.

This flexibility allows Pioneer Parent to take advantage of future exploration, development and acquisition opportunities. Pioneer Parent may engage in any phase of the oil and gas business and any other lawful business.

Pioneer Parent may finance its operations and the acquisition of additional properties through, among other things, the issuance of additional shares of Pioneer Parent common stock, borrowings, and the reinvestment of earnings not distributed to stockholders.

---

 FINANCIAL REPORTING
 

---

Pioneer Parent is subject to the reporting requirements of the Securities Exchange Act of 1934.

For a list of the partnerships that are subject to the reporting requirements of the Securities Exchange Act of 1934, see "Where You Can Find More Information" on the inside front cover page of this document. In addition, the partnership agreement of each partnership requires that some reports be delivered to the limited partners.

---

 TAX INFORMATION
 

---

"Double taxation" at the corporate and stockholder levels typically results when a corporation such as Pioneer Parent earns income and distributes that income to its stockholders in the form of dividends. Stockholders will only recognize income on amounts actually distributed by Pioneer Parent. Distributions made by Pioneer Parent out of current or accumulated earnings and profits are taxed as dividend income. Distributions in excess of current or accumulated earnings and profits are treated as a non-taxable return of basis to the extent of stockholders' adjusted basis in

None of the partnerships is a taxable entity for federal income tax purposes. The partners of each partnership are required to take into account their pro rata share of the partnership's income, gains, losses, and deductions, regardless of whether they receive any cash distributions from the partnership. Some partners may be entitled to percentage depletion. A partner will be required to recapture some deductions and credits upon the sale of all or a portion of his partnership interests.

their shares, with the excess taxed as capital gain.

SHARES

Dividends, if any, received by stockholders from Pioneer Parent generally will constitute portfolio income, and cannot be offset with losses from "passive activities." Losses and credits generated within Pioneer Parent do not pass through to the stockholders. After the end of Pioneer Parent's taxable year, stockholders will receive Form 1099-DIV to report their dividend income.

PARTNERSHIP INTERESTS

A partner's share of a partnership's income and loss will be subject to the "passive activity" limitations. Under the passive activity rules, losses of a partner arising from his ownership of partnership interests may be used to offset passive income from another passive investment and income of a partner arising from his ownership of partnership interests may only be offset with passive losses from another passive investment. For a discussion of the tax consequences associated with the merger of each partnership, see "The Merger of Each Partnership -- Material U.S. Federal Income Tax Consequences."

DIVIDEND OR DISTRIBUTION POLICY AND PARTICIPATION IN PROFITS AND LOSSES

The shares of Pioneer Parent common stock constitute equity interests in Pioneer Parent. Each stockholder will be entitled to his pro rata share of the dividends made with respect to the Pioneer Parent common stock. The dividends payable to the stockholders are not fixed in amount and are only paid if, as and when declared by Pioneer Parent's board of directors. Dividends payable with respect to the shares of Pioneer Parent common stock depend upon the performance of Pioneer Parent.

For a description of the distribution policies of each partnership, see "Risk Factors -- Risks Associated with an Investment in Pioneer Parent -- Pioneer Parent Might Not Declare Dividends." The average quarterly cash distributions by each partnership for 1999, 2000 and the year-to-date in 2001 are set forth in Table 7 of Appendix A. For a description of the provisions of the partnership agreement of each partnership governing the allocation of costs and revenues among the partnership's partners, see Table 9 of Appendix A.

LEGAL MATTERS

Vinson & Elkins L.L.P., counsel to Pioneer Parent, will pass upon the validity of the Pioneer Parent common stock to be issued upon the merger of each partnership and material federal income tax matters related to the merger of each partnership. The limited partners' special legal counsel, \_\_\_\_\_, \_\_\_\_\_, will deliver the legal opinion referred to in "The Merger of Each Partnership -- Legal Opinion for Limited Partners" on page 59 of this document. That special counsel may rely as to matters of law of jurisdictions other than the United States and the State of \_\_\_\_\_ on the opinion of counsel in such other jurisdictions.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

### INDEPENDENT AUDITORS AND INDEPENDENT PETROLEUM CONSULTANTS

The consolidated financial statements of Pioneer Parent appearing in its Annual Report (Form 10-K) for the year ended December 31, 2000, have been audited by Ernst & Young LLP, independent auditors, as set forth in their report, which is incorporated by reference into this document. Such consolidated financial statements are incorporated by reference in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

The financial statements of each partnership listed on pages 5 and 6 of this document at December 31, 2000 and 1999 and for each of the three years in the period ended December 31, 2000 have been audited by Ernst & Young LLP, independent auditors, as set forth in their reports included in the supplemental information to this document for each partnership. Such financial statements are included in the supplemental information of each partnership in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.

96

111

Williamson Petroleum Consultants, Inc., independent petroleum consultants, estimated each partnership's reserves as of December 31, 2000, and reviewed Pioneer Parent's and Pioneer USA's estimates of each partnership's reserves as of March 31, 2001 and the present value of the estimated future net revenues from those estimated reserves included in the summary reserve reports included in this document and such summary reserve reports and estimates and the review as of March 31, 2001, are included in this document in reliance upon their reports given upon their authority as experts on the matters covered by the summary reserve report and review.

97

112

### COMMONLY USED OIL AND GAS TERMS

The definitions set forth below shall apply to the indicated terms as used in this document. All volumes of natural gas referred to herein are stated at the legal pressure base of the state or area where the reserves exist and at 60 degrees Fahrenheit and in most instances are rounded to the nearest major multiple.

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

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

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

"BTU" means British thermal unit.

"development drilling" means drilling within the proved area of an oil or



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

gas reservoir to the depth of a stratigraphic horizon known to be productive.

"exploration activity" means drilling activity to find and produce oil or natural gas in an area that is not known to be an oil or natural gas reservoir, or drilling activity to extend a known reservoir.

"Mbbbl" means one thousand Bbls.

"MBOE" means one thousand BOEs.

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

"MMBbl" means one million Bbls.

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

"NGLs" means natural gas liquids.

"proved reserves" means the estimated quantities of crude oil, natural gas, and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions, i.e., prices and costs as of the date the estimate is made. Prices include consideration of changes in existing prices provided only by contractual arrangements, but not on escalations based upon future conditions.

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

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

98

113

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

99

114

# Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

PIONEER NATURAL RESOURCES COMPANY

UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS

## INTRODUCTORY STATEMENTS

The unaudited pro forma combined financial statements of Pioneer Parent have been prepared to give effect to Pioneer Parent's offer to acquire 46 limited partnerships (collectively, the "Combined Partnerships") that Pioneer USA serves as the sole or managing general partner. Pioneer Parent and Pioneer USA agreed to a merger value for each partnership. The aggregate merger value for the Combined Partnerships is \$107.1 million. For a description of the method used to determine the merger value for each partnership and the amount of Pioneer Parent common stock offered, see "Method of Determining Merger Value For Each Partnership and Amount of Pioneer Parent Common Stock Offered". The merger value for each partnership will not change. The only variables are the determination of which partnerships will approve the agreement and plan of merger, if any, and the number of shares of Pioneer Parent that will be issued to the limited partners of those partnerships that approve the agreement and plan of merger.

For purposes of presenting the unaudited pro forma combined financial statements, Pioneer Parent has assumed that each partnership will approve the agreement and plan of merger and will merge into Pioneer Parent and be converted into the right to receive Pioneer Parent common stock using an estimated per share market value of \$18.00. The actual purchase price will be determined on the closing date based on the value of Pioneer Parent's common stock issued to those partnerships that approve the agreement and plan of merger. Pioneer Parent will value the shares of common stock to be issued using the average closing price of its common stock over a five day period comprised of the two days prior to a defined measurement date, the defined measurement date and the two days following the defined measurement date. See Note (2) to the unaudited pro forma combined financial statements for additional information regarding the purchase price, the valuation of Pioneer Parent common stock and the definition of the measurement date referred to above.

The unaudited pro forma combined balance sheet of Pioneer Parent as of June 30, 2001 has been prepared to give effect to the acquisition of the Combined Partnerships as if it had occurred on June 30, 2001.

The unaudited pro forma combined statements of operations of Pioneer Parent for the six months ended June 30, 2001 and for the year ended December 31, 2000 have been prepared to give effect to the acquisition of the Combined Partnerships as if it had occurred on January 1, 2000.

The unaudited pro forma combined financial statements included herein are not necessarily indicative of the results that might have occurred had the transaction taken place on the dates that are assumed for the pro forma presentations and are not intended to be a projection of future results. Future results may vary significantly from the results reflected in the accompanying unaudited pro forma combined financial statements because of normal production declines, changes in product prices, future acquisitions and divestitures, future development and exploration activities, and other factors.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The following unaudited pro forma combined financial statements should be read in conjunction with the Consolidated Financial Statements (and the related notes) of Pioneer Parent included in the Annual Report on Form 10-K for the year ended December 31, 2000, the Quarterly Report on Form 10-Q for the six months ended June 30, 2001 and the historical financial statements of each partnership in which you own an interest contained in the supplement to this document for the partnership.

P-1

115

PIONEER NATURAL RESOURCES COMPANY  
 UNAUDITED PRO FORMA COMBINED BALANCE SHEET  
 AS OF JUNE 30, 2001  
 (IN THOUSANDS, EXCEPT SHARE DATA)

	PIONEER PARENT	COMBINED PARTNERSHIPS	PRO FORMA ADJUSTMENTS
	-----	-----	-----
ASSETS			
Current assets:			
Cash and cash equivalents.....	\$ 18,227	\$ 12,819	\$ (7,064)
Accounts receivable:			
Trade, net.....	100,222	5,802	
Affiliates.....	2,460	--	(1,130)
Inventories.....	15,068	--	
Deferred income taxes.....	5,600	--	
Other current assets:			
Derivatives.....	51,304	--	--
Other.....	8,338	--	--
	-----	-----	-----
Total current assets.....	201,219	18,621	
	-----	-----	
Property, plant and equipment, at cost:			
Oil and gas properties, using the successful efforts method of accounting:			
Proved properties.....	3,400,375	355,133	(258,448)
Unproved properties.....	210,808	--	
Accumulated depletion, depreciation and amortization.....	(1,003,926)	(309,584)	309,584
	-----	-----	
	2,607,257	45,549	
	-----	-----	
Deferred income taxes.....	83,611	--	
Other property and equipment, net.....	21,425	--	
Other assets, net.....	148,542	--	
	-----	-----	
	\$ 3,062,054	\$ 64,170	
	=====	=====	

LIABILITIES AND STOCKHOLDERS' EQUITY

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Current liabilities:

Accounts payable:				
Trade.....	\$ 113,046	\$ 49	\$	
Affiliates.....	3,200	1,130		(1,130)
Interest payable.....	39,056	--		
Other current liabilities:				
Derivative obligations.....	43,020	--		
Other.....	48,362	--		
	-----	-----		
Total current liabilities.....	246,684	1,179		
	-----	-----		
Long-term debt.....	1,572,227	--		
Other noncurrent liabilities.....	179,656	--		
Deferred income taxes.....	24,485	--		
Partners' capital.....	--	62,991		(62,991)
Stockholders' equity:				
Common stock.....	1,017	--		59
Additional paid-in capital.....	2,357,778	--		107,004
Treasury stock.....	(44,431)	--		
Accumulated deficit.....	(1,326,497)	--		
Accumulated other comprehensive income:				
Deferred hedge gains and losses.....	49,375	--		
Cumulative translation adjustment.....	1,760	--		
	-----	-----		
Total stockholders' equity and partners' capital.....	1,039,002	62,991		
	-----	-----		
Commitments and contingencies.....	\$ 3,062,054	\$ 64,170		
	=====	=====		

The accompanying notes are an integral part of these unaudited pro forma combined financial statements.

P-2

116

PIONEER NATURAL RESOURCES COMPANY

UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS

SIX MONTHS ENDED JUNE 30, 2001

(IN THOUSANDS, EXCEPT PER SHARE DATA)

	PIONEER PARENT	COMBINED PARTNERSHIPS	PRO FORMA ADJUSTMENTS	PRO FOR PIONEER P
	-----	-----	-----	-----
Revenues:				
Oil and gas.....	\$476,597	\$25,254	\$ (1,666) (d)	\$500,1
Interest and other.....	16,122	195	(12) (d)	16,3
Gain on disposition of assets, net.....	8,765	178	--	8,9
	-----	-----		-----
	501,484	25,627		525,4
	-----	-----		-----
Cost and expenses:				
Oil and gas production.....	107,776	10,618	(80) (d)	

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

			(3,311) (e)	115,0
Depletion, depreciation and amortization.....	109,557	1,739	1,613 (f)	112,9
Exploration and abandonments.....	69,466	119	--	69,5
General and administrative.....	18,453	777	(58) (d)	
			3,311 (e)	22,4
Interest.....	69,876	--		69,8
Other.....	27,091	--		27,0
	-----	-----		-----
	402,219	13,253		416,9
	-----	-----		-----
Income from continuing operations before income taxes.....	99,265	12,374		108,4
Income tax provision.....	(3,008)	--	-- (h)	(3,0
	-----	-----		-----
Income from continuing operations.....	\$ 96,257	\$12,374		\$105,4
	=====	=====		=====
Income from continuing operations per common share:				
Basic.....	\$ .98			\$ 1.
	=====			=====
Diluted.....	\$ .97			\$ 1.
	=====			=====
Weighted average shares outstanding:				
Basic.....	98,358		5,948 (i)	104,3
	=====			=====
Diluted.....	99,709		5,948 (i)	105,6
	=====			=====

See accompanying notes to unaudited pro forma combined financial statements.

P-3

117

PIONEER NATURAL RESOURCES COMPANY

UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS  
YEAR ENDED DECEMBER 31, 2000  
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	PIONEER PARENT	COMBINED PARTNERSHIPS	PRO FORMA ADJUSTMENTS	PRO FOR PIONEER P
	-----	-----	-----	-----
Revenues:				
Oil and gas.....	\$852,738	\$52,013	\$ (3,369) (d)	\$901,3
Interest and other.....	25,775	484	(28) (d)	26,2
Gain on disposition of assets, net.....	34,184	247	(6) (d)	34,4
	-----	-----		-----
	912,697	52,744		962,0
	-----	-----		-----
Cost and expenses:				
Oil and gas production.....	189,265	19,958	(1,392) (d)	
			(5,655) (e)	202,1
Depletion, depreciation and amortization.....	214,938	3,236	3,768 (f)	221,9
Impairment of oil and gas properties.....	--	663	(663) (g)	

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Exploration and abandonments.....	87,550	72	(3) (d)	87,6
General and administrative.....	33,262	1,599	(110) (d)	
			5,655 (e)	40,4
Interest.....	161,952	--		161,9
Other.....	67,231	--		67,2
	-----	-----		-----
	754,198	25,528		781,3
	-----	-----		-----
Income from continuing operations before income taxes.....	158,499	27,216		180,7
Income tax benefit.....	6,000	--	-- (h)	6,0
	-----	-----		-----
Income from continuing operations.....	\$164,499	\$27,216		\$186,7
	=====	=====		=====
Income from continuing operations per common share:				
Basic.....	\$ 1.65			\$ 1.
	=====			=====
Diluted.....	\$ 1.65			\$ 1.
	=====			=====
Weighted average shares outstanding:				
Basic.....	99,378		5,948 (i)	105,3
	=====			=====
Diluted.....	99,762		5,948 (i)	105,7
	=====			=====

See accompanying notes to unaudited pro forma combined financial statements.

P-4

118

PIONEER NATURAL RESOURCES COMPANY

NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS

JUNE 30, 2001 AND DECEMBER 31, 2000

NOTE 1. BASIS OF PRESENTATION

The unaudited pro forma combined financial information of Pioneer Natural Resources Company ("Pioneer Parent") has been prepared to give effect to Pioneer Parent's offer to acquire 46 limited partnerships (collectively, the "Combined Partnerships") that Pioneer USA serves as the sole or managing general partner. The unaudited pro forma combined balance sheet as of June 30, 2001 has been prepared to give effect to the acquisition of the Combined Partnerships as if it had occurred on June 30, 2001. The unaudited pro forma combined statements of operations for the six months ended June 30, 2001 and for the year ended December 31, 2000 are presented as if the acquisition of the Combined Partnerships occurred on January 1, 2000.

Following is a description of the individual columns included in these unaudited pro forma combined financial statements:

Pioneer Parent -- Represents the consolidated balance sheet of Pioneer Parent as of June 30, 2001, and the consolidated statements of operations of Pioneer Parent for the six months ended June 30, 2001 and the year ended

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

December 31, 2000.

Combined Partnerships -- Represents the combined balance sheets of the 46 limited partnerships as of June 30, 2001 and the combined statements of operations of such limited partnerships for the six months ended June 30, 2001 and the year ended December 31, 2000.

### NOTE 2. PRO FORMA ADJUSTMENTS

Following are descriptions of the pro forma adjustments used in the preparation of the accompanying unaudited pro forma combined financial statements:

- (a) To record the acquisition of the Combined Partnerships, using the purchase method of accounting, for \$107.1 million in Pioneer Parent common stock, representing 5,947,940 shares assuming an \$18.00 average stock price. The allocation of the purchase price to the acquired assets and liabilities is preliminary and, therefore, subject to change.

The purchase price allocation as of June 30, 2001 reflects the fair value of the Combined Partnerships' assets and liabilities as of that date. A final purchase price allocation will be done at closing based upon the fair value of the Combined Partnerships' assets and liabilities at that time. The date three business days prior to the special meeting of limited partners of each partnership to be held on \_\_\_\_\_, 2001 will be the measurement date for determining the final number of shares of Pioneer Parent common stock to be issued (the "Measurement Date"). Pioneer Parent will value the shares to be issued using the average closing price of Pioneer Parent common stock for the five-day period comprised of the two days prior to the Measurement Date, the Measurement Date and the two business days subsequent to the Measurement Date. The final allocation is not anticipated to change materially other than for cash flow generated from the Combined Partnerships' property interests between March 31, 2001 and closing, which will be reflected as a reduction to oil and gas properties and an increase to working capital in the final purchase price allocation.

- (b) To eliminate affiliate receivables and affiliate payables between Pioneer Parent and the Combined Partnerships.
- (c) To adjust pro forma cash and partners' capital for the \$7.1 million cash distribution disbursed to existing partners other than Pioneer USA during July 2001.
- (d) To eliminate Pioneer Parent's proportionate share of the Combined Partnerships that is already reflected in Pioneer Parent's consolidated statements of operations for the six months ended June 30, 2001 and for the year ended December 31, 2000.

# Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

## PIONEER NATURAL RESOURCES COMPANY

### NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

- (e) To eliminate the Combined Partnership's share of operating overhead charged by Pioneer Parent that was recorded by the Combined Partnerships as an increase in lease operating expenses and by Pioneer Parent as a reduction to general and administrative expense.
- (f) To adjust depreciation, depletion and amortization expense for the basis allocated to the oil and gas properties acquired and accounted for using the successful efforts method of accounting.
- (g) To eliminate the Combined Partnerships impairment of oil and gas properties that would not occur on a pro forma basis with Pioneer Parent due to the basis in oil and gas properties reflecting the value assigned using the purchase method of accounting.
- (h) Pioneer Parent has unused net operating loss carryovers in the United States that could be used to offset any incremental earnings of the Combined Partnerships. Accordingly, no pro forma adjustment was recorded for additional income tax expense. See Note 3. below.
- (i) To adjust the weighted average basic and diluted common shares outstanding for the issuance of 5,947,940 shares of Pioneer Parent common stock to acquire the Combined Partnerships.

The pro forma numerator for basic and diluted earnings per share calculations equals "income from continuing operations" per the Unaudited Pro Forma Combined Statement of Operations (see pages P-3 and P-4). Following is a reconciliation of the pro forma weighted average basic and diluted shares outstanding (in thousands):

	JUNE 30, 2001	DECEMBER 31, 2000
	-----	-----
Pioneer Parent weighted average basic common shares		
outstanding.....	98,358	99,378
Shares issued to the nonmanaging general partners*.....	11	11
Shares issued to the limited partners*.....	5,937	5,937
	-----	-----
Pro forma Pioneer Parent weighted average basic shares		
outstanding.....	104,306	105,326
Effect of dilutive common stock options.....	1,351	384
	-----	-----
Pro forma Pioneer Parent weighted average diluted shares		
outstanding.....	105,657	105,710
	=====	=====

-----



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

\*The actual shares issued to the nonmanaging general partners and limited partners will be based on the final determination of the aggregate purchase price and the final measurement of the value of Pioneer Parent common stock, as described more fully in adjustment (a) above. The following table quantifies a range of possible shares to be issued to the nonmanaging general partners and limited partners and Pioneer Parent's pro forma income from continuing operations per common share -- basic and diluted for the six months ended June 30, 2001 and the year ended December 31, 2000 if, based on a \$107.1 million aggregate purchase price, the average closing price of the Pioneer Parent common stock over the five day period comprised of the two business days prior to the Measurement Date, the

P-6

120

PIONEER NATURAL RESOURCES COMPANY

NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

Measurement Date and the two business days subsequent to the Measurement Date is \$16.00 per share, \$18.00 per share, or \$20.00 per share:

	AVERAGE PRICE OF PIONEER PARENT COMMON STOCK		
	\$16.00	\$18.00	\$20.00
	-----		
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)		
Shares issued to the nonmanaging general partners.....	13	11	10
	=====	=====	=====
Shares issued to the limited partners.....	6,679	5,937	5,343
	=====	=====	=====
For the six months ended June 30, 2001:			
Pro forma Pioneer Parent weighted average basic shares outstanding.....	105,050	104,306	103,711
	=====	=====	=====
Pro forma Pioneer Parent weighted average diluted shares outstanding.....	106,401	105,657	105,062
	=====	=====	=====
Pro forma income from continuing operations per common share:			
Basic.....	\$ 1.00	\$ 1.01	\$ 1.02
	=====	=====	=====
Diluted.....	\$ 0.99	\$ 1.00	\$ 1.00
	=====	=====	=====
For the year ended December 31, 2000:			
Pro forma Pioneer Parent weighted average basic shares outstanding.....	106,070	105,326	104,731
	=====	=====	=====
Pro forma Pioneer Parent weighted average diluted shares outstanding.....	106,454	105,710	105,115
	=====	=====	=====
Pro forma income from continuing operations per common share:			
Basic.....	\$ 1.76	\$ 1.77	\$ 1.78

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	=====	=====	=====
Diluted.....	\$ 1.75	\$ 1.77	\$ 1.78
	=====	=====	=====

### NOTE 3. INCOME TAXES

Pioneer Parent will account for income taxes in accordance with the provisions of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes." In accordance therewith, Pioneer Parent will prepare separate tax calculations for each tax jurisdiction in which Pioneer Parent will be subject to income taxes. Pioneer Parent has unused net operating loss carryovers and alternative minimum tax net operating loss carryovers that would be utilized to reduce incremental United States income taxes that would otherwise be incurred as a result of pro forma pre-tax earnings of the Combined Partnerships. Accordingly, Pioneer Parent has not recognized incremental income tax expense in the accompanying unaudited pro forma combined statements of operations for the six months ended June 30, 2001 and the year ended December 31, 2000.

### NOTE 4. OIL AND GAS RESERVE DATA

The following unaudited pro forma supplemental information regarding the oil and gas activities of Pioneer Parent is presented pursuant to the disclosure requirements promulgated by the Securities and Exchange Commission and Statement of Financial Accounting Standards No. 69, "Disclosures About Oil and Gas Producing Activities." The pro forma combined reserve information is presented as if the

P-7

121

PIONEER NATURAL RESOURCES COMPANY

NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

acquisition of the Combined Partnerships had occurred on January 1, 2000. Information for oil and NGL's are presented in barrels (Bbls) and for gas in thousands of cubic feet (Mcf).

The pro forma combined net proved reserves are 2.2 MMBOE more than the summation of historical net proved reserves of Pioneer Parent and the Combined Partnerships. This difference can be attributed to the net impact of the partnerships' historical net proved reserves being burdened by administrative overhead and the Pioneer Parent reserves already including its pro rata share of the partnerships' reserves. Administrative overhead is charged by the operator (Pioneer Parent for the majority of the properties) in accordance with the joint operating agreements of each property and in accordance with the guidelines prescribed by the Council of Petroleum Accounting Society ("COPAS"). Because these charges will not be charged to Pioneer Parent after the transaction, on a pro forma combined basis Pioneer Parent has eliminated the administrative overhead charges consistent with industry standards. Consequently, the economic lives of the partnerships' properties are extended and additional reserves on a pro forma combined basis have been added. Offsetting the adjustment above is the elimination of Pioneer Parent's general partner and limited partner ownership because such ownership is already included in Pioneer Parent's reserves.

Pioneer Parent emphasizes that reserve estimates are inherently imprecise and subject to revision and that estimates of new discoveries are more imprecise

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

than those of producing oil and gas properties. Accordingly, the estimates are expected to change as future information becomes available and such changes could be significant.

For additional information regarding the oil and gas activities of Pioneer Parent and the Combined Partnerships, from which the following unaudited pro forma supplemental information was derived, please see: (a) Pioneer Parent's Annual Report on Form 10-K for the year ended December 31, 2000 for information regarding Pioneer Parent's stand-alone oil and gas activities, (b) Table 11 of Appendix A and (c) the review by Williamson Petroleum Consultants, Inc. of the Summary Reserve Report for the Combined Partnerships included in Appendix C for the volumes and values attributable to the Combined Partnerships.

P-8

122

### PIONEER NATURAL RESOURCES COMPANY

NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

#### QUANTITIES OF OIL AND GAS RESERVES

Set forth below is a pro forma summary of the changes in the net quantities of oil, NGL and natural gas reserves for the year ended December 31, 2000.

	OIL & NGLS (MMBLS)	GAS (MMCF)	MBOE
	-----	-----	-----
<b>TOTAL PROVED RESERVES:</b>			
<b>UNITED STATES</b>			
Balance, January 1.....	290,683	1,365,530	518,271
Revisions of previous estimates.....	18,704	54,518	27,790
Purchases of minerals-in-place.....	1,237	28,071	5,916
New discoveries and extensions.....	4,819	66,486	15,900
Production.....	(18,571)	(86,206)	(32,939)
Sales of minerals-in-place.....	(743)	(35,054)	(6,586)
	-----	-----	-----
<b>BALANCE, DECEMBER 31.....</b>	<b>296,129</b>	<b>1,393,345</b>	<b>528,352</b>
<b>ARGENTINA</b>			
Balance, January 1.....	29,797	415,620	99,067
Revisions of previous estimates.....	1,411	(15,558)	(1,182)
Purchases of minerals-in-place.....	--	--	--
New discoveries and extensions.....	8,066	43,914	15,385
Production.....	(3,431)	(35,694)	(9,380)
Sales of minerals-in-place.....	--	--	--
	-----	-----	-----
<b>BALANCE, DECEMBER 31.....</b>	<b>35,843</b>	<b>408,282</b>	<b>103,890</b>
<b>CANADA</b>			
Balance, January 1.....	3,970	145,251	28,179
Revisions of previous estimates.....	429	(10,013)	(1,240)
Purchases of minerals-in-place.....	140	7,768	1,435
New discoveries and extensions.....	138	6,132	1,160
Production.....	(611)	(16,219)	(3,315)
Sales of minerals-in-place.....	--	--	--
	-----	-----	-----
<b>BALANCE, DECEMBER 31.....</b>	<b>4,066</b>	<b>132,919</b>	<b>26,219</b>
<b>SOUTH AFRICA</b>			

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

BALANCE, JANUARY 1.....	--	--	--
New discoveries and extensions.....	5,552	--	5,552
	-----	-----	-----
BALANCE, DECEMBER 31.....	5,552	--	5,552
TOTAL			
BALANCE, JANUARY 1.....	324,450	1,926,401	645,517
Revisions of previous estimates.....	20,544	28,947	25,368
Purchases of minerals-in-place.....	1,377	35,839	7,351
New discoveries and extensions.....	18,575	116,532	37,997
Production.....	(22,613)	(138,119)	(45,634)
Sales of minerals-in-place.....	(743)	(35,054)	(6,586)
	-----	-----	-----
BALANCE, DECEMBER 31.....	341,590	1,934,546	664,013
	=====	=====	=====

P-9

123

PIONEER NATURAL RESOURCES COMPANY

NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

	OIL & NGLS (MBBLS)	GAS (MMCF)	MBOE
	-----	-----	-----
PROVED DEVELOPED RESERVES:			
United States.....	241,253	1,169,664	436,198
Argentina.....	22,931	358,124	82,618
Canada.....	2,598	61,210	12,800
	-----	-----	-----
JANUARY 1.....	266,782	1,588,998	531,616
	=====	=====	=====
United States.....	236,249	1,120,610	423,018
Argentina.....	22,679	345,281	80,226
Canada.....	2,930	80,953	16,422
	-----	-----	-----
DECEMBER 31.....	261,858	1,546,844	519,666
	=====	=====	=====

STANDARDIZED MEASURE OF DISCOUNTED FUTURE NET CASH FLOWS

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

DECEMBER 31,  
2000

-----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

(IN THOUSANDS)

UNITED STATES

Oil and gas producing activities:

Future cash inflows.....	\$19,615,577
Future production costs.....	(5,290,990)
Future development costs.....	(479,290)
Future income tax expenses.....	(3,945,569)

-----  
9,899,728

10% annual discount factor.....	(4,991,172)
---------------------------------	-------------

-----

Standardized measure of discounted future net cash flows.....	\$ 4,908,556
---	--------------

=====

ARGENTINA

Oil and gas producing activities:

Future cash inflows.....	\$ 1,183,652
Future production costs.....	(215,853)
Future development costs.....	(114,606)
Future income tax expenses.....	(81,705)

-----  
771,488

10% annual discount factor.....	(264,126)
---------------------------------	-----------

-----

Standardized measure of discounted future net cash flows.....	\$ 507,362
---	------------

=====

P-10

124

PIONEER NATURAL RESOURCES COMPANY

NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

DECEMBER 31,  
2000

-----  
(IN THOUSANDS)

CANADA

Oil and gas producing activities:

Future cash inflows.....	\$ 1,029,007
Future production costs.....	(104,189)
Future development costs.....	(35,443)
Future income tax expenses.....	(306,399)

-----  
582,976

10% annual discount factor.....	(168,441)
---------------------------------	-----------

-----

Standardized measure of discounted future net cash flows.....	\$ 414,535
---	------------

=====

SOUTH AFRICA

Oil and gas producing activities:

Future cash inflows.....	\$ 126,134
Future production costs.....	(65,232)
Future development costs.....	(47,970)
Future income tax expenses.....	--

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	-----
	12,932
10% annual discount factor.....	(5,782)
	-----
Standardized measure of discounted future net cash flows.....	\$ 7,150
	=====
TOTAL	
Oil and gas producing activities:	
Future cash inflows.....	\$21,954,370
Future production costs.....	(5,676,264)
Future development costs.....	(677,309)
Future income tax expenses.....	(4,333,673)
	-----
	11,267,124
10% annual discount factor.....	(5,429,521)
	-----
Standardized measure of discounted future net cash flows.....	\$ 5,837,603
	=====

P-11

125

PIONEER NATURAL RESOURCES COMPANY

NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

CHANGES RELATING TO THE PRO FORMA STANDARDIZED MEASURE OF DISCOUNTED FUTURE NET CASH FLOWS

The principal sources of the change in the pro forma combined standardized measure of discounted future net cash flows for the year ended December 31, 2000 are as follows (in thousands):

Oil and gas sales, net of production costs.....	\$ (699,206)
Net changes in prices and production costs.....	3,920,249
Extension and discoveries.....	525,361
Development costs incurred during the period.....	101,350
Sales of minerals-in-place.....	(72,624)
Purchases of mineral-in-place.....	187,097
Revisions of estimated future development costs.....	(200,734)
Revisions of previous quantity estimates.....	329,124
Accretion of discount.....	313,281
Changes in production rates, timing and other.....	(270,400)
	-----
Change in present value of future net revenues.....	4,133,498
Net change in present value of future income taxes.....	(1,428,700)
	-----
	2,704,798
Balance, beginning of year.....	3,132,805
	-----
Balance, end of year.....	\$ 5,837,603
	=====

P-12

126

APPENDIX A

# Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

TO

PROXY STATEMENT/PROSPECTUS

GENERAL INFORMATION RELATING TO EACH PARTNERSHIP

Table 1	Jurisdiction of Organization, Initial Subscription Price for Each Unit, Initial Investment by Limited Partners and Number of Limited Partners as of July 31, 2001
Table 2	Merger Value Attributable to Pioneer USA, Nonmanaging General Partners and Limited Partners
Table 3	Merger Value Attributable to Partnership Interests of Limited Partners Per \$1,000 Investment
Table 4	Ownership Percentage and Merger Value Attributable to Nonmanaging General Partners Other Than Pioneer USA
Table 5	Ownership Percentage and Merger Value Attributable to Pioneer USA in Its Capacities as General Partner, Nonmanaging General Partner and Limited Partner
Table 6	Voting Percentage and Initial Investment Owned by Pioneer USA in Its Capacity as a Limited Partner as of July 31, 2001
Table 7	Historical Quarterly Partnership Distributions to the Limited Partners Per \$1,000 Investment from Inception through July 31, 2001
Table 8	Annual Repurchase Prices and Aggregate Annual Repurchase Payments
Table 9	Participation in Costs and Revenues of Each Partnership
Table 10	Average Oil, Natural Gas Liquids and Gas Sales Prices and Production Costs for the Six Months Ended June 30, 2001 and 2000 and the Years Ended December 31, 2000, 1999 and 1998
Table 11	Proved Reserves Attributable to Pioneer USA, Nonmanaging General Partners and Limited Partners as of December 31, 2000
Table 12	Partnership Estimated Reserves Attributable to Pioneer USA, Nonmanaging General Partners and Limited Partners as of March 31, 2001
Table 13	Oil, Natural Gas Liquids and Gas Production for the Six Months Ended June 30, 2001 and 2000 and the Years Ended December 31, 2000, 1999 and 1998
Table 14	Productive Wells and Developed Acreage as of June 30, 2001
Table 15	Recent Trades of Partnership Interests Per \$1,000 Investments for the

# Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Five Months Ended May 31, 2001 and the Years Ended December 31, 2000  
and 1999

Table 16 Reserve Value Attributable to Pioneer USA, Nonmanaging General Partners and Limited Partners as of March 31, 2001

A-1

127

TABLE 1

JURISDICTION OF ORGANIZATION, INITIAL SUBSCRIPTION PRICE FOR EACH UNIT,  
INITIAL INVESTMENT BY LIMITED PARTNERS AND NUMBER OF LIMITED PARTNERS

AS OF JULY 31, 2001

	JURISDICTION OF ORGANIZATION	INITIAL SUBSCRIPTION PRICE FOR EACH UNIT	INITIAL INVESTMENT BY LIMITED PARTNERS (IN THOUSAND)
	-----	-----	-----
Parker & Parsley 81-I, Ltd.....	Texas	\$ 5,000	\$ 7,410
Parker & Parsley 81-II, Ltd.....	Texas	5,000	6,440
Parker & Parsley 82-I, Ltd.....	Texas	2,000	11,805
Parker & Parsley 82-II, Ltd.....	Texas	2,000	12,252
Parker & Parsley 82-III, Ltd.....	Texas	2,000	6,882
Parker & Parsley 83-A, Ltd.....	Texas	1,000	19,505
Parker & Parsley 83-B, Ltd.....	Texas	1,000	23,370
Parker & Parsley 84-A, Ltd.....	Texas	1,000	19,435
Parker & Parsley 85-A, Ltd.....	Texas	1,000	9,613
Parker & Parsley 85-B, Ltd.....	Texas	1,000	7,988
Parker & Parsley Private Investment 85-A, Ltd....	Texas	40,000	5,000
Parker & Parsley Selected 85 Private Investment, Ltd.....	Texas	40,000	4,690
Parker & Parsley 86-A, Ltd.....	Texas	1,000	10,131
Parker & Parsley 86-B, Ltd.....	Texas	1,000	17,208
Parker & Parsley 86-C, Ltd.....	Texas	1,000	19,317
Parker & Parsley Private Investment 86, Ltd.....	Texas	40,000	4,920
Parker & Parsley 87-A Conv., Ltd.....	Texas	1,000	3,856
Parker & Parsley 87-A, Ltd.....	Texas	1,000	28,811
Parker & Parsley 87-B Conv., Ltd.....	Texas	1,000	4,919
Parker & Parsley 87-B, Ltd.....	Texas	1,000	20,089
Parker & Parsley Producing Properties 87-A, Ltd...	Texas	500	12,213
Parker & Parsley Producing Properties 87-B, Ltd...	Texas	500	6,096
Parker & Parsley Private Investment 87, Ltd.....	Texas	40,000	10,480
Parker & Parsley 88-A Conv., L.P.....	Delaware	1,000	3,793
Parker & Parsley 88-A, L.P.....	Delaware	1,000	12,935
Parker & Parsley 88-B Conv., L.P.....	Delaware	1,000	3,636
Parker & Parsley 88-B, L.P.....	Delaware	1,000	8,954
Parker & Parsley 88-C Conv., L.P.....	Delaware	1,000	3,411
Parker & Parsley 88-C, L.P.....	Delaware	1,000	2,431
Parker & Parsley Producing Properties 88-A, L.P.....	Delaware	500	5,611
Parker & Parsley Private Investment 88, L.P.....	Delaware	40,000	9,960
Parker & Parsley 89-A Conv., L.P.....	Delaware	1,000	2,797



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Parker & Parsley 89-A, L.P.....	Delaware	1,000	8,317
Parker & Parsley 89-B Conv., L.P.....	Delaware	1,000	6,307
Parker & Parsley 89-B, L.P.....	Delaware	1,000	6,949
Parker & Parsley Private Investment 89, L.P.....	Delaware	40,000	7,060
Parker & Parsley 90-A Conv., L.P.....	Delaware	1,000	2,359
Parker & Parsley 90-A, L.P.....	Delaware	1,000	6,811
Parker & Parsley 90-B Conv., L.P.....	Delaware	1,000	11,897
Parker & Parsley 90-B, L.P.....	Delaware	1,000	32,264
Parker & Parsley 90-C Conv., L.P.....	Delaware	1,000	7,531
Parker & Parsley 90-C, L.P.....	Delaware	1,000	12,107
Parker & Parsley Private Investment 90, L.P.....	Delaware	40,000	10,970
Parker & Parsley 90 Spraberry Private Dev., L.P.....	Delaware	40,000	5,200
Parker & Parsley 91-A, L.P.....	Delaware	1,000	11,620
Parker & Parsley 91-B, L.P.....	Delaware	1,000	11,249
Total.....			

A-2

128

TABLE 2

MERGER VALUE ATTRIBUTABLE TO PIONEER USA, NONMANAGING  
GENERAL PARTNERS AND LIMITED PARTNERS (a)

	PIONEER USA (B)	NONMANAGING GENERAL PARTNERS (C)	LI PART
	-----	-----	-----
Parker & Parsley 81-I, Ltd. ....	\$ 235,285	\$16,888	6
Parker & Parsley 81-II, Ltd. ....	160,791	6,535	5
Parker & Parsley 82-I, Ltd. ....	410,553	13,871	8
Parker & Parsley 82-II, Ltd. ....	433,854	13,187	1,2
Parker & Parsley 82-III, Ltd. ....	305,910	9,927	7
Parker & Parsley 83-A, Ltd. ....	962,385	37,202	2,6
Parker & Parsley 83-B, Ltd. ....	1,310,513	49,882	3,5
Parker & Parsley 84-A, Ltd. ....	1,313,732	55,855	3,7
Parker & Parsley 85-A, Ltd. ....	39,179	--	1,2
Parker & Parsley 85-B, Ltd. ....	20,208	--	1,1
Parker & Parsley Private Investment 85-A, Ltd. ....	47,872	--	1,3
Parker & Parsley Selected 85 Private Investment, Ltd. ....	28,332	--	1,0
Parker & Parsley 86-A, Ltd. ....	23,353	--	1,7
Parker & Parsley 86-B, Ltd. ....	69,533	--	3,9
Parker & Parsley 86-C, Ltd. ....	42,190	--	3,1
Parker & Parsley Private Investment 86, Ltd. ....	13,416	--	1,3
Parker & Parsley 87-A Conv., Ltd. ....	14,805	--	7
Parker & Parsley 87-A, Ltd. ....	92,985	--	5,7
Parker & Parsley 87-B Conv., Ltd. ....	12,399	--	1,0
Parker & Parsley 87-B, Ltd. ....	51,532	--	4,1
Parker & Parsley Producing Properties 87-A, Ltd. ....	35,395	--	2,5
Parker & Parsley Producing Properties 87-B, Ltd. ....	61,106	--	2,2
Parker & Parsley Private Investment 87, Ltd. ....	26,261	--	2,5
Parker & Parsley 88-A Conv., L.P. ....	21,776	--	9
Parker & Parsley 88-A, L.P. ....	75,042	--	3,1

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Parker & Parsley 88-B Conv., L.P. ....	19,347	--	1,2
Parker & Parsley 88-B, L.P. ....	62,940	--	3,0
Parker & Parsley 88-C Conv., L.P. ....	13,021	--	9
Parker & Parsley 88-C, L.P. ....	8,602	--	7
Parker & Parsley Producing Properties 88-A, L.P. ....	35,259	--	2,0
Parker & Parsley Private Investment 88, L.P. ....	35,389	--	3,5
Parker & Parsley 89-A Conv., L.P. ....	9,382	--	9
Parker & Parsley 89-A, L.P. ....	62,877	--	2,7
Parker & Parsley 89-B Conv., L.P. ....	23,451	--	1,7
Parker & Parsley 89-B, L.P. ....	39,784	--	1,9
Parker & Parsley Private Investment 89, L.P. ....	31,687	--	1,9
Parker & Parsley 90-A Conv., L.P. ....	9,413	--	5
Parker & Parsley 90-A, L.P. ....	53,832	--	1,6
Parker & Parsley 90-B Conv., L.P. ....	54,557	--	3,2
Parker & Parsley 90-B, L.P. ....	111,674	--	8,7
Parker & Parsley 90-C Conv., L.P. ....	26,279	--	1,8
Parker & Parsley 90-C, L.P. ....	36,882	--	2,9
Parker & Parsley Private Investment 90, L.P. ....	52,606	--	3,3
Parker & Parsley 90 Spraberry Private Dev., L.P. ....	16,330	--	1,6
Parker & Parsley 91-A, L.P. ....	65,445	--	4,6
Parker & Parsley 91-B, L.P. ....	55,026	--	5,0

-----

- (a) The merger value for each partnership is equal to the sum of the present value of estimated future net revenues from the partnership's estimated oil and gas reserves and its net working capital in each case as of March 31, 2001, less its pro rata share, based on its reserve value, of the estimated expenses and fees of the mergers of all of the partnerships and less the cash distribution on July 13, 2001, by the partnership to its partners.
- (b) Represents Pioneer USA's partnership interests in each partnership as: (1) the sole or managing general partner of the partnership; (2) a limited partner of the partnership; and (3) the sole general partner of each nonmanaging general partner. Pioneer USA will not receive any Pioneer Parent common stock for its partnership interests in any participating partnership. However, as a result of the merger of each participating partnership, Pioneer USA will own 100% of the properties of the partnership including properties attributable to its partnership interests in the partnership.
- (c) Represents four unaffiliated individuals' partnership interests as limited partners of each nonmanaging general partner. Excludes Pioneer USA's partnership interests as general partner of each nonmanaging general partner.
- (d) Represents the partnership interests of unaffiliated limited partners of each partnership. Excludes Pioneer USA's partnership interests as a limited partner of any partnership.

A-3

129

TABLE 3

MERGER VALUE ATTRIBUTABLE TO PARTNERSHIP INTERESTS  
OF LIMITED PARTNERS PER \$1,000 INVESTMENT

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	LIMITED PARTNERS PER \$1,000			
	RESERVE VALUE	WORKING CAPITAL VALUE	EXPENSES AND FEES	JU DIST
Parker & Parsley 81-I, Ltd. ....	\$ 93.46	\$ 9.32	\$ (1.67)	\$
Parker & Parsley 81-II, Ltd. ....	79.80	10.16	(1.43)	
Parker & Parsley 82-I, Ltd. ....	82.50	9.69	(1.48)	
Parker & Parsley 82-II, Ltd. ....	100.28	9.83	(1.80)	
Parker & Parsley 82-III, Ltd. ....	121.32	10.28	(2.17)	
Parker & Parsley 83-A, Ltd. ....	138.02	15.18	(2.47)	
Parker & Parsley 83-B, Ltd. ....	153.78	17.04	(2.75)	
Parker & Parsley 84-A, Ltd. ....	194.07	20.97	(3.47)	
Parker & Parsley 85-A, Ltd. ....	133.47	16.15	(2.39)	
Parker & Parsley 85-B, Ltd. ....	140.20	17.78	(2.51)	
Parker & Parsley Private Investment 85-A, Ltd. ....	277.58	24.78	(4.97)	
Parker & Parsley Selected 85 Private Investment, Ltd. ....	223.13	20.14	(3.99)	
Parker & Parsley 86-A, Ltd. ....	172.10	10.64	(3.08)	
Parker & Parsley 86-B, Ltd. ....	224.67	22.98	(4.02)	
Parker & Parsley 86-C, Ltd. ....	161.34	21.31	(2.89)	
Parker & Parsley Private Investment 86, Ltd. ....	267.16	24.39	(4.78)	
Parker & Parsley 87-A Conv., Ltd. ....	194.73	24.00	(3.49)	
Parker & Parsley 87-A, Ltd. ....	193.80	24.23	(3.47)	
Parker & Parsley 87-B Conv., Ltd. ....	200.25	23.92	(3.59)	
Parker & Parsley 87-B, Ltd. ....	200.25	24.05	(3.59)	
Parker & Parsley Producing Properties 87-A, Ltd. ....	204.54	32.10	(3.66)	
Parker & Parsley Producing Properties 87-B, Ltd. ....	382.32	26.85	(6.85)	
Parker & Parsley Private Investment 87, Ltd. ....	249.19	23.09	(4.46)	
Parker & Parsley 88-A Conv., L.P. ....	239.58	31.69	(4.29)	
Parker & Parsley 88-A, L.P. ....	239.58	32.24	(4.29)	
Parker & Parsley 88-B Conv., L.P. ....	334.79	30.88	(5.99)	
Parker & Parsley 88-B, L.P. ....	334.79	31.07	(5.99)	
Parker & Parsley 88-C Conv., L.P. ....	286.38	28.93	(5.13)	
Parker & Parsley 88-C, L.P. ....	286.38	27.05	(5.13)	
Parker & Parsley Producing Properties 88-A, L.P. ....	336.82	58.49	(6.03)	
Parker & Parsley Private Investment 88, L.P. ....	345.73	32.64	(6.19)	
Parker & Parsley 89-A Conv., L.P. ....	325.18	33.65	(5.82)	
Parker & Parsley 89-A, L.P. ....	325.19	34.23	(5.82)	
Parker & Parsley 89-B Conv., L.P. ....	273.19	30.92	(4.89)	
Parker & Parsley 89-B, L.P. ....	272.72	31.03	(4.88)	
Parker & Parsley Private Investment 89, L.P. ....	280.87	27.07	(5.03)	
Parker & Parsley 90-A Conv., L.P. ....	241.78	30.00	(4.33)	
Parker & Parsley 90-A, L.P. ....	241.78	30.61	(4.33)	
Parker & Parsley 90-B Conv., L.P. ....	271.69	26.06	(4.86)	
Parker & Parsley 90-B, L.P. ....	272.05	26.27	(4.87)	
Parker & Parsley 90-C Conv., L.P. ....	243.95	23.39	(4.37)	
Parker & Parsley 90-C, L.P. ....	243.96	22.68	(4.37)	
Parker & Parsley Private Investment 90, L.P. ....	305.52	28.37	(5.47)	
Parker & Parsley 90 Spraberry Private Dev., L.P. ....	311.48	27.40	(5.58)	
Parker & Parsley 91-A, L.P. ....	403.07	33.61	(7.22)	
Parker & Parsley 91-B, L.P. ....	441.41	36.88	(7.90)	

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

TABLE 4

OWNERSHIP PERCENTAGE AND MERGER VALUE ATTRIBUTABLE TO  
NONMANAGING GENERAL PARTNERS OTHER THAN PIONEER USA

	NONMANAGING GENERAL PARTNERS (A)		NONMANAGING GENERAL PARTNER MERGER VALUE AS PERCENTAGE OF MERGER VALUE FOR THE PARTNERSHIP
	OWNERSHIP PERCENTAGE (B)	MERGER VALUE (C)	
Parker & Parsley 81-I, Ltd. ....	2.00%	\$16,888	1.86%
Parker & Parsley 81-II, Ltd. ....	1.00%	6,535	0.94%
Parker & Parsley 82-I, Ltd. ....	1.13%	13,871	1.07%
Parker & Parsley 82-II, Ltd. ....	0.84%	13,187	0.80%
Parker & Parsley 82-III, Ltd. ....	0.94%	9,927	0.90%
Parker & Parsley 83-A, Ltd. ....	1.05%	37,202	1.02%
Parker & Parsley 83-B, Ltd. ....	1.05%	49,882	1.01%
Parker & Parsley 84-A, Ltd. ....	1.13%	55,855	1.09%

-----

- (a) Represents four unaffiliated individuals' partnership interests as limited partners of each nonmanaging general partner. Excludes Pioneer USA's partnership interests as general partner of each nonmanaging general partner.
- (b) Percentage owned is based upon ownership within the partnership as set forth in the revenue sharing provisions of the partnership agreement for the partnership.
- (c) See "Method of Determining Merger Value for Each Partnership and Amount of Pioneer Parent Common Stock Offered."
- (d) Represents the dollar amount in the nonmanaging general partners' merger value column divided by the merger value for the partnership as set forth in Table 2.

A-5

131

TABLE 5

OWNERSHIP PERCENTAGE AND MERGER VALUE  
ATTRIBUTABLE TO PIONEER USA IN ITS CAPACITIES AS  
GENERAL PARTNER, NONMANAGING GENERAL PARTNER AND LIMITED PARTNER

PIONEER USA (A) PIONEER USA (A)  
MERGER MERGER

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	OWNERSHIP PERCENTAGE (B)	MERGER VALUE (C)	PERCENTAGE FOR THE P
Parker & Parsley 81-I, Ltd. ....	27.38%	\$ 235,285	2
Parker & Parsley 81-II, Ltd. ....	24.41%	160,791	2
Parker & Parsley 82-I, Ltd. ....	32.66%	410,553	3
Parker & Parsley 82-II, Ltd. ....	27.43%	433,854	2
Parker & Parsley 82-III, Ltd. ....	28.54%	305,910	2
Parker & Parsley 83-A, Ltd. ....	26.99%	962,385	2
Parker & Parsley 83-B, Ltd. ....	27.39%	1,310,513	2
Parker & Parsley 84-A, Ltd. ....	26.34%	1,313,732	2
Parker & Parsley 85-A, Ltd. ....	2.93%	39,179	
Parker & Parsley 85-B, Ltd. ....	1.72%	20,208	
Parker & Parsley Private Investment 85-A, Ltd. ....	3.38%	47,872	
Parker & Parsley Selected 85 Private Investment, Ltd. ...	2.69%	28,332	
Parker & Parsley 86-A, Ltd. ....	1.34%	23,353	
Parker & Parsley 86-B, Ltd. ....	1.74%	69,533	
Parker & Parsley 86-C, Ltd. ....	1.31%	42,190	
Parker & Parsley Private Investment 86, Ltd. ....	1.00%	13,416	
Parker & Parsley 87-A Conv., Ltd. ....	1.90%	14,805	
Parker & Parsley 87-A, Ltd. ....	1.60%	92,985	
Parker & Parsley 87-B Conv., Ltd. ....	1.20%	12,399	
Parker & Parsley 87-B, Ltd. ....	1.22%	51,532	
Parker & Parsley Producing Properties 87-A, Ltd. ....	1.35%	35,395	
Parker & Parsley Producing Properties 87-B, Ltd. ....	2.59%	61,106	
Parker & Parsley Private Investment 87, Ltd. ....	1.00%	26,261	
Parker & Parsley 88-A Conv., L.P.....	2.31%	21,776	
Parker & Parsley 88-A, L.P.....	2.32%	75,042	
Parker & Parsley 88-B Conv., L.P.....	1.54%	19,347	
Parker & Parsley 88-B, L.P.....	2.04%	62,940	
Parker & Parsley 88-C Conv., L.P.....	1.29%	13,021	
Parker & Parsley 88-C, L.P.....	1.20%	8,602	
Parker & Parsley Producing Properties 88-A, L.P.....	1.69%	35,259	
Parker & Parsley Private Investment 88, L.P.....	1.00%	35,389	
Parker & Parsley 89-A Conv., L.P.....	1.00%	9,382	
Parker & Parsley 89-A, L.P.....	2.25%	62,877	
Parker & Parsley 89-B Conv., L.P.....	1.31%	23,451	
Parker & Parsley 89-B, L.P.....	2.03%	39,784	
Parker & Parsley Private Investment 89, L.P.....	1.56%	31,687	
Parker & Parsley 90-A Conv., L.P.....	1.59%	9,413	
Parker & Parsley 90-A, L.P.....	3.14%	53,832	
Parker & Parsley 90-B Conv., L.P.....	1.67%	54,557	
Parker & Parsley 90-B, L.P.....	1.25%	111,674	
Parker & Parsley 90-C Conv., L.P.....	1.39%	26,279	
Parker & Parsley 90-C, L.P.....	1.22%	36,882	
Parker & Parsley Private Investment 90, L.P.....	1.54%	52,606	
Parker & Parsley 90 Spraberry Private Dev., L.P.....	1.00%	16,330	
Parker & Parsley 91-A, L.P.....	1.38%	65,445	
Parker & Parsley 91-B, L.P.....	1.09%	55,026	

-----

(a) Represents Pioneer USA's partnership interests in each partnership as: (1) the sole or managing general partner of the partnership; (2) a limited partner of the partnership; and (3) the sole general partner of each nonmanaging general partner. Pioneer USA will not receive any Pioneer Parent common stock for its partnership interests in any participating partnership. However, as a result of the merger of each participating

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

partnership, Pioneer USA will own 100% of the properties of the partnership including properties attributable to its partnership interests in the partnership.

- (b) Percentage owned is based upon ownership within the partnership as set forth in the revenue sharing provisions of the partnership agreement for the partnership.
- (c) See "Method of Determining Merger Value for Each Partnership and Amount of Pioneer Parent Common Stock Offered."
- (d) Represents the dollar amount in Pioneer USA's merger value column divided by the merger value for the partnership as set forth in Table 2.

A-6

132

TABLE 6

VOTING PERCENTAGE AND INITIAL INVESTMENT OWNED BY PIONEER USA  
IN ITS CAPACITY AS A LIMITED PARTNER

AS OF JULY 31, 2001

	PIONEER USA VOTING PERCENTAGE (A) (B)	INITIAL INVESTMENT OWNED BY PIONEER USA (D) (IN THOUSANDS)
	-----	-----
Parker & Parsley 81-I, Ltd.....	5.84%	\$ 433
Parker & Parsley 81-II, Ltd.....	0.55%	35
Parker & Parsley 82-I, Ltd.....	11.71%	1,382
Parker & Parsley 82-II, Ltd.....	4.37%	535
Parker & Parsley 82-III, Ltd.....	5.97%	411
Parker & Parsley 83-A, Ltd.....	4.06%	791
Parker & Parsley 83-B, Ltd.....	4.59%	1,072
Parker & Parsley 84-A, Ltd.....	3.28%	638
Parker & Parsley 85-A, Ltd.(c).....	0.00%	187
Parker & Parsley 85-B, Ltd.(c).....	0.00%	58
Parker & Parsley Private Investment 85-A, Ltd.(c).....	0.00%	120
Parker & Parsley Selected 85 Private Investment, Ltd.(c)....	0.00%	80
Parker & Parsley 86-A, Ltd.....	0.35%	35
Parker & Parsley 86-B, Ltd.....	0.74%	128
Parker & Parsley 86-C, Ltd.....	0.31%	60
Parker & Parsley Private Investment 86, Ltd.(c).....	0.00%	--
Parker & Parsley 87-A Conv., Ltd.....	0.91%	35
Parker & Parsley 87-A, Ltd.....	0.61%	175
Parker & Parsley 87-B Conv., Ltd.....	0.20%	10
Parker & Parsley 87-B, Ltd.....	0.22%	45
Parker & Parsley Producing Properties 87-A, Ltd.....	0.35%	43
Parker & Parsley Producing Properties 87-B, Ltd.....	1.61%	98
Parker & Parsley Private Investment 87, Ltd.....	0.00%	--
Parker & Parsley 88-A Conv., L.P.....	1.32%	50

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Parker & Parsley 88-A, L.P.....	1.34%	173
Parker & Parsley 88-B Conv., L.P.....	0.55%	20
Parker & Parsley 88-B, L.P.....	1.05%	94
Parker & Parsley 88-C Conv., L.P.....	0.29%	10
Parker & Parsley 88-C, L.P.....	0.21%	5
Parker & Parsley Producing Properties 88-A, L.P.....	0.70%	39
Parker & Parsley Private Investment 88, L.P.....	0.00%	--
Parker & Parsley 89-A Conv., L.P.....	0.00%	--
Parker & Parsley 89-A, L.P.....	1.26%	105
Parker & Parsley 89-B Conv., L.P.....	0.32%	20
Parker & Parsley 89-B, L.P.....	1.04%	72
Parker & Parsley Private Investment 89, L.P.....	0.57%	40
Parker & Parsley 90-A Conv., L.P.....	0.59%	14
Parker & Parsley 90-A, L.P.....	2.16%	147
Parker & Parsley 90-B Conv., L.P.....	0.67%	80
Parker & Parsley 90-B, L.P.....	0.26%	83
Parker & Parsley 90-C Conv., L.P.....	0.40%	30
Parker & Parsley 90-C, L.P.....	0.22%	27
Parker & Parsley Private Investment 90, L.P.....	0.55%	60
Parker & Parsley 90 Spraberry Private Dev., L.P.....	0.00%	--
Parker & Parsley 91-A, L.P.(c).....	0.00%	45
Parker & Parsley 91-B, L.P.(c).....	0.00%	10

-----

- (a) Represents Pioneer USA's partnership interests in each partnership as a limited partner of the partnership. Pioneer USA will not receive any Pioneer Parent common stock for its partnership interests in any participating partnership. However, as a result of the merger of each participating partnership, Pioneer USA will own 100% of the properties of the partnership including properties attributable to its partnership interests in the partnership.
- (b) Represents percentage of limited partners' vote that Pioneer USA is entitled to vote. The voting percentage is calculated by dividing (1) Pioneer USA's ownership percentage of the partnership interests held as a limited partner, by (2) the percentage of partnership interests held by all limited partners in the partnership. For example, if the limited partners of a partnership represent 99% of the partnership and Pioneer USA owns 5% of the partnership interests as a limited partner in that partnership, Pioneer USA's voting percentage is 5.05%.
- (c) Pioneer USA is not entitled to vote partnership interests it holds as limited partner in this partnership.
- (d) Represents Pioneer USA's share of the initial investment by limited partners as shown on Table 1.

A-7

133

TABLE 7

HISTORICAL QUARTERLY PARTNERSHIP DISTRIBUTIONS TO THE LIMITED PARTNERS  
PER \$1,000 INVESTMENT  
FROM INCEPTION THROUGH JULY 31, 2001

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

QUARTERLY DISTRIBUTIONS TO LIMITED PARTNERS PER \$1,000 INVESTED						
	INCEPTION TO 12/31/98	QUARTER ENDED 3/31/99	QUARTER ENDED 6/30/99	QUARTER ENDED 9/30/99	QUARTER ENDED 12/31/99	QUARTER ENDED 3/31/00
Parker & Parsley 81-I, Ltd. ....	\$ 616.71	\$0.69	\$ --	\$ 3.26	\$ 2.42	\$ 4.24
Parker & Parsley 81-II, Ltd. ....	808.37	--	0.35	1.26	2.71	2.01
Parker & Parsley 82-I, Ltd. ....	946.73	0.62	0.53	2.03	1.09	3.93
Parker & Parsley 82-II, Ltd. ....	1,099.24	0.83	--	3.34	3.48	4.98
Parker & Parsley 82-III, Ltd. ....	924.16	--	1.69	2.92	5.07	7.49
Parker & Parsley 83-A, Ltd. ....	1,264.54	--	--	4.11	5.20	7.22
Parker & Parsley 83-B, Ltd. ....	1,458.60	0.96	1.79	4.89	6.30	8.70
Parker & Parsley 84-A, Ltd. ....	1,384.63	0.80	2.78	4.69	6.81	8.28
Parker & Parsley 85-A, Ltd. ....	678.73	0.83	1.49	4.98	9.55	7.09
Parker & Parsley 85-B, Ltd. ....	876.32	--	3.17	4.12	7.19	7.95
Parker & Parsley Private Investment 85-A, Ltd. ....	997.86	3.16	5.23	8.79	12.34	15.51
Parker & Parsley Selected 85 Private Investment, Ltd. ....	872.24	1.66	--	4.33	6.68	9.18
Parker & Parsley 86-A, Ltd. ....	1,279.93	0.79	2.23	6.38	5.82	8.66
Parker & Parsley 86-B, Ltd. ....	1,469.69	1.53	5.01	5.85	8.40	10.40
Parker & Parsley 86-C, Ltd. ....	1,401.81	0.82	2.38	1.77	7.30	8.35
Parker & Parsley Private Investment 86, Ltd. ....	1,525.50	1.23	1.22	5.88	5.44	14.07
Parker & Parsley 87-A Conv., Ltd. ....	1,228.63	1.83	2.20	6.07	7.90	11.58
Parker & Parsley 87-A, Ltd. ....	1,228.70	1.83	2.20	6.07	7.90	11.58
Parker & Parsley 87-B Conv., Ltd. ....	1,154.18	1.85	2.29	5.50	8.64	10.07
Parker & Parsley 87-B, Ltd. ....	1,154.25	1.85	2.29	5.50	8.64	10.07
Parker & Parsley Producing Properties 87-A, Ltd. ....	889.65	1.49	0.89	6.21	9.75	10.92
Parker & Parsley Producing Properties 87-B, Ltd. ....	956.04	3.97	1.02	8.98	13.99	18.53
Parker & Parsley Private Investment 87, Ltd. ....	1,457.32	2.20	4.09	8.56	9.55	12.55
Parker & Parsley 88-A Conv., L.P. ....	991.51	3.16	3.06	7.97	11.11	12.48
Parker & Parsley 88-A, L.P. ....	991.61	3.16	3.06	7.97	11.11	12.48
Parker & Parsley 88-B Conv., L.P. ....	966.33	3.44	2.88	8.95	13.65	18.22
Parker & Parsley 88-B, L.P. ....	966.37	3.44	2.88	8.95	13.65	18.22
Parker & Parsley 88-C Conv., L.P. ....	913.42	3.92	2.34	4.27	11.12	16.38
Parker & Parsley 88-C, L.P. ....	913.01	3.92	2.34	4.27	11.12	16.38
Parker & Parsley Producing Properties 88-A, L.P. ....	1,075.69	6.51	4.02	7.58	11.34	21.95
Parker & Parsley Private Investment 88, L.P. ....	1,031.07	3.57	6.66	8.39	12.47	15.99
Parker & Parsley 89-A Conv., L.P. ....	911.13	2.66	2.77	9.16	13.97	17.96
Parker & Parsley 89-A, L.P. ....	911.19	2.66	2.77	9.16	13.97	17.96
Parker & Parsley 89-B Conv., L.P. ....	787.19	3.26	1.22	8.31	11.43	14.28
Parker & Parsley 89-B, L.P. ....	787.20	3.26	1.22	8.31	11.43	14.28
Parker & Parsley Private Investment 89, L.P. ....	689.19	1.02	1.85	6.67	4.97	13.32
Parker & Parsley 90-A Conv., L.P. ....	784.83	3.18	1.68	8.12	9.46	12.70



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Parker & Parsley 90-A, L.P. ....	784.89	3.18	1.68	8.12	9.46	12.70
Parker & Parsley 90-B Conv., L.P. ....	600.45	2.10	1.80	7.47	11.46	14.98
Parker & Parsley 90-B, L.P. ....	600.53	2.10	1.80	7.47	11.46	14.98
Parker & Parsley 90-C Conv., L.P. ....	537.51	0.95	--	6.26	10.83	13.62
Parker & Parsley 90-C, L.P. ....	537.52	0.95	--	6.26	10.83	13.62
Parker & Parsley Private Investment 90, L.P. ....	673.63	2.14	3.11	5.62	12.23	15.05
Parker & Parsley 90 Spraberry Private Dev., L.P. ....	632.08	3.71	3.09	6.40	13.59	16.68
Parker & Parsley 91-A, L.P. ....	663.47	3.99	6.33	11.37	15.54	20.76
Parker & Parsley 91-B, L.P. ....	526.98	3.95	7.05	13.55	18.24	21.87

QUARTERLY DISTRIBUTIONS TO LIMITED PARTNERS PER \$1,000 INVESTED

	QUARTER ENDED 9/30/00	QUARTER ENDED 12/31/00	QUARTER ENDED 3/31/01	QUARTER ENDED 6/30/01	MONTH ENDED 7/31/01	INCEPTION TO 7/31/01
Parker & Parsley 81-I, Ltd. ....	\$ 4.53	\$ 5.41	\$ 6.91	\$ --	\$ 7.43	\$ 657.13
Parker & Parsley 81-II, Ltd. ....	5.00	5.97	6.88	--	6.33	841.87
Parker & Parsley 82-I, Ltd. ....	6.70	4.06	8.08	--	7.39	985.93
Parker & Parsley 82-II, Ltd. ....	4.58	6.41	8.01	--	5.04	1,141.98
Parker & Parsley 82-III, Ltd. ....	9.38	8.84	10.27	--	7.72	985.34
Parker & Parsley 83-A, Ltd. ....	9.04	10.25	12.04	--	8.56	1,328.26
Parker & Parsley 83-B, Ltd. ....	11.28	10.66	11.10	--	8.20	1,532.16
Parker & Parsley 84-A, Ltd. ....	12.41	13.00	14.37	--	12.51	1,471.45
Parker & Parsley 85-A, Ltd. ....	9.94	10.41	13.70	--	9.33	757.31
Parker & Parsley 85-B, Ltd. ....	9.26	12.47	15.53	--	9.76	954.81
Parker & Parsley Private Investment 85-A, Ltd. ....	16.65	16.32	18.72	--	16.62	1,131.64
Parker & Parsley Selected 85 Private Investment, Ltd. ....	12.92	12.98	18.63	--	16.85	967.15
Parker & Parsley 86-A, Ltd. ....	12.54	13.08	18.73	--	9.62	1,369.16
Parker & Parsley 86-B, Ltd. ....	14.24	15.95	18.32	--	13.25	1,575.72
Parker & Parsley 86-C, Ltd. ....	12.04	12.45	15.95	--	14.38	1,486.92
Parker & Parsley Private Investment 86, Ltd. ....	17.03	15.11	22.67	--	16.82	1,634.33
Parker & Parsley 87-A Conv., Ltd. ....	13.96	12.79	16.86	--	15.03	1,332.03
Parker & Parsley 87-A, Ltd. ....	13.96	12.79	16.86	--	15.03	1,332.10
Parker & Parsley 87-B Conv., Ltd. ....	13.53	12.84	17.13	--	12.85	1,251.46
Parker & Parsley 87-B, Ltd. ....	13.53	12.84	17.13	--	12.85	1,251.53
Parker & Parsley Producing Properties 87-A, Ltd. ....	12.12	14.11	21.51	--	20.23	1,000.38
Parker & Parsley Producing Properties 87-B, Ltd. ....	26.75	26.21	27.53	--	19.38	1,127.05
Parker & Parsley Private Investment 87, Ltd. ....	14.14	16.03	18.36	--	19.75	1,575.74
Parker & Parsley 88-A Conv., L.P. ....	17.33	16.95	20.80	--	20.40	1,120.44
Parker & Parsley 88-A, L.P. ....	17.33	16.95	20.80	--	20.40	1,120.54
Parker & Parsley 88-B Conv., L.P. ....	22.63	25.37	28.91	--	18.63	1,129.70
Parker & Parsley 88-B, L.P. ....	22.63	25.37	28.91	--	18.63	1,129.74
Parker & Parsley 88-C Conv., L.P. ....	19.83	21.01	24.91	--	17.26	1,052.80
Parker & Parsley 88-C, L.P. ....	19.83	21.01	24.91	--	17.26	1,052.39

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Parker & Parsley Producing Properties 88-A, L.P. ....	18.82	21.76	27.21	--	20.76	1,234.73
Parker & Parsley Private Investment 88, L.P. ....	23.09	21.51	23.55	--	20.42	1,185.95
Parker & Parsley 89-A Conv., L.P. ....	20.40	23.38	29.49	--	20.93	1,070.24
Parker & Parsley 89-A, L.P. ....	20.40	23.38	29.49	--	20.93	1,070.30
Parker & Parsley 89-B Conv., L.P. ....	20.23	20.99	26.50	--	19.07	931.42
Parker & Parsley 89-B, L.P. ....	20.23	20.99	26.50	--	19.07	931.43
Parker & Parsley Private Investment 89, L.P. ....	16.66	20.33	13.22	--	18.24	800.47
Parker & Parsley 90-A Conv., L.P. ....	17.43	19.18	19.99	--	18.61	909.70
Parker & Parsley 90-A, L.P. ....	17.43	19.18	19.99	--	18.61	909.76
Parker & Parsley 90-B Conv., L.P. ....	19.51	19.68	23.73	--	20.34	736.72
Parker & Parsley 90-B, L.P. ....	19.51	19.68	23.73	--	20.34	736.80
Parker & Parsley 90-C Conv., L.P. ....	19.01	17.84	21.19	--	15.22	657.33
Parker & Parsley 90-C, L.P. ....	19.01	17.84	21.18	--	15.22	657.33
Parker & Parsley Private Investment 90, L.P. ....	20.29	25.10	27.49	--	20.44	823.21
Parker & Parsley 90 Spraberry Private Dev., L.P. ....	14.00	13.98	20.44	--	22.40	760.35
Parker & Parsley 91-A, L.P. ....	26.03	30.05	27.29	--	26.41	854.43
Parker & Parsley 91-B, L.P. ....	33.92	35.07	24.81	--	25.28	737.60

-----

(a) Past cash distributions to limited partners are not necessarily indicative of future cash distributions. Limited partners should not assume that any nonparticipating partnership will continue to make cash distributions at levels similar to those shown. See "The Merger of Each Partnership -- Distribution of Pioneer Parent Common Stock."

A-8

134

TABLE 8

ANNUAL REPURCHASE PRICES AND AGGREGATE ANNUAL REPURCHASE PAYMENTS

	2001		2000		1999	
	REPURCHASE PRICE PER \$1,000 INVESTMENT	AGGREGATE ANNUAL REPURCHASE PAYMENTS	REPURCHASE PRICE PER \$1,000 INVESTMENT	AGGREGATE ANNUAL REPURCHASE PAYMENTS	REPURCHASE PRICE PER \$1,000 INVESTMENT	AGGREGATE ANNUAL REPURCHASE PAYMENTS
Parker & Parsley 82-I, Ltd.....	\$137.97	\$ 15,298	\$ 71.89	\$ 4,745	\$ 7.52	
Parker & Parsley 82-II, Ltd.....	133.72	10,822	102.38	1,024	26.17	
Parker & Parsley 82-III,						

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Ltd.....	151.60	--	109.73	1,097	12.17
Parker & Parsley 83-A, Ltd.....	196.67	22,072	137.59	9,494	27.05
Parker & Parsley 83-B, Ltd.....	210.15	39,967	153.89	3,078	43.46
Parker & Parsley 84-A, Ltd.....	267.03	56,737	175.78	7,031	45.72
		-----		-----	
		\$144,896		\$26,469	
		=====		=====	

A-9

135

TABLE 9

PARTICIPATION IN COSTS AND REVENUES OF EACH PARTNERSHIP

	CAPITAL COSTS			
	PIONEER USA (A)	NONMANAGING GENERAL PARTNERS (A)	LIMITED PARTNERS (A)	PIONEER US
Parker & Parsley 81-I, Ltd. ....	8%	2%	90%	20%
Parker & Parsley 81-II, Ltd. ....	8%	2%	90%	20%
Parker & Parsley 82-I, Ltd. ....	8%	2%	90%	20%
Parker & Parsley 82-II, Ltd. ....	8%	2%	90%	20%
Parker & Parsley 82-III, Ltd. ....	8%	2%	90%	20%
Parker & Parsley 83-A, Ltd.(b).....	8%	2%	90%	20%
Parker & Parsley 83-B, Ltd.(b).....	8%	2%	90%	20%
Parker & Parsley 84-A, Ltd.(b).....	8%	2%	90%	20%
Parker & Parsley 85-A, Ltd. ....	1%	--	99%	1%
Parker & Parsley 85-B, Ltd. ....	1%	--	99%	1%
Parker & Parsley Private Investment 85-A, Ltd. ....	1%	--	99%	1%
Parker & Parsley Selected 85 Private Investment, Ltd. ....	1%	--	99%	1%
Parker & Parsley 86-A, Ltd. ....	1%	--	99%	1%
Parker & Parsley 86-B, Ltd. ....	1%	--	99%	1%
Parker & Parsley 86-C, Ltd. ....	1%	--	99%	1%
Parker & Parsley Private Investment 86, Ltd. ....	1%	--	99%	1%
Parker & Parsley 87-A Conv., Ltd. ....	1%	--	99%	1%
Parker & Parsley 87-A, Ltd. ....	1%	--	99%	1%
Parker & Parsley 87-B Conv., Ltd. ....	1%	--	99%	1%
Parker & Parsley 87-B, Ltd. ....	1%	--	99%	1%
Parker & Parsley Producing Properties 87-A, Ltd. ....	1%	--	99%	1%
Parker & Parsley Producing Properties 87-B, Ltd. ....	1%	--	99%	1%
Parker & Parsley Private Investment 87, Ltd. ....	1%	--	99%	1%
Parker & Parsley 88-A Conv., L.P. ....	1%	--	99%	1%
Parker & Parsley 88-A, L.P. ....	1%	--	99%	1%
Parker & Parsley 88-B Conv., L.P. ....	1%	--	99%	1%

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Parker & Parsley 88-B, L.P. ....	1%	--	99%	1%
Parker & Parsley 88-C Conv., L.P. ....	1%	--	99%	1%
Parker & Parsley 88-C, L.P. ....	1%	--	99%	1%
Parker & Parsley Producing Properties 88-A, L.P. ....	1%	--	99%	1%
Parker & Parsley Private Investment 88, L.P. ....	1%	--	99%	1%
Parker & Parsley 89-A Conv., L.P. ....	1%	--	99%	1%
Parker & Parsley 89-A, L.P. ....	1%	--	99%	1%
Parker & Parsley 89-B Conv., L.P. ....	1%	--	99%	1%
Parker & Parsley 89-B, L.P. ....	1%	--	99%	1%
Parker & Parsley Private Investment 89, L.P. ....	1%	--	99%	1%
Parker & Parsley 90-A Conv., L.P. ....	1%	--	99%	1%
Parker & Parsley 90-A, L.P. ....	1%	--	99%	1%
Parker & Parsley 90-B Conv., L.P. ....	1%	--	99%	1%
Parker & Parsley 90-B, L.P. ....	1%	--	99%	1%
Parker & Parsley 90-C Conv., L.P. ....	1%	--	99%	1%
Parker & Parsley 90-C, L.P. ....	1%	--	99%	1%
Parker & Parsley Private Investment 90, L.P. ....	1%	--	99%	1%
Parker & Parsley 90 Spraberry Private Dev., L.P. ....	1%	--	99%	1%
Parker & Parsley 91-A, L.P. ....	1%	--	99%	1%
Parker & Parsley 91-B, L.P. ....	1%	--	99%	1%

-----

(a) These percentages represent the sharing ownerships as set forth in the prospectus for each partnership. Includes Pioneer USA's partnership interests in each partnership as: (1) the sole or managing general partner of the partnership; (2) a limited partner of the partnership; and (3) the sole general partner of each nonmanaging general partner. Pioneer USA will not receive any Pioneer Parent common stock for its partnership interests in any participating partnership.

(b) Incremental direct costs 100% to limited partners.

A-10

136

TABLE 10

AVERAGE OIL, NATURAL GAS LIQUIDS AND GAS SALES PRICES AND PRODUCTION COSTS

FOR THE SIX MONTHS ENDED JUNE 30, 2001 AND

2000 AND THE YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998

AVERAGE SALES PRICE		
OIL (PER BBL)		
FOR THE SIX MONTHS ENDED	FOR THE YEAR ENDED	FOR THE MONTHS E

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	JUNE 30,		DECEMBER 31,			JUNE 3
	2001	2000	2000	1999	1998	2001
Parker & Parsley 81-I, Ltd. ....	\$27.89	\$27.49	\$29.26	\$16.94	\$13.33	\$15.26
Parker & Parsley 81-II, Ltd. ....	27.41	27.24	29.26	16.67	13.16	17.43
Parker & Parsley 82-I, Ltd. ....	27.66	27.45	29.39	16.61	13.32	16.58
Parker & Parsley 82-II, Ltd. ....	27.79	27.51	29.47	17.08	13.14	17.15
Parker & Parsley 82-III, Ltd. ....	27.93	27.90	29.67	17.13	13.31	15.02
Parker & Parsley 83-A, Ltd. ....	27.56	27.55	29.54	16.96	13.34	16.66
Parker & Parsley 83-B, Ltd. ....	27.63	27.78	29.69	17.18	13.30	16.64
Parker & Parsley 84-A, Ltd. ....	27.02	27.63	29.55	17.36	13.30	14.22
Parker & Parsley 85-A, Ltd. ....	27.71	27.78	29.38	17.11	13.27	16.01
Parker & Parsley 85-B, Ltd. ....	27.95	28.58	30.02	18.07	13.30	16.85
Parker & Parsley Private Investment 85-A, Ltd. ....	27.93	28.37	30.19	16.91	13.20	15.56
Parker & Parsley Selected 85 Private Investment, Ltd. ....	27.92	27.61	29.59	17.27	13.44	16.24
Parker & Parsley 86-A, Ltd. ....	27.73	27.71	28.87	17.00	13.32	16.75
Parker & Parsley 86-B, Ltd. ....	27.88	27.57	29.45	17.18	13.08	16.48
Parker & Parsley 86-C, Ltd. ....	27.42	27.64	29.43	17.18	13.26	15.98
Parker & Parsley Private Investment 86, Ltd. ....	27.77	27.85	29.45	17.34	13.34	16.28
Parker & Parsley 87-A Conv., Ltd. ....	27.45	27.41	29.46	17.06	13.22	16.73
Parker & Parsley 87-A, Ltd. ....	27.45	27.41	29.46	17.06	13.22	16.73
Parker & Parsley 87-B Conv., Ltd. ....	27.14	27.30	29.31	16.71	13.17	17.29
Parker & Parsley 87-B, Ltd. ....	27.14	27.30	29.31	16.71	13.17	17.29
Parker & Parsley Producing Properties 87-A, Ltd. ....	27.14	27.33	29.34	16.80	13.04	11.84
Parker & Parsley Producing Properties 87-B, Ltd. ....	26.89	27.96	29.36	17.44	13.05	17.04
Parker & Parsley Private Investment 87, Ltd. ....	27.01	28.16	29.56	16.82	13.05	16.91
Parker & Parsley 88-A Conv., L.P. ....	26.40	28.50	29.28	16.91	13.59	16.19
Parker & Parsley 88-A, L.P. ....	26.40	28.50	29.28	16.91	13.59	16.19
Parker & Parsley 88-B Conv., L.P. ....	28.24	26.91	29.29	17.17	13.24	17.47
Parker & Parsley 88-B, L.P. ....	28.24	26.91	29.29	17.17	13.24	17.47
Parker & Parsley 88-C Conv., L.P. ....	28.40	26.96	29.33	17.24	13.30	17.07
Parker & Parsley 88-C, L.P. ....	28.40	26.96	29.33	17.24	13.30	17.07
Parker & Parsley Producing Properties 88-A, L.P. ....	27.18	27.71	29.44	16.82	13.14	14.40

A-11

137

AVERAGE SALES PRICE					
OIL (PER BBL)					
FOR THE SIX MONTHS ENDED JUNE 30,		FOR THE YEAR ENDED DECEMBER 31,			FOR THE MONTHS E JUNE 3
2001	2000	2000	1999	1998	2001

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Parker & Parsley Private Investment 88, L.P. ....	27.55	27.54	29.45	17.01	13.31	16.27
Parker & Parsley 89-A Conv., L.P. ....	27.77	27.56	29.59	17.11	13.23	14.50
Parker & Parsley 89-A, L.P. ....	27.77	27.56	29.59	17.11	13.23	14.50
Parker & Parsley 89-B Conv., L.P. ....	27.69	27.44	29.21	16.96	13.26	17.02
Parker & Parsley 89-B, L.P. ....	27.69	27.44	29.21	16.96	13.26	17.02
Parker & Parsley Private Investment 89, L.P. ....	27.14	27.07	29.00	17.06	13.28	14.90
Parker & Parsley 90-A Conv., L.P. ....	27.89	27.46	29.32	17.06	13.20	16.87
Parker & Parsley 90-A, L.P. ....	27.89	27.46	29.32	17.06	13.20	16.87
Parker & Parsley 90-B Conv., L.P. ....	28.26	27.72	29.23	17.23	13.12	16.09
Parker & Parsley 90-B, L.P. ....	28.26	27.72	29.23	17.23	13.12	16.09
Parker & Parsley 90-C Conv., L.P. ....	27.55	27.46	29.34	17.13	13.24	16.04
Parker & Parsley 90-C, L.P. ....	27.55	27.46	29.34	17.13	13.24	16.04
Parker & Parsley Private Investment 90, L.P. ....	27.78	27.42	29.35	17.30	13.19	17.09
Parker & Parsley 90 Spraberry Private Dev., L.P. ....	27.13	27.19	29.17	17.04	13.06	16.74
Parker & Parsley 91-A, L.P. ....	27.42	27.85	29.90	17.57	13.15	12.09
Parker & Parsley 91-B, L.P. ....	27.93	28.58	30.09	17.90	13.33	16.07

	AVERAGE SALES PRICE					AVERAG
	GAS (PER MCF)					COS
	FOR THE SIX MONTHS ENDED JUNE 30,		FOR THE YEAR ENDED DECEMBER 31,			FOR THE MONTHS JUNE
	2001	2000	2000	1999	1998	2001
Parker & Parsley 81-I, Ltd. ....	\$4.83	\$2.60	\$3.22	\$1.78	\$1.78	\$10.13
Parker & Parsley 81-II, Ltd. ....	5.12	2.26	3.07	1.82	1.80	13.40
Parker & Parsley 82-I, Ltd. ....	4.77	2.71	3.29	1.95	1.82	12.32
Parker & Parsley 82-II, Ltd. ....	5.07	2.33	2.98	1.79	1.64	12.61
Parker & Parsley 82-III, Ltd. ....	4.34	1.95	2.54	1.65	1.53	11.44
Parker & Parsley 83-A, Ltd. ....	4.95	2.27	3.02	1.78	1.60	12.32
Parker & Parsley 83-B, Ltd. ....	4.80	2.13	2.83	1.66	1.54	13.54
Parker & Parsley 84-A, Ltd. ....	4.04	1.86	2.49	1.47	1.33	10.65
Parker & Parsley 85-A, Ltd. ....	4.75	2.04	2.66	1.70	1.56	12.14
Parker & Parsley 85-B, Ltd. ....	5.05	2.23	2.92	1.72	1.58	10.60
Parker & Parsley Private Investment 85-A, Ltd. ....	4.55	1.92	2.65	1.54	1.41	8.66
Parker & Parsley Selected 85 Private Investment, Ltd. ....	4.57	2.12	2.77	1.67	1.56	10.07
Parker & Parsley 86-A, Ltd. ....	4.74	1.96	2.56	1.57	1.46	14.09
Parker & Parsley 86-B, Ltd. ....	5.01	2.13	2.82	1.71	1.58	10.82

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	AVERAGE SALES PRICE					AVERAG
	GAS (PER MCF)					COS
	FOR THE SIX MONTHS ENDED JUNE 30,		FOR THE YEAR ENDED DECEMBER 31,			FOR THE MONTHS ENDED JUNE 30,
	2001	2000	2000	1999	1998	2001
Parker & Parsley 86-C, Ltd. ....	4.64	2.05	2.78	1.58	1.49	11.07
Parker & Parsley Private Investment 86, Ltd. ....	5.09	2.24	2.90	1.73	1.61	12.11
Parker & Parsley 87-A Conv., Ltd. ....	4.69	2.17	2.86	1.68	1.54	9.89
Parker & Parsley 87-A, Ltd. ....	4.69	2.17	2.86	1.68	1.54	9.89
Parker & Parsley 87-B Conv., Ltd. ....	5.13	2.13	2.98	1.64	1.49	11.64
Parker & Parsley 87-B, Ltd. ....	5.13	2.13	2.98	1.64	1.49	11.64
Parker & Parsley Producing Properties 87-A, Ltd. ....	4.01	2.03	2.56	1.46	1.23	11.65
Parker & Parsley Producing Properties 87-B, Ltd. ....	4.86	2.09	2.88	1.62	1.46	12.13
Parker & Parsley Private Investment 87, Ltd. ....	4.78	2.24	2.99	1.71	1.59	9.91
Parker & Parsley 88-A Conv., L.P. ....	4.25	2.19	2.99	1.69	1.56	9.18
Parker & Parsley 88-A, L.P. ....	4.25	2.19	2.99	1.69	1.56	9.18
Parker & Parsley 88-B Conv., L.P. ....	6.03	2.12	2.87	1.70	1.56	10.33
Parker & Parsley 88-B, L.P. ....	6.03	2.12	2.87	1.70	1.56	10.33
Parker & Parsley 88-C Conv., L.P. ....	5.64	2.10	2.82	1.70	1.55	10.23
Parker & Parsley 88-C, L.P. ....	5.64	2.10	2.82	1.70	1.55	10.23
Parker & Parsley Producing Properties 88-A, L.P. ....	4.35	1.90	2.55	1.48	1.41	8.61
Parker & Parsley Private Investment 88, L.P. ....	4.88	2.11	2.82	1.69	1.55	9.69
Parker & Parsley 89-A Conv., L.P. ....	5.03	2.35	3.07	1.81	1.74	9.67
Parker & Parsley 89-A, L.P. ....	5.03	2.35	3.07	1.81	1.74	9.67
Parker & Parsley 89-B Conv., L.P. ....	4.91	2.18	2.90	1.72	1.60	10.36
Parker & Parsley 89-B, L.P. ....	4.91	2.18	2.90	1.72	1.60	10.36
Parker & Parsley Private Investment 89, L.P. ....	4.53	1.96	2.73	1.57	1.46	12.80
Parker & Parsley 90-A Conv., L.P. ....	4.98	2.20	2.94	1.76	1.64	10.06
Parker & Parsley 90-A, L.P. ....	4.98	2.20	2.94	1.76	1.64	10.06
Parker & Parsley 90-B Conv., L.P. ....	4.79	2.08	2.84	1.62	1.50	9.51
Parker & Parsley 90-B, L.P. ....	4.79	2.08	2.84	1.62	1.50	9.51
Parker & Parsley 90-C Conv., L.P. ....	4.91	2.11	2.89	1.70	1.55	11.40
Parker & Parsley 90-C, L.P. ....	4.91	2.11	2.89	1.70	1.55	11.40
Parker & Parsley Private Investment 90, L.P. ....	4.97	2.14	2.90	1.72	1.57	9.52
Parker & Parsley 90 Spraberry Private Dev., L.P. ....	4.95	2.12	2.91	1.65	1.60	8.13
Parker & Parsley 91-A, L.P. ....	5.35	2.27	3.06	1.70	1.56	9.32
Parker & Parsley 91-B, L.P. ....	4.70	2.14	2.93	1.61	1.47	9.62

(a) Gas production is converted to oil equivalents at the rate of six mcf per barrel, representing the relative energy content of natural gas and oil.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

TABLE 11

PROVED RESERVES ATTRIBUTABLE TO PIONEER USA,  
NONMANAGING GENERAL PARTNERS AND LIMITED PARTNERS  
AS OF DECEMBER 31, 2000

	TOTAL PROVED RESERVES					
	PIONEER USA (A)		NONMANAGING GENERAL PARTNERS (B)		LIMITED PARTNERS	
	OIL & NGL (BBLs)	GAS (MCF)	OIL & NGL (BBLs)	GAS (MCF)	OIL & NGL (BBLs)	GAS
Parker & Parsley 81-I, Ltd. ....	57,816	116,841	4,224	8,535	149,140	30
Parker & Parsley 81-II, Ltd. ....	49,524	72,494	2,029	2,970	151,342	22
Parker & Parsley 82-I, Ltd. ....	116,859	262,924	4,026	9,058	236,971	53
Parker & Parsley 82-II, Ltd. ....	111,975	171,077	3,444	5,262	292,783	44
Parker & Parsley 82-III, Ltd. ....	88,780	85,126	2,916	2,796	219,396	21
Parker & Parsley 83-A, Ltd. ....	280,513	416,062	10,912	16,185	747,838	1,10
Parker & Parsley 83-B, Ltd. ....	348,652	567,327	13,365	21,748	910,884	1,48
Parker & Parsley 84-A, Ltd. ....	355,491	589,384	15,185	25,176	979,100	1,62
Parker & Parsley 85-A, Ltd. ....	11,187	15,154	--	--	371,156	50
Parker & Parsley 85-B, Ltd. ....	5,233	7,901	--	--	299,222	45
Parker & Parsley Private Investment 85-A, Ltd. ....	11,095	12,053	--	--	317,553	34
Parker & Parsley Selected 85 Private Investment, Ltd. ....	6,238	10,351	--	--	225,761	37
Parker & Parsley 86-A, Ltd. ....	6,075	11,653	--	--	446,620	85
Parker & Parsley 86-B, Ltd. ....	16,246	21,064	--	--	919,385	1,19
Parker & Parsley 86-C, Ltd. ....	11,745	16,465	--	--	886,520	1,24
Parker & Parsley Private Investment 86, Ltd. ....	3,174	4,960	--	--	314,198	49
Parker & Parsley 87-A Conv., Ltd. ....	3,451	5,510	--	--	178,340	28
Parker & Parsley 87-A, Ltd. ....	21,378	34,166	--	--	1,313,604	2,09
Parker & Parsley 87-B Conv., Ltd. ....	2,988	4,431	--	--	245,753	36
Parker & Parsley 87-B, Ltd. ....	12,411	18,405	--	--	1,003,438	1,48
Parker & Parsley Producing Properties 87-A, Ltd. ....	9,632	9,615	--	--	704,591	70



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Parker & Parsley Producing Properties 87-B, Ltd. ....	13,937	22,316	--	--	523,830	83
Parker & Parsley Private Investment 87, Ltd. ....	7,631	9,691	--	--	755,457	95
Parker & Parsley 88-A Conv., L.P. ....	5,253	7,315	--	--	222,619	31
Parker & Parsley 88-A, L.P. ....	18,059	25,149	--	--	758,976	1,05
Parker & Parsley 88-B Conv., L.P. ....	4,220	5,515	--	--	269,028	35
Parker & Parsley 88-B, L.P. ....	13,722	17,933	--	--	659,140	86
Parker & Parsley 88-C Conv., L.P. ....	2,870	4,039	--	--	219,589	30
Parker & Parsley 88-C, L.P. ....	1,908	2,685	--	--	156,634	22
Parker & Parsley Producing Properties 88-A, L.P. ....	7,216	9,530	--	--	420,265	55
Parker & Parsley Private Investment 88, L.P. ....	7,708	9,375	--	--	763,081	92
Parker & Parsley 89-A Conv., L.P. ....	2,027	2,852	--	--	200,631	28
Parker & Parsley 89-A, L.P. ....	13,556	19,075	--	--	588,978	82
Parker & Parsley 89-B Conv., L.P. ....	5,782	7,927	--	--	434,277	59
Parker & Parsley 89-B, L.P. ....	9,810	13,454	--	--	474,439	65
Parker & Parsley Private Investment 89, L.P. ....	7,311	7,715	--	--	461,062	48
Parker & Parsley 90-A Conv., L.P. ....	2,145	2,701	--	--	132,990	16
Parker & Parsley 90-A, L.P. ....	12,362	15,527	--	--	381,738	47
Parker & Parsley 90-B Conv., L.P. ....	12,549	16,252	--	--	740,794	95
Parker & Parsley 90-B, L.P. ....	25,709	33,227	--	--	2,023,300	2,61
Parker & Parsley 90-C Conv., L.P. ....	6,507	6,522	--	--	460,152	46
Parker & Parsley 90-C, L.P. ....	9,158	9,179	--	--	741,036	74
Parker & Parsley Private Investment 90, L.P. ....	12,668	12,480	--	--	809,113	79
Parker & Parsley 90 Spraberry Private Dev., L.P. ....	4,177	3,814	--	--	413,544	37
Parker & Parsley 91-A, L.P. ....	13,541	19,696	--	--	965,302	1,40
Parker & Parsley 91-B, L.P. ....	11,335	13,334	--	--	1,030,441	1,21
	-----	-----	-----	-----	-----	-----
Total (d) .....	1,761,624	2,750,266	56,101	91,730	25,520,011	34,7
	=====	=====	=====	=====	=====	=====

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

- (a) Represents Pioneer USA's partnership interests in each partnership as: (1) the sole or managing general partner of the partnership; (2) a limited partner of the partnership; and (3) the sole general partner of each nonmanaging general partner. Pioneer USA will not receive any Pioneer Parent common stock for its partnership interests in any participating partnership. However, as a result of the merger of each participating partnership, Pioneer USA will acquire 100% of the properties of the partnership including properties attributable to its partnership interests in the partnerships.
- (b) Represents four unaffiliated individuals' partnership interests as limited partners of each nonmanaging general partner. Excludes Pioneer USA's partnership interests as general partner of each nonmanaging general partner.
- (c) Represents the partnership interests of unaffiliated limited partners of each partnership. Excludes Pioneer USA's partnership interests as a limited partner of any partnership.
- (d) Corresponds to amounts in the reserve report prepared by Williamson Petroleum Consultants, Inc. as of December 31, 2000.

A-15

141

TABLE 12

PARTNERSHIP ESTIMATED RESERVES ATTRIBUTABLE TO PIONEER USA,  
NONMANAGING GENERAL PARTNERS AND LIMITED PARTNERS  
AS OF MARCH 31, 2001

	TOTAL PARTNERSHIP ESTIMATED RESERVES					
	PIONEER USA (A)		NONMANAGING GENERAL PARTNERS (B)		LIMITED PARTNER	
	OIL & NGL (BBLs)	GAS (MCF)	OIL & NGL (BBLs)	GAS (MCF)	OIL & NGL (BBLs)	GAS
Parker & Parsley 81-I, Ltd. ....	46,238	91,778	3,346	6,646	125,199	24
Parker & Parsley 81-II, Ltd. ....	37,856	54,560	1,550	2,235	117,486	16
Parker & Parsley 82-I, Ltd. ....	84,829	185,562	2,911	6,366	173,823	38
Parker & Parsley 82-II, Ltd. ....	86,492	129,054	2,653	3,952	230,855	34
Parker & Parsley 82-III, Ltd. ....	70,391	67,377	2,307	2,200	176,169	17
Parker & Parsley 83-A, Ltd. ....	218,795	326,786	8,511	12,712	583,300	87
Parker & Parsley 83-B, Ltd. ....	291,206	465,689	11,163	17,852	760,802	1,21
Parker & Parsley 84-A, Ltd. ....	292,862	491,568	12,510	20,998	806,606	1,35
Parker & Parsley 85-A,						

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Ltd. ....	8,049	11,144	--	--	267,056	36
Parker & Parsley 85-B, Ltd. ....	3,895	5,744	--	--	222,695	32
Parker & Parsley Private Investment 85-A, Ltd. ....	9,194	10,026	--	--	263,153	28
Parker & Parsley Selected 85 Private Investment, Ltd. ....	5,597	9,285	--	--	202,578	33
Parker & Parsley 86-A, Ltd. ....	4,770	9,016	--	--	350,649	66
Parker & Parsley 86-B, Ltd. ....	13,311	17,664	--	--	753,269	99
Parker & Parsley 86-C, Ltd. ....	8,904	12,643	--	--	672,110	95
Parker & Parsley Private Investment 86, Ltd. ....	2,513	4,471	--	--	248,765	44
Parker & Parsley 87-A Conv., Ltd. ....	2,811	4,304	--	--	145,236	22
Parker & Parsley 87-A, Ltd. ....	17,506	26,769	--	--	1,075,693	1,64
Parker & Parsley 87-B Conv., Ltd. ....	2,452	3,631	--	--	201,644	29
Parker & Parsley 87-B, Ltd. ....	10,184	15,084	--	--	823,376	1,21
Parker & Parsley Producing Properties 87-A, Ltd. ....	7,452	7,410	--	--	545,101	54
Parker & Parsley Producing Properties 87-B, Ltd. ....	11,567	18,737	--	--	434,740	70
Parker & Parsley Private Investment 87, Ltd. ....	4,975	6,755	--	--	492,481	66
Parker & Parsley 88-A Conv., L.P. ....	4,230	5,908	--	--	179,261	25
Parker & Parsley 88-A, L.P. ....	14,543	20,313	--	--	611,206	85
Parker & Parsley 88-B Conv., L.P. ....	3,577	4,530	--	--	228,017	28
Parker & Parsley 88-B, L.P. ....	11,631	14,730	--	--	558,694	70
Parker & Parsley 88-C Conv., L.P. ....	2,409	3,281	--	--	184,330	25
Parker & Parsley 88-C, L.P. ....	1,602	2,182	--	--	131,487	17
Parker & Parsley Producing Properties 88-A, L.P. ....	6,217	7,922	--	--	362,041	46
Parker & Parsley Private Investment 88, L.P. ....	6,683	7,887	--	--	661,637	78
Parker & Parsley 89-A Conv., L.P. ....	1,762	2,851	--	--	174,412	28
Parker & Parsley 89-A, L.P. ....	11,786	19,075	--	--	512,077	82
Parker & Parsley 89-B Conv., L.P. ....	4,581	6,387	--	--	344,057	47
Parker & Parsley 89-B, L.P. ....	7,771	10,837	--	--	375,814	52
Parker & Parsley Private Investment 89, L.P. ....	6,188	6,426	--	--	390,232	40
Parker & Parsley 90-A Conv., L.P. ....	1,803	2,546	--	--	111,776	15
Parker & Parsley 90-A, L.P. ....	10,286	14,525	--	--	317,641	44
Parker & Parsley 90-B Conv., L.P. ....	10,577	13,469	--	--	624,406	79

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Parker & Parsley 90-B, L.P.....	21,654	27,526	--	--	1,704,172	2,16
Parker & Parsley 90-C Conv., L.P.....	5,264	5,255	--	--	372,246	37
Parker & Parsley 90-C, L.P.....	7,409	7,397	--	--	599,484	59
Parker & Parsley Private Investment 90, L.P.....	9,699	9,806	--	--	619,485	62
Parker & Parsley 90 Spraberry Private Dev., L.P.....	3,771	3,374	--	--	373,324	33
Parker & Parsley 91-A, L.P.....	11,694	16,775	--	--	833,634	1,19
Parker & Parsley 91-B, L.P.....	10,272	12,121	--	--	933,817	1,10
	-----	-----	-----	-----	-----	-----
Total.....	1,417,258	2,200,180	44,951	72,961	20,876,036	28,5
	=====	=====	=====	=====	=====	=====

A-16

142

- 
- (a) Represents Pioneer USA's partnership interests in each partnership as: (1) the sole or managing general partner of the partnership; (2) a limited partner of the partnership; and (3) the sole general partner of each nonmanaging general partner. Pioneer USA will not receive any Pioneer Parent common stock for its partnership interests in any participating partnership. However, as a result of the merger of each participating partnership, Pioneer USA will acquire 100% of the properties of the partnership including properties attributable to its partnership interests in the partnerships.
- (b) Represents four unaffiliated individuals' partnership interests as limited partners of each nonmanaging general partner. Excludes Pioneer USA's partnership interests as general partner of each nonmanaging general partner.
- (c) Represents the partnership interests of unaffiliated limited partners of each partnership. Excludes Pioneer USA's partnership interests as a limited partner of any partnership.

A-17

143

TABLE 13

OIL, NATURAL GAS LIQUIDS AND GAS PRODUCTION

FOR THE SIX MONTHS ENDED JUNE 30, 2001 AND

2000 AND THE YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998

OIL & NGL (BBLs)

GAS (

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	FOR THE SIX MONTHS ENDED JUNE 30,		FOR THE YEAR ENDED DECEMBER 31,			FOR THE MONTHS JUNE
	2001	2000	2000	1999	1998	2001
Parker & Parsley 81-I, Ltd. ....	6,368	7,036	13,976	14,970	13,937	12,725
Parker & Parsley 81-II, Ltd. ....	5,536	6,953	13,921	13,232	16,033	11,975
Parker & Parsley 82-I, Ltd. ....	11,388	12,155	24,158	23,886	25,898	27,831
Parker & Parsley 82-II, Ltd. ....	10,933	12,604	24,922	27,554	27,854	22,031
Parker & Parsley 82-III, Ltd. ....	8,607	10,544	20,646	20,801	19,540	12,402
Parker & Parsley 83-A, Ltd. ....	29,541	33,151	66,679	69,238	67,612	52,495
Parker & Parsley 83-B, Ltd. ....	33,837	41,940	81,814	89,446	93,695	56,204
Parker & Parsley 84-A, Ltd. ....	38,301	43,066	85,485	85,868	88,702	57,564
Parker & Parsley 85-A, Ltd. ....	11,722	14,037	27,458	31,246	27,808	21,052
Parker & Parsley 85-B, Ltd. ....	9,856	10,065	20,809	21,410	24,803	16,032
Parker & Parsley Private Investment 85-A, Ltd. ....	7,651	9,054	17,619	20,664	21,200	7,461
Parker & Parsley Selected 85 Private Investment, Ltd. ....	7,950	7,674	15,698	14,598	15,439	12,602
Parker & Parsley 86-A, Ltd. ....	13,299	15,422	31,785	33,226	31,472	20,166
Parker & Parsley 86-B, Ltd. ....	25,551	30,997	62,337	63,132	70,399	43,243
Parker & Parsley 86-C, Ltd. ....	30,072	33,640	66,329	64,894	74,674	54,393
Parker & Parsley Private Investment 86, Ltd. ....	8,782	10,793	20,938	20,843	22,245	17,822
Parker & Parsley 87-A Conv., Ltd. ....	5,843	6,912	13,096	13,578	14,371	10,345
Parker & Parsley 87-A, Ltd. ....	43,647	51,722	97,824	101,441	107,375	77,315
Parker & Parsley 87-B Conv., Ltd. ....	6,390	8,146	16,015	16,758	17,879	8,728
Parker & Parsley 87-B, Ltd. ....	26,099	33,261	65,401	68,433	73,036	35,640
Parker & Parsley Producing Properties 87-A, Ltd. ....	24,585	26,669	53,656	53,101	64,367	24,458
Parker & Parsley Producing Properties 87-B, Ltd. ....	14,052	17,391	33,115	35,770	40,796	19,481
Parker & Parsley Private Investment 87, Ltd. ....	18,141	16,906	35,242	40,495	42,801	25,756
Parker & Parsley 88-A Conv., L.P. ....	7,026	7,158	14,604	17,052	16,899	14,063
	GAS (MCF)					TOTAL (BOE)
	FOR THE YEAR ENDED		FOR THE SIX MONTHS ENDED			FO

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	DECEMBER 31,			JUNE 30,		2000
	2000	1999	1998	2001	2000	
Parker & Parsley 81-I, Ltd. ....	25,901	28,708	24,638	8,489	9,092	18,293
Parker & Parsley 81-II, Ltd. ....	15,864	19,167	22,439	7,532	8,097	16,565
Parker & Parsley 82-I, Ltd. ....	45,981	48,380	48,971	16,027	16,031	31,822
Parker & Parsley 82-II, Ltd. ....	35,900	42,858	41,862	14,605	15,687	30,905
Parker & Parsley 82-III, Ltd. ....	21,480	23,061	17,680	10,674	12,446	24,226
Parker & Parsley 83-A, Ltd. ....	94,612	109,716	95,156	38,290	40,957	82,448
Parker & Parsley 83-B, Ltd. ....	132,106	157,842	147,495	43,204	53,649	103,832
Parker & Parsley 84-A, Ltd. ....	138,617	154,235	145,870	47,895	54,427	108,588
Parker & Parsley 85-A, Ltd. ....	41,549	55,226	43,021	15,231	17,639	34,383
Parker & Parsley 85-B, Ltd. ....	30,909	33,467	41,501	12,528	12,537	25,961
Parker & Parsley Private Investment 85-A, Ltd. ....	20,905	23,218	22,343	8,895	10,734	21,103
Parker & Parsley Selected 85 Private Investment, Ltd. ....	22,987	27,627	25,328	10,050	9,517	19,529
Parker & Parsley 86-A, Ltd. ....	56,549	62,354	49,805	16,660	19,759	41,210
Parker & Parsley 86-B, Ltd. ....	79,859	86,726	97,715	32,758	37,836	75,647
Parker & Parsley 86-C, Ltd. ....	95,610	105,081	129,149	39,138	41,263	82,264
Parker & Parsley Private Investment 86, Ltd. ....	33,570	30,923	33,219	11,752	13,561	26,533
Parker & Parsley 87-A Conv., Ltd. ....	20,355	24,503	24,025	7,567	8,808	16,489
Parker & Parsley 87-A, Ltd. ....	152,075	183,099	179,494	56,533	65,885	123,170
Parker & Parsley 87-B Conv., Ltd. ....	23,682	24,436	25,477	7,845	10,096	19,962
Parker & Parsley 87-B, Ltd. ....	96,740	99,771	104,072	32,039	41,229	81,524
Parker & Parsley Producing Properties 87-A, Ltd. ....	45,872	53,145	56,240	28,661	30,485	61,301
Parker & Parsley Producing Properties 87-B, Ltd. ....	49,380	48,774	50,220	17,299	21,746	41,345
Parker & Parsley Private Investment 87, Ltd. ....	48,307	52,874	58,036	22,434	20,889	43,293
Parker & Parsley 88-A Conv., L.P. ....	21,399	27,417	25,367	9,370	8,941	18,171

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	OIL & NGL (BBLs)					GAS (MCF)
	FOR THE SIX MONTHS ENDED JUNE 30,		FOR THE YEAR ENDED DECEMBER 31,			FOR THE SIX MONTHS ENDED JUNE 30,
	2001	2000	2000	1999	1998	2001
Parker & Parsley 88-A, L.P. ....	23,970	24,407	49,808	58,141	57,635	47,966
Parker & Parsley 88-B Conv., L.P. ....	7,743	9,309	18,572	16,986	17,610	8,437
Parker & Parsley 88-B, L.P. ....	19,089	22,934	45,729	41,830	43,365	20,792
Parker & Parsley 88-C Conv., L.P. ....	6,735	7,753	15,453	14,136	14,859	8,160
Parker & Parsley 88-C, L.P. ....	4,792	5,520	11,023	10,071	10,596	5,811
Parker & Parsley Producing Properties 88-A, L.P. ....	12,098	13,726	26,976	30,280	34,491	16,169
Parker & Parsley Private Investment 88, L.P. ....	19,574	23,313	46,284	48,802	48,933	28,101
Parker & Parsley 89-A Conv., L.P. ....	5,776	6,423	13,092	14,166	14,102	11,172
Parker & Parsley 89-A, L.P. ....	17,189	19,094	38,923	42,129	41,931	33,232
Parker & Parsley 89-B Conv., L.P. ....	12,925	16,104	30,959	32,585	35,481	23,283
Parker & Parsley 89-B, L.P. ....	14,236	17,736	34,089	35,879	39,063	25,638
Parker & Parsley Private Investment 89, L.P. ....	14,694	15,219	30,738	30,310	36,741	21,188
Parker & Parsley 90-A Conv., L.P. ....	4,331	4,958	9,876	10,130	11,399	8,155
Parker & Parsley 90-A, L.P. ....	12,493	14,303	28,519	29,248	32,915	23,539
Parker & Parsley 90-B Conv., L.P. ....	23,763	26,562	53,388	53,864	58,543	35,369
Parker & Parsley 90-B, L.P. ....	64,464	72,038	144,804	146,064	158,775	95,918
Parker & Parsley 90-C Conv., L.P. ....	13,982	16,386	32,773	32,618	33,187	17,805
Parker & Parsley 90-C, L.P. ....	22,479	26,332	52,686	52,433	53,358	28,625
Parker & Parsley Private Investment 90, L.P. ....	22,587	26,680	52,913	46,335	49,468	29,299
Parker & Parsley 90 Spraberry Private Dev., L.P. ....	10,509	10,715	22,593	20,688	20,835	14,921
Parker & Parsley 91-A, L.P. ....	24,949	32,881	64,129	64,820	70,623	52,227
Parker & Parsley 91-B, L.P. ....	24,152	35,483	69,550	65,056	66,527	28,144
Total.....	787,707	915,172	1,816,404	1,858,207	1,969,272	1,245,735

GAS (MCF)

TOTAL (BOE)

FOR THE SIX

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	FOR THE YEAR ENDED DECEMBER 31,			MONTHS ENDED JUNE 30,		FO
	2000	1999	1998	2001	2000	2000
Parker & Parsley 88-A, L.P. ....	72,965	93,498	86,501	31,964	30,489	61,969
Parker & Parsley 88-B Conv., L.P. ....	21,781	23,221	21,214	9,149	11,116	22,202
Parker & Parsley 88-B, L.P. ....	53,620	57,190	52,254	22,554	27,383	54,666
Parker & Parsley 88-C Conv., L.P. ....	19,618	21,119	19,764	8,095	9,412	18,723
Parker & Parsley 88-C, L.P. ....	13,979	15,049	14,091	5,761	6,701	13,353
Parker & Parsley Producing Properties 88-A, L.P. ....	37,939	44,467	51,099	14,793	17,126	33,299
Parker & Parsley Private Investment 88, L.P. ....	59,532	66,701	61,718	24,258	28,463	56,206
Parker & Parsley 89-A Conv., L.P. ....	20,057	20,484	21,106	7,638	8,117	16,435
Parker & Parsley 89-A, L.P. ....	59,638	60,905	62,751	22,728	24,132	48,863
Parker & Parsley 89-B Conv., L.P. ....	42,179	46,681	52,345	16,806	19,754	37,989
Parker & Parsley 89-B, L.P. ....	46,454	51,400	57,643	18,509	21,755	41,831
Parker & Parsley Private Investment 89, L.P. ....	30,037	32,985	44,624	18,225	17,440	35,744
Parker & Parsley 90-A Conv., L.P. ....	13,365	14,989	16,309	5,690	6,108	12,104
Parker & Parsley 90-A, L.P. ....	38,570	43,302	47,086	16,416	17,619	34,947
Parker & Parsley 90-B Conv., L.P. ....	64,786	70,803	73,460	29,658	32,065	64,186
Parker & Parsley 90-B, L.P. ....	175,696	192,016	199,215	80,450	86,961	174,087
Parker & Parsley 90-C Conv., L.P. ....	30,423	29,399	30,348	16,950	18,735	37,844
Parker & Parsley 90-C, L.P. ....	48,907	47,265	48,787	27,250	30,109	60,837
Parker & Parsley Private Investment 90, L.P. ....	49,484	47,331	54,218	27,470	30,845	61,160
Parker & Parsley 90 Spraberry Private Dev., L.P. ....	22,121	19,579	24,095	12,996	12,379	26,280
Parker & Parsley 91-A, L.P. ....	94,315	100,615	108,617	33,654	40,762	79,848
Parker & Parsley 91-B, L.P. ....	85,556	74,025	68,244	28,843	42,621	83,809
Total.....	<u>2,451,231</u>	<u>2,695,632</u>	<u>2,724,612</u>	<u>995,333</u>	<u>1,121,403</u>	<u>2,224,946</u>

(a) Gas production is converted to oil equivalents at the rate of six mcf per barrel, representing the relative energy content of natural gas and oil.



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

A-19

145

TABLE 14

PRODUCTIVE WELLS AND DEVELOPED ACREAGE

AS OF JUNE 30, 2001

	PRODUCTIVE OIL AND GAS WELLS		DEVELOPED ACRES	
	GROSS (A)	NET (B)	GROSS (A)	NET (B)
Parker & Parsley 81-I, Ltd. ....	16	9.13	2,328	1,25
Parker & Parsley 81-II, Ltd. ....	12	8.40	1,563	1,05
Parker & Parsley 82-I, Ltd. ....	17	16.19	1,702	1,55
Parker & Parsley 82-II, Ltd. ....	16	15.38	1,882	1,48
Parker & Parsley 82-III, Ltd. ....	13	11.63	2,013	1,38
Parker & Parsley 83-A, Ltd. ....	42	37.59	5,154	3,60
Parker & Parsley 83-B, Ltd. ....	41	40.66	5,227	4,19
Parker & Parsley 84-A, Ltd. ....	38	37.55	4,929	4,01
Parker & Parsley 85-A, Ltd. ....	21	17.05	2,083	1,31
Parker & Parsley 85-B, Ltd. ....	17	13.05	2,536	1,21
Parker & Parsley Private Investment 85-A, Ltd. ....	11	7.78	1,204	65
Parker & Parsley Selected 85 Private Investment, Ltd. ...	12	9.23	1,282	73
Parker & Parsley 86-A, Ltd. ....	26	21.86	1,689	1,10
Parker & Parsley 86-B, Ltd. ....	43	35.66	2,709	1,69
Parker & Parsley 86-C, Ltd. ....	53	44.36	4,432	2,78
Parker & Parsley Private Investment 86, Ltd. ....	14	12.37	1,685	1,13
Parker & Parsley 87-A Conv., Ltd. ....	71	6.91	6,498	65
Parker & Parsley 87-A, Ltd. ....	71	51.65	6,498	4,92
Parker & Parsley 87-B Conv., Ltd. ....	47	8.07	4,465	79
Parker & Parsley 87-B, Ltd. ....	47	32.98	4,465	3,25
Parker & Parsley Producing Properties 87-A, Ltd. ....	84	38.05	10,576	3,61
Parker & Parsley Producing Properties 87-B, Ltd. ....	34	20.29	4,302	1,60
Parker & Parsley Private Investment 87, Ltd. ....	24	19.65	1,685	1,13
Parker & Parsley 88-A Conv., L.P. ....	39	8.01	3,286	59
Parker & Parsley 88-A, L.P. ....	39	25.98	3,286	1,62
Parker & Parsley 88-B Conv., L.P. ....	40	7.47	2,766	95
Parker & Parsley 88-B, L.P. ....	40	18.39	2,766	41
Parker & Parsley 88-C Conv., L.P. ....	40	6.84	2,757	34
Parker & Parsley 88-C, L.P. ....	40	4.87	2,757	24
Parker & Parsley Producing Properties 88-A, L.P. ....	22	17.73	1,689	1,19
Parker & Parsley Private Investment 88, L.P. ....	22	19.18	1,873	1,21
Parker & Parsley 89-A Conv., L.P. ....	31	5.69	2,811	55
Parker & Parsley 89-A, L.P. ....	31	16.91	2,811	1,64
Parker & Parsley 89-B Conv., L.P. ....	33	13.72	2,992	1,15
Parker & Parsley 89-B, L.P. ....	33	15.12	2,992	1,26
Parker & Parsley Private Investment 89, L.P. ....	19	13.87	1,913	1,25
Parker & Parsley 90-A Conv., L.P. ....	25	4.56	2,045	39
Parker & Parsley 90-A, L.P. ....	25	13.17	2,045	1,14
Parker & Parsley 90-B Conv., L.P. ....	102	22.88	9,729	2,08
Parker & Parsley 90-B, L.P. ....	102	62.05	9,729	5,65
Parker & Parsley 90-C Conv., L.P. ....	42	13.68	1,021	31
Parker & Parsley 90-C, L.P. ....	42	21.99	1,021	50
Parker & Parsley Private Investment 90, L.P. ....	27	20.65	2,333	1,55

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Parker & Parsley 90 Spraberry Private Dev., L.P. ....	12	9.00	1,017	65
Parker & Parsley 91-A, L.P. ....	47	24.71	4,389	1,89
Parker & Parsley 91-B, L.P. ....	29	21.97	1,922	1,30
	-----	-----	-----	-----
Total.....	1,652	903.93	150,857	73,12
	=====	=====	=====	=====

- 
- (a) A "gross well" or "gross acre" is a well or an acre in which a working interest is owned. The number of gross wells or acres represents the sum of the wells or acres in which a working interest is owned.
- (b) A "net well" or "net acre" is deemed to exist when the sum of the fractional working interests in gross wells or acres equals one. The number of net wells or acres is the sum of the fractional working interests in gross wells or acres.

A-20

146

TABLE 15

RECENT TRADES OF PARTNERSHIP INTERESTS (a)  
PER \$1,000 INVESTMENT

FOR THE FIVE MONTHS ENDED MAY 31, 2001 AND

THE YEARS ENDED DECEMBER 31, 2000 AND 1999

	PER \$1,000 INVESTMENT					
	FOR THE FIVE MONTHS ENDED MAY 31, 2001			FOR THE YEAR ENDED		
	SALES PRICE		NUMBER OF SALES	NUMBER SOLD	SALES PRICE	
	HIGH	LOW			HIGH	LOW
Parker & Parsley 82-I, Ltd. ....	\$ --	\$ --	--	--	\$ 47.75	\$ 37.50
Parker & Parsley 82-II, Ltd. ....	110.00	75.00	3	30	89.00	45.00
Parker & Parsley 83-A, Ltd. ....	120.00	100.00	4	65	112.50	94.00
Parker & Parsley 83-B, Ltd. ....	137.00	117.50	2	20	135.00	96.11
Parker & Parsley 84-A, Ltd. ....	200.00	143.56	4	90	165.00	101.11
Parker & Parsley 85-A, Ltd. ....	--	--	--	--	--	--
Parker & Parsley 85-B, Ltd. ....	145.00	145.00	1	10	135.00	100.00
Parker & Parsley 86-A, Ltd. ....	140.00	125.00	2	15	160.00	65.00
Parker & Parsley 86-B, Ltd. ....	165.00	165.00	1	5	160.00	97.00
Parker & Parsley 86-C, Ltd. ....	147.66	130.00	3	21	135.00	95.45
Parker & Parsley 87-A, Ltd. ....	163.75	145.00	3	155	163.75	78.00
Parker & Parsley 87-B, Ltd. ....	191.50	157.20	3	35	179.25	105.66
Parker & Parsley Producing Properties 87-A, Ltd. ....	280.00	280.00	1	20	280.00	184.00
Parker & Parsley Producing Properties 87-B, Ltd. ....	138.00	138.00	1	4	310.00	146.00
Parker & Parsley 88-A, L.P. ....	210.00	186.00	3	35	205.00	135.00
Parker & Parsley 88-B, L.P. ....	--	--	--	--	188.12	128.00
Parker & Parsley 88-C, L.P. ....	250.00	250.00	2	90	175.00	138.20

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Parker & Parsley Producing Properties 88-A, L.P. ....	--	--	--	--	--	--
Parker & Parsley 89-A, L.P. ....	215.00	215.00	2	30	221.00	140.00
Parker & Parsley 89-B, L.P. ....	--	--	--	--	215.00	215.00
Parker & Parsley 90-A, L.P. ....	--	--	--	--	230.00	126.11
Parker & Parsley 90-B, L.P. ....	260.00	211.12	7	80	211.12	100.00
Parker & Parsley 90-C, L.P. ....	225.00	112.30	3	45	210.00	112.30
Parker & Parsley 91-A, L.P. ....	320.00	275.00	2	20	259.00	212.00
Parker & Parsley 91-B, L.P. ....	300.00	300.00	3	20	235.11	235.11

PER \$1,000 INVESTMENT

FOR THE YEAR ENDED DECEMBER 31, 1999

	SALES PRICE		NUMBER OF SALES	NUMBER SOLD
	HIGH	LOW		
Parker & Parsley 82-I, Ltd. ....	\$ 15.00	\$ 4.17	2	24
Parker & Parsley 82-II, Ltd. ....	30.83	10.50	3	41
Parker & Parsley 83-A, Ltd. ....	54.00	36.75	10	151
Parker & Parsley 83-B, Ltd. ....	63.11	43.00	2	35
Parker & Parsley 84-A, Ltd. ....	72.00	44.00	8	104
Parker & Parsley 85-A, Ltd. ....	61.00	10.00	5	50
Parker & Parsley 85-B, Ltd. ....	75.00	75.00	2	30
Parker & Parsley 86-A, Ltd. ....	55.00	10.00	2	40
Parker & Parsley 86-B, Ltd. ....	111.00	62.34	9	108
Parker & Parsley 86-C, Ltd. ....	80.00	45.00	5	32
Parker & Parsley 87-A, Ltd. ....	112.00	65.00	10	155
Parker & Parsley 87-B, Ltd. ....	101.67	10.00	12	205
Parker & Parsley Producing Properties 87-A, Ltd. ....	175.00	112.00	4	79
Parker & Parsley Producing Properties 87-B, Ltd. ....	170.00	128.00	3	30
Parker & Parsley 88-A, L.P. ....	105.11	57.00	3	25
Parker & Parsley 88-B, L.P. ....	111.00	62.00	4	50
Parker & Parsley 88-C, L.P. ....	56.00	56.00	1	25
Parker & Parsley Producing Properties 88-A, L.P. ....	225.00	225.00	1	4
Parker & Parsley 89-A, L.P. ....	138.00	86.00	5	70
Parker & Parsley 89-B, L.P. ....	146.11	105.00	5	85
Parker & Parsley 90-A, L.P. ....	92.00	84.33	2	25
Parker & Parsley 90-B, L.P. ....	175.00	90.00	12	115
Parker & Parsley 90-C, L.P. ....	136.33	60.51	8	125
Parker & Parsley 91-A, L.P. ....	121.00	88.00	2	13
Parker & Parsley 91-B, L.P. ....	135.00	135.00	1	10

(a) This table contains historical information about recent trades of partnership interests on a per \$1,000 investment as determined from "The Partnership Spectrum." The price information represents the prices reported to have been paid to the sellers net of commissions paid by buyers. This information should not be relied upon as any indication of the price at which the partnership interests may trade. There may have been other secondary sale transactions in the partnership interests, although no information regarding any such transactions is available to Pioneer USA. Because the information regarding sale transactions in the partnership

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

interests in this table is provided without verification by Pioneer USA and because the information provided does not reflect sufficient activity to cause the prices shown to be representative of the market values of the partnership interests, the information should not be relied upon as indicative of the ability of limited partners to sell their partnership interests in secondary sale transactions or as to the prices at which the partnership interests may be sold.

A-21

147

TABLE 16

RESERVE VALUE ATTRIBUTABLE TO PIONEER USA, NONMANAGING  
GENERAL PARTNERS AND LIMITED PARTNERS  
AS OF MARCH 31, 2001

	TOTAL RESERVE VALUE		
	PIONEER USA (B)	NONMANAGING GENERAL PARTNERS (C)	LIMITED PARTNERS (D)
Parker & Parsley 81-I, Ltd. ....	\$ 242,920	\$ 17,609	\$ 6
Parker & Parsley 81-II, Ltd. ....	165,833	6,793	5
Parker & Parsley 82-I, Ltd. ....	419,236	14,382	8
Parker & Parsley 82-II, Ltd. ....	439,725	13,485	1,1
Parker & Parsley 82-III, Ltd. ....	312,876	10,249	7
Parker & Parsley 83-A, Ltd. ....	968,805	37,688	2,5
Parker & Parsley 83-B, Ltd. ....	1,312,532	50,316	3,4
Parker & Parsley 84-A, Ltd. ....	1,324,574	56,580	3,6
Parker & Parsley 85-A, Ltd. ....	37,920	--	1,2
Parker & Parsley 85-B, Ltd. ....	19,444	--	1,1
Parker & Parsley Private Investment 85-A, Ltd. ....	47,329	--	1,3
Parker & Parsley Selected 85 Private Investment, Ltd. ....	28,421	--	1,0
Parker & Parsley 86-A, Ltd. ....	23,635	--	1,7
Parker & Parsley 86-B, Ltd. ....	67,810	--	3,8
Parker & Parsley 86-C, Ltd. ....	41,159	--	3,1
Parker & Parsley Private Investment 86, Ltd. ....	13,277	--	1,3
Parker & Parsley 87-A Conv., Ltd. ....	14,400	--	7
Parker & Parsley 87-A, Ltd. ....	90,315	--	5,5
Parker & Parsley 87-B Conv., Ltd. ....	11,952	--	9
Parker & Parsley 87-B, Ltd. ....	49,644	--	4,0
Parker & Parsley Producing Properties 87-A, Ltd. ....	34,029	--	2,4
Parker & Parsley Producing Properties 87-B, Ltd. ....	61,008	--	2,2
Parker & Parsley Private Investment 87, Ltd. ....	26,380	--	2,6
Parker & Parsley 88-A Conv., L.P. ....	21,158	--	8
Parker & Parsley 88-A, L.P. ....	72,749	--	3,0
Parker & Parsley 88-B Conv., L.P. ....	18,992	--	1,2
Parker & Parsley 88-B, L.P. ....	61,751	--	2,9
Parker & Parsley 88-C Conv., L.P. ....	12,731	--	9
Parker & Parsley 88-C, L.P. ....	8,464	--	6
Parker & Parsley Producing Properties 88-A, L.P. ....	32,226	--	1,8
Parker & Parsley Private Investment 88, L.P. ....	34,783	--	3,4
Parker & Parsley 89-A Conv., L.P. ....	9,187	--	9
Parker & Parsley 89-A, L.P. ....	61,463	--	2,6
Parker & Parsley 89-B Conv., L.P. ....	22,869	--	1,7
Parker & Parsley 89-B, L.P. ....	38,779	--	1,8

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Parker & Parsley Private Investment 89, L.P.....	31,264	--	1,9
Parker & Parsley 90-A Conv., L.P.....	9,146	--	5
Parker & Parsley 90-A, L.P.....	52,176	--	1,6
Parker & Parsley 90-B Conv., L.P.....	54,385	--	3,2
Parker & Parsley 90-B, L.P.....	111,242	--	8,7
Parker & Parsley 90-C Conv., L.P.....	25,876	--	1,8
Parker & Parsley 90-C, L.P.....	36,420	--	2,9
Parker & Parsley Private Investment 90, L.P.....	52,185	--	3,3
Parker & Parsley 90 Spraberry Private Dev., L.P.....	16,361	--	1,6
Parker & Parsley 91-A, L.P.....	65,448	--	4,6
Parker & Parsley 91-B, L.P.....	54,570	--	4,9
	-----	-----	-----
Total.....	\$6,657,449	\$207,102	\$104,8
	=====	=====	=====

-----

(a) The reserve value is one of the components of the merger value for each partnership and represents the present value of estimated future net revenues from the partnership's estimated oil and gas reserves as of March 31, 2001. The present value was calculated using: (1) a five-year New York Mercantile Exchange, or NYMEX, futures price for oil and gas as of March 31, 2001 with prices held constant after year five at the year five price, less standard industry adjustments, (2) historical operating costs adjusted only for those items affected by commodity prices, such as production taxes and ad valorem taxes, and (3) a 10.0% discount rate. For 2001, the oil and gas prices were based on the average NYMEX futures price for the nine-month period beginning on April 1, 2001 and ending December 31, 2001.

(b) Represents Pioneer USA's partnership interests in each partnership as: (1) the sole or managing general partner of the partnership; (2) a limited partner of the partnership; and (3) the sole general partner of each nonmanaging general partner. Pioneer USA will not receive any Pioneer Parent common stock for its partnership interests in any participating partnership. However, as a result of the merger of each participating partnership, Pioneer USA will acquire 100% of the properties of the partnership including properties attributable to its partnership interests in the partnerships.

(c) Represents four unaffiliated individuals' partnership interests as limited partners of each nonmanaging general partner. Excludes Pioneer USA's partnership interests as general partner of each nonmanaging general partner.

(d) Represents the partnership interests of unaffiliated limited partners of each partnership. Excludes Pioneer USA's partnership interests as a limited partner of any partnership.

A-22

148

APPENDIX B

TO

PROXY STATEMENT/PROSPECTUS

SUMMARY RESERVE REPORT OF

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

WILLIAMSON PETROLEUM CONSULTANTS, INC.

FOR THE PARTNERSHIPS

AS OF MARCH 31, 2001

August 17, 2001

Pioneer Natural Resources USA, Inc.

5205 North O'Connor Boulevard, Suite 1400

Irving, Texas 75039

Attention Board of Directors

Gentlemen:

Subject: Summary Letter Including 46 Reports of

Review of Estimates Prepared by

Pioneer Natural Resources USA, Inc.

of Oil and Gas Reserves and

Associated Future Net Revenue to the

Interests of the Limited Partners

or the Converted Limited Partners

in Various Parker & Parsley Partnerships

Managed by Pioneer Natural Resources USA, Inc.

Effective March 31, 2001

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Williamson Project 1.8859

In accordance with your request, Williamson Petroleum Consultants, Inc. (Williamson) has prepared this summary letter for inclusion in the proxy statement to be distributed to the limited partners of the referenced Partnerships by Pioneer Natural Resources USA, Inc. (Pioneer USA). This letter includes the results from 46 review letters prepared for Pioneer USA to the interests of the Limited Partners or the Converted Limited Partners in various Parker & Parsley Partnerships managed by Pioneer USA effective March 31, 2001. A listing of the 46 Williamson review letters is included as Exhibit I.

### I. DEFINITIONS OF SEC RESERVES(1)

The estimated reserves presented in this summary letter are net proved reserves, including proved developed producing, proved developed nonproducing, and proved undeveloped reserves, and were computed in accordance with the financial reporting requirements of the Securities and Exchange Commission (SEC). In preparing these evaluations, no attempt has been made to quantify the element of uncertainty associated with any category. Reserves were assigned to each category as warranted.

-----

(1)For evaluations prepared for disclosure to the Securities and Exchange Commission, see United States Securities and Exchange Commission, Regulation S-X, Article 4 -- Rules of General Application, Reg. 210. 4-10.

B-1

149

The definitions of oil and gas reserves pursuant to the requirements of the Securities Exchange Act are:

#### Proved Oil and Gas Reserves

Proved oil and gas reserves are the estimated quantities of crude oil, natural gas, and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions, i.e., prices and costs as of the date the estimate is made. Prices include consideration of changes in existing prices provided only by contractual arrangements, but not on escalations based upon future conditions.

A. Reservoirs are considered proved if economic producibility is

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

supported by either actual production or conclusive formation test. The area of a reservoir considered proved includes:

1. that portion delineated by drilling and defined by gas-oil and/or oil-water contacts, if any; and

2. the immediately adjoining portions not yet drilled, but which can be reasonably judged as economically productive on the basis of available geological and engineering data. In the absence of information on fluid contacts, the lowest known structural occurrence of hydrocarbons controls the lower proved limit of the reservoir.

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

C. Estimates of proved reserves do not include the following:

1. oil that may become available from known reservoirs but is classified separately as "indicated additional reserves";

2. crude oil, natural gas, and natural gas liquids, the recovery of which is subject to reasonable doubt because of uncertainty as to geology, reservoir characteristics, or economic factors;

3. crude oil, natural gas, and natural gas liquids, that may occur in undrilled prospects; and

4. crude oil, natural gas, and natural gas liquids, that may be recovered from oil shales, coal, gilsonite, and other such sources.

### Proved Developed Oil and Gas Reserves(2)

Proved developed oil and gas reserves are reserves that can be expected to be recovered through existing wells with existing equipment and operating methods. Additional oil and gas expected to be obtained through the application of fluid injection or other improved recovery techniques for supplementing the natural forces and mechanisms of primary recovery should be included as "proved developed reserves" only after testing by a pilot project or after the operation of an installed program has confirmed through production response that increased



recovery will be achieved.

-----

(2) Williamson Petroleum Consultants, Inc. separates proved developed reserves into proved developed producing and proved developed nonproducing reserves. This is to identify proved developed producing reserves as those to be recovered from actively producing wells; proved developed nonproducing reserves as those to be recovered from wells or intervals within wells, which are completed but shut in waiting on equipment or pipeline connections, or wells where a relatively minor expenditure is required for recompletion to another zone.

B-2

150

#### Proved Undeveloped Reserves

Proved undeveloped oil and gas reserves are reserves that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion. Reserves on undrilled acreage shall be limited to those drilling units offsetting productive units that are reasonably certain of production when drilled. Proved reserves for other undrilled units can be claimed only where it can be demonstrated with certainty that there is continuity of production from the existing productive formation. Under no circumstances should estimates, for proved undeveloped reserves be attributable to any acreage for which an application of fluid injection or other improved recovery technique is contemplated, unless such techniques have been proved effective by actual tests in the area and in the same reservoir.

## II. DISCUSSION OF THE REVIEW

In performing the review, Williamson conducted an evaluation of the methods and procedures utilized by Pioneer USA in the preparation of the estimates of reserves and associated future net revenue and performed tests and procedures considered necessary to render the opinions set forth herein.

Williamson evaluated the properties in 46 Parker & Parsley Partnerships as of December 31, 2000 and the results of that evaluation were transmitted in 46 individual reports (the SEC Reports) dated February 20, 2001. Williamson also prepared a Summary Letter Report including the SEC Reports for inclusion in a Schedule 13e-3 under the Securities Exchange Act of 1934 to be filed with the SEC. Pioneer USA prepared reports on each partnership using the SEC Reports as the bases. Pioneer USA rolled forward the Williamson oil and gas projections from the SEC Reports to March 31, 2001, applied different pricing, added three proved undeveloped locations, and made ownership interest changes on some wells. (Most of the changes were due to payout reversions that had occurred prior to March 31, 2001.) Pioneer USA represented that no Williamson reserves projections were altered and no changes were made to the lease operating expenses,

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

production taxes, or ownership interests (except as noted above). The Pioneer USA evaluations resulted in oil, natural gas liquids (NGL), and gas combined total net reserves of 13,882.872 MBBL, 7,008.607 MBBL, and 28,430.649 MMCF with a combined total future net revenue discounted at 10.0 percent (DFNR) of M\$104,150.210. Pioneer USA updated the production generally through April 2001 and transmitted these March 31, 2001 roll-forward reports in the form of an Aries database to Williamson for review. Williamson has reviewed the Pioneer USA database and has determined that no changes have been made to the database except for the effective date; oil, gas, and NGL prices; the addition of three proved undeveloped locations; and the ownership interest changes noted above. In reviewing the roll forward oil and gas reserves projections with the added six months of production for the months of November 2000 through April 2001, Williamson recommended and made changes to the oil and/or gas projections of certain wells as required. These reserves changes resulted in a change to the Pioneer USA combined total DFNR of M\$1,870.163 or 1.8 percent of the combined total DFNR. The change to the Pioneer USA DFNR for the individual partnerships ranged from 16.4 percent to a negative 11.1 percent.

Based on our review, it is the opinion of Williamson that the estimates of the reviewed oil and gas reserves and associated future net revenue prepared by Pioneer USA effective March 31, 2001 are reasonable in the aggregate and were prepared in accordance with generally accepted petroleum engineering and evaluation principles as set forth in "Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information" promulgated by the Society of Petroleum Engineers.

Exhibits II, III, and IV detail the Pioneer USA oil, NGL, and gas net reserves and associated future net revenue, undiscounted and discounted for each Partnership for the Total Proved, Total Proved Developed, and Total Proved Undeveloped, respectively, from the Williamson review letters.

### III. CONSENT AND DECLARATION OF INDEPENDENT STATUS

We understand that the estimates prepared by Pioneer USA and reviewed by Williamson are to be included in the proxy statement/prospectus filed by you with the SEC under the Securities Exchange Act

B-3

151

of 1934. We understand further that the estimates may be used by you to establish merger values for the Partnerships. With this understanding in mind, it is our opinion that the estimates of reserves and associated future net revenue prepared by Pioneer USA and reviewed by us are reasonable in the aggregate and were prepared in accordance with generally accepted petroleum engineering and evaluation principles in estimating the proved oil and gas reserves and in computing the future net revenue derived from such reserves for each property attributable to the interests held by the Partnerships.

Williamson is an independent consulting firm and does not own any interests

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

in the oil and gas properties covered by this summary letter. No employee, officer, or director of Williamson is an employee, officer, or director of Pioneer USA or any of the subject Partnerships. Neither the employment of nor the compensation received by Williamson is contingent upon the values assigned to the properties covered by this summary letter.

Yours very truly,

WILLIAMSON PETROLEUM CONSULTANTS, INC.

/s/ JOHN D. SAVAGE

-----  
John D. Savage, P.E.

Senior Vice President

JDS/chk

Enclosures

152

B-4

EXHIBIT I

SUMMARY LETTER INCLUDING 46 REPORTS OF  
REVIEW OF ESTIMATES PREPARED BY  
PIONEER NATURAL RESOURCES USA, INC.  
OF OIL AND GAS RESERVES AND  
ASSOCIATED FUTURE NET REVENUE  
TO THE INTERESTS OF THE LIMITED PARTNERS  
OR THE CONVERTED LIMITED PARTNERS

# Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

IN VARIOUS PARKER & PARSLEY PARTNERSHIPS

MANAGED BY PIONEER NATURAL RESOURCES USA, INC.

EFFECTIVE MARCH 31, 2001

WILLIAMSON PROJECT 1.8859

LIST OF WILLIAMSON PETROLEUM CONSULTANTS, INC. REVIEW LETTERS

EFFECTIVE MARCH 31, 2001

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil and Gas Reserves and Associated Future Net Revenue to the Interests of the Limited Partners in Parker & Parsley 81-I, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil and Gas Reserves and Associated Future Net Revenue to the Interests of the Limited Partners in Parker & Parsley 81-II, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil and Gas Reserves and Associated Future Net Revenue to the Interests of the Limited Partners in Parker & Parsley 82-I, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil and Gas Reserves and Associated Future Net Revenue to the Interests of the Limited Partners in Parker & Parsley 82-II, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil and Gas Reserves and Associated Future Net Revenue to the Interests of the Limited Partners in Parker & Parsley 82-III, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil and Gas Reserves and Associated Future Net Revenue to the Interests of the Limited Partners in Parker & Parsley 83-A, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil and Gas Reserves and Associated Future Net Revenue to the Interests of the Limited Partners in Parker & Parsley 83-B, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil and Gas Reserves and Associated Future Net Revenue to the Interests of the Limited Partners in Parker & Parsley 84-A, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

B-5

153

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil and Gas Reserves and Associated Future Net Revenue to the Interests of the Limited Partners in Parker & Parsley 85-A, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil and Gas Reserves and Associated Future Net Revenue to the Interests of the Limited Partners in Parker & Parsley 85-B, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil and Gas Reserves and Associated Future Net Revenue to the Interests of the Limited Partners in Parker & Parsley Private Investment 85-A, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil and Gas Reserves and Associated Future Net Revenue to the Interests of the Limited Partners in Parker & Parsley Selected 85 Private Investment, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil and Gas Reserves and Associated Future Net Revenue to the Interests of the Limited Partners in Parker & Parsley 86-A, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil and Gas Reserves and Associated Future Net Revenue to the Interests of the Limited Partners in Parker & Parsley 86-B, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

and Gas Reserves and Associated Future Net Revenue to the Interests of the Limited Partners in Parker & Parsley 86-C, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil and Gas Reserves and Associated Future Net Revenue to the Interests of the Limited Partners in Parker & Parsley Private Investment 86, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil and Gas Reserves and Associated Future Net Revenue to the Interests of the Converted Limited Partners in Parker & Parsley 87-A Converted, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil and Gas Reserves and Associated Future Net Revenue to the Interests of the Limited Partners in Parker & Parsley 87-A, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil and Gas Reserves and Associated Future Net Revenue to the Interests of the Converted Limited Partners in Parker & Parsley 87-B Converted, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil and Gas Reserves and Associated Future Net Revenue to the Interests of the Limited Partners in Parker & Parsley

B-6

154

87-B, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil and Gas Reserves and Associated Future Net Revenue to the Interests of the Limited Partners in Parker & Parsley Producing Properties 87-A, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil and Gas Reserves and Associated Future Net Revenue to the Interests of the Limited Partners in Parker & Parsley Producing Properties 87-B, Ltd. Managed by

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil and Gas Reserves and Associated Future Net Revenue to the Interests of the Limited Partners in Parker & Parsley Private Investment 87, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil and Gas Reserves and Associated Future Net Revenue to the Interests of the Converted Limited Partners in Parker & Parsley 88-A Converted, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil and Gas Reserves and Associated Future Net Revenue to the Interests of the Limited Partners in Parker & Parsley 88-A, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil and Gas Reserves and Associated Future Net Revenue to the Interests of the Converted Limited Partners in Parker & Parsley 88-B Converted, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil and Gas Reserves and Associated Future Net Revenue to the Interests of the Limited Partners in Parker & Parsley 88-B, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil and Gas Reserves and Associated Future Net Revenue to the Interests of the Converted Limited Partners in Parker & Parsley 88-C Converted, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil and Gas Reserves and Associated Future Net Revenue to the Interests of the Limited Partners in Parker & Parsley 88-C, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil and Gas Reserves and Associated Future Net Revenue to the Interests of the Limited Partners in Parker & Parsley Producing Properties 88-A, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

1.8859"

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil and Gas Reserves and Associated Future Net Revenue to the Interests of the Limited Partners in Parker & Parsley Private Investment 88, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

B-7

155

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil and Gas Reserves and Associated Future Net Revenue to the Interests of the Converted Limited Partners in Parker & Parsley 89-A Converted, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil and Gas Reserves and Associated Future Net Revenue to the Interests of the Limited Partners in Parker & Parsley 89-A, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil and Gas Reserves and Associated Future Net Revenue to the Interests of the Converted Limited Partners in Parker & Parsley 89-B Converted, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil and Gas Reserves and Associated Future Net Revenue to the Interests of the Limited Partners in Parker & Parsley 89-B, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil and Gas Reserves and Associated Future Net Revenue to the Interests of the Limited Partners in Parker & Parsley Private Investment 89, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil and Gas Reserves and Associated Future Net Revenue to the Interests of the Converted Limited Partners in Parker & Parsley 90-A Converted, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

and Gas Reserves and Associated Future Net Revenue to the Interests of the Limited Partners in Parker & Parsley 90-A, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil and Gas Reserves and Associated Future Net Revenue to the Interests of the Converted Limited Partners in Parker & Parsley 90-B Converted, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil and Gas Reserves and Associated Future Net Revenue to the Interests of the Limited Partners in Parker & Parsley 90-B, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil and Gas Reserves and Associated Future Net Revenue to the Interests of the Converted Limited Partners in Parker & Parsley 90-C Converted, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil and Gas Reserves and Associated Future Net Revenue to the Interests of the Limited Partners in Parker & Parsley 90-C L.P. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil and Gas Reserves and Associated Future Net Revenue to the Interests of the Limited Partners in Parker & Parsley Private

B-8

156

Investment 90, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil and Gas Reserves and Associated Future Net Revenue to the Interests of the Limited Partners in Parker & Parsley 90 Spraberry Private Development, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil and Gas Reserves and Associated Future Net Revenue to the Interests of the Limited Partners in Parker & Parsley 91-A, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil and Gas Reserves and Associated Future Net Revenue to the Interests of the Limited Partners in Parker & Parsley 91-B, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

B-9

157

EXHIBIT II

SUMMARY LETTER INCLUDING 46 REPORTS OF  
REVIEW OF ESTIMATES PREPARED BY  
PIONEER NATURAL RESOURCES USA, INC.  
OF OIL AND GAS RESERVES AND  
ASSOCIATED FUTURE NET REVENUE  
TO THE INTERESTS OF THE LIMITED PARTNERS  
OR THE CONVERTED LIMITED PARTNERS  
IN VARIOUS PARKER & PARSLEY PARTNERSHIPS  
MANAGED BY PIONEER NATURAL RESOURCES USA, INC.  
EFFECTIVE MARCH 31, 2001  
WILLIAMSON PROJECT 1.8859  
NET RESERVES AND FUTURE NET REVENUE FROM  
REVIEW LETTERS PREPARED BY WILLIAMSON PETROLEUM  
CONSULTANTS, INC.  
EFFECTIVE MARCH 31, 2001

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	TOTAL PROVED				
	NET RESERVES TO THE EVALUATED INTERESTS			FUTURE NET REVENUE	
	OIL/CONDENSATE (MBBL)	LIQUID (MBBL)	GAS (MMCF)	UNDISCOUNTED	DISCOUNTED PER 10.0
Parker & Parsley 81-I, Ltd. ....	82.264	48.823	259.480	1,168.899	
Parker & Parsley 81-II, Ltd. ....	66.975	50.694	168.235	782.647	
Parker & Parsley 82-I, Ltd. ....	142.135	54.037	429.393	1,407.714	
Parker & Parsley 82-II, Ltd. ....	163.217	76.783	361.269	2,101.905	1
Parker & Parsley 82-III, Ltd. ...	131.569	55.082	181.031	1,334.954	
Parker & Parsley 83-A, Ltd. ....	382.712	225.243	908.023	4,375.619	2
Parker & Parsley 83-B, Ltd. ....	510.986	286.392	1,275.147	5,832.096	3
Parker & Parsley 84-A, Ltd. ....	497.742	336.241	1,399.838	6,282.321	3
Parker & Parsley 85-A, Ltd. ....	175.139	97.215	377.073	2,016.968	1
Parker & Parsley 85-B, Ltd. ....	149.887	74.437	330.848	1,864.301	1
Parker & Parsley Private Investment 85-A, Ltd. ....	188.458	81.166	294.019	2,623.316	1
Parker & Parsley Selected 85 Private Investment, Ltd. ....	120.690	85.403	341.876	1,860.766	1
Parker & Parsley 86-A, Ltd. ....	198.546	153.319	665.073	2,928.655	1
Parker & Parsley 86-B, Ltd. ....	504.170	254.744	1,007.115	6,660.474	3
Parker & Parsley 86-C, Ltd. ....	423.341	250.863	957.303	4,853.152	3
Parker & Parsley Private Investment 86, Ltd. ....	165.771	82.994	442.678	2,210.650	1
Parker & Parsley 87-A Conv., Ltd. ....	93.912	52.654	224.443	1,286.337	
Parker & Parsley 87-A, Ltd. ....	693.991	388.276	1,654.968	9,514.063	5
Parker & Parsley 87-B Conv., Ltd. ....	129.176	72.879	299.274	1,764.667	
Parker & Parsley 87-B, Ltd. ....	527.576	297.649	1,222.273	7,206.843	4
Parker & Parsley Producing Properties 87-A, Ltd. ....	426.729	120.298	543.992	4,255.595	2
Parker & Parsley Producing Properties 87-B, Ltd. ....	285.023	156.821	715.733	4,292.846	2
Parker & Parsley Private Investment 87, Ltd. ....	329.654	162.827	668.737	4,520.573	2
Parker & Parsley 88-A Conv., L.P. ....	116.016	65.640	253.729	1,588.020	
Parker & Parsley 88-A, L.P. ....	395.642	223.849	865.274	5,415.513	3
Parker & Parsley 88-B Conv., L.P. ....	158.995	70.283	290.380	2,184.678	1
Parker & Parsley 88-B, L.P. ....	391.541	173.080	715.088	5,379.979	2
Parker & Parsley 88-C Conv., L.P. ....	123.832	61.040	251.777	1,736.724	
Parker & Parsley 88-C, L.P. ....	88.255	43.503	179.440	1,237.753	

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	TOTAL PROVED				
	NET RESERVES TO THE EVALUATED INTERESTS			FUTURE NET REVENUE	
	OIL/CONDENSATE (MBBL)	LIQUID (MBBL)	GAS (MMCF)	UNDISCOUNTED	DISCOUNTED PER 10.0
Parker & Parsley Producing Properties 88-A, L.P. ....	238.804	125.771	464.564	3,419.956	1
Parker & Parsley Private Investment 88, L.P. ....	445.262	216.375	780.792	6,679.722	3
Parker & Parsley 89-A Conv., L.P. ....	114.139	60.273	282.272	1,675.614	
Parker & Parsley 89-A, L.P. ....	339.398	179.226	839.349	4,982.510	2
Parker & Parsley 89-B Conv., L.P. ....	216.989	128.163	481.258	2,973.068	1
Parker & Parsley 89-B, L.P. ....	238.716	141.033	529.613	3,267.544	1
Parker & Parsley Private Investment 89, L.P. ....	277.797	114.659	407.551	3,641.708	1
Parker & Parsley 90-A Conv., L.P. ....	71.070	41.373	158.781	976.631	
Parker & Parsley 90-A, L.P. ....	205.195	119.453	458.440	2,819.768	1
Parker & Parsley 90-B Conv., L.P. ....	423.611	205.022	800.528	5,584.044	3
Parker & Parsley 90-B, L.P. ....	1,152.236	556.331	2,171.905	15,178.700	8
Parker & Parsley 90-C Conv., L.P. ....	262.671	111.064	373.123	3,110.983	1
Parker & Parsley 90-C, L.P. ....	422.275	178.549	599.841	5,001.285	2
Parker & Parsley Private Investment 90, L.P. ....	439.460	183.432	629.750	6,034.439	3
Parker & Parsley 90 Spraberry Private Development, L.P. ....	283.243	90.081	333.986	3,245.033	1
Parker & Parsley 91-A, L.P. ....	575.176	261.699	1,200.498	9,122.714	4
Parker & Parsley 91-B, L.P. ....	652.384	282.264	1,102.958	9,313.127	4
Total All Partnerships.....	14,022.368	7,097.003	28,898.717	185,714.874	106

B-11

159

EXHIBIT III

SUMMARY LETTER INCLUDING 46 REPORTS OF

REVIEW OF ESTIMATES PREPARED BY

PIONEER NATURAL RESOURCES USA, INC.

OF OIL AND GAS RESERVES AND

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

ASSOCIATED FUTURE NET REVENUE

TO THE INTERESTS OF THE LIMITED PARTNERS

OR THE CONVERTED LIMITED PARTNERS

IN VARIOUS PARKER & PARSLEY PARTNERSHIPS

MANAGED BY PIONEER NATURAL RESOURCES USA, INC.

EFFECTIVE MARCH 31, 2001

WILLIAMSON PROJECT 1.8859

NET RESERVES AND FUTURE NET REVENUE FROM

REVIEW LETTERS PREPARED BY WILLIAMSON PETROLEUM CONSULTANTS, INC.

EFFECTIVE MARCH 31, 2001

	TOTAL PROVED DEVELOPED*				
	NET RESERVES TO THE EVALUATED INTERESTS			FUTURE NET REVENUE,	
	OIL/CONDENSATE (MBBL)	LIQUID (MBBL)	GAS (MMCF)	UNDISCOUNTED	DISCOUNTED PER ANNUAL AT 10.00
Parker & Parsley 81-I, Ltd.....	82.264	48.823	259.480	1,168.899	684
Parker & Parsley 81-II, Ltd.....	66.975	50.694	168.235	782.647	512
Parker & Parsley 82-I, Ltd.....	142.135	54.037	429.393	1,407.714	970
Parker & Parsley 82-II, Ltd.....	163.217	76.783	361.269	2,101.905	1,221
Parker & Parsley 82-III, Ltd.....	131.569	55.082	181.031	1,334.954	831
Parker & Parsley 83-A, Ltd.....	382.712	225.243	908.023	4,375.619	2,691
Parker & Parsley 83-B, Ltd.....	510.986	286.392	1,275.147	5,832.096	3,593
Parker & Parsley 84-A, Ltd.....	497.742	336.241	1,399.838	6,282.321	3,771

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Parker & Parsley 85-A, Ltd.....	175.139	97.215	377.073	2,016.968	1,283
Parker & Parsley 85-B, Ltd.....	149.887	74.437	330.848	1,864.301	1,119
Parker & Parsley Private Investment 85-A, Ltd.....	188.458	81.166	294.019	2,623.316	1,387
Parker & Parsley Selected 85 Private Investment, Ltd....	120.690	85.403	341.876	1,860.766	1,046
Parker & Parsley 86-A, Ltd.....	198.546	153.319	665.073	2,928.655	1,743
Parker & Parsley 86-B, Ltd.....	504.170	254.744	1,007.115	6,660.474	3,866
Parker & Parsley 86-C, Ltd.....	423.341	250.863	957.303	4,853.152	3,116
Parker & Parsley Private Investment 86, Ltd.....	165.771	82.994	442.678	2,210.650	1,314
Parker & Parsley 87-A Conv., Ltd.....	93.912	52.654	224.443	1,286.337	750
Parker & Parsley 87-A , Ltd.....	693.991	388.276	1,654.968	9,514.063	5,583
Parker & Parsley 87-B Conv., Ltd.....	129.176	72.879	299.274	1,764.667	984
Parker & Parsley 87-B, Ltd.....	527.576	297.649	1,222.273	7,206.843	4,022
Parker & Parsley Producing Properties 87-A, Ltd.....	426.729	120.298	543.992	4,255.595	2,498
Parker & Parsley Producing Properties 87-B, Ltd.....	285.023	156.821	715.733	4,292.846	2,330
Parker & Parsley Private Investment 87, Ltd.....	329.654	162.827	668.737	4,520.573	2,611
Parker & Parsley 88-A Conv., L.P.....	116.016	65.640	253.729	1,588.020	908
Parker & Parsley 88-A, L.P.....	395.642	223.849	865.274	5,415.513	3,098

B-12

160

	TOTAL PROVED DEVELOPED*				
	NET RESERVES TO THE EVALUATED INTERESTS			FUTURE NET REVENUE,	
	OIL/CONDENSATE (MBSL)	LIQUID (MBSL)	GAS (MMCF)	UNDISCOUNTED	DISCOUNTED PER ANNUAL AT 10.00%
Parker & Parsley 88-B Conv., L.P.....	158.995	70.283	290.380	2,184.678	1,217
Parker & Parsley 88-B, L.P.....	391.541	173.080	715.088	5,379.979	2,997
Parker & Parsley 88-C Conv., L.P.....	123.832	61.040	251.777	1,736.724	976
Parker & Parsley 88-C, L.P.....	88.255	43.503	179.440	1,237.753	696
Parker & Parsley Producing					

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Properties 88-A, L.P.....	238.804	125.771	464.564	3,419.956	1,889
Parker & Parsley Private					
Investment 88, L.P.....	445.262	216.375	780.792	6,679.722	3,443
Parker & Parsley 89-A Conv.,					
L.P.....	113.312	54.143	239.845	1,586.078	882
Parker & Parsley 89-A,					
L.P.....	336.937	160.997	713.189	4,716.271	2,623
Parker & Parsley 89-B Conv.,					
L.P.....	216.989	128.163	481.258	2,973.068	1,723
Parker & Parsley 89-B,					
L.P.....	238.716	141.033	529.613	3,267.544	1,895
Parker & Parsley Private					
Investment 89, L.P.....	277.797	114.659	407.551	3,641.708	1,982
Parker & Parsley 90-A Conv.,					
L.P.....	70.688	38.547	139.220	931.124	555
Parker & Parsley 90-A,					
L.P.....	204.093	111.295	401.961	2,688.377	1,604
Parker & Parsley 90-B Conv.,					
L.P.....	423.611	205.022	800.528	5,584.044	3,232
Parker & Parsley 90-B,					
L.P.....	1,152.236	556.331	2,171.905	15,178.700	8,777
Parker & Parsley 90-C Conv.,					
L.P.....	262.671	111.064	373.123	3,110.983	1,837
Parker & Parsley 90-C,					
L.P.....	422.275	178.549	599.841	5,001.285	2,953
Parker & Parsley Private					
Investment 90, L.P.....	439.460	183.432	629.750	6,034.439	3,351
Parker & Parsley 90 Spraberry					
Private Development,					
L.P.....	283.243	90.081	333.986	3,245.033	1,619
Parker & Parsley 91-A,					
L.P.....	575.176	261.699	1,200.498	9,122.714	4,683
Parker & Parsley 91-B,					
L.P.....	652.384	282.264	1,102.958	9,313.127	4,965
	-----	-----	-----	-----	-----
Total All					
Partnerships.....	14,017.596	7,061.660	28,654.090	185,182.201	105,854

\* Proved developed includes proved developed producing and proved developed nonproducing; these funds do not include any value for the proved developed nonproducing category

B-13

161

EXHIBIT IV

SUMMARY LETTER INCLUDING 46 REPORTS OF

REVIEW OF ESTIMATES PREPARED BY

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

PIONEER NATURAL RESOURCES USA, INC.

OF OIL AND GAS RESERVES AND

ASSOCIATED FUTURE NET REVENUE

TO THE INTERESTS OF THE LIMITED PARTNERS

OR THE CONVERTED LIMITED PARTNERS

IN VARIOUS PARKER & PARSLEY PARTNERSHIPS

MANAGED BY PIONEER NATURAL RESOURCES USA, INC.

EFFECTIVE MARCH 31, 2001

WILLIAMSON PROJECT 1.8859

NET RESERVES AND FUTURE NET REVENUE FROM

REVIEW LETTERS PREPARED BY WILLIAMSON PETROLEUM CONSULTANTS, INC.

EFFECTIVE MARCH 31, 2001

	TOTAL PROVED UNDEVELOPED			
	NET RESERVES TO THE EVALUATED INTERESTS			FUTURE
	OIL/CONDENSATE (MBBL)	LIQUID (MBBL)	GAS (MMCF)	UNDISCOVERED
Parker & Parsley 81-I, Ltd.....	0.000	0.000	0.000	0.000
Parker & Parsley 81-II, Ltd.....	0.000	0.000	0.000	0.000
Parker & Parsley 82-I, Ltd.....	0.000	0.000	0.000	0.000
Parker & Parsley 82-II, Ltd.....	0.000	0.000	0.000	0.000
Parker & Parsley 82-III, Ltd.....	0.000	0.000	0.000	0.000
Parker & Parsley 83-A, Ltd.....	0.000	0.000	0.000	0.000
Parker & Parsley 83-B, Ltd.....	0.000	0.000	0.000	0.000
Parker & Parsley 84-A, Ltd.....	0.000	0.000	0.000	0.000
Parker & Parsley 85-A, Ltd.....	0.000	0.000	0.000	0.000
Parker & Parsley 85-B, Ltd.....	0.000	0.000	0.000	0.000
Parker & Parsley Private Investment 85-A, Ltd.....	0.000	0.000	0.000	0.000
Parker & Parsley Selected 85 Private				



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Investment, Ltd.....	0.000	0.000	0.000	0.000
Parker & Parsley 86-A, Ltd.....	0.000	0.000	0.000	0.000
Parker & Parsley 86-B, Ltd.....	0.000	0.000	0.000	0.000
Parker & Parsley 86-C, Ltd.....	0.000	0.000	0.000	0.000
Parker & Parsley Private Investment 86, Ltd.....	0.000	0.000	0.000	0.000
Parker & Parsley 87-A Conv., Ltd.....	0.000	0.000	0.000	0.000
Parker & Parsley 87-A , Ltd.....	0.000	0.000	0.000	0.000
Parker & Parsley 87-B Conv., Ltd.....	0.000	0.000	0.000	0.000
Parker & Parsley 87-B, Ltd.....	0.000	0.000	0.000	0.000
Parker & Parsley Producing Properties 87-A, Ltd.....	0.000	0.000	0.000	0.000
Parker & Parsley Producing Properties 87-B, Ltd.....	0.000	0.000	0.000	0.000
Parker & Parsley Private Investment 87, Ltd.....	0.000	0.000	0.000	0.000
Parker & Parsley 88-A Conv., L.P.....	0.000	0.000	0.000	0.000
Parker & Parsley 88-A, L.P.....	0.000	0.000	0.000	0.000
Parker & Parsley 88-B Conv., L.P.....	0.000	0.000	0.000	0.000
Parker & Parsley 88-B, L.P.....	0.000	0.000	0.000	0.000
Parker & Parsley 88-C Conv., L.P.....	0.000	0.000	0.000	0.000
Parker & Parsley 88-C, L.P.....	0.000	0.000	0.000	0.000

B-14

162

	TOTAL PROVED UNDEVELOPED			
	NET RESERVES TO THE EVALUATED INTERESTS			FUTUR
	OIL/CONDENSATE (MBBL)	LIQUID (MBBL)	GAS (MMCF)	UNDISCOU
Parker & Parsley Producing Properties 88-A, L.P.....	0.000	0.000	0.000	0.00
Parker & Parsley Private Investment 88, L.P.....	0.000	0.000	0.000	0.00
Parker & Parsley 89-A Conv., L.P.....	0.828	6.130	42.428	89.53
Parker & Parsley 89-A, L.P.....	2.461	18.229	126.160	266.23
Parker & Parsley 89-B Conv., L.P.....	0.000	0.000	0.000	0.00
Parker & Parsley 89-B, L.P.....	0.000	0.000	0.000	0.00
Parker & Parsley Private Investment 89, L.P.....	0.000	0.000	0.000	0.00
Parker & Parsley 90-A Conv., L.P.....	0.382	2.825	19.561	45.50
Parker & Parsley 90-A, L.P.....	1.102	8.158	56.479	131.39
Parker & Parsley 90-B Conv., L.P.....	0.000	0.000	0.000	0.00
Parker & Parsley 90-B, L.P.....	0.000	0.000	0.000	0.00
Parker & Parsley 90-C Conv., L.P.....	0.000	0.000	0.000	0.00
Parker & Parsley 90-C, L.P.....	0.000	0.000	0.000	0.00
Parker & Parsley Private Investment 90, L.P.....	0.000	0.000	0.000	0.00
Parker & Parsley 90 Spraberry Private Development, L.P.....	0.000	0.000	0.000	0.00
Parker & Parsley 91-A, L.P.....	0.000	0.000	0.000	0.00
Parker & Parsley 91-B, L.P.....	0.000	0.000	0.000	0.00

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Total All Partnerships.....	4.773	35.342	244.628	532.67
-----------------------------	-------	--------	---------	--------

163

B-15

APPENDIX C

TO

PROXY STATEMENT/PROSPECTUS

SUMMARY RESERVE REPORT OF  
WILLIAMSON PETROLEUM CONSULTANTS, INC.  
FOR THE PARTNERSHIPS  
AS OF DECEMBER 31, 2000

August 20, 2001

Pioneer Natural Resources USA, Inc.  
5205 North O'Connor Boulevard, Suite 1400  
Irving, Texas 75039

Attention Board of Directors

Gentlemen:

Subject: Revised Letter Report Including 46 Reports Prepared

by Williamson Petroleum Consultants, Inc.  
for Pioneer Natural Resources USA, Inc.

to the Interests of the Limited Partners

or the Converted Limited Partners  
in Various Parker & Parsley Partnerships  
Managed by Pioneer Natural Resources USA, Inc.  
Effective December 31, 2000  
for Disclosure to the  
Securities and Exchange Commission  
Williamson Project 0.8839

In accordance with your request, Williamson Petroleum Consultants, Inc. (Williamson) has prepared this revised summary letter for inclusion in the proxy statement to be distributed to the limited partners of the referenced partnerships by Pioneer Natural Resources USA, Inc. (Pioneer USA). This letter includes 46 Williamson reports prepared for Pioneer USA to the interests of the limited partners or the converted limited partners in various Parker & Parsley partnerships managed by Pioneer USA effective December 31, 2000 for disclosure to the Securities and Exchange Commission (SEC). A listing of the 46 Williamson reports is included as Exhibit I. This letter report has been revised to include updated wording in the definitions of SEC reserves. No other changes have been made to this document.

I. ESTIMATED RESERVES AND ESTIMATED FUTURE NET REVENUES

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The total Williamson estimated net proved reserves that are attributable to the evaluated interests of the 46 partnership reports are shown in Exhibit II and were based on economic parameters and operating condition considered applicable as of December 31, 2000 and may be used in disclosure to the SEC.

The present values of the estimated future net revenues from proved reserves were calculated using a discount rate of 10.00 percent per annum and were computed in accordance with the financial reporting requirements of the SEC and are presented in Exhibit II.

At the request of Pioneer USA, Williamson used the Landmark graphics and reserves and economics evaluation software, Aries, to prepare this summary report. In evaluations of these properties prior to December 31, 1991, Williamson utilized its proprietary software programs. No comparative tests have been performed to determine the difference in evaluation results of either reserves or revenue quantities that may occur solely as a result of the differences in the programs nor has Williamson performed tests to

C-1

164

determine the accuracy of Aries. However, in accordance with the request made by Pioneer USA and the general acceptance of Aries by the oil and gas industry, Williamson has used Aries to prepare this report.

### II. DEFINITIONS OF SEC RESERVES(1)

The estimated reserves presented in this summary letter are net proved reserves, including proved developed producing, proved developed nonproducing, and proved undeveloped reserves, and were computed in accordance with the financial reporting requirements of the SEC. In preparing these evaluations, no attempt has been made to quantify the element of uncertainty associated with any category. Reserves were assigned to each category as warranted. The definitions of oil and gas reserves pursuant to the requirements of the Securities Exchange Act are:

#### Proved Oil and Gas Reserves

Proved oil and gas reserves are the estimated quantities of crude oil, natural gas, and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions, i.e., prices and costs as of the date the estimate is made. Prices include consideration of changes in existing prices provided only by contractual arrangements, but not on escalations based upon future conditions.

A. Reservoirs are considered proved if economic producibility is supported by either actual production or conclusive formation test. The area of a reservoir considered proved includes:

1. that portion delineated by drilling and defined by gas-oil and/or oil-water contacts, if any; and
2. the immediately adjoining portions not yet drilled, but which can be reasonably judged as economically productive on the basis of available geological and engineering data. In the absence of information on fluid contacts, the lowest known structural occurrence of hydrocarbons controls the lower proved limit of the reservoir.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

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

C. Estimates of proved reserves do not include the following:

1. oil that may become available from known reservoirs but is classified separately as "indicated additional reserves";
2. crude oil, natural gas, and natural gas liquids, the recovery of which is subject to reasonable doubt because of uncertainty as to geology, reservoir characteristics, or economic factors;
3. crude oil, natural gas, and natural gas liquids, that may occur in undrilled prospects; and
4. crude oil, natural gas, and natural gas liquids, that may be recovered from oil shales, coal, gilsonite, and other such sources.

-----

- (1) For evaluations prepared for disclosure to the Securities and Exchange Commission, see United States Securities and Exchange Commission, Regulation S-X, Article 4 -- Rules of General Application, Reg. 210.4-10.

C-2

165

### Proved Developed Oil and Gas Reserves(2)

Proved developed oil and gas reserves are reserves that can be expected to be recovered through existing wells with existing equipment and operating methods. Additional oil and gas expected to be obtained through the application of fluid injection or other improved recovery techniques for supplementing the natural forces and mechanisms of primary recovery should be included as "proved developed reserves" only after testing by a pilot project or after the operation of an installed program has confirmed through production response that increased recovery will be achieved.

### Proved Undeveloped Reserves

Proved undeveloped oil and gas reserves are reserves that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion. Reserves on undrilled acreage shall be limited to those drilling units offsetting productive units that are reasonably certain of production when drilled. Proved reserves for other undrilled units can be claimed only where it can be demonstrated with certainty that there is continuity of production from the existing productive formation. Under no circumstances should estimates for proved undeveloped reserves be attributable to any acreage for which an application of fluid

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

injection or other improved recovery technique is contemplated, unless such techniques have been proved effective by actual tests in the area and in the same reservoir.

### III. DISCUSSION OF SEC RESERVES

The properties evaluated in this report are located in the states of Oklahoma and Texas with the majority of the value in the Spraberry (Trend Area) field, Texas.

The individual projections of lease reserves and economics prepared to produce this summary report include data that describe the production forecasts and associated evaluation parameters such as interests, taxes, product prices, operating costs, investments, salvage values, abandonment costs, and net profit interests.

Net income to the evaluated interests is the future net revenue after consideration of royalty revenue payable to others, taxes, operating expenses, investments, salvage values, abandonment costs, and net profit interests, as applicable. The future net revenue is before federal income tax and excludes consideration of any encumbrances against the properties if such exist.

The future net revenue values presented in this report were based on projections of oil and gas production. It was assumed there would be no significant delay between the date of oil and gas production and the receipt of the associated revenue for this production. No opinion is expressed by Williamson in this report as to a fair market value of the evaluated properties.

Unless specifically identified and documented by Pioneer USA as having curtailment problems, gas production trends have been assumed to be a function of well productivity and not of market conditions. The effect of "take or pay" clauses in gas contracts was not considered.

Oil and natural gas liquids (NGL) reserves are expressed in thousands of United States (U.S.) barrels (MBBL) of 42 U.S. gallons. Gas volumes are expressed in millions of cubic feet (MMCF) at 60 degrees Fahrenheit and at the legal pressure base that prevails in the state which the reserves are located. No adjustment of the individual gas volumes to a common pressure base has been made.

-----

- (2) Williamson Petroleum Consultants, Inc. separates proved developed reserves into proved developed producing and proved developed nonproducing reserves. This is to identify proved developed producing reserves as those to be recovered from actively producing wells; proved developed nonproducing reserves as those to be recovered from wells or intervals within wells, which are completed but shut in waiting on equipment or pipeline connections, or wells where a relatively minor expenditure is required for recompletion to another zone.

C-3

166

This report includes only those costs and revenues which are considered by Pioneer USA to be directly attributable to individual leases and areas. There could exist other revenues, overhead costs, or other costs associated with Pioneer USA or the Limited Partners/Converted Limited Partners which are not included in this report. Such additional costs and revenues are outside the

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

scope of this report. This report is not a financial statement for Pioneer USA or the Limited Partners/Converted Limited Partners and should not be used as the sole basis for any transaction concerning Pioneer USA, the Limited Partners/Converted Limited Partners, or the evaluated properties.

The reserves projections in this report are based on the use of the available data and accepted industry engineering methods. Future changes in any operational or economic parameters or production characteristics of the evaluated properties could increase or decrease their reserves. Unforeseen changes in market demand or allowables set by various regulatory agencies could also cause actual production rates to vary from those projected. Williamson reserves the right to alter any of the reserves projections and the associated economics included in this evaluation in any future evaluations based on additional data that may be acquired.

All data utilized in the preparation of this report with respect to interests, reversionary status, oil and gas prices, gas categories, gas contract terms, operating expenses, investments, salvage values, abandonment costs, net profit interests, well information, and current operating conditions, as applicable, were provided by Pioneer USA. Production data provided by Pioneer USA were utilized. The production data was generally through October 2000. All data have been reviewed for reasonableness and, unless obvious errors were detected, have been accepted as correct. It should be emphasized that revisions to the projections of reserves and economics included in this report may be required if the provided data are revised for any reason. No inspection of the properties was made as this was not considered within the scope of this evaluation. No investigation was made of any environmental liabilities that might apply to the evaluated properties, and no costs are included for any possible related expenses.

Since sufficient production history and other data were available, the estimates of reserves contained in this report were determined by extrapolation of historical production trends and in accordance with the Definitions of SEC Reserves included in this summary letter report.

Prices for oil sold as of December 31, 2000 were provided by Pioneer USA to be used at the effective date. These prices include adjustments for API gravity, transportation, and any bonus paid. These adjustments were made by Pioneer USA. After the effective date, prices were held constant for the life of the properties. No attempt has been made to account for oil price fluctuations which have occurred in the market subsequent to the effective date of this report.

Prices for gas sold as of December 31, 2000 were provided by Pioneer USA to be used at the effective date. These prices include adjustments for British thermal unit content, shrinkage due to NGL removal, transportation and handling charges, and any other known differences between sales and produced volumes. These adjustments were made by Pioneer USA. After the effective date, prices were held constant for the life of the properties unless Pioneer USA indicated that changes were provided for by contract. All gas prices were applied to projected wellhead volumes.

Prices for NGL sold as of December 31, 2000 were provided by Pioneer USA to be used at the effective date. NGL reserves were projected as a separate stream using a constant ratio (barrels of NGL/thousand cubic feet of gas) based on historical yields. After the effective date, prices were held constant for the life of the properties. No attempt has been made to account for price fluctuations which have occurred in the market subsequent to the effective date of this report.

It should be emphasized that with the current economic uncertainties, fluctuation in market conditions could significantly change the economics of the properties included in this report.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Operating expenses were provided by Pioneer USA and represented, when possible, the latest available 12-month average of all recurring expenses which are billable to the working interest owners. These expenses included, but were not limited to, all direct operating expenses, field overhead costs, and any ad valorem taxes not deducted separately. Expenses for workovers, well stimulations, and other

C-4

167

maintenance were not included in the operating expenses unless such work was expected on a recurring basis. Judgments for the exclusion of the nonrecurring expenses were made by Pioneer USA. Operating costs were held constant for the life of the properties.

State production and county ad valorem taxes have been deducted at the published rates as provided by Pioneer USA. A 7.5 percent severance tax exemption was applied until September 2001 for qualifying wells.

IV. CONSENT AND DECLARATION OF INDEPENDENT STATUS

We understand that our estimates are to be included in a Schedule 13e-3 under the Securities Exchange Act of 1934 to be filed by you with the SEC and in the proxy statement included as an exhibit to such Schedule 13e-3. We understand further that the estimates may be used by you to establish merger values for the Partnerships. With this understanding in mind, we have consistently applied the generally accepted petroleum engineering and evaluation principles in estimating the proved oil and gas reserves and in computing the future net revenues derived from such reserves for each property attributable to the interests held by the Partnerships.

Based on information supplied by Pioneer USA, neither capital costs nor salvage values were included in the projections of reserves and economics in this report.

Williamson is an independent consulting firm and does not own any interests in the oil and gas properties covered by this report. No employee, officer, or director of Williamson is an employee, officer, or director of Pioneer USA or any of the subject partnerships. Neither the employment of nor the compensation received by Williamson is contingent upon the values assigned to the properties covered by this report.

Yours very truly,

WILLIAMSON PETROLEUM CONSULTANTS, INC.

/s/ JOHN D. SAVAGE, P.E.

-----  
John D. Savage, P.E.

Senior Vice President

JDS/chk

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Enclosures

C-5

168

EXHIBIT I

LETTER REPORT INCLUDING 46 REPORTS PREPARED  
BY WILLIAMSON PETROLEUM CONSULTANTS, INC.  
FOR PIONEER NATURAL RESOURCES USA, INC.  
TO THE INTERESTS OF LIMITED PARTNERS  
OR THE CONVERTED LIMITED PARTNERS  
IN VARIOUS PARKER & PARSLEY PARTNERSHIPS  
MANAGED BY PIONEER NATURAL RESOURCES USA, INC.  
EFFECTIVE DECEMBER 31, 2000  
FOR DISCLOSURE TO THE  
SECURITIES AND EXCHANGE COMMISSION  
WILLIAMSON PROJECT 0.8839

LIST OF WILLIAMSON PETROLEUM CONSULTANTS, INC. REPORTS  
EFFECTIVE DECEMBER 31, 2000

"Evaluation of Oil and Gas Reserves to the Interests of the Limited Partners in Parker & Parsley 81-I, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure to the Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

"Evaluation of Oil and Gas Reserves to the Interests of the Limited Partners in Parker & Parsley 81-II, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure to the Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

"Evaluation of Oil and Gas Reserves to the Interests of the Limited Partners in Parker & Parsley 82-I, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure to the Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

"Evaluation of Oil and Gas Reserves to the Interests of the Limited Partners in Parker & Parsley 82-II, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure to the Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

"Evaluation of Oil and Gas Reserves to the Interests of the Limited Partners in Parker & Parsley 82-III, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure to the Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

"Evaluation of Oil and Gas Reserves to the Interests of the Limited Partners in Parker & Parsley 83-A, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure to the Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

"Evaluation of Oil and Gas Reserves to the Interests of the Limited



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Partners in Parker & Parsley 83-B, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure to the Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

"Evaluation of Oil and Gas Reserves to the Interests of the Limited Partners in Parker & Parsley 84-A, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure to the Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

C-6

169

"Evaluation of Oil and Gas Reserves to the Interests of the Limited Partners in Parker & Parsley 85-A, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure to the Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

"Evaluation of Oil and Gas Reserves to the Interests of the Limited Partners in Parker & Parsley 85-B, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure to the Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

"Evaluation of Oil and Gas Reserves to the Interests of the Limited Partners in Parker & Parsley Private Investment 85-A, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure to the Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

"Evaluation of Oil and Gas Reserves to the Interests of the Limited Partners in Parker & Parsley Selected 85 Private Investment, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure to the Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

"Evaluation of Oil and Gas Reserves to the Interests of the Limited Partners in Parker & Parsley 86-A, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure to the Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

"Evaluation of Oil and Gas Reserves to the Interests of the Limited Partners in Parker & Parsley 86-B, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure to the Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

"Evaluation of Oil and Gas Reserves to the Interests of the Limited Partners in Parker & Parsley 86-C, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure to the Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

"Evaluation of Oil and Gas Reserves to the Interests of the Limited Partners in Parker & Parsley Private Investment 86, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure to the Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

"Evaluation of Oil and Gas Reserves to the Interests of the Converted Limited Partners in Parker & Parsley 87-A Converted, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure to the Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

"Evaluation of Oil and Gas Reserves to the Interests of the Limited Partners in Parker & Parsley 87-A, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure to the Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

"Evaluation of Oil and Gas Reserves to the Interests of the Converted Limited Partners in Parker & Parsley 87-B Converted, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure to the Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

"Evaluation of Oil and Gas Reserves to the Interests of the Limited Partners in Parker & Parsley 87-B, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure

C-7

170

to the Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

"Evaluation of Oil and Gas Reserves to the Interests of the Limited Partners in Parker & Parsley Producing Properties 87-A, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure to the Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

"Evaluation of Oil and Gas Reserves to the Interests of the Limited Partners in Parker & Parsley Producing Properties 87-B, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure to the Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

"Evaluation of Oil and Gas Reserves to the Interests of the Limited Partners in Parker & Parsley Private Investment 87, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure to the Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

"Evaluation of Oil and Gas Reserves to the Interests of the Converted Limited Partners in Parker & Parsley 88-A Converted, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure to the Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

"Evaluation of Oil and Gas Reserves to the Interests of the Limited Partners in Parker & Parsley 88-A, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure to the Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

"Evaluation of Oil and Gas Reserves to the Interests of the Converted Limited Partners in Parker & Parsley 88-B Converted, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure to the Securities and Exchange Commission Summary Report Utilizing Aries Software

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Williamson Project 0.8839"

"Evaluation of Oil and Gas Reserves to the Interests of the Limited Partners in Parker & Parsley 88-B, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure to the Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

"Evaluation of Oil and Gas Reserves to the Interests of the Converted Limited Partners in Parker & Parsley 88-C Converted, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure to the Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

"Evaluation of Oil and Gas Reserves to the Interests of the Limited Partners in Parker & Parsley 88-C, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure to the Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

"Evaluation of Oil and Gas Reserves to the Interests of the Limited Partners in Parker & Parsley Producing Properties 88-A, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure to the Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

"Evaluation of Oil and Gas Reserves to the Interests of the Limited Partners in Parker & Parsley Private Investment 88, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure to the Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

C-8

171

"Evaluation of Oil and Gas Reserves to the Interests of the Converted Limited Partners in Parker & Parsley 89-A Converted, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure to the Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

"Evaluation of Oil and Gas Reserves to the Interests of the Limited Partners in Parker & Parsley 89-A, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure to the Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

"Evaluation of Oil and Gas Reserves to the Interests of the Converted Limited Partners in Parker & Parsley 89-B Converted, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure to the Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

"Evaluation of Oil and Gas Reserves to the Interests of the Limited Partners in Parker & Parsley 89-B, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure to the Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

"Evaluation of Oil and Gas Reserves to the Interests of the Limited Partners in Parker & Parsley Private Investment 89, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure to the

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

"Evaluation of Oil and Gas Reserves to the Interests of the Converted Limited Partners in Parker & Parsley 90-A Converted, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure to the Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

"Evaluation of Oil and Gas Reserves to the Interests of the Limited Partners in Parker & Parsley 90-A, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure to the Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

"Evaluation of Oil and Gas Reserves to the Interests of the Converted Limited Partners in Parker & Parsley 90-B Converted, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure to the Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

"Evaluation of Oil and Gas Reserves to the Interests of the Limited Partners in Parker & Parsley 90-B, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure to the Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

"Evaluation of Oil and Gas Reserves to the Interests of the Converted Limited Partners in Parker & Parsley 90-C Converted, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure to the Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

"Evaluation of Oil and Gas Reserves to the Interests of the Limited Partners in Parker & Parsley 90-C, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure to the Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

"Evaluation of Oil and Gas Reserves to the Interests of the Limited Partners in Parker & Parsley Private Investment 90, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective December 31,

C-9

172

2000 for Disclosure to the Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

"Evaluation of Oil and Gas Reserves to the Interests of the Limited Partners in Parker & Parsley 90 Spraberry Private Development, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure to the Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

"Evaluation of Oil and Gas Reserves to the Interests of the Limited Partners in Parker & Parsley 91-A, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure to the Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

"Evaluation of Oil and Gas Reserves to the Interests of the Limited

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Partners in Parker & Parsley 91-B, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure to the Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

C-10

173

EXHIBIT II

LETTER REPORT INCLUDING 46 REPORTS PREPARED  
BY WILLIAMSON PETROLEUM CONSULTANTS, INC.  
FOR PIONEER NATURAL RESOURCES USA, INC.  
TO THE INTERESTS OF LIMITED PARTNERS  
OR THE CONVERTED LIMITED PARTNERS  
IN VARIOUS PARKER & PARSLEY PARTNERSHIPS  
MANAGED BY PIONEER NATURAL RESOURCES USA, INC.  
EFFECTIVE DECEMBER 31, 2000  
FOR DISCLOSURE TO THE  
SECURITIES AND EXCHANGE COMMISSION  
WILLIAMSON PROJECT 0.8839

NET RESERVES AND FUTURE NET REVENUE  
FROM REPORTS PREPARED BY WILLIAMSON PETROLEUM CONSULTANTS, INC.  
EFFECTIVE DECEMBER 31, 2000

PIONEER FUNDS -----	TOTAL PROVED DEVELOPED PRODUCING			
	NET RESERVES TO THE EVALUATED INTERESTS			FUTURE NET REV
	OIL/CONDENSATE (MBBL)	LIQUID (MBBL)	GAS (MMCF)	UNDISCOUNTED
Parker & Parsley 81-I, Ltd. ....	99.997	58.388	320.081	2,810.911
Parker & Parsley 81-II, Ltd. ....	84.731	67.440	222.749	1,977.257
Parker & Parsley 82-I, Ltd. ....	194.780	73.613	603.859	4,656.049
Parker & Parsley 82-II, Ltd. ....	211.725	94.426	467.740	4,879.008
Parker & Parsley 82-III, Ltd. ....	164.851	68.468	223.717	2,916.207
Parker & Parsley 83-A, Ltd. ....	497.915	281.533	1,156.089	11,168.739
Parker & Parsley 83-B, Ltd. ....	608.901	345.775	1,553.450	14,112.492
Parker & Parsley 84-A, Ltd. ....	608.956	403.376	1,678.388	15,623.823
Parker & Parsley 85-A, Ltd. ....	243.615	134.904	512.744	5,195.717
Parker & Parsley 85-B, Ltd. ....	201.444	99.966	455.062	4,490.151
Parker & Parsley Private Investment 85-A, Ltd. ....	228.363	96.999	353.440	5,194.664
Parker & Parsley Selected 85 Private Investment, Ltd. ....	130.193	99.486	381.116	3,650.520
Parker & Parsley 86-A, Ltd. ....	250.327	197.841	859.633	7,179.394
Parker & Parsley 86-B, Ltd. ....	618.084	308.191	1,200.966	14,120.080
Parker & Parsley 86-C, Ltd. ....	563.752	325.531	1,246.684	11,898.910
Parker & Parsley Private Investment 86, Ltd. ....	208.138	106.060	491.002	4,920.619
Parker & Parsley 87-A Conv., Ltd. ....	113.696	66.277	287.292	2,873.802
Parker & Parsley 87-A, Ltd. ....	834.588	487.044	2,112.270	21,154.029
Parker & Parsley 87-B Conv., Ltd. ....	157.541	88.713	365.167	3,907.545
Parker & Parsley 87-B, Ltd. ....	643.391	362.299	1,491.327	15,958.265
Parker & Parsley Producing				

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Properties 87-A, Ltd. ....	553.134	153.947	705.887	9,228.521
Parker & Parsley Producing				
Properties 87-B, Ltd. ....	348.562	183.827	852.462	9,400.038
Parker & Parsley Private Investment				
87, Ltd. ....	525.646	229.811	959.391	12,336.452
Parker & Parsley 88-A Conv.,				
L.P. ....	144.189	81.404	314.160	3,480.240
Parker & Parsley 88-A, L.P. ....	491.675	277.590	1,071.291	11,868.418
Parker & Parsley 88-B Conv.,				
L.P. ....	185.600	84.916	353.516	4,354.398

C-11

174

PIONEER FUNDS	TOTAL PROVED DEVELOPED PRODUCING			FUTURE NET REV	D PE 10	
	NET RESERVES TO THE EVALUATED INTERESTS					UNDISCOUNTED
	OIL/CONDENSATE (MBSL)	LIQUID (MBSL)	GAS (MMCF)			
Parker & Parsley 88-B, L.P. ....	457.018	209.116	870.573	10,723.127		
Parker & Parsley 88-C Conv.,						
L.P. ....	145.815	74.419	309.894	3,561.005		
Parker & Parsley 88-C, L.P. ....	103.921	53.036	220.852	2,537.908		
Parker & Parsley Producing						
Properties 88-A, L.P. ....	273.838	149.368	558.886	6,727.211		
Parker & Parsley Private Investment						
88, L.P. ....	509.333	253.748	928.143	12,668.293		
Parker & Parker 89-A Conv., L.P. ...	136.107	64.524	282.306	3,433.908		
Parker & Parsley 89-A, L.P. ....	404.668	191.841	839.377	10,210.849		
Parker & Parsley 89-B Conv.,						
L.P. ....	276.640	159.018	597.289	6,717.103		
Parker & Parsley 89-B, L.P. ....	304.369	175.038	657.490	7,386.746		
Parker & Parsley Private Investment						
89, L.P. ....	324.948	138.741	489.327	6,929.194		
Parker & Parsley 90-A Conv.,						
L.P. ....	86.964	46.820	168.458	2,004.818		
Parker & Parsley 90-A, L.P. ....	253.836	136.323	490.071	5,806.774		
Parker & Parsley 90-B Conv.,						
L.P. ....	503.298	242.511	965.950	11,527.923		
Parker & Parsley 90-B, L.P. ....	1,370.202	658.317	2,621.779	31,316.135		
Parker & Parsley 90-C Conv.,						
L.P. ....	323.794	138.198	463.058	6,302.167		
Parker & Parsley 90-C, L.P. ....	520.528	222.164	744.398	10,131.499		
Parker & Parsley Private Investment						
90, L.P. ....	584.599	228.964	801.496	12,370.155		
Parker & Parsley 90 Spraberry						
Private Development, L.P. ....	313.028	100.516	377.597	5,906.691		
Parker & Parsley 91-A, L.P. ....	662.796	306.258	1,409.517	17,786.756		
Parker & Parsley 91-B, L.P. ....	719.664	311.695	1,213.315	17,109.740		
Total All Partnerships.....	17,189.160	8,638.440	35,249.259	400,514.251	1	

C-12

175

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

APPENDIX D

TO

PROXY STATEMENT/PROSPECTUS

FAIRNESS OPINION

OF

ROBERT A. STANGER & CO., INC.

August 20, 2001

Board of Directors of  
Pioneer Natural Resources USA, Inc.,  
As the Sole or Managing General Partner of  
The Partnerships Identified on Exhibit I  
1400 Williams Square West  
5205 North O'Connor Boulevard  
Irving, Texas 75039

Gentlemen:

Pioneer Natural Resources USA, Inc. ("Pioneer USA"), the sole or managing general partner of the partnerships identified in Exhibit I attached hereto ("the Partnerships"), has advised us that the Partnerships are contemplating a transaction (the "Transaction") pursuant to an agreement (the "Merger Agreement") in which the Partnerships will merge with and into Pioneer USA and the interests of the limited partners (the "Limited Partners") in each Partnership will be converted into the right to receive shares of common stock (the "Pioneer Parent Shares") of Pioneer Natural Resources Company ("Pioneer Parent") equal to the estimated value of such Partnership's oil and gas reserves (the "Reserve Value") and net working capital (the "Working Capital Balance") as of March 31, 2001, less such Partnership's pro rata share, based upon its Reserve Value, of the first \$2 million of estimated expenses and fees of the mergers of all of the Partnerships and a cash distribution made in July, 2001 (collectively, referred to herein as the "Merger Value"). We have been advised that the Merger Value will be allocated and paid to holders of limited partnership interests (the "Limited Partner Interests") of each Partnership in accordance with the provisions of the Partnership agreement of each Partnership relating to a liquidation of the Partnership.

We have been further advised that the Reserve Value has been established by Pioneer USA and its parent company, Pioneer Parent, based upon the present value of estimated future net revenues (after certain expenses and charges) from each Partnership's proved oil and gas reserves as of March 31, 2001 utilizing prices for 2001, 2002, 2003, 2004 and thereafter of \$26.17, \$24.36, \$22.83, \$22.31 and \$21.97 per barrel of oil and \$5.18, \$4.61, \$4.16, \$4.09 and \$4.12 per thousand cubic feet of gas, and a discount rate of 10.0%. We have been further advised that the Reserve Value is based upon the reserve report of Pioneer USA and Pioneer Parent, as reviewed by Williamson Petroleum Consultants, Inc. ("Williamson"), an independent petroleum engineering firm, as of March 31, 2001, and to which Pioneer USA and Pioneer Parent applied the prices previously stated

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

(the "Reserve Analysis").

We have been advised that the Limited Partners in each Partnership will have the opportunity to approve or reject the participation by their Partnership in the Transaction pursuant to a proxy statement/ prospectus (the "Proxy Statement/Prospectus") and a Limited Partners meeting which will be prepared and held, respectively, in connection with the Transaction, and further that Limited Partners in each Partnership, in exchange for Limited Partner Interests, will receive the allocated Merger Value in Pioneer Parent Shares. We have been advised that the value to be ascribed to each share of Pioneer Parent, which is listed on the New York Stock Exchange ("NYSE"), shall be equal to the average closing price for such shares on the NYSE for the ten trading day period ending three business days prior to the special meeting of the Limited Partners contemplated herein.

D-1

176

You have requested that Robert A. Stanger & Co., Inc. ("Stanger") provide an opinion as to the fairness from a financial point of view to the unaffiliated Limited Partners of each Partnership and the unaffiliated limited partners of the nonmanaging general partner of each applicable Partnership of the Merger Value ascribed to each Partnership and the allocation thereof to: (i) the Limited Partners of each Partnership, as a group; (ii) the general partners of each Partnership as a group; (iii) Pioneer USA, as the managing or sole general partner of each partnership; (iv) the unaffiliated Limited Partners of each Partnership, as a group; and (v) the unaffiliated limited partners of the nonmanaging general partner of each applicable Partnership as a group.

Stanger, founded in 1978, has provided research, investment banking and consulting services to clients located throughout the United States, including major New York Stock Exchange member firms and insurance companies and over seventy companies engaged in the management and operations of partnerships. The investment banking activities of Stanger include financial advisory services, asset and securities valuations, industry and company research and analysis, litigation support and expert witness services, and due diligence investigations in connection with both publicly registered and privately placed securities transactions.

Stanger, as part of its investment banking business, is regularly engaged in the valuation of securities in connection with mergers, acquisitions, and reorganizations and for estate, tax, corporate and other purposes. In particular, Stanger's valuation practice principally involves partnerships, partnership securities and assets typically owned through partnerships including, but not limited to, oil and gas reserves, real estate, mortgages secured by real estate, cable television systems, and equipment leasing assets.

In arriving at the opinion set forth below, we have:

- Reviewed the Preliminary Proxy Statement/Prospectus;
- Reviewed a draft of the Merger Agreement which Pioneer USA has indicated to be in substantially the form which will be executed in connection with the Transaction;
- Reviewed the financial statements of each partnership, including, if



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

applicable, the partnership's Form 10-Q and Form 10-K, for the six months ended June 30, 2001 and for the years ended December 31, 2000, 1999 and 1998;

- Reviewed the Reserve Analyses of each Partnership reviewed by Williamson as of March 31, 2001;
  
- Reviewed the Reserve Analyses of each Partnership prepared by Williamson as of December 31, 2000;
  
- Reviewed the calculations prepared by Pioneer USA and Pioneer Parent of the Merger Value per \$1,000 original investment in each Partnership;
  
- Reviewed Pioneer USA's analysis of other alternatives to the merger of each partnership, including going concern value, liquidation value, royalty trust and production payment;
  
- Reviewed estimates prepared by Pioneer USA and Pioneer Parent of the going concern value and liquidation value per \$1,000 original investment in each Partnership;
  
- Interviewed key management personnel of Pioneer USA regarding the oil and gas reserves, the financial condition of each Partnership and the terms of the Transaction;
  
- Reviewed the financial statements of Pioneer Parent included in its Form 10-Q for the six months ended June 30, 2001 and its Form 10-K for the years ended December 31, 2000, 1999 and 1998;
  
- Reviewed pro forma financial data for Pioneer Parent assuming the completion of the Transaction;
  
- Reviewed recent secondary market trading activity for interests in the Partnerships, as available;
  
- Reviewed recent trading activity in Pioneer Parent Shares; and
  
- Conducted such other studies, analyses, inquiries and investigations as we deemed appropriate.

D-2

177

In rendering this opinion, we have relied, without independent verification, on the accuracy and completeness in all material respects of all financial and other information that was furnished or otherwise communicated to

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

us by Pioneer USA, Pioneer Parent and the Partnerships. We have been advised by Pioneer USA and Pioneer Parent that the oil and gas properties owned by the Partnerships are subject to operating agreements (the "Operating Agreements") with Pioneer USA and that: (i) such Operating Agreements provide for the payment of overhead charges and that such charges are reasonable compared to amounts charged for similar services by third-party operators; and (ii) except for cause, such Operating Agreements do not provide for the termination of Pioneer USA as operator, and (iii) such Operating Agreements do not provide for the revision of overhead charges, except as escalated under the terms of such Operating Agreements. Furthermore, we have been advised by Pioneer USA and Pioneer Parent that if each Partnership's reserves were offered for sale to a third party, a condition of such sale would be that the oil and gas reserves would continue to be subject to the Operating Agreements with Pioneer USA which provide for the payment of overhead charges, and that it would be appropriate to assume, when estimating the value of such reserves, that such charges would continue. We have also been advised that the Merger Value of each Partnership has been properly allocated between Pioneer USA, the unaffiliated limited partners of the nonmanaging general partner, and Limited Partners of each Partnership in accordance with the Partnership Agreement with respect to a liquidation of such Partnership.

We have not performed an independent appraisal of the oil and gas reserves or other assets and liabilities of the Partnerships. We have not conducted any engineering studies and have relied on estimates of Pioneer USA and Pioneer Parent, which were reviewed by Williamson Petroleum Consultants, Inc., with respect to oil and gas reserve volumes, prices, operating costs, and overhead charges.

We have relied on the assurance of Pioneer USA, Pioneer Parent and the Partnerships that: (i) the Reserve Analysis provided to us was in the judgment of Pioneer USA and the Partnerships reasonably prepared on bases consistent with actual historical experience and reflect their best currently available estimates and good faith judgments; (ii) there are no estimates of costs to remediate environmental conditions included in the Reserve Analysis; (iii) any historical financial data, balance sheet data, transaction cost estimates, Merger Value analyses, going concern value analyses and liquidation value analyses are accurate and complete in all material respects; (iv) all allocations included within the calculations of Merger Values, going concern values and liquidation values have been made in accordance with the Partnership Agreement for each Partnership; (v) no material changes have occurred in the information reviewed or in the value of the oil and gas reserves or Working Capital Balances as of March 31, 2001 of each Partnership between the date the information was provided to us and the date of this letter; (vi) the relative ownership interest of the Limited Partners, unaffiliated Limited Partners, general partners, unaffiliated limited partners of the nonmanaging general partner of each applicable Partnership and Pioneer USA, as manager or sole general partner, is accurately included in accordance with the Partnership Agreements on the analyses provided to us by Pioneer USA; (vii) neither Pioneer Parent or any of its affiliates has during the thirty days prior to the date hereof commenced or continued a share repurchase program or similar transaction which could affect the Pioneer Parent Share price to be used in the Transaction; and (viii) Pioneer USA, Pioneer Parent and the Partnerships are not aware of any information or facts regarding the Partnerships, the oil and gas properties, the Reserve Analysis or the Working Capital Balances of each Partnership that would cause the information supplied to us to be incomplete or misleading in any material respect.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

We have not been requested to, and therefore did not: (i) make any recommendation to Pioneer USA, the Partnerships or the Limited Partners with respect to whether to approve or reject the Transaction; (ii) determine or negotiate the amount or form of the Merger Value to be paid for Limited Partner Interests in the Transaction; (iii) offer the assets of the Partnerships for sale to any third party; (iv) express any opinion as to: (a) the impact of the Transaction with respect to Pioneer USA or the Limited Partners of any Partnerships that do not participate in the Transaction; (b) the tax consequences of the Transaction for Pioneer USA, the unaffiliated limited partners of the nonmanaging general partner or the Limited Partners of any Partnership; (c) Pioneer USA's or Pioneer Parent's ability to finance their obligations pursuant to the Merger Agreement or the impact of a failure to obtain financing on the

D-3

178

financial performance of Pioneer USA, Pioneer Parent or the Partnerships; (d) Pioneer USA's decision to estimate the Reserve Value of the oil and gas reserves of each Partnership based upon the continued operation of the properties by Pioneer USA and the payment of overhead charges in accordance with existing Operating Agreements or the impact, if any, on the estimated values of the Partnerships' oil and gas reserves if Pioneer USA and Pioneer Parent determined to offer or operate the assets subject to revised Operating Agreements; (e) whether or not alternative methods of determining the Merger Value would have also provided fair results or results substantially similar to the methodology used; (f) alternatives to the Transaction, including the offering of such assets for sale to third-party buyers; (g) the trading price of Pioneer Parent Shares immediately following the closing of the Transaction and the distribution of Pioneer Parent Shares in connection therewith; (h) the fairness of the termination of the repurchase obligations of Pioneer USA with respect to those partnerships wherein Pioneer USA is obligated to offer to repurchase limited partnership interests annually based upon a formula which, in certain circumstances including the repurchase offers based upon December 31, 2000 oil and gas prices, result in repurchase offer prices above the market value for the reserves of such Partnerships; or (i) any other terms of the Transaction.

This letter does not purport to be a complete description of the analyses performed or the matters considered in rendering this opinion. The analyses and the summary set forth herein must be considered as a whole, and selecting portions of such summary or analyses without considering all factors and analyses would create an incomplete view of the process underlying this opinion. In rendering this opinion, judgment was applied to a variety of complex analyses and assumptions. The assumptions made and the judgments applied in rendering the opinion are not readily susceptible to partial analysis or summary description. The fact that any specific analysis is referred to herein is not meant to indicate that such analysis was given greater weight than any other analyses.

Our opinion is based on business, economic, oil and gas market, and other conditions as of the date of our analysis and addresses the Merger Value in the context of information available as of the date of our analysis. Events occurring after that date could affect the value of the assets of the Partnerships or the assumptions used in preparing this opinion.

Based upon and subject to the foregoing, it is our opinion that, as of the date of this letter and subject to the assumptions, limitations and qualifications contained herein, the Merger Value ascribed to each Partnership in connection with the Transaction and the allocation thereof to: (i) the Limited Partners of each Partnership, as a group; (ii) the general partners of

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

each Partnership, as a group; (iii) Pioneer USA, as the managing or sole general partner of each Partnership; (iv) the unaffiliated Limited Partners of each Partnership, as a group; and (v) the unaffiliated limited partners of the non-managing general partner of each applicable Partnership, as a group; is fair to the unaffiliated Limited Partners of each Partnership and the unaffiliated limited partners of the nonmanaging general partner of each applicable Partnership, from a financial point of view.

Yours truly,

/s/ ROBERT A. STANGER & CO., INC.

Robert A. Stanger & Co., Inc.

Shrewsbury, New Jersey

August 20, 2001

D-4

179

EXHIBIT I

### PARTNERSHIPS

Parker & Parsley 81-I, Ltd.  
Parker & Parsley 81-II, Ltd.  
Parker & Parsley 82-I, Ltd.  
Parker & Parsley 82-II, Ltd.  
Parker & Parsley 82-III, Ltd.  
Parker & Parsley 83-A, Ltd.  
Parker & Parsley 83-B, Ltd.  
Parker & Parsley 84-A, Ltd.  
Parker & Parsley 85-A, Ltd.  
Parker & Parsley 85-B, Ltd.  
Parker & Parsley Private Investment 85-A, Ltd.  
Parker & Parsley Selected 85 Private Investment, Ltd.  
Parker & Parsley 86-A, Ltd.  
Parker & Parsley 86-B, Ltd.  
Parker & Parsley 86-C, Ltd.  
Parker & Parsley Private Investment 86, Ltd.  
Parker & Parsley 87-A Conv., Ltd.  
Parker & Parsley 87-A, Ltd.  
Parker & Parsley 87-B Conv., Ltd.  
Parker & Parsley 87-B, Ltd.  
Parker & Parsley Producing Properties 87-A, Ltd.  
Parker & Parsley Producing Properties 87-B, Ltd.  
Parker & Parsley Private Investment 87, Ltd.  
Parker & Parsley 88-A Conv., Ltd.  
Parker & Parsley 88-A, L.P.  
Parker & Parsley 88-B Conv., L.P.  
Parker & Parsley 88-B, L.P.  
Parker & Parsley 88-C Conv., L.P.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Parker & Parsley 88-C, L.P.  
Parker & Parsley Producing Properties 88-A, L.P.  
Parker & Parsley Private Investment 88, L.P.  
Parker & Parsley 89-A Conv., L.P.  
Parker & Parsley 89-A, L.P.  
Parker & Parsley 89-B Conv., L.P.  
Parker & Parsley 89-B, L.P.  
Parker & Parsley Private Investment 89, L.P.  
Parker & Parsley 90-A Conv., L.P.  
Parker & Parsley 90-A, L.P.  
Parker & Parsley 90-B Conv., L.P.  
Parker & Parsley 90-B, L.P.  
Parker & Parsley 90-C Conv., L.P.  
Parker & Parsley 90-C, L.P.  
Parker & Parsley Private Investment 90, L.P.  
Parker & Parsley 90 Spraberry Private Development, L.P.  
Parker & Parsley 91-A, L.P.  
Parker & Parsley 91-B, L.P.

D-5

180

### APPENDIX E

TO

PROXY STATEMENT/PROSPECTUS

THE MERGER PROPOSALS

The merger proposals for each partnership, except as otherwise indicated, are set forth below. For each partnership, the merger proposals include the approval of:

- the merger agreement for that partnership, pursuant to which:
- the partnership will be merged with and into Pioneer USA, on the terms and subject to the conditions set forth in the merger agreement as described in the proxy statement/prospectus; and
- each partner, whether limited or general, but other than Pioneer USA, will receive Pioneer Parent common stock in an amount based on the merger value of that partnership in exchange for that partner's partnership interests;
- the merger amendment for that partnership authorizing:
- the merger of the partnership with and into Pioneer USA, with Pioneer USA being the surviving entity;
- the elimination of any restrictions on the merger otherwise contained in

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

the partnership's partnership agreement; and

- the opinion of special legal counsel for the limited partners and the selection of that counsel.

For each partnership, approval of the merger proposals requires the affirmative vote of limited partners who own or have the power to vote a majority, or 66 2/3% for Parker & Parsley 91-A, L.P. and Parker & Parsley 91-B, L.P., of the limited partnership interests in that partnership. The effect of an abstention or a failure to vote is the same as a vote against the merger proposals. See "The Special Meetings -- Record Date; Voting Rights and Proxies." Subject to the terms and conditions of the merger of each partnership as described in the proxy statement/prospectus under "The Merger Agreement," if the merger proposals are approved by a partnership, that participating partnership will merge with and into Pioneer USA, with Pioneer USA being the surviving entity. From and after the closing of the merger of each participating partnership, the partnership interests of the partners in that partnership will represent the right to receive an amount of Pioneer Parent common stock as described in the proxy statement/prospectus.

Generally, the partnership agreement of each partnership requires that special legal counsel for the limited partners, acceptable to the partnership, deliver a legal opinion, acceptable to the partnership, that (1) neither the grant nor the exercise of the right to approve the merger of the partnership by its limited partners will adversely affect the federal income tax classification of the partnership or any of its limited partners and (2) neither the grant nor exercise of such right will result in the loss of any limited partner's limited liability. of , has delivered that opinion, subject to the approval of the limited partners of that opinion and the selection of special legal counsel for the limited partners. See "The Merger of Each Partnership -- Legal Opinion for Limited Partners."

### APPROVAL OF MERGER FOR EACH PARTNERSHIP FORMED IN TEXAS:

RESOLVED: That, subject to receipt of a favorable opinion of special legal counsel for the limited partners as described in the proxy statement/prospectus, the partnership be merged with and into Pioneer USA, with Pioneer USA being the surviving entity, and that an amount of Pioneer Parent common stock be issued to each partner, other than Pioneer USA, in accordance with the terms set forth in the merger agreement included as Appendix F to the proxy statement/prospectus and subject to the conditions set forth therein.

E-1

181

RESOLVED: That, subject to receipt of a favorable opinion of special legal counsel for the limited partners as described in the proxy statement/prospectus, the following new article shall be added to the partnership agreement of the partnership:

### ARTICLE

Notwithstanding any provisions of this Agreement to the contrary, it is hereby agreed as follows:

1. Definitions. For the purposes of this Article, "Proxy Statement/Prospectus" means the proxy statement/prospectus dated , 2001 of Pioneer Natural Resources Company, a Delaware corporation ("Pioneer Parent"), and Pioneer Natural Resources USA, Inc., a

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Delaware corporation ("Pioneer USA"), contained in the Registration Statement on Form S-4 (File No. 333-59094) of Pioneer Parent filed with the Securities and Exchange Commission.

2. Elimination of Restrictions to Transaction. Notwithstanding anything in this Agreement to the contrary, upon the consent of limited partners holding a majority of the outstanding limited partnership interests in the partnership, which consent may or may not be the same consent to the adoption of an amendment to this Agreement, no provision of this Agreement shall prohibit, limit or prevent:

(a) the merger or consolidation of the partnership, including the merger described in the Proxy Statement/Prospectus, with any other domestic limited partnership or other entity, as those terms are defined in the Texas Revised Limited Partnership Act, and

(b) the consummation of the merger of the partnership as described in the Proxy Statement/Prospectus.

In addition, no consent of the partnership, Pioneer USA or any partner or other procedure, including the delivery of opinions of counsel, shall be required in order to enable the partnership, Pioneer USA or any partner to effect the merger.

3. Mergers. For purposes of this Agreement, each merger described in the Proxy Statement/ Prospectus shall be treated as if the partnership has:

(a) disposed of all of its assets and liabilities to Pioneer USA in exchange for an amount of Pioneer Parent common stock representing the merger value of the partnership, and

(b) liquidated in the manner provided in the liquidation provisions of this Agreement.

Accordingly, upon the partnership's deemed liquidation resulting from the merger, Pioneer Parent will issue an amount of Pioneer Parent common stock to the partners, other than Pioneer USA, in accordance with the liquidation provisions of this Agreement. For purposes of Texas law, the merger shall be a merger subject to the provisions of Section 2.11 of the Texas Revised Limited Partnership Act.

4. Authority of Pioneer USA as General Partner. By obtaining the approval of the limited partners described in Section 2 of this Article, the partnership hereby extends the power of attorney granted to Pioneer USA pursuant to this Agreement to permit Pioneer USA to execute the merger agreement described in the Proxy Statement/Prospectus and the merger amendment contemplated by this Article on behalf of the limited partners. Pioneer USA shall be authorized, at such time in its full discretion as it deems appropriate, to execute, acknowledge, verify, deliver, file and record, for and in the name and on behalf of the partnership, Pioneer USA and the limited partners, any and all documents, agreements, certificates and instruments, and shall do and perform any and all acts required by applicable law or which Pioneer USA deems necessary or advisable in order to give effect to this Article and the transactions contemplated herein, including, but not limited to, the merger.

5. This Article Controlling. The provisions of this Article shall control over all other provisions of this Agreement.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Except as herein expressly amended, all other terms and provisions of this Agreement shall remain in full force and effect.

### APPROVAL OF MERGER FOR EACH PARTNERSHIP FORMED IN DELAWARE:

RESOLVED: That, subject to receipt of a favorable opinion of special legal counsel for the limited partners as described in the proxy statement/prospectus, the partnership be merged with and into Pioneer USA, with Pioneer USA being the surviving entity, and that an amount of Pioneer Parent common stock be issued to each partner, other than Pioneer USA, in accordance with the terms set forth in the merger agreement included as Appendix F to the proxy statement/prospectus and subject to the conditions set forth therein.

RESOLVED: That, subject to receipt of a favorable opinion of special legal counsel for the limited partners as described in the proxy statement/prospectus, the following new article shall be added to the partnership agreement of the partnership:

### ARTICLE

Notwithstanding any provisions of this Agreement to the contrary, it is hereby agreed as follows:

1. Definitions. For the purposes of this Article, "Proxy Statement/Prospectus" means the proxy statement/prospectus dated \_\_\_\_\_, 2001 of Pioneer Natural Resources Company, a Delaware corporation ("Pioneer Parent"), and Pioneer Natural Resources USA, Inc., a Delaware corporation ("Pioneer USA"), contained in the Registration Statement on Form S-4 (File No. 333-59094) of Pioneer Parent filed with the Securities and Exchange Commission.

2. Elimination of Restrictions to Transaction. Notwithstanding anything in this Agreement to the contrary, upon the consent of limited partners holding a majority of the outstanding limited partnership interests in the partnership, which consent may or may not be the same consent to the adoption of an amendment to this Agreement, no provision of this Agreement shall prohibit, limit or prevent:

(a) the merger or consolidation of the partnership, including the merger described in the Proxy Statement/Prospectus, with any other domestic limited partnership or other business entity, as those terms are defined in the Delaware Revised Uniform Limited Partnership Act, and

(b) the consummation of the merger of the partnership as described in the Proxy Statement/Prospectus.

In addition, no consent of the partnership, Pioneer USA or any partner or other procedure, including the delivery of opinions of counsel, shall be required in order to enable the partnership, Pioneer USA or any partner to effect the merger.

3. Mergers. For purposes of this Agreement, each merger described in the Proxy Statement/ Prospectus shall be treated as if the partnership has:

(a) disposed of all of its assets and liabilities to Pioneer USA in exchange for an amount of Pioneer Parent common stock representing the merger value of the partnership, and

(b) liquidated in the manner provided in the liquidation provisions of this Agreement.

Accordingly, upon the partnership's deemed liquidation resulting from the



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

merger, Pioneer Parent will issue an amount of Pioneer Parent common stock to the partners, other than Pioneer USA, in accordance with the liquidation provisions of this Agreement. For purposes of Delaware law, the merger shall be a merger subject to the provisions of Section 17.11 of the Delaware Revised Uniform Limited Partnership Act.

4. Authority of Pioneer USA as General Partner. By obtaining the approval of the limited partners described in Section 2 of this Article, the partnership hereby extends the power of attorney

E-3

183

granted to Pioneer USA pursuant to this Agreement to permit Pioneer USA to execute the merger agreement described in the Proxy Statement/Prospectus and the merger amendment contemplated by this Article on behalf of the limited partners. Pioneer USA shall be authorized, at such time in its full discretion as it deems appropriate, to execute, acknowledge, verify, deliver, file and record, for and in the name and on behalf of the partnership, Pioneer USA and the limited partners, any and all documents, agreements, certificates and instruments, and shall do and perform any and all acts required by applicable law or which Pioneer USA deems necessary or advisable in order to give effect to this Article and the transactions contemplated herein, including, but not limited to, the merger.

5. This Article Controlling. The provisions of this Article shall control over all other provisions of this Agreement.

Except as herein expressly amended, all other terms and provisions of this Agreement shall remain in full force and effect.

APPROVAL OF COUNSEL TO LIMITED PARTNERS FOR EACH PARTNERSHIP:

RESOLVED: That the selection of \_\_\_\_\_ of \_\_\_\_\_, \_\_\_\_\_ as special legal counsel for the limited partners of the partnership for the purpose of rendering the legal opinion described in the proxy statement/ prospectus under "The Merger of Each Partnership -- Legal Opinion for Limited Partners" be and hereby is approved by Pioneer USA, on behalf of the partnership, and the limited partners of such partnership.

RESOLVED: That the legal opinion delivered pursuant to the partnership agreement of the partnership as described in the proxy statement/prospectus under "The Merger of Each Partnership -- Legal Opinion for Limited Partners," in form and substance as set forth in Exhibit A to these merger proposals, be and hereby is approved as in form and substance satisfactory to the limited partners of such partnership in their reasonable judgment.

E-4

184

EXHIBIT A  
TO

APPENDIX E

TO

PROXY STATEMENT/PROSPECTUS

OPINION OF

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Pioneer Natural Resources USA, Inc.,  
As Sole or Managing General Partner of  
46 Limited Partnerships Named in the  
Proxy Statement/Prospectus dated , 2001

5205 North O'Connor Blvd., Suite 1400  
Irving, Texas 75039

We are of the opinion that (1) neither the grant nor the exercise of the right to approve the merger of each partnership with and into Pioneer Natural Resources USA, Inc. by the partnership's limited partners will adversely affect the federal income tax classification of the partnership or any of its limited partners and (2) neither the grant nor exercise of such right will result in the loss of any limited partner's limited liability.

We hereby consent to the references to our firm and this opinion contained in the proxy statement/ prospectus forming a part of the registration statement on Form S-4 (File No. 333-59094) filed with the Securities and Exchange Commission by Pioneer Natural Resources Company, a Delaware corporation, in connection with the merger of each of the limited partnerships with and into Pioneer Natural Resources USA, Inc., a Delaware corporation.

E-5

185

APPENDIX F

TO

PROXY STATEMENT/PROSPECTUS

FORM OF AGREEMENT AND PLAN OF MERGER  
(DRILLING AND INCOME FUNDS)

THIS AGREEMENT AND PLAN OF MERGER dated as of , 2001 (this "Merger Agreement"), is entered into by and among Pioneer Natural Resources Company, a Delaware corporation ("Pioneer Parent"), Pioneer Natural Resources USA, Inc., a Delaware corporation and wholly-owned subsidiary of Pioneer Parent ("Pioneer USA"), and each of the limited partnerships referred to below (each, a "Partnership" and collectively, the "Partnerships").

RECITALS

A. Pioneer USA is the sole or managing general partner of each of the following Partnerships:

PARTNERSHIP NAME -----	STATE OF FORMATION -----
Parker & Parsley 81-I, Ltd. ....	Texas
Parker & Parsley 81-II, Ltd. ....	Texas
Parker & Parsley 82-I, Ltd. ....	Texas
Parker & Parsley 82-II, Ltd. ....	Texas
Parker & Parsley 82-III, Ltd. ....	Texas
Parker & Parsley 83-A, Ltd. ....	Texas
Parker & Parsley 83-B, Ltd. ....	Texas
Parker & Parsley 84-A, Ltd. ....	Texas
Parker & Parsley 85-A, Ltd. ....	Texas

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Parker & Parsley 85-B, Ltd. ....	Texas
Parker & Parsley Private Investment 85-A, Ltd. ....	Texas
Parker & Parsley Selected 85 Private Investment, Ltd. ....	Texas
Parker & Parsley 86-A, Ltd. ....	Texas
Parker & Parsley 86-B, Ltd. ....	Texas
Parker & Parsley 86-C, Ltd. ....	Texas
Parker & Parsley Private Investment 86, Ltd. ....	Texas
Parker & Parsley 87-A Conv., Ltd. ....	Texas
Parker & Parsley 87-A , Ltd. ....	Texas
Parker & Parsley 87-B Conv., Ltd. ....	Texas
Parker & Parsley 87-B, Ltd. ....	Texas
Parker & Parsley Producing Properties 87-A, Ltd. ....	Texas
Parker & Parsley Producing Properties 87-B, Ltd. ....	Texas
Parker & Parsley Private Investment 87, Ltd. ....	Texas
Parker & Parsley 88-A Conv., L.P. ....	Delaware
Parker & Parsley 88-A, L.P. ....	Delaware
Parker & Parsley 88-B Conv., L.P. ....	Delaware
Parker & Parsley 88-B, L.P. ....	Delaware
Parker & Parsley 88-C Conv., L.P. ....	Delaware
Parker & Parsley 88-C, L.P. ....	Delaware
Parker & Parsley Producing Properties 88-A, L.P. ....	Delaware
Parker & Parsley Private Investment 88, L.P. ....	Delaware
Parker & Parsley 89-A Conv., L.P. ....	Delaware
Parker & Parsley 89-A, L.P. ....	Delaware
Parker & Parsley 89-B Conv., L.P. ....	Delaware

F-1

186

PARTNERSHIP NAME -----	STATE OF FORMATION -----
Parker & Parsley 89-B, L.P. ....	Delaware
Parker & Parsley Private Investment 89, L.P. ....	Delaware
Parker & Parsley 90-A Conv., L.P. ....	Delaware
Parker & Parsley 90-A, L.P. ....	Delaware
Parker & Parsley 90-B Conv., L.P. ....	Delaware
Parker & Parsley 90-B, L.P. ....	Delaware
Parker & Parsley 90-C Conv., L.P. ....	Delaware
Parker & Parsley 90-C, L.P. ....	Delaware
Parker & Parsley Private Investment 90, L.P. ....	Delaware
Parker & Parsley 90 Spraberry Private Development, L.P. ....	Delaware
Parker & Parsley 91-A, L.P. ....	Delaware
Parker & Parsley 91-B, L.P. ....	Delaware

B. Each of P&P Employees 81-I, Ltd., a Texas limited partnership, P&P Employees 81-II, Ltd., a Texas limited partnership, P&P Employees 82-I, Ltd., a Texas limited partnership, P&P Employees 82-II, Ltd., a Texas limited partnership, P&P Employees 82-III, Ltd., a Texas limited partnership, P&P Employees 83-A, Ltd., a Texas limited partnership, P&P Employees 83-B, Ltd., a Texas limited partnership, and P&P Employees 84-A, Ltd., a Texas limited partnership (individually, the "Nonmanaging General Partner" and collectively, the "Nonmanaging General Partners"), is the nonmanaging general partner of Parker & Parsley 81-I, Ltd., Parker & Parsley 81-II, Ltd., Parker & Parsley 82-I, Ltd., Parker & Parsley 82-II, Ltd., Parker & Parsley 82-III, Ltd., Parker & Parsley 83-A, Ltd. Parker & Parsley 83-B, Ltd. and Parker & Parsley 84-A, Ltd., respectively.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

C. Pioneer USA is the sole general partner of each of the Nonmanaging General Partners and in such capacity has authority (i) to cause the Nonmanaging General Partner to perform its obligations under the partnership agreement of the respective Partnership; and (ii) to exercise on behalf of the Nonmanaging General Partner all of the rights and elections granted to such Nonmanaging General Partner by the respective Partnership.

D. The board of directors of each of Pioneer Parent and Pioneer USA has determined that it is in the best interests of Pioneer Parent and Pioneer USA (in its individual capacity, as the sole or managing general partner of each Partnership and as the sole general partner of each Nonmanaging General Partner) to merge each Partnership with and into Pioneer USA and each such board of directors has approved the merger of each Partnership referred to below, upon the terms and subject to the conditions contained herein.

E. Pioneer USA intends to solicit the vote of the limited partners of each Partnership holding at least a majority (or with respect to Parker & Parsley 91-A, L.P. and Parker & Parsley 91-B, L.P. (each, a "Super-Majority Partnership"), at least 66 2/3%) of the outstanding limited partnership interests of the Partnership to approve the merger of the Partnership. Subject to certain limitations, upon consummation of the merger of each Partnership, the partners, other than Pioneer USA, will have the right to receive a number of shares of common stock, par value \$0.01 per share, of Pioneer Parent together with associated rights to acquire Series A Junior Participating Preferred Stock (the common stock, together with the rights, the "Pioneer Parent Common Stock").

F-2

187

### AGREEMENTS

NOW, THEREFORE, in consideration of the premises and the mutual agreements contained herein, the parties hereto agree as follows:

#### ARTICLE 1

##### THE MERGER OF EACH PARTNERSHIP

1.1 Merger of Each Partnership. At the Effective Time (as defined in Section 1.4), each Partnership shall be merged with and into Pioneer USA, the separate existence of the Partnership shall cease, and Pioneer USA, as the surviving corporation, shall continue to exist by virtue of and shall be governed by the laws of the State of Delaware.

1.2 Merger Value for Each Partnership; Pioneer Parent Common Stock Offered.

(a) At the Effective Time, by virtue of the merger of each Partnership and without any action on the part of Pioneer USA or the other partners of the Partnership, each partnership interest outstanding immediately prior thereto shall be converted into the right to receive an amount of Pioneer Parent Common Stock allocated to the Partnership, which amount shall be determined in accordance with the merger value assigned to the Partnership pursuant to the procedures set forth herein and in the Proxy Statement/Prospectus (as defined in Section 4.3) and the procedures set forth in the Partnership's partnership agreement for allocating liquidation distributions as though the assets of the Partnership were sold for the merger value of the Partnership. The merger value for each Partnership is equal to the sum of the present value of estimated

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

future net revenues from the Partnership's estimated oil and gas reserves and its net working capital, in each case as of March 31, 2001 and determined as described in the Proxy Statement/Prospectus, less its pro rata share, based on its reserve value, of the estimated expenses and fees of the mergers of all of the Partnerships and less the cash distribution mailed on July 13, 2001, by the Partnership to its partners. The merger value for each Partnership will not be adjusted as of the Closing Date. The number of shares of Pioneer Parent Common Stock to be issued for each partnership interest of each Partnership will be based on (i) the Partnership's merger value divided by (ii) the average closing price of the Pioneer Parent Common Stock, as reported by the New York Stock Exchange, for the ten trading days ending three business days before the initial date scheduled for the special meeting for the Partnership. For purposes of illustration in the Proxy Statement/Prospectus, Pioneer Parent and Pioneer USA calculated the aggregate number of shares of Pioneer Parent Common Stock to be offered based on \$18.00 per share of Pioneer Parent Common Stock. Pioneer Parent and Pioneer USA shall update the aggregate number of shares of Pioneer Parent Common Stock to be issued based on the average closing price as described in clause (ii) above before the date of the special meeting for each Partnership. The merger value assigned to each Partnership and the amount of Pioneer Parent Common Stock offered with respect to each \$1,000 investment by the limited partners in the Partnership pursuant to the merger of the Partnership are set forth in the table entitled "Summary Table -- Merger Value and Amount of Initial Limited Partner Investment Repaid" in the Proxy Statement/Prospectus.

(b) All partnership interests of each Partnership, when converted into the right to receive Pioneer Parent Common Stock, shall no longer be outstanding and shall automatically be cancelled and retired and shall cease to exist, and each holder of a certificate representing any such partnership interests shall cease to have any rights with respect thereto, except the right to receive the amount of Pioneer Parent Common Stock to be delivered in consideration therefor.

(c) The partnership interests, whether general or limited, in each Partnership held directly or indirectly by Pioneer USA shall be cancelled without any consideration being received therefor; provided, however, that as a result of the merger of each Partnership, Pioneer USA will own 100% of the properties of the Partnership, including properties attributable to its partnership interests in the Partnership.

(d) No fractional shares of Pioneer Parent Common Stock will be issued. Each fractional share of Pioneer Parent Common Stock to be issued to a partner of a Partnership will be rounded up to the nearest whole share.

F-3

188

(e) When any person has partnership interests in more than one Partnership that merges with Pioneer USA, Pioneer USA and Pioneer Parent may, at their sole discretion, aggregate the number of shares of Pioneer Parent Common Stock to be issued to that person before making the rounding and other adjustments provided in the preceding clause (d).

(f) If any limited partner is indebted to Pioneer USA for any portion of the limited partner's original investment in the Partnership, Pioneer USA plans to apply the Pioneer Parent Common Stock that would otherwise be distributed to the limited partner upon completion of the merger of the Partnership against

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

that limited partner's indebtedness. If a limited partner's indebtedness to Pioneer USA is less than the merger value allocated to limited partnership interests held by the limited partner, the limited partner shall receive Pioneer Parent Common Stock equal to the amount by which such merger value exceeds such indebtedness. If a limited partner's indebtedness to Pioneer USA is greater than the merger value allocated to the limited partnership interests held by the limited partner, Pioneer USA may collect the deficiency from the limited partner.

(g) To the extent that Pioneer USA or a Partnership is required to withhold and pay over, or otherwise pay, any withholding or other tax (the "Required Withholding") with respect to a partner or former partner in a Partnership (the "Withholding Partner") as a result of the Withholding Partner's current or former participation in the Partnership, Pioneer USA or the Partnership shall be entitled to deduct and withhold (or cause to be deducted and withheld) the Required Holding from the merger consideration (including the Pioneer Parent Common Stock) otherwise payable to the Withholding Partner. In the event Pioneer USA or a Partnership withholds Pioneer Parent Common Stock in order to satisfy the Required Withholding with respect to a Withholding Partner, Pioneer USA or the Partnership, as appropriate, may, in its sole discretion, (i) sell such Pioneer Parent Common Stock and use the proceeds therefrom to satisfy the Required Withholding, (ii) hold such Pioneer Parent Common Stock as security for the satisfaction of the Required Withholding by the Withholding Partner, in which case the Pioneer Parent Common Stock shall be released to the Withholding Partner upon the full satisfaction of the Required Withholding by the Withholding Partner, or (iii) take such other reasonable action as is required or appropriate to satisfy the Required Withholding at the sole expense of the Withholding Partner. To the extent that amounts are so withheld or deducted (or caused to be withheld or deducted) by Pioneer USA or a Partnership, such amounts shall be treated for all purposes of this Merger Agreement as having been paid to the Withholding Partner.

1.3 Closing. The closing of the merger of each Partnership (the "Closing") shall take place at the offices of Vinson & Elkins L.L.P., 3700 Trammell Crow Center, 2001 Ross Avenue, Dallas, Texas 75201, as soon as practicable after the fulfillment of the conditions referred to in Article 4, or at such other time and place as the parties shall agree (the date of such Closing being the "Closing Date").

1.4 Effective Time of Merger of Each Partnership. Upon satisfaction of the conditions set forth in Article 4 hereof and as soon as practicable after the Closing, this Merger Agreement, or a certificate of merger setting forth the information required by, and otherwise in compliance with, Section 263 of the General Corporation Law of the State of Delaware (the "DGCL") and, if applicable, Section 17-211 of the Revised Uniform Limited Partnership Act of the State of Delaware (the "DRULPA") with respect to the merger of each Partnership, shall be delivered for filing with the Secretary of State of the State of Delaware. At such time, if applicable, a certificate of merger with respect to the merger of each Partnership setting forth the information required by, and otherwise in compliance with, Section 2.11 the Revised Limited Partnership Act of the State of Texas (the "TRLPA") shall be delivered for filing with the Secretary of State of the State of Texas. The merger of each Partnership shall become effective upon the later of (a) the day and at the time the Secretary of State of the State of Delaware files this Merger Agreement or such certificate of merger in compliance with Section 263 of the DGCL and, if applicable, Section 17-211 of the DRULPA, and (b) if applicable, the day and at the time the Secretary of State of the State of Texas files such certificate of merger in compliance with Section 2.11 of the TRLPA (the time of such effectiveness is herein called the "Effective Time"). Notwithstanding the foregoing, by action of

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

its board of directors, either Pioneer Parent or Pioneer USA, in its individual capacity or as the sole general partner of each Partnership, may terminate this Merger Agreement at any time prior to the earlier

F-4

189

of (a) the filing of this Merger Agreement or the certificate of merger with respect to the merger of the Partnership in compliance with Section 263 of the DGCL and, if applicable, Section 17-211 of the DRULPA with the Secretary of State of the State of Delaware and (b) if applicable, the filing of the certificate of merger with respect to the merger of the Partnership in compliance with Section 2.11 of the TRLPA with Secretary of State of the State of Texas.

1.5 Effect of Merger of Each Partnership. At the Effective Time of the merger of each Partnership, Pioneer USA, without further action, as provided by the laws of the State of Delaware and the State of Texas, as the case may be, shall succeed to and possess all the rights, privileges, powers, and franchises, of a public as well as of a private nature, of the Partnership; and all property, real, personal and mixed, and all debts due on whatsoever account, including subscriptions to shares, and all other choses in action, and all and every other interest, of or belonging to or due to the Partnership shall be deemed to be vested in Pioneer USA without further act or deed; and the title to any real estate, or any interest therein, vested in Pioneer USA or the Partnership shall not revert or be in any way impaired by reason of the merger of the Partnership. Such transfer to and vesting in Pioneer USA shall be deemed to occur by operation of law, and no consent or approval of any other person shall be required in connection with any such transfer or vesting unless such consent or approval is specifically required in the event of merger or consolidation by law or express provision in any contract, agreement, decree, order, or other instrument to which Pioneer USA or the Partnership is a party or by which either of them is bound. At and after the Effective Time, Pioneer USA shall be responsible and liable for all debts, liabilities, and duties of each Partnership, including franchise taxes, if any, which may be enforced against Pioneer USA to the same extent as if said debts, liabilities, and duties had been incurred or contracted by it. Neither the rights of creditors nor any liens upon the property of any Partnership or Pioneer USA shall be impaired by the merger of any Partnership.

1.6 Certificate of Incorporation and Bylaws. The certificate of incorporation of Pioneer USA before the merger of each Partnership shall be and remain the certificate of incorporation of Pioneer USA after the Effective Time, until the same shall thereafter be altered, amended, or repealed in accordance with law and Pioneer USA's certificate of incorporation. The bylaws of Pioneer USA as in effect at the Effective Time shall be and remain the bylaws of Pioneer USA, as the surviving corporation, until the same shall thereafter be altered, amended, or repealed in accordance with law, Pioneer USA's certificate of incorporation or such bylaws.

1.7 Pioneer USA Common Stock. At the Effective Time, each outstanding share of common stock of Pioneer USA shall remain outstanding and shall continue to represent one share of common stock of Pioneer USA.

1.8 Officers and Directors. At the Effective Time, each of the persons who was serving as an officer of Pioneer USA immediately prior to the Effective Time shall continue to be an officer of Pioneer USA and shall continue to serve in such capacity at the pleasure of the board of directors of Pioneer USA or, if earlier, until their respective death or resignation. At the Effective Time, each of the persons who was serving as a director of Pioneer USA immediately prior to the Effective Time shall continue to be a director of Pioneer USA, and each shall serve in such capacity until the next annual meeting of stockholders of Pioneer USA and until his or her successor is elected and qualified or, if

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

earlier, until his death, resignation, or removal from office.

### 1.9 Exchange of Partnership Interests for Pioneer Parent Common Stock.

(a) Continental Stock Transfer & Trust Company shall act as the transfer and exchange agent (in such capacity, the "Transfer Agent") in connection with the issuance of certificates representing shares of Pioneer Parent Common Stock pursuant to Section 1.2.

(b) The Transfer Agent shall mail certificates representing shares of Pioneer Parent Common Stock to the partners of record, other than Pioneer USA, of each Partnership promptly following the Closing Date in payment of the merger consideration. Limited partners and Nonmanaging General Partners of

F-5

190

each Partnership will not be required to surrender partnership interest certificates to receive the Pioneer Parent Common Stock.

(c) If any certificate representing shares of Pioneer Parent Common Stock is to be issued in a name other than that in which the limited partnership interests cancelled in exchange therefor are registered, it shall be a condition of the issuance thereof that the person requesting such exchange shall pay to the Transfer Agent any transfer or other taxes required by reason of the issuance of a certificate representing shares of Pioneer Parent Common Stock in any name other than that of the registered holder of the cancelled limited partnership interests, or otherwise required, or shall establish to the satisfaction of the Transfer Agent that such tax has been paid or is not payable.

(d) After the Closing Date, there shall not be any further registration of transfers on the transfer books of any Partnership of the partnership interests that were issued and outstanding immediately before the Closing Date and were converted into the right to receive Pioneer Parent Common Stock. If, after the Closing Date, certificates representing partnership interests of a Partnership are presented, they shall be exchanged for Pioneer Parent Common Stock, all as provided in this Article.

## ARTICLE 2

### REPRESENTATIONS AND WARRANTIES

2.1 Representations and Warranties of Each Partnership. Each Partnership hereby represents and warrants to Pioneer Parent and Pioneer USA as follows:

(a) Formation; Qualification. The Partnership is a limited partnership duly formed under the DRULPA or TRLPA, as applicable, and is validly existing and in good standing under the laws of the State of Delaware or the State of Texas, as applicable. The Partnership has all requisite partnership power and authority to own, operate or lease its properties and to carry on its business as now being conducted. The



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Partnership is duly qualified to do business as a foreign limited partnership and is in good standing in each jurisdiction where the character of its properties owned, operated or leased, or the nature of its activities, makes such qualifications necessary.

(b) Capitalization. All of the outstanding partnership interests of the Partnership are free of all liens, encumbrances, defects and preemptive rights and are fully paid. Except as described in the Proxy Statement/Prospectus, there are no outstanding subscriptions, options or other arrangements or commitments obligating the Partnership to issue any additional partnership interests.

(c) No Conflicts. Assuming this Merger Agreement is approved by the requisite vote of the limited partners of the Partnership (with respect to Parker & Parsley 85-A, Ltd., Parker & Parsley 85-B, Ltd., Parker & Parsley Private Investment 85-A, Ltd., Parker & Parsley Selected 85 Private Investment, Ltd., Parker & Parsley Private Investment 86, Ltd., Parker & Parsley 91-A, L.P. and Parker & Parsley 91-B, L.P. (each, a "Special Vote Partnership"), excluding Pioneer USA and its affiliates), consummation of the transactions contemplated hereby and compliance with the terms and provisions of this Merger Agreement will not conflict with, result in a breach of, require notice under or constitute a default under (i) its certificate of limited partnership or partnership agreement, (ii) any material judgment, order, injunction, decree or ruling of any court or governmental authority or (iii) any material agreement, indenture or instrument to which the Partnership is a party.

(d) Authority, Authorization and Enforceability. The Partnership has all requisite power and authority to enter into and perform the provisions of this Merger Agreement. The execution and delivery of this Merger Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all necessary partnership action on the part of the Partnership other than the approval of its limited partners (with respect to each Special Vote Partnership, excluding Pioneer USA and its affiliates). Subject to such approval, this Merger Agreement has been duly executed and delivered by the Partnership and constitutes a valid and binding obligation of the Partnership enforceable in accordance with its terms.

F-6

191

(e) SEC Reports; Financial Statements.

(i) With respect to each of Reporting Partnership (as defined below), the Partnership's (A) Annual Report on Form 10-K for the year ended December 31, 2000, (B) Quarterly Report on Form 10-Q for the quarter ended June 30, 2001, and (C) all other reports or registration statements filed with the Securities and Exchange Commission (the "SEC") since December 31, 2000 (collectively, the "Partnership's SEC Reports") (1) were prepared in accordance with the applicable requirements of the Securities Act of 1933 (the "Securities Act") and the Securities Exchange Act of 1934 (the "Exchange Act"), and (2) as of their respective dates, did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they are made, not misleading.

(ii) Each of the financial statements of the Partnership for the

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

year ended December 31, 2000 and for the six months ended June 30, 2001 contained in the Partnership's supplement to the Proxy Statement/Prospectus and, with respect to each Reporting Partnership, in the Partnership's SEC Reports has been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods involved (except as may be indicated in the notes thereto) and each fairly presents the financial position of the Partnership as of the respective dates thereof and the results of operations and cash flows of the Partnership for the periods indicated, except that the unaudited interim financial statements are subject to normal and recurring year-end adjustments that are not expected to be material in amount.

(iii) For purposes hereof, the term "Reporting Partnership" means: Parker & Parsley 82-I, Ltd., Parker & Parsley 82-II, Ltd., Parker & Parsley 83-A, Ltd., Parker & Parsley 83-B, Ltd., Parker & Parsley 84-A, Ltd., Parker & Parsley 85-A, Ltd., Parker & Parsley 85-B, Ltd., Parker & Parsley 86-A, Ltd., Parker & Parsley 86-B, Ltd., Parker & Parsley 86-C, Ltd., Parker & Parsley 87-A, Ltd., Parker & Parsley 87-B, Ltd., Parker & Parsley Producing Properties 87-A, Ltd., Parker & Parsley Producing Properties 87-B, Ltd., Parker & Parsley 88-A, L.P., Parker & Parsley 88-B, L.P., Parker & Parsley Producing Properties 88-A, L.P., Parker & Parsley 89-A, L.P., Parker & Parsley 90-A L.P., Parker & Parsley 90-B Conv., L.P., Parker & Parsley 90-C, L.P., Parker & Parsley 90-C Conv., L.P., Parker & Parsley 90-C, L.P., Parker & Parsley 91-A, L.P. and Parker & Parsley 91-B, L.P.

(f) No Material Adverse Change. Since June 30, 2001, the Partnership has conducted its operations in the ordinary and usual course of business and has paid all of its obligations as they have become due; and the business of the Partnership has not undergone any material adverse change since such date.

(g) Accuracy of Information. None of the information supplied or to be supplied by the Partnership for inclusion in the Proxy Statement/Prospectus, as amended or supplemented, will, at the time of the mailing of the Proxy Statement/Prospectus, the time of the special meeting of the limited partners of the Partnership (each, a "Special Meeting") or the Closing Date, be false or misleading with respect to any material fact, contain any untrue statement of material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

2.2 Representations and Warranties of Pioneer USA. Pioneer USA hereby represents and warrants to Pioneer Parent and each Partnership as follows:

(a) Organization; Qualification. Pioneer USA is a corporation duly formed under the DGCL and is validly existing and in good standing under the laws of the State of Delaware. Pioneer USA has all requisite corporate power and authority to own, operate or lease its properties and to carry on its business as now being conducted. Pioneer USA is duly qualified to do business as a foreign corporation and is in good standing in each jurisdiction where the character of its properties owned, operated or leased, or the nature of its activities, makes such qualifications necessary.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

(b) No Conflicts. Consummation of the transactions contemplated hereby and compliance with the terms and provisions of this Merger Agreement will not conflict with, result in a breach of, require notice under or constitute a default under (i) its certificate of incorporation or bylaws, (ii) any material judgment, order, injunction, decree or ruling of any court or governmental authority or (iii) any material agreement, indenture or instrument to which Pioneer USA is a party.

(c) Authority, Authorization and Enforceability. Pioneer USA has all requisite corporate power and authority to execute and deliver this Merger Agreement and to perform the provisions of this Merger Agreement. The execution and delivery of this Merger Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of Pioneer USA. This Merger Agreement has been duly executed and delivered by Pioneer USA and constitutes a valid and binding obligation of Pioneer USA enforceable in accordance with its terms.

(d) No Material Adverse Change. Since June 30, 2001, Pioneer USA has conducted its operations in the ordinary and usual course of business and has paid all of its obligations as they have become due; and the business of Pioneer USA has not undergone any material adverse change since such date.

(e) Accuracy of Information. None of the information supplied or to be supplied by Pioneer USA for inclusion in the Proxy Statement/Prospectus, as amended or supplemented, will, at the time of the mailing of the Proxy Statement/Prospectus, the time of the Special Meeting of each Partnership or the Closing Date, be false or misleading with respect to any material fact, contain any untrue statement of material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(f) Capacity as General Partner. Pioneer USA is the sole or managing general partner of each Partnership and is the sole general partner of each Nonmanaging General Partner.

2.3 Representations and Warranties of Pioneer Parent. Pioneer Parent hereby represents and warrants to Pioneer USA and each Partnership as follows:

(a) Organization; Qualification. Pioneer Parent is a corporation duly formed under the DGCL and is validly existing and in good standing under the laws of the State of Delaware. Pioneer Parent has all requisite corporate power and authority to own, operate or lease its properties and to carry on its business as now being conducted. Pioneer Parent is duly qualified to do business as a foreign corporation and is in good standing in each jurisdiction where the character of its properties owned, operated or leased, or the nature of its activities, makes such qualifications necessary.

(b) No Conflicts. Consummation of the transactions contemplated hereby and compliance with the terms and provisions of this Merger Agreement will not conflict with, result in a breach of, require notice under or constitute a default under (i) its certificate of incorporation or bylaws, (ii) any material judgment, order, injunction, decree or ruling of any court or governmental authority or (iii) any material agreement, indenture or instrument to which Pioneer Parent is a party.

(c) Authority, Authorization and Enforceability. Pioneer Parent has

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

all requisite corporate power and authority to execute and deliver this Merger Agreement and to perform the provisions of this Merger Agreement. The execution and delivery of this Merger Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of Pioneer Parent. This Merger Agreement has been duly executed and delivered by Pioneer Parent and constitutes a valid and binding obligation of Pioneer Parent enforceable in accordance with its terms. When issued in accordance with this Merger Agreement, the shares of Pioneer Parent Common Stock will be validly issued, fully paid and nonassessable and not subject to preemptive rights.

F-8

193

(d) SEC Reports; Financial Statements.

(i) Pioneer Parent's (A) Annual Report on Form 10-K for the year ended December 31, 2000, (B) Quarterly Report on Form 10-Q for the quarter ended June 30, 2001, and (C) all other reports or registration statements filed with the SEC since December 31, 2000 (collectively, "Pioneer Parent's SEC Reports") (1) were prepared in accordance with the applicable requirements of the Securities Act and the Exchange Act, and (2) as of their respective dates, did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they are made, not misleading.

(ii) Each of the financial statements of Pioneer Parent for the year ended December 31, 2000 and for the six months ended June 30, 2001 contained in Pioneer Parent's SEC Reports has been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods involved (except as may be indicated in the notes thereto) and each fairly presents the financial position of Pioneer Parent as of the respective dates thereof and the results of operations and cash flows of Pioneer Parent for the periods indicated, except that the unaudited interim financial statements are subject to normal and recurring year-end adjustments that are not expected to be material in amount.

(e) No Material Adverse Change. Since June 30, 2001, Pioneer Parent has conducted its operations in the ordinary and usual course of business and has paid all of its obligations as they have become due; and the business of Pioneer Parent has not undergone any material adverse change since such date.

(f) Accuracy of Information. None of the information supplied or to be supplied by Pioneer Parent for inclusion in the Proxy Statement/Prospectus, as amended or supplemented, will, at the time of the mailing of the Proxy Statement/Prospectus, the time of the Special Meeting of each Partnership or the Closing Date, be false or misleading with respect to any material fact, contain any untrue statement of material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

# Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

## ARTICLE 3

### CONDITIONS PRECEDENT TO THE MERGER OF EACH PARTNERSHIP

3.1 Conditions to Each Party's Obligations to Effect the Merger of Each Partnership. The respective obligations of each party to effect the merger of each Partnership shall be subject to the fulfillment (or waiver in whole or in part by the intended beneficiary thereof in its sole discretion) at or prior to the Closing Date of the following conditions:

(a) This Merger Agreement, an amendment to the partnership agreement of each Partnership to permit the merger of such Partnership (the "Merger Amendment"), the selection of special counsel for the limited partners and that counsel's legal opinion referred to in Section 3.1(c) shall have been approved by the limited partners (with respect to each Special Vote Partnership, excluding Pioneer USA and its affiliates) holding at least a majority (or, with respect to each Super-Majority Partnership, at least 66 2/3%) of the outstanding limited partnership interests voting in person or by proxy at the Special Meetings at which a quorum is present, with respect to each merger.

(b) Pioneer USA shall have received from Robert A. Stanger & Co., Inc. a written opinion for inclusion in the Proxy Statement/Prospectus satisfactory in form and substance to Pioneer USA and substantially to the effect that, as of the date of that opinion, the merger value for each Partnership and the allocation of the merger value of the Partnership (1) to the limited partners of the Partnership as a group, (2) to the general partners of the Partnership as a group, (3) to Pioneer USA as the managing or sole general partner of the Partnership, (4) to the unaffiliated limited partners of

F-9

194

the Partnership as a group and (5) to the unaffiliated limited partners of the Nonmanaging General Partner, if any, of the Partnership as a group, is fair to the unaffiliated limited partners of the Partnership and the unaffiliated limited partners of the Nonmanaging General Partner, if any, of the Partnership, from a financial point of view. Such opinion shall not have been withdrawn prior to the Closing Date, unless a replacement opinion or opinions of an investment banking firm or firms satisfactory to Pioneer USA to a similar effect has been received by Pioneer USA and has not been withdrawn.

(c) The receipt, on or prior to the Closing Date, by Pioneer USA of the opinion of special legal counsel for the limited partners pursuant to the partnership agreement of each Partnership.

(d) No provision of any applicable law or regulation and no judgment, injunction, order or decree shall prohibit the consummation of the merger of any Partnership and the transactions related thereto.

(e) No suit, action or proceeding shall have been filed or otherwise be pending against Pioneer Parent, Pioneer USA or any officer, director or affiliate of Pioneer Parent or Pioneer USA challenging the legality or any aspect of the merger of any Partnership or the transactions related thereto.

(f) The shares of Pioneer Parent Common Stock issuable upon the merger of each Partnership pursuant to this Merger Agreement shall have been

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

authorized for listing on the New York Stock Exchange and the Toronto Stock Exchange upon official notice of issuance.

(g) The parties to the merger of each Partnership having made all filings and registrations with, and notifications to, all third parties, including, without limitation, lenders and all appropriate regulatory authorities, required for consummation of the transactions contemplated by this Merger Agreement (other than the filing and recordation of appropriate merger documents required by the DGCL, the DRULPA and the TRLPA, as applicable), and all approvals and authorizations and consents of all third parties, including, without limitation, lenders and all regulatory authorities, required for consummation of the transactions contemplated by this Merger Agreement shall have been received and shall be in full force and effect, except for such filings, registrations, notifications, approvals, authorizations and consents, the failure of which to make or obtain would not have a material adverse effect on the business or financial condition of Pioneer Parent, Pioneer USA or any Partnership.

(h) The absence of any opinion of counsel that the exercise by the limited partners of any Partnership of the right to approve the merger of such Partnership is not permitted under applicable state law.

3.2 Conditions to Obligations of Pioneer Parent to Effect the Merger of Each Partnership. The obligations of Pioneer Parent to effect the merger of each Partnership shall be subject to the fulfillment (or waiver in whole or in part by the intended beneficiary thereof in its sole discretion), at or prior to the Closing Date, of the following additional conditions:

(a) Pioneer USA and each Partnership shall have performed in all material respects their respective agreements contained in this Merger Agreement required to be performed at or prior to the Closing Date.

(b) The representations and warranties of Pioneer USA and each Partnership contained in this Merger Agreement shall be true and correct in all material respects at and as of the Closing Date as if made at and as of such time unless they relate to another specified time.

3.3 Conditions to Obligations of Pioneer USA and Each Partnership to Effect the Merger of Such Partnership. The obligations of Pioneer USA and each Partnership to effect the merger of such

F-10

195

Partnership shall be subject to the fulfillment (or waiver in whole or in part by the intended beneficiary thereof in its sole discretion) at or prior to the Closing Date of the following additional conditions:

(a) Pioneer Parent shall have performed in all material respects its agreements contained in this Merger Agreement required to be performed at or prior to the Closing Date.

(b) The representations and warranties of Pioneer Parent contained in this Merger Agreement shall be true and correct in all material respects at and as of the Closing Date as if made at and as of such time unless they relate to another specific time.

ARTICLE 4

ADDITIONAL AGREEMENTS

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

4.1 Conduct of Business Pending the Merger of Each Partnership. Each Partnership covenants and agrees that, between the date of this Merger Agreement and the Closing Date, unless the other parties shall otherwise agree in writing or as otherwise contemplated in this Merger Agreement, it shall conduct its businesses only in the ordinary course of business and in a manner consistent with past practice, and it shall not take any action except for actions consistent with such practice, and it shall not make any distributions to its partners. Each Partnership shall use its reasonable best efforts to preserve intact its business organization, to keep available the services of its present officers, employees and consultants, and to preserve its relationships with customers, suppliers and other persons with which it has significant business dealings.

4.2 Special Meetings; Proxies. As soon as reasonably practicable after the execution of this Merger Agreement, Pioneer USA will take all action necessary to duly call, give notice of, convene and hold the Special Meetings to consider and vote upon approval of this Merger Agreement, the Merger Amendment, the selection of special legal counsel for the limited partners, that counsel's legal opinion referred to in Section 3.1(c) and the transactions contemplated hereby and thereby. Pioneer USA will use its reasonable best efforts to solicit from the limited partners proxies in favor of this Merger Agreement, the Merger Amendment, the selection of special legal counsel for the limited partners, that counsel's legal opinion referred to in Section 3.1(c) and the transactions contemplated hereby and thereby, and to take all other action necessary or advisable to secure any vote or consent of the limited partners of each Partnership required by the partnership agreement of the Partnership or this Merger Agreement or applicable law to effect the merger of the Partnership.

4.3 Proxy Statement/Prospectus. Pioneer Parent and Pioneer USA shall file with the SEC a registration statement that includes a preliminary proxy statement/prospectus for each Special Meeting (the definitive form of such proxy statement/prospectus is referred to as the "Proxy Statement/ Prospectus"). Pioneer Parent and Pioneer USA shall use all reasonable commercial efforts to have the registration statement declared effective by the SEC as promptly as practicable. Pioneer Parent and Pioneer USA shall cause the Proxy Statement/Prospectus to be mailed to the limited partners of each Partnership as soon as practicable thereafter in accordance with applicable federal and state law.

4.4 Authorization for Shares and Stock Exchange Listing. Prior to the Effective Time, Pioneer Parent and Pioneer USA shall have taken all action necessary to permit Pioneer Parent to issue the number of shares of Pioneer Parent Common Stock required to be issued pursuant to this Merger Agreement. Each of Pioneer Parent and Pioneer USA shall use its commercially reasonable efforts to cause the shares of Pioneer Parent Common Stock to be issued in the merger of each Partnership to be approved for listing on the New York Stock Exchange and the Toronto Stock Exchange, subject to official notice of issuance, prior to the Closing Date.

4.5 Additional Agreements. Subject to the terms and conditions herein provided, each of the parties hereto agrees to use all reasonable commercial efforts to obtain in a timely manner all necessary waivers, consents and approvals and to effect all necessary registrations and filings, and to use all reasonable commercial efforts to take, or cause to be taken, all other actions and to do, or cause to be

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

done, all other things necessary, proper or advisable under applicable laws and regulations to consummate and make effective as promptly as practicable the transactions contemplated by this Merger Agreement.

### ARTICLE 5

#### TERMINATION

5.1 Termination. This Merger Agreement may be terminated and the merger of any Partnership contemplated hereby may be abandoned, in whole or in part, at any time prior to the Effective Time, whether before or after approval of the merger of the Partnership by its limited partners (with respect to each Special Vote Partnership, excluding Pioneer USA and its affiliates):

(a) By mutual written consent of the parties;

(b) By any party, if:

(i) there shall be any applicable law, rule or regulation that makes consummation of the merger of any Partnership illegal or otherwise prohibited or if any judgment, injunction, order or decree enjoining any party from consummating the merger of any Partnership is entered and such judgment, injunction, order or decree shall have become final and non-appealable;

(ii) at the Special Meeting of each Partnership or at any adjournment or postponement thereof, the approval of the limited partners of the Partnership referred to in Section 3.1(a) shall not have been obtained by reason of the failure to obtain the requisite vote; or

(iii) there shall be any pending suit, action or proceeding filed against Pioneer Parent, Pioneer USA, any Partnership or any officer, director or affiliate of Pioneer Parent or Pioneer USA challenging the legality or any aspect of the merger of any Partnership or the transactions related thereto;

(c) By Pioneer Parent, if either Pioneer USA or any Partnership shall have failed to perform its agreements and covenants contained herein, which failure has a material adverse effect on Pioneer USA or such Partnership, as the case may be, or materially and adversely affects the transactions contemplated by this Merger Agreement;

(d) By Pioneer USA or any Partnership with respect to the Partnership's merger, if Pioneer Parent shall have failed to perform its agreements and covenants contained herein, which failure has a material adverse effect on Pioneer USA or such Partnership, as the case may be, or materially and adversely affects the transactions contemplated by this Merger Agreement;

(e) By Pioneer Parent or Pioneer USA, pursuant to Section 1.4 hereof;

(f) By Pioneer USA, if Pioneer USA, after considering the written advice of outside legal counsel, determines in good faith that termination of this Merger Agreement is required for Pioneer USA's board of directors to comply with its fiduciary duties to its sole stockholder or to any Partnership imposed by applicable law; or

(g) By Pioneer Parent, if there shall have occurred any event, circumstance, condition, development or occurrence causing, resulting in or having, or reasonably expected to cause, result in or have, a material



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

adverse effect (i) on any Partnership's business, operations, properties (taken as a whole), condition (financial or otherwise), results of operations, assets (taken as a whole), liabilities, cash flows or prospects, (ii) on market prices for oil and gas prevailing generally in the oil and gas industry since the date of determination of the oil and gas commodity prices used in the determination of the merger value for each Partnership, (iii) on the price of Pioneer Parent Common Stock or (iv) on the oil and gas industry generally.

5.2 Effect of Termination. In the event of termination of this Merger Agreement by a party as provided in Section 5.1, written notice thereof shall promptly be given to the other parties and this Merger

F-12

197

Agreement shall forthwith terminate without further action by any of the parties hereto. If this Merger Agreement is terminated as so provided, there shall be no liabilities or obligations hereunder on the part of any party hereto except as provided in Section 6.13 and except that nothing herein shall relieve any party hereto from liability for any breach of this Merger Agreement.

### ARTICLE 6

#### MISCELLANEOUS

6.1 Headings. The headings contained in this Merger Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Merger Agreement.

6.2 Amendment. This Merger Agreement may be supplemented, amended or modified by an instrument in writing signed by Pioneer Parent and Pioneer USA (on behalf of itself and as (a) the sole or managing general partner of each Partnership, (b) the sole general partner of each Nonmanaging General Partner and (c) attorney-in-fact for the limited partners of each Partnership) at any time prior to the Closing Date; provided, however, that after approval by the limited partners of each Partnership (with respect to each Special Vote Partnership, excluding Pioneer USA and its affiliates) of this Merger Agreement, the Merger Amendment, the selection of special legal counsel for the limited partners and that counsel's legal opinion referred to in Section 3.1(c), no amendment may be made which would adversely change the type or amount of, or the method for determining, the consideration to be received upon consummation of the merger of each Partnership or which would in any other way materially and adversely affect the rights of such limited partners (other than a termination of this Merger Agreement or abandonment of the merger of any Partnership).

6.3 Waiver. At any time prior to the Closing Date, the parties hereto may (a) extend the time for the performance of any of the obligations or other acts of the other parties hereto, (b) waive any inaccuracies in the representations and warranties contained herein or in any document delivered pursuant hereto, and (c) waive compliance with any of the agreements or conditions contained herein. Any such extension or waiver shall not operate as an extension or waiver of, or estoppel with respect to, any subsequent failure of compliance or other failure. Any agreement on the part of a party hereto to any such extension or waiver shall be valid against such party if set forth in an instrument in writing signed by such party.

6.4 Expiration of Representations and Warranties. All representations and warranties made pursuant to this Merger Agreement shall expire with, and be terminated and extinguished by, the merger of each Partnership on the Closing Date.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

6.5 Notices. All notices and other communications to be given or made hereunder by any party shall be delivered by first class mail, or by personal delivery, postage or fees prepaid, (a) to Pioneer Parent at 5205 North O'Connor Boulevard, Suite 1400, Irving, Texas 75039, Attn: Scott D. Sheffield, with a copy to Vinson & Elkins L.L.P., 3700 Trammell Crow Center, 2001 Ross Avenue, Dallas, Texas 75201, Attn: Robert L. Kimball, and (b) to the other parties at Pioneer Natural Resources USA, Inc., 1400 Williams Square West, 5205 North O'Connor Boulevard, Irving, Texas 75039, Attn: Mark L. Withrow, with a copy to Sayles, Lidji & Werbner, 4400 Renaissance Tower, 1201 Elm Street, Dallas, Texas 75270, Attn: Brian M. Lidji.

6.6 Counterparts. This Merger Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement.

6.7 Severability. If any term or other provision of this Merger Agreement is invalid, illegal or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of this Merger Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party.

F-13

198

6.8 Entire Agreement. This Merger Agreement, including the documents and instruments referred to herein, constitutes the entire agreement and supersedes all other prior agreements and undertakings, both written and oral, between the parties, or any of them, with respect to the subject matter hereof.

6.9 Remedies. Except as otherwise expressly provided herein, this Merger Agreement is not intended to confer upon any other person any rights or remedies hereunder.

6.10 Assignment. This Merger Agreement shall not be assigned by operation of law or otherwise without the consent of all parties hereto.

6.11 No Implied Waiver. Except as expressly provided in this Merger Agreement, no course of dealing among the parties hereto and no delay by any of them in exercising any right, power or remedy conferred herein or now or hereafter existing at law or in equity, by statute or otherwise, shall operate as a waiver of, or otherwise prejudice, any such right, power or remedy.

6.12 Governing Law. Except to the extent that TRLPA is mandatorily applicable, this Merger Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware (regardless of the laws that might otherwise govern under applicable principles of conflicts of law) as to all matters.

6.13 Expenses. Except as otherwise provided herein, to the extent the merger of a Partnership is completed, that participating Partnership shall pay its pro rata share, based on its reserve value, of the aggregate estimated expenses and fees to be incurred in connection with the merger of each Partnership with and into Pioneer USA. Pioneer Parent shall pay (a) the estimated expenses and fees otherwise allocable to any nonparticipating Partnership and (2) any expenses and fees actually incurred in excess of \$2.0 million. In addition, if Pioneer Parent terminates this Merger Agreement or abandons the merger of any Partnership pursuant to Section 5.1, Pioneer Parent

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

shall pay all estimated expenses and fees of such Partnership incurred in connection with the merger of such Partnership before such termination or abandonment.

6.14 Liquidation. Each Partnership, Pioneer Parent and Pioneer USA intend and agree that the merger of each Partnership shall be treated as a liquidation of the Partnership into Pioneer USA pursuant to Section 332 of the Internal Revenue Code of 1986, as amended, and shall make all declarations and filings necessary to accomplish such intent and liquidation.

F-14

199

IN WITNESS WHEREOF, each of the parties hereto has executed this Merger Agreement as of the date first written above.

PIONEER NATURAL RESOURCES COMPANY

By:

-----  
Name:  
Title:

PIONEER NATURAL RESOURCES USA, INC.

By:

-----  
Mark L. Withrow  
Executive Vice President,  
General Counsel and Secretary

PARTNERSHIPS:

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

87, Ltd.

F-15

200

Parker & Parsley 88-A Conv., L.P.  
Parker & Parsley 88-A, L.P.  
Parker & Parsley 88-B Conv., L.P.  
Parker & Parsley 88-B, L.P.  
Parker & Parsley 88-C Conv., L.P.  
Parker & Parsley 88-C, L.P.  
Parker & Parsley Producing  
Properties 88-A, L.P.  
Parker & Parsley Private Investment  
88, L.P.  
Parker & Parsley 89-A Conv., L.P.  
Parker & Parsley 89-A, L.P.  
Parker & Parsley 89-B Conv., L.P.  
Parker & Parsley 89-B, L.P.  
Parker & Parsley Private Investment  
89, L.P.  
Parker & Parsley 90-A Conv., L.P.  
Parker & Parsley 90-A, L.P.  
Parker & Parsley 90-B Conv., L.P.  
Parker & Parsley 90-B, L.P.  
Parker & Parsley 90-C Conv., L.P.  
Parker & Parsley 90-C, L.P.  
Parker & Parsley Private Investment  
90, L.P.  
Parker & Parsley 90 Spraberry  
Private Development, L.P.  
Parker & Parsley 91-A, L.P.  
Parker & Parsley 91-B, L.P.

By: Pioneer Natural Resources USA,  
Inc., as the sole or managing  
general partner of each  
Partnership

By:

-----  
Mark L. Withrow  
Executive Vice President,  
General Counsel and Secretary

By: Pioneer Natural Resources USA,  
Inc., as the sole general  
partner of each Nonmanaging  
General Partner

By:

-----  
Mark L. Withrow  
Executive Vice President,  
General Counsel and Secretary

F-16

201

By: Pioneer Natural Resources USA,  
Inc., as attorney-in-fact for  
the limited partners of each  
Partnership

By:

-----  
Mark L. Withrow  
Executive Vice President,  
General Counsel and Secretary

F-17

202

PIONEER NATURAL RESOURCES COMPANY  
PIONEER NATURAL RESOURCES USA, INC.  
5205 NORTH O'CONNOR BLVD., SUITE 1400  
IRVING, TEXAS 75039

SUPPLEMENTAL INFORMATION

OF

PARKER & PARSLEY 81-I, LTD., A TEXAS LIMITED PARTNERSHIP

TO

PROXY STATEMENT/PROSPECTUS DATED \_\_\_\_\_, 2001

-----  
THE DATE OF THIS SUPPLEMENT IS \_\_\_\_\_, 2001  
-----

This document contains important information specific to Parker & Parsley 81-I, Ltd. and supplements the proxy statement/prospectus dated \_\_\_\_\_, 2001, of Pioneer Natural Resources Company and Pioneer Natural Resources USA, Inc., by which Pioneer USA is soliciting proxies to be voted at a special meeting of limited partners of the partnership. The purpose of the special meeting is for you to vote upon the merger of the partnership with and into Pioneer USA that, if completed, will result in your receiving common stock of Pioneer Natural Resources Company for your partnership interests.

This document contains the following information concerning Parker & Parsley 81-I, Ltd.:

- o A table containing:
  - the aggregate initial investment by the limited partners
  - the aggregate historical limited partner distributions through July 31, 2001
  - the merger value attributable to partnership interests of limited partners, excluding Pioneer USA
  - the merger value per \$1,000 limited partner investment
  - the merger value per \$1,000 limited partner investment as a multiple of distributions for the past four quarterly distributions including the distribution in July 2001

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

- the book value per \$1,000 limited partner investment as of June 30, 2001 and as of December 31, 2000
  
- the going concern value per \$1,000 limited partner investment
  
- the liquidation value per \$1,000 limited partner investment
  
- the ordinary tax loss per \$1,000 limited partner investment in year of initial investment
  
- o Information about:
  - the legal opinion for the limited partners
  
  - the term of the partnership
  
- o The partnership's financial statements, including management's discussion and analysis of financial condition and results of operations, for the six months ended June 30, 2001
  
- o The partnership's financial statements, including management's discussion and analysis of financial condition and results of operations, for the year ended December 31, 2000
  
- o Selected historical financial data for the partnership for the six months ended June 30, 2001 and 2000 and the five years ended December 31, 2000

-1-

203

PARKER & PARSLEY 81-I, LTD.

### SUPPLEMENTAL INFORMATION TABLE

Aggregate Initial Investment by the Limited Partners (a)

Aggregate Historical Limited Partner Distributions through July 31, 2001 (a)

Merger Value Attributable to Partnership Interests of Limited Partners, Excluding Pioneer USA (a),

Merger Value per \$1,000 Limited Partner Investment (b), (c)

Merger Value per \$1,000 Limited Partner Investment as a Multiple of Distributions for the past four quarterly distributions including the distribution in July 2001 (b), (c)

Book Value per \$1,000 Limited Partner Investment:

-- as of June 30, 2001 (c)

-- as of December 31, 2000 (c)

Going Concern Value per \$1,000 Limited Partner Investment (c), (d)

Liquidation Value per \$1,000 Limited Partner Investment (c), (e)

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Ordinary Tax Loss per \$1,000 Limited Partner Investment in Year of Initial Investment (c), (f)

-----

- (a) Stated in thousands.
- (b) The merger value for the partnership is equal to the sum of the present value of estimated future net revenues from the partnership's estimated oil and gas reserves and its net working capital, in each case as of March 31, 2001, less its pro rata share, based on its reserve value, of the estimated expenses and fees of the mergers of all of the partnerships and less the cash distribution on July 13, 2001, by the partnership to its partners.
- (c) Interests in some partnerships were sold in units at prices other than \$1,000. We have presented this information based on a \$1,000 initial investment for ease of use and comparison among partnerships. You should not assume that the amount shown per \$1,000 investment is the same as the value or amount attributable to a single unit investment.
- (d) The going concern value for the partnership is based upon: (1) the sum of (A) the estimated net cash flow from the sale of the partnership's reserves during a 10-year operating period and (B) the estimated residual value from the sale of the partnership's remaining reserves at the end of the operating period, in each case using the same pricing and discount rate as in the merger value calculation, less (2) (A) partnership level general and administrative expenses, and (B) the cash distribution on July 13, 2001 by the partnership to its partners.
- (e) The liquidation value for the partnership is based upon the sale of the partnership's reserves at the reserve value, less (1) liquidation expenses which are estimated to be the sum of (A) the partnership's pro rata share of the merger expenses and fees described in footnote (b) above and (B) 3% of the partnership's reserve value, and (2) the cash distribution on July 13, 2001 by the partnership to its partners. The liquidation expenses represent the estimated costs to retain an investment banker or broker to sell the assets of the partnership and the legal and other closing costs associated with such transaction, including the wind-down costs of the partnership.
- (f) Your ability to use your distributive share of the partnership's loss to offset your other income may have been subject to certain limitations at your level as a partner, and you may therefore wish to consult your tax advisor to determine the additional value, if any, actually realized by you in your particular circumstances.

### INFORMATION ABOUT THE LEGAL OPINION FOR THE LIMITED PARTNERS

The partnership agreement for the partnership requires that special legal counsel render an opinion on behalf of the limited partners to Pioneer USA that (1) neither the grant nor the exercise of the right to approve the merger of the partnership by its limited partners will adversely affect the federal income tax classification of the partnership or any of its limited partners; and (2) neither the grant nor exercise of such right will result in the loss of any limited partner's limited liability. In addition, the counsel designated to

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

render the opinion must be counsel other than counsel to Pioneer USA or the partnership. Both the designated counsel and the legal opinion must be approved by the limited partners. Pioneer USA has retained \_\_\_\_\_ of Dallas, Texas for the purpose of rendering this legal opinion on behalf of the limited partners to Pioneer USA. The merger proposals include an approval of that counsel and the form of its opinion. A copy of the opinion is attached as an exhibit to the merger proposals.

### INFORMATION ABOUT THE TERM OF THE PARTNERSHIP

The term of the partnership shall continue until terminated in accordance with the applicable provisions of its partnership agreement.

-2-

204

PARKER & PARSLEY 81-I, LTD.

(A Texas Limited Partnership)

### FINANCIAL STATEMENTS

June 30, 2001 and December 31, 2000

(Unaudited)

205

PARKER & PARSLEY 81-I, LTD.

(A Texas Limited Partnership)

### BALANCE SHEETS

	June 30, 2001	December 31, 2000
	-----	-----
	(Unaudited)	
ASSETS		
Current assets:		
Cash	\$ 102,047	\$ 38,546
Accounts receivable - oil and gas sales	50,689	63,269
	-----	-----
Total current assets	152,736	101,815
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	5,245,897	5,245,144
Accumulated depletion	(5,146,166)	(5,142,190)



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Net oil and gas properties	----- 99,731 -----	----- 102,954 -----
	\$ 252,467 =====	\$ 204,769 =====
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable - affiliate	\$ 9,658	\$ 8,817
Partners' capital:		
General partners	57,505	45,564
Limited partners (1,482 interests)	185,304	150,388
	----- 242,809 -----	----- 195,952 -----
	\$ 252,467 =====	\$ 204,769 =====

The financial information included as of June 30, 2001 has been prepared by the managing general partner without audit by independent public accountants.

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

2

206

PARKER & PARSLEY 81-I, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF OPERATIONS  
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2001	2000	2001	2000
	-----	-----	-----	-----
Revenues:				
Oil and gas	\$ 103,562	\$ 97,018	\$ 211,753	\$ 191,199
Interest	719	795	1,438	1,358
	----- 104,281 -----	----- 97,813 -----	----- 213,191 -----	----- 192,557 -----
Costs and expenses:				
Oil and gas production	40,997	44,490	85,961	85,156
General and administrative	3,109	3,731	7,966	6,652
Depletion	2,085	2,067	3,976	3,685
	----- 46,191 -----	----- 50,288 -----	----- 97,903 -----	----- 95,493 -----
Net income	\$ 58,090 =====	\$ 47,525 =====	\$ 115,288 =====	\$ 97,064 =====

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Allocation of net income:				
General partners	\$ 14,835	\$ 12,191	\$ 29,163	\$ 24,819
	=====	=====	=====	=====
Limited partners	\$ 43,255	\$ 35,334	\$ 86,125	\$ 72,245
	=====	=====	=====	=====
Net income per limited partnership interest	\$ 29.18	\$ 23.84	\$ 58.11	\$ 48.75
	=====	=====	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

3

207

PARKER & PARSLEY 81-I, LTD.  
(A Texas Limited Partnership)

STATEMENT OF PARTNERS' CAPITAL  
(Unaudited)

	General partners	Limited partners	Total
	-----	-----	-----
Balance at January 1, 2001	\$ 45,564	\$ 150,388	\$ 195,952
Distributions	(17,222)	(51,209)	(68,431)
Net income	29,163	86,125	115,288
	-----	-----	-----
Balance at June 30, 2001	\$ 57,505	\$ 185,304	\$ 242,809
	=====	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

4

208

PARKER & PARSLEY 81-I, LTD.  
(A Texas Limited Partnership)

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

STATEMENTS OF CASH FLOWS  
(Unaudited)

	Six months ended June 30,	
	2001	2000
	-----	-----
Cash flows from operating activities:		
Net income	\$ 115,288	\$ 97,064
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion	3,976	3,685
Changes in assets and liabilities:		
Accounts receivable	12,580	(12,389)
Accounts payable	841	843
	-----	-----
Net cash provided by operating activities	132,685	89,203
	-----	-----
Cash flows used in investing activities:		
Additions to oil and gas properties	(753)	(4,475)
Cash flows used in financing activities:		
Cash distributions to partners	(68,431)	(96,204)
	-----	-----
Net increase (decrease) in cash	63,501	(11,476)
Cash at beginning of period	38,546	38,716
	-----	-----
Cash at end of period	\$ 102,047	\$ 27,240
	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

PARKER & PARSLEY 81-I, LTD.  
(A Texas Limited Partnership)

NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Unaudited)

Note 1. Organization and nature of operations

Parker & Parsley 81-I, Ltd. (the "Partnership") is a limited partnership organized in 1981 under the laws of the State of Texas.

The Partnership engages in oil and gas development and production in Texas and

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

is not involved in any industry segment other than oil and gas.

### Note 2. Basis of presentation

In the opinion of management, the unaudited financial statements of the Partnership as of June 30, 2001 and for the three and six months ended June 30, 2001 and 2000 include all adjustments and accruals consisting only of normal recurring accrual adjustments which are necessary for a fair presentation of the results for the interim period. These interim results are not necessarily indicative of results for a full year. Certain reclassifications may have been made to the June 30, 2000 financial statements to conform to the June 30, 2001 financial statement presentations.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in these interim financial statements. The financial statements should be read in conjunction with the financial statements and the notes thereto contained in the Partnership's report for the year ended December 31, 2000, a copy of which is available upon request by writing to Rich Dealy, Vice President and Chief Accounting Officer, 5205 North O'Connor Boulevard, Suite 1400, Irving, Texas 75039-3746.

### Management's Discussion and Analysis of Financial Condition and Results of Operations (1)

#### Results of Operations

Six months ended June 30, 2001 compared with six months ended  
June 30, 2000

#### Revenues:

The Partnership's oil and gas revenues increased 11% to \$211,753 for the six months ended June 30, 2001 as compared to \$191,199 for the same period in 2000. The increase in revenues resulted from higher average prices received, offset by a decrease in production. For the six months ended June 30, 2001, 4,203 barrels of oil, 2,165 barrels of natural gas liquids ("NGLs") and 12,725 mcf of gas were sold, or 8,489 barrel of oil equivalents ("BOEs"). For the six months ended June 30, 2000, 4,524 barrels of oil, 2,512 barrels of NGLs and 12,333 mcf of gas were sold, or 9,092 BOEs.

The average price received per barrel of oil increased \$.40, or 1%, from \$27.49 for the six months ended June 30, 2000 to \$27.89 for the same period in 2001. The average price received per barrel of NGLs increased \$1.43, or 10%, from \$13.83 during the six months ended June 30, 2000 to \$15.26 for the same period in 2001. The average price received per mcf of gas increased 86% from \$2.60 during the six months ended June 30, 2000 to \$4.83 for the same period in 2001. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received during the six months ended June 30, 2001.

6

210

#### Costs and Expenses:

Total costs and expenses increased to \$97,903 for the six months ended June 30, 2001 as compared to \$95,493 for the same period in 2000, an increase of \$2,410,

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

or 3%. This increase was due to increases in general and administrative expenses ("G&A"), production costs and depletion.

Production costs were \$85,961 for the six months ended June 30, 2001 and \$85,156 for the same period in 2000 resulting in an \$805 increase, or 1%. The increase was due to increased production taxes due to higher oil and gas prices, offset by less well maintenance costs.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 20% from \$6,652 for the six months ended June 30, 2000 to \$7,966 for the same period in 2001, primarily due to a higher allocation of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues and an increase in audit and tax fees.

Depletion was \$3,976 for the six months ended June 30, 2001 as compared to \$3,685 for the same period in 2000, an increase of \$291, or 8%. This increase was the result of a decline in proved reserves during the period ended June 30, 2001 due to lower commodity prices, offset by a decline in oil production of 321 barrels for the six months ended June 30, 2001 as compared to the same period in 2000.

Three months ended June 30, 2001 compared with three months ended June 30, 2000

### Revenues:

The Partnership's oil and gas revenues increased 7% to \$103,562 for the three months ended June 30, 2001 as compared to \$97,018 for the same period in 2000. The increase in revenues resulted from higher average prices received for gas and NGLs and an increase in production, offset by a decline in the average price received for oil. For the three months ended June 30, 2001, 2,046 barrels of oil, 1,395 barrels of NGLs and 7,163 mcf of gas were sold, or 4,635 BOEs. For the three months ended June 30, 2000, 2,122 barrels of oil, 1,295 barrels of NGLs and 6,231 mcf of gas were sold, or 4,456 BOEs.

The average price received per barrel of oil decreased \$.67, or 2%, from \$27.86 for the three months ended June 30, 2000 to \$27.19 for the three months ended June 30, 2001. The average price received per barrel of NGLs increased \$1.32, or 10%, from \$13.13 during the three months ended June 30, 2000 to \$14.45 for the same period in 2001. The average price received per mcf of gas increased 16% to \$3.88 during the three months ended June 30, 2001 from \$3.35 during the same period in 2000.

### Costs and Expenses:

Total costs and expenses decreased to \$46,191 for the three months ended June 30, 2001 as compared to \$50,288 for the same period in 2000, a decrease of \$4,097, or 8%. This decrease was due to declines in production costs and G&A, offset by an increase in depletion.

Production costs were \$40,997 for the three months ended June 30, 2001 and \$44,490 for the same period in 2000 resulting in a \$3,493 decrease, or 8%. The decrease was due to less well maintenance costs.

During this period, G&A decreased 17%, from \$3,731 for the three months ended June 30, 2000 to \$3,109 for the same period in 2001, primarily due to lower audit and tax expenses.

Depletion was \$2,085 for the three months ended June 30, 2001 as compared to \$2,067 for the same period in 2000, an increase of \$18.

211

## Liquidity and Capital Resources

## Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$43,482 during the six months ended June 30, 2001 from the same period ended June 30, 2000. This increase was due to an increase in oil and gas sales receipts of \$20,634 and a reduction in working capital of \$24,967, offset by an increase in production costs of \$805 and G&A expenses of \$1,314. The increase in oil and gas receipts resulted from the increase in commodity prices during 2001 which contributed an additional \$32,905 to oil and gas receipts, offset by \$12,271 resulting from the decline in production during 2001 as compared to the same period in 2000. The increase in production costs was primarily due to increased production taxes associated with higher oil and gas prices, offset by less well maintenance costs. The increase in G&A was primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues and an increase in audit and tax fees.

## Net Cash Used in Investing Activities

The Partnership's investing activities for the six months ended June 30, 2001 and 2000 were for expenditures related to equipment upgrades on various oil and gas properties.

## Net Cash Used in Financing Activities

For the six months ended June 30, 2001, cash distributions to the partners were \$68,431, of which \$17,222 was distributed to the general partners and \$51,209 to the limited partners. For the same period ended June 30, 2000, cash distributions to the partners were \$96,204, of which \$23,868 was distributed to the general partners and \$72,336 to the limited partners.

For the three months ended June 30, 2001, no distributions were made by the partnership to its partners. Subsequent to June 30, 2001 the cash distribution that otherwise would have been mailed to partners in late June was made to holders of record as of July 9, 2001 and was mailed on July 13, 2001. For further information, see "Proposal to acquire partnerships" below.

## Proposal to acquire partnerships

On June 29, 2001, Pioneer Natural Resources Company ("Pioneer") filed with the Securities and Exchange Commission Amendment No. 1 to the Form S-4 Registration Statement (File No. 333- 59094) (the "preliminary proxy statement/prospectus"), which proposes an agreement and plan of merger among Pioneer, Pioneer Natural Resources USA, Inc. ("Pioneer USA"), a wholly-owned subsidiary of Pioneer, and 46 Parker & Parsley limited partnerships. Each partnership that approves the agreement and plan of merger and the other related merger proposals will merge with and into Pioneer USA upon the closing of the transactions described in the preliminary proxy statement/prospectus, and the partnership interests of each such partnership will be converted into the right to receive Pioneer common stock. The Partnership is one of the 46 Parker & Parsley limited partnerships that will be asked to approve the agreement and plan of merger. The preliminary proxy statement/prospectus is non-binding and is subject to, among other things, consideration of offers from third parties to purchase any partnership or its assets and the majority approval of the limited partnership interests in each partnership.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Pioneer USA will solicit proxies from limited partners to approve the mergers only when the proxy statement/prospectus is final and declared effective. No solicitation will be made using preliminary materials. Nonetheless, copies of the preliminary proxy statement/prospectus may be obtained without charge upon request from Pioneer Natural Resources Company, 5205 North O'Connor Blvd., Suite 1400, Irving, Texas 75039, Attention: Investor Relations.

The limited partners are urged to read the proxy statement/prospectus of Pioneer filed with the Securities and Exchange Commission, when it is finalized, because it contains important information about the proposed mergers, including information about the direct and indirect interests of Pioneer USA and Pioneer in the mergers. The limited partners may also obtain the preliminary and (when filed) final proxy statement/prospectus and other relevant documents relating to the proposed mergers free through the internet web site that the Securities and Exchange Commission maintains at [www.sec.gov](http://www.sec.gov).

-----

- (1) "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" contains forward looking statements that involve risks and uncertainties. Accordingly, no assurances can be given that the actual events and results will not be materially different than the anticipated results described in the forward looking statements.

8

212

PARKER & PARSLEY 81-I, LTD.  
(A Texas Limited Partnership)

FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITORS' REPORT

December 31, 2000 and 1999

213

INDEPENDENT AUDITORS' REPORT

The Partners  
Parker & Parsley 81-I, Ltd.  
(A Texas Limited Partnership):

We have audited the balance sheets of Parker & Parsley 81-I, Ltd. as of December 31, 2000 and 1999, and the related statements of operations, partners' capital and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Partnership's

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parker & Parsley 81-I, Ltd. as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Dallas, Texas  
March 9, 2001

2

214

PARKER & PARSLEY 81-I, LTD.  
(A Texas Limited Partnership)

BALANCE SHEETS  
December 31

	2000	
ASSETS	-----	-----
Current assets:		
Cash	\$ 38,546	\$
Accounts receivable - oil and gas sales	63,269	
	-----	-----
Total current assets	101,815	
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	5,245,144	
Accumulated depletion	(5,142,190)	
	-----	-----
Net oil and gas properties	102,954	



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	-----	-----
	\$ 204,769	\$
	=====	=====
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable - affiliate	\$ 8,817	\$
Partners' capital:		
General partners	45,564	
Limited partners (1,482 interests)	150,388	
	-----	-----
	195,952	-----
	-----	-----
	\$ 204,769	\$
	=====	=====

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

3

215

PARKER & PARSLEY 81-I, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF OPERATIONS  
For the years ended December 31

	2000	1999	1998
	-----	-----	-----
Revenues:			
Oil and gas	\$ 416,230	\$ 260,652	\$ 199,789
Interest	3,071	1,858	2,462

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Gain on disposition of assets	--	--	67
	-----	-----	-----
	419,301	262,510	202,318
	-----	-----	-----
Costs and expenses:			
Oil and gas production	174,233	165,810	157,631
General and administrative	15,697	13,087	8,892
Impairment of oil and gas properties	--	--	50,343
Depletion	8,759	11,881	116,799
	-----	-----	-----
	198,689	190,778	333,665
	-----	-----	-----
Net income (loss)	\$ 220,612	\$ 71,732	\$ (131,347)
	=====	=====	=====
Allocation of net income (loss):			
General partners	\$ 56,242	\$ 19,205	\$ (7,775)
	=====	=====	=====
Limited partners	\$ 164,370	\$ 52,527	\$ (123,572)
	=====	=====	=====
Net income (loss) per limited partnership interest	\$ 110.91	\$ 35.44	\$ (83.38)
	=====	=====	=====

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

4

216

PARKER & PARSLEY 81-I, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF PARTNERS' CAPITAL

		General partners	
		-----	-----
Partners' capital at January 1, 1998	\$	52,826	\$
Distributions		(10,054)	
Net loss		(7,775)	

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Partners' capital at December 31, 1998	-----	34,997	-----
Distributions		(15,981)	
Net income		19,205	-----
Partners' capital at December 31, 1999		38,221	
Distributions		(48,899)	
Net income		56,242	-----
Partners' capital at December 31, 2000	\$	45,564	\$
		=====	=====

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

PARKER & PARSLEY 81-I, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF CASH FLOWS  
For the years ended December 31

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Cash flows from operating activities:		
Net income (loss)	\$	220,612
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Impairment of oil and gas properties		-
Depletion		8,759
Gain on disposition of assets		-
Changes in assets and liabilities:		
Accounts receivable		(28,929)
Accounts payable		(1,224)
		-----
Net cash provided by operating activities		199,218
		-----
Cash flows from investing activities:		
Additions to oil and gas properties		(4,512)
Proceeds from asset dispositions		-
		-----
Net cash provided by (used in) investing activities		(4,512)
		-----
Cash flows used in financing activities:		
Cash distributions to partners		(194,876)
		-----
Net increase (decrease) in cash		(170)
Cash at beginning of year		38,716
		-----
Cash at end of year	\$	38,546
		=====

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

PARKER & PARSLEY 81-I, LTD.  
(A Texas Limited Partnership)

NOTES TO FINANCIAL STATEMENTS  
December 31, 2000, 1999 and 1998

### NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS

Parker & Parsley 81-I, Ltd. (the "Partnership") is a limited partnership organized in 1981 under the laws of the State of Texas. The Partnership's general partners are Pioneer Natural Resources USA, Inc. ("Pioneer USA") and P&P Employees 81-I, Ltd. ("EMPL"). The Partnership's managing general partner is Pioneer USA.

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Oil and gas properties - The Partnership utilizes the successful efforts method of accounting for its oil and gas properties and equipment. Under this method, all costs associated with productive wells and nonproductive development wells are capitalized while nonproductive exploration costs are expensed. Capitalized costs relating to proved properties are depleted using the unit-of-production method on a property-by-property basis based on proved oil (dominant mineral) reserves as evaluated by independent petroleum consultants. The carrying amounts of properties sold or otherwise disposed of and the related allowances for depletion are eliminated from the accounts and any gain or loss is included in results of operations.

Impairment of long-lived assets - In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the Partnership reviews its long-lived assets to be held and used on an individual property basis, including oil and gas properties accounted for under the successful efforts method of accounting, whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. An impairment loss is indicated if the sum of the expected future cash flows is less than the carrying amount of the assets. In this circumstance, the Partnership recognizes an impairment loss for the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset.

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

7

219

Net income (loss) per limited partnership interest - The net income (loss) per limited partnership interest is calculated by using the number of outstanding limited partnership interests.

Income taxes - A Federal income tax provision has not been included in the financial statements as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

Statements of cash flows - For purposes of reporting cash flows, cash includes depository accounts held by banks.

General and administrative expenses - General and administrative expenses are allocated in part to the Partnership by the managing general partner. Allocated expenses are determined by the managing general partner based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Reclassifications - Certain reclassifications may have been made to the

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

1999 and 1998 financial statements to conform to the 2000 financial statement presentations.

Environmental - The Partnership is subject to extensive federal, state and local environmental laws and regulations. These laws, which are constantly changing, regulate the discharge of materials into the environment and may require the Partnership to remove or mitigate the environmental effects of the disposal or release of petroleum or chemical substances at various sites. Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Liabilities for expenditures of a noncapital nature are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated. Such liabilities are generally undiscounted unless the timing of cash payments for the liability or component are fixed or reliably determinable. No such liabilities have been accrued as of December 31, 2000.

Revenue recognition - The Partnership uses the entitlements method of accounting for oil, natural gas liquids ("NGLs") and natural gas revenues.

### NOTE 3. IMPAIRMENT OF LONG-LIVED ASSETS

In accordance with SFAS 121, the Partnership reviews its proved oil and gas properties for impairment whenever events and circumstances indicate a decline in the recoverability of the carrying value of the Partnership's oil and gas properties. The Partnership has estimated the expected future cash flows of its oil and gas properties as of December 31, 2000, 1999 and 1998, based on proved reserves, and compared such estimated future cash flows to the respective carrying amount of the oil and gas properties to determine if the carrying amounts were likely to be recoverable. For those proved oil and gas properties for which the carrying amount exceeded the estimated future cash flows, an impairment was determined to exist; therefore, the Partnership adjusted the carrying amount of those oil and gas properties to their fair value as determined by discounting their expected future cash flows at a discount rate commensurate with the risks involved

8

220

in the industry. As a result, the Partnership recognized a non-cash impairment provision of \$50,343 related to its proved oil and gas properties during 1998.

### NOTE 4. INCOME TAXES

The financial statement basis of the Partnership's net assets and liabilities was \$308,345 less than the tax basis at December 31, 2000.

The following is a reconciliation of net income (loss) per statements of operations with the net income per Federal income tax returns for the years ended December 31:

	2000	
	-----	-----
Net income (loss) per statements of operations	\$ 220,612	\$
Depletion and depreciation provisions for tax reporting purposes less than amounts for		

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

financial reporting purposes	6,157	
Impairment of oil and gas properties for financial reporting purposes	-	
Other, net	(447)	
	-----	----
Net income per Federal income tax returns	\$ 226,322	\$
	=====	=====

NOTE 5. OIL AND GAS PRODUCING ACTIVITIES

The following is a summary of the costs incurred, whether capitalized or expensed, related to the Partnership's oil and gas producing activities for the years ended December 31:

	2000	
	-----	----
Property acquisition costs	\$ 4,512	\$
	=====	=====

Capitalized oil and gas properties consist of the following:

Proved properties:		
Property acquisition costs		\$
Completed wells and equipment		
		----
Accumulated depletion		
		----
Net oil and gas properties		\$
		=====

NOTE 6. RELATED PARTY TRANSACTIONS

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$	78,719	\$
Reimbursement of general and administrative expenses	\$	12,487	\$

Pioneer USA, EMPL and the Partnership are parties to the Partnership agreement. EMPL is a limited partnership in which Pioneer USA owns 60% and the remaining portion is owned by former affiliates.

The costs and revenues of the Partnership are allocated as follows:

	General partners -----
Revenues:	
Proceeds from property dispositions prior to cost recovery	10%
All other Partnership revenues	25%
Costs and expenses:	
Lease acquisition costs, drilling and completion costs and all other costs	10%
Operating costs, direct costs and general and administrative expenses	25%

NOTE 7. OIL AND GAS INFORMATION (UNAUDITED)

The following table presents information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities during the years then ended. All of the Partnership's reserves are proved developed and located within the United States. The Partnership's reserves are based on an evaluation prepared by Williamson Petroleum Consultants, Inc., an independent petroleum consultant, using criteria established by the Securities and Exchange Commission.

10

222

	Oil and NGLs (bbls) -----	Gas (mcf) -----
Net proved reserves at January 1, 1998	131,090	275,544
Revisions	(70,930)	(119,307)
Production	(13,937)	(24,638)
	-----	-----



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Net proved reserves at December 31, 1998	46,223	131,599
Revisions	160,567	219,656
Production	(14,970)	(28,708)
	-----	-----
Net proved reserves at December 31, 1999	191,820	322,547
Revisions	33,336	130,129
Production	(13,976)	(25,901)
	-----	-----
Net proved reserves at December 31, 2000	211,180	426,775
	=====	=====

As of December 31, 2000, the estimated present value of future net revenues of proved reserves, calculated using December 31, 2000 prices of \$26.64 per barrel of oil, \$13.30 per barrel of NGLs and \$7.65 per mcf of gas, discounted at 10% was approximately \$1,915,000 and undiscounted was \$3,748,000.

Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves. The Partnership emphasizes that reserve estimates are inherently imprecise and, accordingly, the estimates are expected to change as future information becomes available.

### Disclosures about Oil & Gas Producing Activities

#### Standardized Measure of Discounted Future Net Cash Flows

The standardized measure of discounted future net cash flows is computed by applying year-end prices of oil and gas (with consideration of price changes only to the extent provided by contractual arrangements) to the estimated future production of proved oil and gas reserves less estimated future expenditures (based on year-end costs) to be incurred in developing and producing the proved reserves, discounted using a rate of 10% per year to reflect the estimated timing of the future cash flows. A Federal income tax provision has not been calculated as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

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

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	2000	
	-----	-----
		(in
Oil and gas producing activities:		
Future cash inflows	\$ 7,853	\$
Future production costs	(4,105)	
	-----	-----
10% annual discount factor	3,748 (1,833)	
	-----	-----
Standardized measure of discounted future net cash flows	\$ 1,915	\$
	=====	=====

	For the years e	
	2000	
	-----	-----
		(in
Oil and Gas Producing Activities:		
Oil and gas sales, net of production costs	\$ (242)	\$
Net changes in prices and production costs	888	
Revisions of previous quantity estimates	415	
Accretion of discount	96	
Changes in production rates, timing and other	(206)	
	-----	-----
Change in present value of future net revenues	951	
	-----	-----
Balance, beginning of year	964	
	-----	-----
Balance, end of year	\$ 1,915	\$
	=====	=====

NOTE 8. MAJOR CUSTOMERS

The following table reflects the major customers of the Partnership's oil and gas sales (a major customer is defined as a customer whose sales exceed 10% of total sales) during the years ended December 31:

	2000
	-----
Plains Marketing, L.P.	54%
Genesis Crude Oil, L.P.	-
Western Gas Resources, Inc.	-
Exxon Corporation	8%

At December 31, 2000, the amount receivable from Plains Marketing, L.P.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

was \$19,892 which is included in the caption "Accounts receivable - oil and gas sales" in the accompanying Balance Sheet.

Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on the ability of the Partnership to sell its oil, NGLs and gas production.

12

224

### NOTE 9. PARTNERSHIP AGREEMENT

The following is a brief summary of the more significant provisions of the limited partnership agreement:

General partners - The general partners of the Partnership are Pioneer USA and EMPL. Pioneer USA, the managing general partner, has the power and authority to manage, control and administer all Partnership affairs. As managing general partner and operator of the Partnership's properties, all production expenses are incurred by Pioneer USA and billed to the Partnership. The majority of the Partnership's oil and gas revenues are received directly by the Partnership, however, a portion of the oil and gas revenue is initially received by Pioneer USA prior to being paid to the Partnership.

Limited partner liability - The maximum amount of liability of any limited partner is the total contributions of such partner plus his share of any undistributed profits.

Initial capital contributions - The limited partners entered into subscription agreements for aggregate capital contributions of \$7,410,000. The general partners are required to contribute amounts equal to 10% of Partnership expenditures for lease acquisition, drilling and completion and 25% of direct, general and administrative and operating expenses.

13

225

PARKER & PARSLEY 81-I, LTD.  
(A TEXAS LIMITED PARTNERSHIP)

THIS REPORT CONTAINS FORWARD LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. ACCORDINGLY, NO ASSURANCES CAN BE GIVEN THAT THE ACTUAL EVENTS AND RESULTS WILL NOT BE MATERIALLY DIFFERENT THAN THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

### Results of operations

#### 2000 compared to 1999

The Partnership's oil and gas revenues increased 60% to \$416,230 for 2000 as compared to \$260,652 in 1999. The increase in revenues resulted from higher average prices received, offset by a decrease in production. In 2000, 8,793 barrels of oil, 5,183 barrels of natural gas liquids ("NGLs") and 25,901 mcf of gas were sold, or 18,293 barrel of oil equivalents ("BOEs"). In 1999, 9,249 barrels of oil, 5,721 barrels of NGLs and 28,708 mcf of gas were sold, or 19,755 BOEs. Due to the decline characteristics of the Partnership's oil and gas properties, management expects a certain amount of decline in production in the future until the Partnership's economically recoverable reserves are fully depleted.

The average price received per barrel of oil increased \$12.32, or 73%, from \$16.94 in 1999 to \$29.26 in 2000. The average price received per barrel of NGLs increased \$5.38, or 58%, from \$9.22 in 1999 to \$14.60 in 2000. The average price received per mcf of increased 81% from \$1.78 in 1999 to \$3.22 in 2000. The market price for oil and gas has been extremely volatile in the past decade, and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received in 2000.

Total costs and expenses increased in 2000 to \$198,689 as compared to \$190,778 in 1999, an increase of \$7,911, or 4%. The increase was primarily due to an increase in production costs and general and administrative expenses ("G&A"), offset by a decline in depletion.

Production costs were \$174,233 in 2000 and \$165,810 in 1999, resulting in an \$8,423 increase, or 5%. The increase was primarily due to higher production taxes associated with higher oil and gas prices, offset by less well maintenance costs.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 20% from \$13,087 in 1999 to \$15,697 in 2000, primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$12,487 in 2000 and \$7,820 in 1999 for G&A incurred on behalf of the Partnership. The remaining G&A was paid directly by the Partnership. The managing general partner determines the allocated expenses based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Depletion was \$8,759 in 2000 as compared to \$11,881 in 1999, representing a decrease of \$3,122, or 26%. This decrease was primarily due to a 20,821 barrels of oil increase in proved reserves during 2000 as a result of the higher commodity prices.

#### 1999 compared to 1998

The Partnership's 1999 oil and gas revenues increased 30% to \$260,652 from \$199,789 in 1998. The increase in revenues resulted from higher average prices received and an increase in production. In 1999, 9,249 barrels of oil, 5,721 barrels of NGLs and 28,708 mcf of gas were sold, or 19,755 BOEs. In 1998, 9,634 barrels of oil, 4,303 barrels of NGLs and 24,638 mcf of gas were sold, or 18,043 BOEs.

226

The average price received per barrel of oil increased \$3.61, or 27%, from \$13.33 in 1998 to \$16.94 in 1999. The average price received per barrel of NGLs increased \$2.82, or 44%, from \$6.40 in 1998 to \$9.22 in 1999. The average price received per mcf of gas remained unchanged at \$1.78 in 1998 and 1999.

Total costs and expenses decreased in 1999 to \$190,778 as compared to \$333,665 in 1998, a decrease of \$142,887, or 43%. The decrease was primarily due to declines in depletion and the impairment of oil and gas properties, offset by an increase in production costs and G&A.

Production costs were \$165,810 in 1999 and \$157,631 in 1998, resulting in an \$8,179 increase, or 5%. The increase was due to additional well maintenance costs incurred to stimulate well production and an increase in production taxes due to increased oil and gas revenues, offset by a decline in ad valorem taxes.

During this period, G&A increased 47% from \$8,892 in 1998 to \$13,087 in 1999 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$7,820 in 1999 and \$6,250 in 1998 for G&A incurred on behalf of the Partnership.

In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the managing general partner reviews the Partnership's oil and gas properties for impairment whenever events or circumstances indicate a decline in the recoverability of the carrying value of the Partnership's assets may have occurred. As a result of the review and evaluation of its long-lived assets for impairment, the Partnership recognized a non-cash charge of \$50,343 related to its oil and gas properties during 1998.

Depletion was \$11,881 in 1999 compared to \$116,799 in 1998, representing a decrease of \$104,918, or 90%. This decrease was the result of a combination of factors that included an increase in proved reserves of 104,672 barrels of oil during 1999 as a result of the higher commodity prices, a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 1998 and a decline in oil production of 385 barrels for the period ended December 31, 1999 compared to the same period in 1998.

#### Petroleum industry

The petroleum industry has been characterized by volatile oil, NGL and natural gas commodity prices and relatively stable supplier costs during the three years ended December 31, 2000. During 1998, weather patterns, regional economic recessions and political matters combined to cause worldwide oil supplies to exceed demand resulting in a substantial decline in oil prices. Also during 1998, but to a lesser extent, market prices for natural gas declined. During 1999 and 2000, the Organization of Petroleum Exporting Countries ("OPEC") and certain other crude oil exporting nations announced reductions in their planned export volumes. Those announcements, together with the enactment of the announced reductions in export volumes, had a positive impact on world oil prices, as have overall natural gas supply and demand fundamentals on North American natural gas prices. Although the favorable commodity price environment and stable field service cost environment is expected to continue during 2001, there is no assurance that commodity prices will not return to a less favorable level or that field service costs will not escalate in the future, both of which could negatively impact the Partnership's future results of operations and cash distributions.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Liquidity and capital resources

### Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$124,224 during the year ended December 31, 2000 from 1999. This increase was due to an increase in oil and gas sales receipts of \$156,791, offset by increases in production costs paid of \$8,423, G&A expenses paid of \$2,610 and working capital of \$21,534. The increase in oil and gas receipts resulted from the increase in commodity prices during 2000 which contributed an additional \$187,015 to oil and gas receipts, offset by \$30,224 resulting from the decline in production during 2000. The increase in production costs was primarily due to increased production taxes associated with higher oil and gas prices, offset by lower well maintenance costs. The increase in G&A was primarily due to higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues.

227

### Net Cash Provided by (Used in) Investing Activities

The Partnership's principal investing activities during 2000 and 1999 included expenditures related to upgrades of equipment on various oil and gas properties.

### Net Cash Used in Financing Activities

In 2000, cash distributions to the partners were \$194,876, of which \$48,899 was distributed to the general partners and \$145,977 to the limited partners. In 1999, cash distributions to the partners were \$63,186, of which \$15,981 was distributed to the general partners and \$47,205 to the limited partners.

228

PARKER & PARSLEY 81-I, LTD.

### SELECTED FINANCIAL DATA

The following selected financial data for the Partnership should be read in connection with Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements included in the attached supplemental information.

Six months ended June 30,		Years ended Decem		
2001	2000	2000	1999	1998

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Operating results:					
Oil and gas sales	\$ 211,753	\$ 191,199	\$ 416,230	\$ 260,652	\$ 199,789
	=====	=====	=====	=====	=====
Impairment of oil and gas properties	\$ --	\$ --	\$ --	\$ --	\$ 50,343
	=====	=====	=====	=====	=====
Gain on litigation settlement, net	\$ --	\$ --	\$ --	\$ --	\$ --
	=====	=====	=====	=====	=====
Net income (loss)	\$ 115,288	\$ 97,064	\$ 220,612	\$ 71,732	\$ (131,347)
	=====	=====	=====	=====	=====
Allocation of net income (loss):					
General partners	\$ 29,163	\$ 24,819	\$ 56,242	\$ 19,205	\$ (7,775)
	=====	=====	=====	=====	=====
Limited partners	\$ 86,125	\$ 72,245	\$ 164,370	\$ 52,527	\$ (123,572)
	=====	=====	=====	=====	=====
Limited partners' net income (loss) per limited partnership interest	\$ 58.11	\$ 48.75	\$ 110.91	\$ 35.44	\$ (83.38)
	=====	=====	=====	=====	=====
Limited partners' cash distributions per limited partnership interest	\$ 34.55	\$ 48.81	\$ 98.50	\$ 31.85	\$ 30.85
	=====	=====	=====	=====	=====
As of period ended:					
Total assets	\$ 252,467	\$ 181,960	\$ 204,769	\$ 180,257	\$ 168,805
	=====	=====	=====	=====	=====

-----

(a) Including litigation settlement per limited partnership interest of \$20.66 in 1996.

229

PIONEER NATURAL RESOURCES COMPANY  
PIONEER NATURAL RESOURCES USA, INC.  
5205 NORTH O'CONNOR BLVD., SUITE 1400  
IRVING, TEXAS 75039

SUPPLEMENTAL INFORMATION

OF

PARKER & PARSLEY 81-II LTD., A TEXAS LIMITED PARTNERSHIP

TO

PROXY STATEMENT/PROSPECTUS DATED , 2001

# Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

-----  
THE DATE OF THIS SUPPLEMENT IS                   , 2001  
-----

This document contains important information specific to Parker & Parsley 81-II Ltd. and supplements the proxy statement/prospectus dated                   , 2001, of Pioneer Natural Resources Company and Pioneer Natural Resources USA, Inc., by which Pioneer USA is soliciting proxies to be voted at a special meeting of limited partners of the partnership. The purpose of the special meeting is for you to vote upon the merger of the partnership with and into Pioneer USA that, if completed, will result in your receiving common stock of Pioneer Natural Resources Company for your partnership interests.

This document contains the following information concerning Parker & Parsley 81-II Ltd.:

- o A table containing:
  - the aggregate initial investment by the limited partners
  - the aggregate historical limited partner distributions through July 31, 2001
  - the merger value attributable to partnership interests of limited partners, excluding Pioneer USA
  - the merger value per \$1,000 limited partner investment
  - the merger value per \$1,000 limited partner investment as a multiple of distributions for the past four quarterly distributions including the distribution in July 2001
  - the book value per \$1,000 limited partner investment as of June 30, 2001 and as of December 31, 2000
  - the going concern value per \$1,000 limited partner investment
  - the liquidation value per \$1,000 limited partner investment
  - the ordinary tax loss per \$1,000 limited partner investment in year of initial investment
- o Information about:
  - the legal opinion for the limited partners
  - the term of the partnership
- o The partnership's financial statements, including management's discussion and analysis of financial condition and results of operations, for the six months ended June 30, 2001
- o The partnership's financial statements, including management's discussion and analysis of financial condition and results of operations, for the year ended December 31, 2000



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

- o Selected historical financial data for the partnership for the six months ended June 30, 2001 and 2000 and the five years ended December 31, 2000

-1-

230

PARKER & PARSLEY 81-II LTD.

SUPPLEMENTAL INFORMATION TABLE

Aggregate Initial Investment by the Limited Partners (a)	\$	6
Aggregate Historical Limited Partner Distributions through July 31, 2001 (a)	\$	5
Merger Value Attributable to Partnership Interests of Limited Partners, Excluding Pioneer USA (a), (b)	\$	
Merger Value per \$1,000 Limited Partner Investment (b), (c)	\$	8
Merger Value per \$1,000 Limited Partner Investment as a Multiple of Distributions for the past four quarterly distributions including the distribution in July 2001 (b), (c)		
Book Value per \$1,000 Limited Partner Investment:		
-- as of June 30, 2001 (c)	\$	8
-- as of December 31, 2000 (c)	\$	8
Going Concern Value per \$1,000 Limited Partner Investment (c), (d)	\$	7
Liquidation Value per \$1,000 Limited Partner Investment (c), (e)	\$	7
Ordinary Tax Loss per \$1,000 Limited Partner Investment in Year of Initial Investment (c), (f)	\$	

-----

(a) Stated in thousands.

(b) The merger value for the partnership is equal to the sum of the present value of estimated future net revenues from the partnership's estimated oil and gas reserves and its net working capital, in each case as of March 31, 2001, less its pro rata share, based on its reserve value, of the estimated expenses and fees of the mergers of all of the partnerships and less the cash distribution on July 13, 2001, by the partnership to its partners.

(c) Interests in some partnerships were sold in units at prices other than \$1,000. We have presented this information based on a \$1,000 initial investment for ease of use and comparison among partnerships. You should

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

not assume that the amount shown per \$1,000 investment is the same as the value or amount attributable to a single unit investment.

- (d) The going concern value for the partnership is based upon: (1) the sum of (A) the estimated net cash flow from the sale of the partnership's reserves during a 10-year operating period and (B) the estimated residual value from the sale of the partnership's remaining reserves at the end of the operating period, in each case using the same pricing and discount rate as in the merger value calculation, less (2) (A) partnership level general and administrative expenses, and (B) the cash distribution on July 13, 2001, by the partnership to its partners.
- (e) The liquidation value for the partnership is based upon the sale of the partnership's reserves at the reserve value, less (1) liquidation expenses which are estimated to be the sum of (A) the partnership's pro rata share of the merger expenses and fees described in footnote (b) above and (B) 3% of the partnership's reserve value, and (2) the cash distribution on July 13, 2001 by the partnership to its partners. The liquidation expenses represent the estimated costs to retain an investment banker or broker to sell the assets of the partnership and the legal and other closing costs associated with such transaction, including the wind-down costs of the partnership.
- (f) Your ability to use your distributive share of the partnership's loss to offset your other income may have been subject to certain limitations at your level as a partner, and you may therefore wish to consult your tax advisor to determine the additional value, if any, actually realized by you in your particular circumstances.

### INFORMATION ABOUT THE LEGAL OPINION FOR THE LIMITED PARTNERS

The partnership agreement for the partnership requires that special legal counsel render an opinion on behalf of the limited partners to Pioneer USA that (1) neither the grant nor the exercise of the right to approve the merger of the partnership by its limited partners will adversely affect the federal income tax status or classification of the partnership or any of its limited partners; and (2) neither the grant nor exercise of such right will result in the loss of any limited partner's limited liability. In addition, the counsel designated to render the opinion must be counsel other than counsel to Pioneer USA or the partnership. Both the designated counsel and the legal opinion must be approved by the limited partners. Pioneer USA has retained \_\_\_\_\_ of Dallas, Texas for the purpose of rendering this legal opinion on behalf of the limited partners to Pioneer USA. The merger proposals include an approval of that counsel and the form of its opinion. A copy of the opinion is attached as an exhibit to the merger proposals.

### INFORMATION ABOUT THE TERM OF THE PARTNERSHIP

The term of the partnership shall continue until terminated in accordance with the applicable provisions of its partnership agreement.

-2-

231

PARKER & PARSLEY 81-II, LTD.

(A Texas Limited Partnership)

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

FINANCIAL STATEMENTS

June 30, 2001 and December 31, 2000

(Unaudited)

232

PARKER & PARSLEY 81-II, LTD.  
(A Texas Limited Partnership)

BALANCE SHEETS

	June 30, 2001	December 31, 2000
	-----	-----
	(Unaudited)	
ASSETS		
Current assets:		
Cash	\$ 83,809	\$ 29,376
Accounts receivable - oil and gas sales	38,815	64,821
	-----	-----
Total current assets	122,624	94,197
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	5,349,540	5,345,296
Accumulated depletion	(4,842,640)	(4,821,914)
	-----	-----
Net oil and gas properties	506,900	523,382
	-----	-----
	\$ 629,524	\$ 617,579
	=====	=====
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable - affiliate	\$ 9,160	\$ 9,253
Partners' capital:		
General partners	66,930	61,405
Limited partners (1,153 interests)	553,434	546,921
	-----	-----
	620,364	608,326
	-----	-----
	\$ 629,524	\$ 617,579
	=====	=====

The financial information included as of June 30, 2001 has been prepared by the managing general partner without audit by independent public accountants.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

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

2

233

PARKER & PARSLEY 81-II, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF OPERATIONS  
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2001	2000	2001	2000
Revenues:				
Oil and gas	\$ 90,934	\$ 104,047	\$ 199,000	\$ 174,048
Interest	663	496	1,345	893
	-----	-----	-----	-----
	91,597	104,543	200,345	174,941
	-----	-----	-----	-----
Costs and expenses:				
Oil and gas production	50,059	50,877	100,899	99,416
General and administrative	2,729	3,420	7,177	5,610
Depletion	10,062	15,070	20,726	26,817
	-----	-----	-----	-----
	62,850	69,367	128,802	131,843
	-----	-----	-----	-----
Net income	\$ 28,747	\$ 35,176	\$ 71,543	\$ 43,098
	=====	=====	=====	=====
Allocation of net income:				
General partners	\$ 8,696	\$ 11,054	\$ 20,740	\$ 14,797
	=====	=====	=====	=====
Limited partners	\$ 20,051	\$ 24,122	\$ 50,803	\$ 28,301
	=====	=====	=====	=====
Net income per limited partnership interest	\$ 17.39	\$ 20.93	\$ 44.06	\$ 24.55
	=====	=====	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

3

234

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

PARKER & PARSLEY 81-II, LTD.  
(A Texas Limited Partnership)

STATEMENT OF PARTNERS' CAPITAL  
(Unaudited)

	General partners -----	Limited partners -----	Total -----
Balance at January 1, 2001	\$ 61,405	\$ 546,921	\$ 608,326
Distributions	(15,215)	(44,290)	(59,505)
Net income	20,740 -----	50,803 -----	71,543 -----
Balance at June 30, 2001	\$ 66,930 =====	\$ 553,434 =====	\$ 620,364 =====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

4

235

PARKER & PARSLEY 81-II, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF CASH FLOWS  
(Unaudited)

	Six months ended June 30, -----	
	2001 -----	2000 -----
Cash flows from operating activities:		
Net income	\$ 71,543	\$ 43,098
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion	20,726	26,817

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Changes in assets and liabilities:		
Accounts receivable	26,006	(20,263)
Accounts payable	(93)	1,090
	-----	-----
Net cash provided by operating activities	118,182	50,742
	-----	-----
Cash flows used in investing activities:		
Additions to oil and gas properties	(4,244)	(5,487)
Cash flows used in financing activities:		
Cash distributions to partners	(59,505)	(42,093)
	-----	-----
Net increase in cash	54,433	3,162
Cash at beginning of period	29,376	30,160
	-----	-----
Cash at end of period	\$ 83,809	\$ 33,322
	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

5

236

PARKER & PARSLEY 81-II, LTD.  
(A Texas Limited Partnership)

NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Unaudited)

Note 1. Organization and nature of operations

Parker & Parsley 81-II (the "Partnership") is a limited partnership organized in 1981 under the laws of the State of Texas.

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

Note 2. Basis of presentation

In the opinion of management, the unaudited financial statements of the Partnership as of June 30, 2001 and for the three and six months ended June 30, 2001 and 2000 include all adjustments and accruals consisting only of normal recurring accrual adjustments which are necessary for a fair presentation of the results for the interim period. These interim results are not necessarily indicative of results for a full year. Certain reclassifications may have been made to the June 30, 2000 financial statements to conform to the June 30, 2001 financial statement presentations.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in these interim financial statements. The

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

financial statements should be read in conjunction with the financial statements and the notes thereto contained in the Partnership's report for the year ended December 31, 2000, a copy of which is available upon request by writing to Rich Dealy, Vice President and Chief Accounting Officer, 5205 North O'Connor Boulevard, Suite 1400, Irving, Texas 75039-3746.

### Management's Discussion and Analysis of Financial Condition and Results of Operations (1)

#### Results of Operations

Six months ended June 30, 2001 compared with six months ended June 30, 2000

#### Revenues:

The Partnership's oil and gas revenues increased 14% to \$199,000 for the six months ended June 30, 2001 as compared to \$174,048 for the same period in 2000. The increase in revenues resulted from higher average prices received, offset by a decrease in production. For the six months ended June 30, 2001, 4,136 barrels

6

237

of oil, 1,400 barrels of natural gas liquids ("NGLs") and 11,975 mcf of gas were sold, or 7,532 barrel of oil equivalents ("BOEs"). For the six months ended June 30, 2000, 4,547 barrels of oil, 2,406 barrels of NGLs and 6,862 mcf of gas were sold, or 8,097 BOEs.

The average price received per barrel of oil increased \$.17, or 1%, from \$27.24 for the six months ended June 30, 2000 to \$27.41 for the same period in 2001. The average price received per barrel of NGLs increased \$3.03, or 21%, from \$14.40 during the six months ended June 30, 2000 to \$17.43 for the same period in 2001. The average price received per mcf of gas increased 127% from \$2.26 during the six months ended June 30, 2000 to \$5.12 for the same period in 2001. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received during the six months ended June 30, 2001.

#### Costs and Expenses:

Total costs and expenses decreased to \$128,802 for the six months ended June 30, 2001 as compared to \$131,843 for the same period in 2000, a decrease of \$3,041, or 2%. This decrease was due to a decline in depletion, offset by increases in general and administrative expenses ("G&A") and production costs.

Production costs were \$100,899 for the six months ended June 30, 2001 and \$99,416 for the same period in 2000 resulting in a \$1,483 increase, or 1%. The increase was due to higher production taxes due to higher oil and gas prices and additional well maintenance costs incurred to stimulate well production.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 28% from \$5,610 for the six months ended June 30, 2000 to \$7,177 for the same period in 2001, primarily due to a higher allocation of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues and an increase in audit and tax fees.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Depletion was \$20,726 for the six months ended June 30, 2001 as compared to \$26,817 for the same period in 2000, a decrease of \$6,091, or 23%. This decrease was the result of a decline in oil production of 411 barrels for the six months ended June 30, 2001 as compared to the same period in 2000.

Three months ended June 30, 2001 compared with three months ended June 30, 2000

### Revenues:

The Partnership's oil and gas revenues decreased 13% to \$90,934 for the three months ended June 30, 2001 as compared to \$104,047 for the same period in 2000. The decrease in revenues resulted from lower average prices received for oil and

7

238

a decrease in production, offset by higher average prices received for gas and NGLs. For the three months ended June 30, 2001, 1,967 barrels of oil, 865 barrels of NGLs and 6,244 mcf of gas were sold, or 3,873 BOEs. For the three months ended June 30, 2000, 2,495 barrels of oil, 1,721 barrels of NGLs and 5,373 mcf of gas were sold, or 5,112 BOEs.

The average price received per barrel of oil decreased \$.25, or 1%, from \$27.16 for the three months ended June 30, 2000 to \$26.91 for the three months ended June 30, 2001. The average price received per barrel of NGLs increased \$2.13, or 16%, from \$13.15 during the three months ended June 30, 2000 to \$15.28 for the same period in 2001. The average price received per mcf of gas increased 56% to \$3.97 during the three months ended June 30, 2001 from \$2.54 during the same period in 2000.

### Costs and Expenses:

Total costs and expenses decreased to \$62,850 for the three months ended June 30, 2001 as compared to \$69,367 for the same period in 2000, a decrease of \$6,517, or 9%. This decrease was due to declines in depletion, production costs and G&A.

Production costs were \$50,059 for the three months ended June 30, 2001 and \$50,877 for the same period in 2000 resulting in an \$818 decrease, or 2%. The decrease was due to lower well maintenance costs.

During this period, G&A decreased 20%, from \$3,420 for the three months ended June 30, 2000 to \$2,729 for the same period in 2001, primarily due to a lower allocation of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of decreased oil and gas revenues and a decrease in audit and tax fees.

Depletion was \$10,062 for the three months ended June 30, 2001 as compared to \$15,070 for the same period in 2000, a decrease of \$5,008, or 33%. This decrease was the result of a decline in oil production of 528 barrels for the three months ended June 30, 2001 as compared to the same period in 2000.

### Liquidity and Capital Resources

#### Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$67,440 during the six months ended June 30, 2001 from the same period ended June 30, 2000. This increase was due to an increase in oil and gas sales receipts of \$25,404 and a



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

reduction in working capital of \$45,086, offset by increases in production costs of \$1,483 and G&A expenses of \$1,567. The increase in oil and gas receipts resulted from the increase in commodity prices during 2001 which contributed an additional \$27,593 to oil and gas receipts, offset by \$2,189 resulting from the decline in production during 2001 as compared to the same period in 2000. The increase in production costs was primarily due to increased production taxes

8

239

associated with higher oil and gas prices and additional well maintenance costs incurred to stimulate well production. The increase in G&A was primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues and an increase in audit and tax fees.

### Net Cash Used in Investing Activities

For the six months ended June 30, 2001 and 2000, the Partnership's investing activities included expenditures related to equipment upgrades on various oil and gas properties.

### Net Cash Used in Financing Activities

For the six months ended June 30, 2001, cash distributions to the partners were \$59,505, of which \$15,215 was distributed to the general partners and \$44,290 to the limited partners. For the same period ended June 30, 2000, cash distributions to the partners were \$42,093, of which \$9,905 was distributed to the general partners and \$32,188 to the limited partners.

For the three months ended June 30, 2001, no distributions were made by the partnership to its partners. Subsequent to June 30, 2001 the cash distribution that otherwise would have been mailed to partners in late June was made to holders of record as of July 9, 2001 and was mailed on July 13, 2001. For further information, see "Proposal to acquire partnerships" below.

### Proposal to acquire partnerships

On June 29, 2001, Pioneer Natural Resources Company ("Pioneer") filed with the Securities and Exchange Commission Amendment No. 1 to the Form S-4 Registration Statement (File No. 333- 59094) (the "preliminary proxy statement/prospectus"), which proposes an agreement and plan of merger among Pioneer, Pioneer Natural Resources USA, Inc. ("Pioneer USA"), a wholly-owned subsidiary of Pioneer, and 46 Parker & Parsley limited partnerships. Each partnership that approves the agreement and plan of merger and the other related merger proposals will merge with and into Pioneer USA upon the closing of the transactions described in the preliminary proxy statement/prospectus, and the partnership interests of each such partnership will be converted into the right to receive Pioneer common stock. The Partnership is one of the 46 Parker & Parsley limited partnerships that will be asked to approve the agreement and plan of merger. The preliminary proxy statement/prospectus is non-binding and is subject to, among other things, consideration of offers from third parties to purchase any partnership or its assets and the majority approval of the limited partnership interests in each partnership.

Pioneer USA will solicit proxies from limited partners to approve the mergers only when the proxy statement/prospectus is final and declared effective. No solicitation will be made using preliminary materials. Nonetheless, copies of the preliminary proxy statement/prospectus may be obtained without charge upon

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

request from Pioneer Natural Resources Company, 5205 North O'Connor Blvd., Suite 1400, Irving, Texas 75039, Attention: Investor Relations.

The limited partners are urged to read the proxy statement/prospectus of Pioneer filed with the Securities and Exchange Commission, when it is finalized, because it contains important information about the proposed mergers, including information about the direct and indirect interests of Pioneer USA and Pioneer

9

240

in the mergers. The limited partners may also obtain the preliminary and (when filed) final proxy statement/prospectus and other relevant documents relating to the proposed mergers free through the internet web site that the Securities and Exchange Commission maintains at [www.sec.gov](http://www.sec.gov).

-----

- (1) "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" contains forward looking statements that involve risks and uncertainties. Accordingly, no assurances can be given that the actual events and results will not be materially different than the anticipated results described in the forward looking statements.

10

241

PARKER & PARSLEY 81-II, LTD.  
(A Texas Limited Partnership)

FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITORS' REPORT

December 31, 2000 and 1999

242

INDEPENDENT AUDITORS' REPORT

# Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The Partners  
Parker & Parsley 81-II, Ltd.  
(A Texas Limited Partnership):

We have audited the balance sheets of Parker & Parsley 81-II, Ltd. as of December 31, 2000 and 1999, and the related statements of operations, partners' capital and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parker & Parsley 81-II, Ltd. as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Dallas, Texas  
March 9, 2001

2

243

PARKER & PARSLEY 81-II, LTD.  
(A Texas Limited Partnership)

## BALANCE SHEETS December 31

	2000	1999
	-----	-----
ASSETS		
-----		
Current assets:		
Cash	\$ 29,376	\$ 30,160
Accounts receivable - oil and gas sales	64,821	27,908
	-----	-----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Total current assets	94,197	58,068
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	5,345,296	5,338,113
Accumulated depletion	(4,821,914)	(4,776,074)
	-----	-----
Net oil and gas properties	523,382	562,039
	-----	-----
	\$617,579	\$ 620,107
	=====	=====
LIABILITIES AND PARTNERS' CAPITAL		
-----		
Current liabilities:		
Accounts payable - affiliate	\$ 9,253	\$ 10,581
Partners' capital:		
General partners	61,405	58,558
Limited partners (1,153 interests)	546,921	550,968
	-----	-----
	608,326	609,526
	-----	-----
	\$ 617,579	\$ 620,107
	=====	=====

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

3

244

PARKER & PARSLEY 81-II, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF OPERATIONS  
For the years ended December 31

	2000	1999	1998
	-----	-----	-----
Revenues:			
Oil and gas	\$ 387,180	\$ 204,717	\$ 209,110
Interest	2,775	1,395	1,725
Gain on disposition of assets	-	240	-
	-----	-----	-----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	389,955	206,352	210,835
	-----	-----	-----
Costs and expenses:			
Oil and gas production	189,764	140,847	173,960
General and administrative	13,791	9,864	7,867
Impairment of oil and gas properties	-	-	30,131
Depletion	45,840	49,409	95,466
	-----	-----	-----
	249,395	200,120	307,424
	-----	-----	-----
Net income (loss)	\$ 140,560	\$ 6,232	\$ (96,589)
	=====	=====	=====
Allocation of net income (loss):			
General partners	\$ 41,791	\$ 8,423	\$ (5,308)
	=====	=====	=====
Limited partners	\$ 98,769	\$ (2,191)	\$ (91,281)
	=====	=====	=====
Net income (loss) per limited partnership interest	\$ 85.66	\$ (1.90)	\$ (79.17)
	=====	=====	=====

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

PARKER & PARSLEY 81-II, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF PARTNERS' CAPITAL

	General partners	Limited partners	Total
	-----	-----	-----
Partners' capital at January 1, 1998	\$ 76,354	\$706,525	\$782,879
Distributions	(11,831)	(34,220)	(46,051)
Net loss	(5,308)	(91,281)	(96,589)
	-----	-----	-----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Partners' capital at December 31, 1998	59,215	581,024	640,239
Distributions	(9,080)	(27,865)	(36,945)
Net income (loss)	8,423	(2,191)	6,232
	-----	-----	-----
Partners' capital at December 31, 1999	58,558	550,968	609,526
Distributions	(38,944)	(102,816)	(141,760)
Net income	41,791	98,769	140,560
	-----	-----	-----
Partners' capital at December 31, 2000	\$ 61,405	\$546,921	\$608,326
	=====	=====	=====

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

5

246

PARKER & PARSLEY 81-II, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF CASH FLOWS  
For the years ended December 31

	2000	1999	1998
	-----	-----	-----
Cash flows from operating activities:			
Net income (loss)	\$140,560	\$ 6,232	\$(96,589)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Impairment of oil and gas properties	-	-	30,131
Depletion	45,840	49,409	95,466
Gain on disposition of assets	-	(240)	-
Changes in assets and liabilities:			
Accounts receivable	(36,913)	(3,325)	15,443
Accounts payable	(1,328)	3,022	(3,482)
	-----	-----	-----
Net cash provided by operating activities	148,159	55,098	40,969
	-----	-----	-----
Cash flows from investing activities:			
Additions to oil and gas properties	(7,183)	(4,254)	(8,322)
Proceeds from asset dispositions	-	690	-

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Net cash used in investing activities	(7,183)	(3,564)	(8,322)
Cash flows used in financing activities:			
Cash distributions to partners	(141,760)	(36,945)	(46,051)
Net increase (decrease) in cash	(784)	14,589	(13,404)
Cash at beginning of year	30,160	15,571	28,975
Cash at end of year	\$ 29,376	\$30,160	\$ 15,571

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

6

247

PARKER & PARSLEY 81-II, LTD.  
(A Texas Limited Partnership)

NOTES TO FINANCIAL STATEMENTS  
December 31, 2000, 1999 and 1998

NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS

Parker & Parsley 81-II (the "Partnership") is a limited partnership organized in 1981 under the laws of the State of Texas. The Partnership's general partners are Pioneer Natural Resources USA, Inc. ("Pioneer USA") and P&P Employees 81-II, Ltd. ("EMPL"). The Partnership's managing general partner is Pioneer USA.

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Oil and gas properties - The Partnership utilizes the successful efforts method of accounting for its oil and gas properties and equipment. Under this method, all costs associated with productive wells and nonproductive development wells are capitalized while nonproductive exploration costs are expensed. Capitalized costs relating to proved properties are depleted using the unit-of-production method on a property-by-property basis based on proved oil (dominant mineral) reserves as evaluated by independent petroleum consultants. The carrying amounts of properties sold or otherwise disposed of and the related allowances for depletion are eliminated from the accounts and any gain or loss is included in results of operations.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Impairment of long-lived assets - In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the Partnership reviews its long-lived assets to be held and used on an individual property basis, including oil and gas properties accounted for under the successful efforts method of accounting, whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. An impairment loss is indicated if the sum of the expected future cash flows is less than the carrying amount of the assets. In this circumstance, the Partnership recognizes an impairment loss for the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset.

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

7

248

Net income (loss) per limited partnership interest - The net income (loss) per limited partnership interest is calculated by using the number of outstanding limited partnership interests.

Income taxes - A Federal income tax provision has not been included in the financial statements as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

Statements of cash flows - For purposes of reporting cash flows, cash includes depository accounts held by banks.

General and administrative expenses - General and administrative expenses are allocated in part to the Partnership by the managing general partner. Allocated expenses are determined by the managing general partner based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Reclassifications - Certain reclassifications may have been made to the 1999 and 1998 financial statements to conform to the 2000 financial statement presentations.

Environmental - The Partnership is subject to extensive federal, state and local environmental laws and regulations. These laws, which are constantly changing, regulate the discharge of materials into the environment and may require the Partnership to remove or mitigate the environmental effects of the disposal or release of petroleum or chemical substances at various sites. Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Liabilities for expenditures of a noncapital nature are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated. Such liabilities are generally undiscounted unless the timing of cash payments for the liability or component are fixed or reliably determinable. No such liabilities have been accrued as of December 31, 2000.

Revenue recognition - The Partnership uses the entitlements method of accounting for oil, natural gas liquids ("NGLs") and natural gas revenues.



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

### NOTE 3. IMPAIRMENT OF LONG-LIVED ASSETS

In accordance with SFAS 121, the Partnership reviews its proved oil and gas properties for impairment whenever events and circumstances indicate a decline in the recoverability of the carrying value of the Partnership's oil and gas properties. The Partnership has estimated the expected future cash flows of its oil and gas properties as of December 31, 2000, 1999 and 1998, based on proved reserves, and compared such estimated future cash flows to the respective carrying amount of the oil and gas properties to determine if the carrying amounts were likely to be recoverable. For those proved oil and gas properties for which the carrying amount exceeded the estimated future cash flows, an impairment was determined to exist; therefore, the Partnership adjusted the carrying amount of those oil and gas properties to their fair value as determined by discounting their expected future cash flows at a discount rate commensurate with the risks involved

8

249

in the industry. As a result, the Partnership recognized a non-cash impairment provision of \$30,131 related to its proved oil and gas properties during 1998.

### NOTE 4. INCOME TAXES

The financial statement basis of the Partnership's net assets and liabilities was \$172,373 greater than the tax basis at December 31, 2000.

The following is a reconciliation of net income (loss) per statements of operations with the net income per Federal income tax returns for the years ended December 31:

	2000	1999	1998
	-----	-----	-----
Net income (loss) per statements of operations	\$ 140,560	\$ 6,232	\$ (96,589)
Depletion and depreciation provisions for tax reporting purposes less than amounts for financial reporting purposes	41,011	44,867	91,653
Impairment of oil and gas properties for financial reporting purposes	-	-	30,131
Other, net	(482)	(178)	454
	-----	-----	-----
Net income per Federal income tax returns	\$181,089	\$ 50,921	\$ 25,649
	=====	=====	=====

### NOTE 5. OIL AND GAS PRODUCING ACTIVITIES

The following is a summary of the costs incurred, whether capitalized or expensed, related to the Partnership's oil and gas producing activities for the years ended December 31:

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	2000 -----	1999 -----	1998 -----
Development costs	\$ 7,183 =====	\$ 4,254 =====	\$ 8,322 =====

Capitalized oil and gas properties consist of the following:

	2000 -----	1999 -----
Proved properties:		
Property acquisition costs	\$ 210,548	\$ 210,548
Completed wells and equipment	5,134,748	5,127,565
	-----	-----
Accumulated depletion	5,345,296 (4,821,914)	5,338,113 (4,776,074)
	-----	-----
Net oil and gas properties	\$ 523,382 =====	\$ 562,039 =====

9

250

NOTE 6. RELATED PARTY TRANSACTIONS

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

	2000 -----	1999 -----	1998 -----
Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$ 75,129	\$ 61,684	\$ 82,817
Reimbursement of general and administrative expenses	\$ 11,615	\$ 6,142	\$ 6,273

Pioneer USA, EMPL and the Partnership are parties to the Partnership agreement. EMPL is a limited partnership in which Pioneer USA owns 80% and the remaining portion is owned by former affiliates.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The costs and revenues of the Partnership are allocated as follows:

	General partners -----	Limited partners -----
Revenues:		
Proceeds from property dispositions prior to cost recovery	10%	90%
All other Partnership revenues	25%	75%
Costs and expenses:		
Lease acquisition costs, drilling and completion costs and all other costs	10%	90%
Operating costs, direct costs and general and administrative expenses	25%	75%

### NOTE 7. OIL AND GAS INFORMATION (UNAUDITED)

The following table presents information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities during the years then ended. All of the Partnership's reserves are proved developed and located within the United States. The Partnership's reserves are based on an evaluation prepared by Williamson Petroleum Consultants, Inc., an independent petroleum consultant, using criteria established by the Securities and Exchange Commission.

10

251

	Oil and NGLs (bbls) -----	Gas (mcf) -----
Net proved reserves at January 1, 1998	203,263	321,961
Revisions	(93,478)	(131,045)
Production	(16,033)	(22,439)
	-----	-----
Net proved reserves at December 31, 1998	93,752	168,477
Revisions	118,281	224,790
Production	(13,232)	(19,167)
	-----	-----
Net proved reserves at December 31, 1999	198,801	374,100
Revisions	18,015	(61,237)
Production	(13,921)	(15,864)
	-----	-----
Net proved reserves at December 31, 2000	202,895 =====	296,999 =====

As of December 31, 2000, the estimated present value of future net revenues of proved reserves, calculated using December 31, 2000 prices of \$26.64 per

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

barrel of oil, \$14.08 per barrel of NGLs and \$7.91 per mcf of gas, discounted at 10% was approximately \$1,416,000 and undiscounted was \$2,636,000.

Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves. The Partnership emphasizes that reserve estimates are inherently imprecise and, accordingly, the estimates are expected to change as future information becomes available.

### Disclosures about Oil & Gas Producing Activities

#### Standardized Measure of Discounted Future Net Cash Flows

The standardized measure of discounted future net cash flows is computed by applying year-end prices of oil and gas (with consideration of price changes only to the extent provided by contractual arrangements) to the estimated future production of proved oil and gas reserves less estimated future expenditures (based on year-end costs) to be incurred in developing and producing the proved reserves, discounted using a rate of 10% per year to reflect the estimated timing of the future cash flows. A Federal income tax provision has not been calculated as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

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

	For the years ended December 31,		
	2000	1999	1998
	(in thousands)		
Oil and gas producing activities:			
Future cash inflows	\$ 6,624	\$ 4,915	\$ 1,020
Future production costs	(3,988)	(3,116)	(849)
	2,636	1,799	171
10% annual discount factor	(1,220)	(799)	(47)

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	-----	-----	-----
Standardized measure of discounted future net cash flows	\$ 1,416	\$ 1,000	\$ 124
	=====	=====	=====

For the years ended December 31,

	-----	-----	-----
	2000	1999	1998
	-----	-----	-----
	(in thousands)		
Oil and Gas Producing Activities:			
Oil and gas sales, net of production costs	\$ (197)	\$ (64)	\$ (35)
Net changes in prices and production costs	530	471	(544)
Revisions of previous quantity estimates	45	781	(94)
Accretion of discount	100	12	76
Changes in production rates, timing and other	(62)	(324)	(40)
	-----	-----	-----
Change in present value of future net revenues	416	876	(637)
	-----	-----	-----
Balance, beginning of year	1,000	124	761
	-----	-----	-----
Balance, end of year	\$ 1,416	\$ 1,000	\$ 124
	=====	=====	=====

NOTE 8. MAJOR CUSTOMERS

The following table reflects the major customers of the Partnership's oil and gas sales (a major customer is defined as a customer whose sales exceed 10% of total sales) during the years ended December 31:

	-----	-----	-----
	2000	1999	1998
	-----	-----	-----
Plains Marketing, L.P.	56%	48%	-
LG&E Natural Marketing, Inc.	13%	17%	19%
NGTS LLC	11%	14%	-
Western Gas Processing	2%	4%	13%
Genesis Crude Oil, L.P.	4%	1%	43%

At December 31, 2000, the amounts receivable from Plains Marketing, L.P., LG&E Natural Marketing, Inc. and NGTS LLC were \$26,794, \$10,707 and \$4,029,

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

respectively, which are included in the caption "Accounts receivable - oil and gas sales" in the accompanying Balance Sheet.

Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on the ability of the Partnership to sell its oil, NGLs and gas production.

12

253

### NOTE 9. PARTNERSHIP AGREEMENT

The following is a brief summary of the more significant provisions of the limited partnership agreement:

General partners - The general partners of the Partnership are Pioneer USA and EMPL. Pioneer USA, the managing general partner, has the power and authority to manage, control and administer all Partnership affairs. As managing general partner and operator of the Partnership's properties, all production expenses are incurred by Pioneer USA and billed to the Partnership. The majority of the Partnership's oil and gas revenues are received directly by the Partnership, however, a portion of the oil and gas revenue is initially received by Pioneer USA prior to being paid to the Partnership.

Limited partner liability - The maximum amount of liability of any limited partner is the total contributions of such partner plus his share of any undistributed profits.

Initial capital contributions - The limited partners entered into subscription agreements for aggregate capital contributions of \$5,765,000. During 1983, the Partnership received a total of \$675,000 from its limited partnership in response to an assessment by the managing general partner. The general partners are required to contribute amounts equal to 10% of Partnership expenditures for lease acquisition, drilling and completion and 25% of direct, general and administrative and operating expenses.

13

254

PARKER & PARSLEY 81-II, LTD.  
(A TEXAS LIMITED PARTNERSHIP)

THIS REPORT CONTAINS FORWARD LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. ACCORDINGLY, NO ASSURANCES CAN BE GIVEN THAT THE ACTUAL EVENTS AND RESULTS WILL NOT BE MATERIALLY DIFFERENT THAN THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS.

### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of operations

2000 compared to 1999

The Partnership's oil and gas revenues increased 89% to \$387,180 for 2000 as compared to \$204,717 in 1999. The increase in revenues resulted from higher

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

average prices received and a slight increase in production. In 2000, 8,885 barrels of oil, 5,036 barrels of natural gas liquids ("NGLs") and 15,864 mcf of gas were sold, or 16,565 barrel of oil equivalents ("BOEs"). In 1999, 6,860 barrels of oil, 6,372 barrels of NGLs and 19,167 mcf of gas were sold, or 16,427 BOEs. Due to the decline characteristics of the Partnership's oil and gas properties, management expects a certain amount of decline in production in the future until the Partnership's economically recoverable reserves are fully depleted.

The average price received per barrel of oil increased \$12.59, or 76%, from \$16.67 in 1999 to \$29.26 in 2000. The average price received per barrel of NGLs increased \$6.89, or 79%, from \$8.70 in 1999 to \$15.59 in 2000. The average price received per mcf of gas increased 69% from \$1.82 in 1999 to \$3.07 in 2000. The market price for oil and gas has been extremely volatile in the past decade, and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received in 2000.

Gain on disposition of assets of \$240 was recognized during 1999 from equipment credits received on one fully depleted well.

Total costs and expenses increased in 2000 to \$249,395 as compared to \$200,120 in 1999, an increase of \$49,275, or 25%. The increase was primarily due to increases in production costs and general and administrative expenses ("G&A"), offset by a decline in depletion.

Production costs were \$189,764 in 2000 and \$140,847 in 1999, resulting in a \$48,917 increase, or 35%. The increase was primarily due to additional well maintenance costs incurred to stimulate well production and higher production taxes associated with higher oil and gas prices.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 40% from \$9,864 in 1999 to \$13,791 in 2000, primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$11,615 in 2000 and \$6,142 in 1999 for G&A incurred on behalf of the Partnership. The remaining G&A was paid directly by the Partnership. The managing general partner determines the allocated expenses based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Depletion was \$45,840 in 2000 as compared to \$49,409 in 1999, representing a decrease of \$3,569, or 7%. This decrease was primarily due to an 18,828 barrels of oil increase in proved reserves during 2000 as a result of higher commodity prices, offset by an increase in oil production of 2,025 barrels for the period ended December 31, 2000 compared to the same period in 1999.

255

1999 compared to 1998

The Partnership's 1999 oil and gas revenues decreased 2% to \$204,717 from \$209,110 in 1998. The decrease in revenues resulted from a decline in production, offset by higher average prices received. In 1999, 6,860 barrels of oil, 6,372 barrels of NGLs and 19,167 mcf of gas were sold, or 16,427 BOEs. In

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

1998, 9,451 barrels of oil, 6,582 barrels of NGLs and 22,439 mcf of gas were sold, or 19,773 BOEs.

The average price received per barrel of oil increased \$3.51, or 27%, from \$13.16 in 1998 to \$16.67 in 1999. The average price received per barrel of NGLs increased \$1.97, or 29%, from \$6.73 in 1998 to \$8.70 in 1999. The average price received per mcf of gas increased slightly from \$1.80 in 1998 to \$1.82 in 1999.

Gain on disposition of assets of \$240 was recognized during 1999 from equipment credits received on one fully depleted well.

Total costs and expenses decreased in 1999 to \$200,120 as compared to \$307,424 in 1998, a decrease of \$107,304, or 35%. The decrease was primarily due to declines in depletion, production costs and the impairment of oil and gas properties, offset by an increase in G&A.

Production costs were \$140,847 in 1999 and \$173,960 in 1998, resulting in a \$33,113 decrease, or 19%. The decrease was due to declines in well maintenance costs, ad valorem taxes and production taxes.

During this period, G&A increased 25% from \$7,867 in 1998 to \$9,864 in 1999 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$6,142 in 1999 and \$6,273 in 1998 for G&A incurred on behalf of the Partnership.

In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the managing general partner reviews the Partnership's oil and gas properties for impairment whenever events or circumstances indicate a decline in the recoverability of the carrying value of the Partnership's assets may have occurred. As a result of the review and evaluation of its long-lived assets for impairment, the Partnership recognized a non-cash charge of \$30,131 related to its oil and gas properties during 1998.

Depletion was \$49,409 in 1999 compared to \$95,466 in 1998, representing a decrease of \$46,057, or 48%. This decrease was the result of a combination of factors that included an increase in proved reserves of 59,807 barrels of oil during 1999 as a result of higher commodity prices, a decline in oil production of 2,591 barrels for the period ended December 31, 1999 compared to the same period in 1998 and a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 1998.

### Petroleum Industry

The petroleum industry has been characterized by volatile oil, NGL and natural gas commodity prices and relatively stable supplier costs during the three years ended December 31, 2000. During 1998, weather patterns, regional economic recessions and political matters combined to cause worldwide oil supplies to exceed demand resulting in a substantial decline in oil prices. Also during 1998, but to a lesser extent, market prices for natural gas declined. During 1999 and 2000, the Organization of Petroleum Exporting Countries ("OPEC") and certain other crude oil exporting nations announced reductions in their planned export volumes. Those announcements, together with the enactment of the announced reductions in export volumes, had a positive impact on world oil prices, as have overall natural gas supply and demand fundamentals on North American natural gas prices. Although the favorable commodity price environment and stable field service cost environment is expected to continue during 2001, there is no assurance that commodity prices will not return to a less favorable level or that field service costs will not escalate in the future, both of which could negatively impact the Partnership's future results of operations and cash distributions.



256

Liquidity and capital resources

Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$93,061 during the year ended December 31, 2000 from 1999. This increase was due to increases in oil and gas sales receipts of \$183,843, offset by increases in production costs paid of \$48,917, G&A expenses paid of \$3,927 and working capital of \$37,938. The increase in oil and gas receipts resulted from the increase in commodity prices during 2000 which contributed an additional \$65,846 to oil and gas receipts and \$117,997 resulted from an increase in production during 2000. The increase in production costs was primarily due to increased production taxes associated with higher oil and gas prices and well maintenance costs incurred to stimulate well production. The increase in G&A was primarily due to higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues.

Net Cash Used in Investing Activities

The Partnership's principal investing activities during 2000 and 1999 included expenditures related to upgrades of equipment on various oil and gas properties.

Proceeds from asset dispositions of \$690 were received during 1999 for the sale of equipment on active properties.

Net Cash Used in Financing Activities

In 2000, cash distributions to the partners were \$141,760, of which \$38,944 was distributed to the general partners and \$102,816 to the limited partners. In 1999, cash distributions to the partners were \$36,945, of which \$9,080 was distributed to the general partners and \$27,865 to the limited partners.

257

PARKER & PARSLEY 81-II, LTD.

SELECTED FINANCIAL DATA

The following selected financial data for the Partnership should be read in connection with Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements included in the attached supplemental information.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	Six months ended June 30,		Years ended December 31		
	2001	2000	2000	1999	1998
Oil and gas sales	\$ 199,000	\$ 174,048	\$ 387,180	\$ 204,717	\$ 209,110
Impairment of oil and gas properties	\$ --	\$ --	\$ --	\$ --	\$ 30,131
Gain on litigation settlement, net	\$ --	\$ --	\$ --	\$ --	\$ --
Net income (loss)	\$ 71,543	\$ 43,098	\$ 140,560	\$ 6,232	\$ (96,589)
Allocation of net income (loss):					
General partners	\$ 20,740	\$ 14,797	\$ 41,791	\$ 8,423	\$ (5,308)
Limited partners	\$ 50,803	\$ 28,301	\$ 98,769	\$ (2,191)	\$ (91,281)
Limited partners' net income (loss) per limited partnership interest	\$ 44.06	\$ 24.55	\$ 85.66	\$ (1.90)	\$ (79.17)
Limited partners' cash distributions per limited partnership interest	\$ 38.41	\$ 27.92	\$ 89.17	\$ 24.17	\$ 29.68
As of period ended:					
Total assets	\$ 629,524	\$ 622,202	\$ 617,579	\$ 620,107	\$ 647,798

(a) Including litigation settlement per limited partnership interest of \$2.85 in 1996.

# Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

## SUPPLEMENTAL INFORMATION

OF

PARKER & PARSLEY 82-I, LTD., A TEXAS LIMITED PARTNERSHIP

TO

PROXY STATEMENT/PROSPECTUS DATED , 2001

-----

THE DATE OF THIS SUPPLEMENT IS , 2001

-----

This document contains important information specific to Parker & Parsley 82-I, Ltd. and supplements the proxy statement/prospectus dated , 2001, of Pioneer Natural Resources Company and Pioneer Natural Resources USA, Inc., by which Pioneer USA is soliciting proxies to be voted at a special meeting of limited partners of the partnership. The purpose of the special meeting is for you to vote upon the merger of the partnership with and into Pioneer USA that, if completed, will result in your receiving common stock of Pioneer Natural Resources Company for your partnership interests.

This document contains the following information concerning Parker & Parsley 82-I, Ltd.:

- o A table containing:
  - the aggregate initial investment by the limited partners
  - the aggregate historical limited partner distributions through July 31, 2001
  - the merger value attributable to partnership interests of limited partners, excluding Pioneer USA
  - the merger value per \$1,000 limited partner investment
  - the merger value per \$1,000 limited partner investment as a multiple of distributions for the past four quarterly distributions including the distribution in July 2001
  - the book value per \$1,000 limited partner investment as of June 30, 2001 and as of December 31, 2000
  - the going concern value per \$1,000 limited partner investment
  - the liquidation value per \$1,000 limited partner investment
  - the ordinary tax loss per \$1,000 limited partner investment in year of initial investment
- o Information about:
  - the legal opinion for the limited partners
  - the term of the partnership

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

- o The partnership's quarterly report on Form 10-Q, including management's discussion and analysis of financial condition and results of operations, for the six months ended June 30, 2001
- o The partnership's annual report on Form 10-K, including management's discussion and analysis of financial condition and results of operations, for the year ended December 31, 2000
- o Selected historical financial data for the partnership for the six months ended June 30, 2001 and 2000 and the five years ended December 31, 2000

- 1-

259

PARKER & PARSLEY 82-I, LTD.

SUPPLEMENTAL INFORMATION TABLE

Aggregate Initial Investment by the Limited Partners (a)	\$11,
Aggregate Historical Limited Partner Distributions through July 31, 2001 (a)	\$11,
Merger Value Attributable to Partnership Interests of Limited Partners, Excluding Pioneer USA (a), (b)	\$
Merger Value per \$1,000 Limited Partner Investment (b), (c)	\$ 83
Merger Value per \$1,000 Limited Partner Investment as a Multiple of Distributions for the past four quarterly distributions including the distribution in July 2001 (b), (c)	2
Book Value per \$1,000 Limited Partner Investment:	
-- as of June 30, 2001 (c)	\$ 28
-- as of December 31, 2000 (c)	\$ 23
Going Concern Value per \$1,000 Limited Partner Investment (c), (d)	\$ 75
Liquidation Value per \$1,000 Limited Partner Investment (c), (e)	\$ 80
Ordinary Tax Loss per \$1,000 Limited Partner Investment in Year of Initial Investment (c), (f)	\$

-----

(a) Stated in thousands.

(b) The merger value for the partnership is equal to the sum of the present

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

value of estimated future net revenues from the partnership's estimated oil and gas reserves and its net working capital, in each case as of March 31, 2001, less its pro rata share, based on its reserve value, of the estimated expenses and fees of the mergers of all of the partnerships and less the cash distribution on July 13, 2001, by the partnership to its partners.

- (c) Interests in some partnerships were sold in units at prices other than \$1,000. We have presented this information based on a \$1,000 initial investment for ease of use and comparison among partnerships. You should not assume that the amount shown per \$1,000 investment is the same as the value or amount attributable to a single unit investment.
- (d) The going concern value for the partnership is based upon: (1) the sum of (A) the estimated net cash flow from the sale of the partnership's reserves during a 10-year operating period and (B) the estimated residual value from the sale of the partnership's remaining reserves at the end of the operating period, in each case using the same pricing and discount rate as in the merger value calculation, less (2) (A) partnership level general and administrative expenses, and (B) the cash distribution on July 13, 2001 by the partnership to its partners.
- (e) The liquidation value for the partnership is based upon the sale of the partnership's reserves at the reserve value, less, liquidation expenses which are estimated to be the sum of (A) the partnership's pro rata share of the merger expenses and fees described in footnote (b) above and (B) 3% of the partnership's reserve value, and (2) the cash distribution on July 13, 2001 by the partnership to its partners. The liquidation expenses represent estimated costs to retain an investment banker or broker to sell the assets of the partnership and the legal and other closing costs associated with such transaction, including the wind-down costs of the partnership.
- (f) Your ability to use your distributive share of the partnership's loss to offset your other income may have been subject to certain limitations at your level as a partner, and you may therefore wish to consult your tax advisor to determine the additional value, if any, actually realized by you in your particular circumstances.

### INFORMATION ABOUT THE LEGAL OPINION FOR THE LIMITED PARTNERS

The partnership agreement for the partnership requires that special legal counsel render an opinion on behalf of the limited partners to Pioneer USA that (1) neither the grant nor the exercise of the right to approve the merger of the partnership by its limited partners will adversely affect the federal income tax classification of the partnership or any of its limited partners; and (2) neither the grant nor exercise of such right will result in the loss of any limited partner's limited liability. In addition, the counsel designated to render the opinion must be counsel other than counsel to Pioneer USA or the partnership. Both the designated counsel and the legal opinion must be approved by the limited partners. Pioneer USA has retained \_\_\_\_\_ of Dallas, Texas for the purpose of rendering this legal opinion on behalf of the limited partners to Pioneer USA. The merger proposals include an approval of that counsel and the form of its opinion. A copy of the opinion is attached as an exhibit to the merger proposals.

### INFORMATION ABOUT THE TERM OF THE PARTNERSHIP

The term of the partnership shall continue until terminated in accordance with the applicable provisions of its partnership agreement.

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, 2001

Commission File No. 2-75530A

PARKER & PARSLEY 82-I, LTD.  
(Exact name of Registrant as specified in its charter)

Texas

75-1825545

-----  
(State or other jurisdiction of  
incorporation or organization)

-----  
(I.R.S. Employer  
Identification Number)

5205 N. O'Connor Blvd., Suite 1400, Irving, Texas

75039

-----  
(Address of principal executive offices)

-----  
(Zip code)

Registrant's Telephone Number, including area code : (972) 444-9001

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 / x / No / /

# Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

## TABLE OF CONTENTS

		Page
Part I. Financial Information		
Item 1.	Financial Statements	
	Balance Sheets as of June 30, 2001 and December 31, 2000.....	3
	Statements of Operations for the three and six months ended June 30, 2001 and 2000.....	4
	Statement of Partners' Capital for the six months ended June 30, 2001.....	5
	Statements of Cash Flows for the six months months ended June 30, 2001 and 2000.....	6
	Notes to Financial Statements.....	7
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations.....	7
Part II. Other Information		
Item 6.	Exhibits and Reports on Form 8-K.....	11
	Signatures.....	12

2

262

PARKER & PARSLEY 82-I, LTD.  
(A Texas Limited Partnership)

### Part I. Financial Information

#### Item 1. Financial Statements

##### BALANCE SHEETS

	June 30, 2001	December 31, 2000
	-----	-----
	(Unaudited)	
ASSETS		
Current assets:		
Cash	\$ 171,115	\$ 57,728
Accounts receivable - oil and gas sales	87,313	109,719

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Total current assets	258,428	167,447
Oil and gas properties - at cost, based on the successful efforts accounting method	9,901,101	9,901,101
Accumulated depletion	(9,626,361)	(9,613,644)
Net oil and gas properties	274,740	287,457
	\$ 533,168	\$ 454,904
	=====	=====
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable - affiliate	\$ 19,146	\$ 13,712
Partners' capital:		
General partners	181,450	161,365
Limited partners (4,891 interests)	332,572	279,827
	514,022	441,192
	\$ 533,168	\$ 454,904
	=====	=====

The financial information included as of June 30, 2001 has been prepared by the managing general partner without audit by independent public accountants.

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

3

263

PARKER & PARSLEY 82-I, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF OPERATIONS  
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2001	2000	2001	2000
	-----	-----	-----	-----
Revenues:				
Oil and gas	\$ 205,010	\$ 177,445	\$ 421,846	\$ 349,532
Interest	1,178	1,350	2,407	2,323
	206,188	178,795	424,253	351,855
	-----	-----	-----	-----
Costs and expenses:				
Oil and gas production	99,464	98,002	197,450	183,025
General and administrative	6,272	5,969	14,448	11,332
Depletion	6,849	7,055	12,717	16,112



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	-----	-----	-----	-----
	112,585	111,026	224,615	210,469
	-----	-----	-----	-----
Net income	\$ 93,603	\$ 67,769	\$ 199,638	\$ 141,386
	=====	=====	=====	=====
Allocation of net income:				
General partners	\$ 24,428	\$ 18,000	\$ 51,562	\$ 37,763
	=====	=====	=====	=====
Limited partners	\$ 69,175	\$ 49,769	\$ 148,076	\$ 103,623
	=====	=====	=====	=====
Net income per limited partnership interest	\$ 14.15	\$ 10.18	\$ 30.28	\$ 21.19
	=====	=====	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

4

264

PARKER & PARSLEY 82-I, LTD.  
(A Texas Limited Partnership)

STATEMENT OF PARTNERS' CAPITAL  
(Unaudited)

	General partners	Limited partners	Total
	-----	-----	-----
Balance at January 1, 2001	\$ 161,365	\$ 279,827	\$ 441,192
Distributions	(31,477)	(95,331)	(126,808)
Net income	51,562	148,076	199,638
	-----	-----	-----
Balance at June 30, 2001	\$ 181,450	\$ 332,572	\$ 514,022
	=====	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

5

265

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

PARKER & PARSLEY 82-I, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF CASH FLOWS  
(Unaudited)

	Six months ended June 30,	
	2001	2000
	-----	-----
Cash flows from operating activities:		
Net income	\$ 199,638	\$ 141,386
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion	12,717	16,112
Changes in assets and liabilities:		
Accounts receivable	22,406	(28,544)
Accounts payable	5,434	8,360
	-----	-----
Net cash provided by operating activities	240,195	137,314
	-----	-----
Cash flows used in investing activities:		
Additions to oil and gas properties	-	(1,493)
Cash flows used in financing activities:		
Cash distributions to partners	(126,808)	(136,929)
	-----	-----
Net increase (decrease) in cash	113,387	(1,108)
Cash at beginning of period	57,728	61,558
	-----	-----
Cash at end of period	\$ 171,115	\$ 60,450
	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

6

266

PARKER & PARSLEY 82-I, LTD.  
(A Texas Limited Partnership)

NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Unaudited)

Note 1. Organization and nature of operations

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Parker & Parsley 82-I, Ltd. (the "Partnership") is a limited partnership organized in 1982 under the laws of the State of Texas.

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

### Note 2. Basis of presentation

In the opinion of management, the unaudited financial statements of the Partnership as of June 30, 2001 and for the three and six months ended June 30, 2001 and 2000 include all adjustments and accruals consisting only of normal recurring accrual adjustments which are necessary for a fair presentation of the results for the interim period. These interim results are not necessarily indicative of results for a full year. Certain reclassifications may have been made to the June 30, 2000 financial statements to conform to the June 30, 2001 financial statement presentations.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in this Form 10-Q pursuant to the rules and regulations of the Securities and Exchange Commission. The financial statements should be read in conjunction with the financial statements and the notes thereto contained in the Partnership's Report on Form 10-K for the year ended December 31, 2000, as filed with the Securities and Exchange Commission, a copy of which is available upon request by writing to Rich Dealy, Vice President and Chief Accounting Officer, 5205 North O'Connor Boulevard, Suite 1400, Irving, Texas 75039-3746.

### Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (1)

#### Results of Operations

Six months ended June 30, 2001 compared with six months ended June 30, 2000

#### Revenues:

The Partnership's oil and gas revenues increased 21% to \$421,846 for the six months ended June 30, 2001 as compared to \$349,532 for the same period in 2000. The increase in revenues resulted from higher average prices received, offset by a slight decrease in production. For the six months ended June 30, 2001, 9,044 barrels of oil, 2,344 barrels of natural gas liquids ("NGLs") and 27,831 mcf of

7

267

gas were sold, or 16,027 barrel of oil equivalents ("BOEs"). For the six months ended June 30, 2000, 8,863 barrels of oil, 3,292 barrels of NGLs and 23,257 mcf of gas were sold, or 16,031 BOEs.

The average price received per barrel of oil increased \$.21, or 1%, from \$27.45 for the six months ended June 30, 2000 to \$27.66 for the same period in 2001. The average price received per barrel of NGLs increased \$3.42, or 26%, from \$13.16 for the six months ended June 30, 2000 to \$16.58 for the same period in 2001. The average price received per mcf of gas increased 76% from \$2.71 during the six months ended June 30, 2000 to \$4.77 for the same period in 2001. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

average prices lower or higher than that received during the six months ended June 30, 2001.

### Costs and Expenses:

Total costs and expenses increased to \$224,615 for the six months ended June 30, 2001 as compared to \$210,469 for the same period in 2000, an increase of \$14,146, or 7%. This increase was attributable to increases in production costs and general and administrative expenses ("G&A"), offset by a decline in depletion.

Production costs were \$197,450 for the six months ended June 30, 2001 and \$183,025 for the same period in 2000 resulting in a \$14,425 increase, or 8%. This increase was due to additional well maintenance costs incurred to stimulate well production and higher production taxes associated with higher oil and gas prices.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 27% from \$11,332 for the six months ended June 30, 2000 to \$14,448 for the same period in 2001 primarily due to a higher allocation of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues and an increase in audit and tax fees.

Depletion was \$12,717 for the six months ended June 30, 2001 as compared to \$16,112 for the same period in 2000, a decrease of \$3,395, or 21%. This decrease was primarily due to positive revisions to proved reserves on two significant wells during the period ended June 30, 2001.

Three months ended June 30, 2001 compared with three months ended June 30, 2000

### Revenues:

The Partnership's oil and gas revenues increased 16% to \$205,010 for the three months ended June 30, 2001 as compared to \$177,445 for the same period in 2000. The increase in revenues resulted from higher average prices received for gas and NGLs and an increase in production, offset by lower average prices received for oil. For the three months ended June 30, 2001, 4,582 barrels of oil, 1,488 barrels of NGLs and 14,557 mcf of gas were sold, or 8,496 BOEs. For the three months ended June 30, 2000, 4,430 barrels of oil, 1,482 barrels of NGLs and 11,022 mcf of gas were sold, or 7,749 BOEs.

The average price received per barrel of oil decreased \$.35, or 1%, from \$27.67 for the three months ended June 30, 2000 to \$27.32 for the same period in 2001. The average price received per barrel of NGLs increased \$1.05, or 8%, from \$13.75 during the three months ended June 30, 2000 to \$14.80 for the same period in 2001. The average price received per mcf of gas increased 27% from \$3.13 during the three months ended June 30, 2000 to \$3.97 for the same period in 2001.

### Costs and Expenses:

Total costs and expenses increased to \$112,585 for the three months ended June 30, 2001 as compared to \$111,026 for the same period in 2000, an increase of \$1,559, or 1%. This increase was due to increases in production costs and G&A, offset by a decline in depletion.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Production costs were \$99,464 for the three months ended June 30, 2001 and \$98,002 for the same period in 2000 resulting in a \$1,462 increase, or 1%. This increase was due to higher production taxes associated with higher gas and NGL prices and additional well maintenance costs incurred to stimulate well production.

During this period, G&A increased 5% from \$5,969 for the three months ended June 30, 2000 to \$6,272 for the same period in 2001 primarily due to a higher allocation of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues.

Depletion was \$6,849 for the three months ended June 30, 2001 as compared to \$7,055 for the same period in 2000, a decrease of \$206, or 3%. This decrease was primarily due to positive revisions to proved reserves on two significant wells during the period ended June 30, 2000.

### Liquidity and Capital Resources

#### Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$102,881 during the six months ended June 30, 2001 from the same period ended June 30, 2000. This increase was due to an increase of \$72,398 in oil and gas sales receipts and a reduction of \$48,024 in working capital, offset by increases in production costs of \$14,425 and G&A expenses of \$3,116. The increase in oil and gas receipts resulted from the increase in commodity prices during 2001 which contributed an additional \$61,286 to oil and gas receipts and \$11,112 resulting from an increase in production during 2001 as compared to the same period in 2000. The increase in production costs was primarily due to additional well maintenance costs incurred to stimulate well production and increased production taxes associated with higher oil and gas prices. The increase in G&A was primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues and an increase in audit and tax fees.

#### Net Cash Used in Investing Activities

The Partnership's principle investing activities during the six months ended June 30, 2000 were related to the upgrades of oil and gas equipment on active properties.

#### Net Cash Used in Financing Activities

For the six months ended June 30, 2001, cash distributions to the partners were \$126,808, of which \$31,477 was distributed to the general partners and \$95,331 to the limited partners. For the same period ended June 30, 2000, cash distributions to the partners were \$136,929, of which \$34,201 was distributed to the general partners and \$102,728 to the limited partners.

For the three months ended June 30, 2001, no distributions were made by the partnership to its partners. Subsequent to June 30, 2001 the cash distribution that otherwise would have been mailed to partners in late June was made to holders of record as of July 9, 2001 and was mailed on July 13, 2001. For further information, see "Proposal to acquire partnerships" below.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Proposal to acquire partnerships

On June 29, 2001, Pioneer Natural Resources Company ("Pioneer") filed with the Securities and Exchange Commission Amendment No. 1 to the Form S-4 Registration Statement (File No. 333-59094) (the "preliminary proxy statement/prospectus"), which proposes an agreement and plan of merger among Pioneer, Pioneer Natural Resources USA, Inc. ("Pioneer USA"), a wholly-owned subsidiary of Pioneer, and 46 Parker & Parsley limited partnerships. Each partnership that approves the agreement and plan of merger and the other related merger proposals will merge with and into Pioneer USA upon the closing of the transactions described in the preliminary proxy statement/prospectus, and the partnership interests of each such partnership will be converted into the right to receive Pioneer common stock. The Partnership is one of the 46 Parker & Parsley limited partnerships that will be asked to approve the agreement and plan of merger. The preliminary proxy statement/prospectus is non-binding and is subject to, among other things, consideration of offers from third parties to purchase any partnership or its assets and the majority approval of the limited partnership interests in each partnership.

Pioneer USA will solicit proxies from limited partners to approve the mergers only when the proxy statement/prospectus is final and declared effective. No solicitation will be made using preliminary materials. Nonetheless, copies of the preliminary proxy statement/prospectus may be obtained without charge upon request from Pioneer Natural Resources Company, 5205 North O'Connor Blvd., Suite 1400, Irving, Texas 75039, Attention: Investor Relations.

The limited partners are urged to read the proxy statement/prospectus of Pioneer filed with the Securities and Exchange Commission, when it is finalized, because it contains important information about the proposed mergers, including information about the direct and indirect interests of Pioneer USA and Pioneer in the mergers. The limited partners may also obtain the preliminary and (when filed) final proxy statement/prospectus and other relevant documents relating to the proposed mergers free through the internet web site that the Securities and Exchange Commission maintains at [www.sec.gov](http://www.sec.gov).

-----

- (1) "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" contains forward looking statements that involve risks and uncertainties. Accordingly, no assurances can be given that the actual events and results will not be materially different than the anticipated results described in the forward looking statements.

10

270

### Part II. Other Information

Item 6. Exhibits and Reports on Form 8-K

- (a) Exhibits - none
- (b) Reports on Form 8-K - none

11

271

PARKER & PARSLEY 82-I, LTD.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

(A Texas Limited Partnership)

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 thereunto duly authorized.

PARKER & PARSLEY 82-I, LTD.

By: Pioneer Natural Resources USA, Inc.  
Managing General Partner

Dated: August 6, 2001

By: /s/ Rich Dealy

-----  
Rich Dealy, Vice President and  
Chief Accounting Officer

12

272

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

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d)  
of the Securities Exchange Act of 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000

COMMISSION FILE NO. 2-75530A

PARKER & PARSLEY 82-I, LTD.  
(Exact name of Registrant as specified in its charter)

TEXAS

75-1825545

-----  
(State or other jurisdiction of  
incorporation or organization)

-----  
(I.R.S. Employer  
Identification Number)

1400 WILLIAMS SQUARE WEST, 5205 N. O'CONNOR BLVD., IRVING, TEXAS

75039

-----  
(Address of principal executive offices)

-----  
(Zip code)

Registrant's Telephone Number, including area code: (972) 444-9001

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Securities registered pursuant to Section 12(b) of the Act: NONE  
Securities registered pursuant to Section 12(g) of the Act:  
LIMITED PARTNERSHIP INTERESTS (\$2,000 PER UNIT)  
-----

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

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

No market currently exists for the limited partnership interests of the Registrant. Based on the original purchase price, the aggregate market value of limited partnership interests owned by non-affiliates of the Registrant is \$8,515,000.

As of March 8, 2001, the number of outstanding limited partnership interests was 4,891.

The following documents are incorporated by reference into the indicated parts of this Annual Report on Form 10-K: None

PARTS I AND II OF THIS ANNUAL REPORT ON FORM 10-K (THE "REPORT") CONTAIN FORWARD LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. ACCORDINGLY, NO ASSURANCES CAN BE GIVEN THAT THE ACTUAL EVENTS AND RESULTS WILL NOT BE MATERIALLY DIFFERENT THAN THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS. SEE "ITEM 1. BUSINESS" FOR A DESCRIPTION OF VARIOUS FACTORS THAT COULD MATERIALLY AFFECT THE ABILITY OF THE PARTNERSHIP TO ACHIEVE THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS.

273

### PART I

#### ITEM 1. BUSINESS

Parker & Parsley 82-I, Ltd. (the "Partnership") is a limited partnership organized in 1982 under the laws of the State of Texas. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA") and its co-general partner is P&P Employees 82-I, Ltd. ("EMPL"), a Texas limited partnership whose general partner is Pioneer USA. Pioneer USA is a wholly-owned subsidiary of Pioneer Natural Resources Company ("Pioneer"). As of March 8, 2001, the Partnership had 4,891 limited partnership interests outstanding.

The Partnership does not have any employees of its own. Pioneer USA employs 701 persons, many of whom dedicated a part of their time to the conduct of the Partnership's business during the period for which this Report is filed. Pioneer USA supplies all management functions.

The Partnership engages in oil and gas development and production and is not involved in any industry segment other than oil and gas. The Partnership's production is geographically concentrated in West Texas.

The principal markets during 2000 for the oil produced by the Partnership were refineries and oil transmission companies that have facilities near the Partnership's oil producing properties. During 2000, Pioneer USA marketed the



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Partnership's gas to a variety of purchasers. Of the Partnership's total oil and gas revenues for 2000, approximately 68% and 13% were attributable to sales made to Plains Marketing, L.P. and GPM Gas Corporation, respectively. Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on its ability to sell its oil, natural gas liquids ("NGLs") and gas production.

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

Oil and gas production operations are subject to various types of regulations by local, state and federal agencies. The Partnership's operations are also subject to state conservation laws and regulations, including the establishment of maximum rates of production from wells and the regulation of spacing, plugging and abandonment of wells. Each state generally imposes a production or severance tax with respect to production and sale of oil and gas within their respective jurisdictions. Noncompliance with the laws and regulations may subject the Partnership to penalties, damages or other liabilities and compliance may increase the cost of the Partnership's operations.

2

274

The oil and gas business is also subject to environmental hazards such as oil spills, gas leaks and ruptures and discharges of toxic substances or gases that could expose the Partnership to substantial liability due to pollution and other environmental damages. Although the Partnership believes that its business operations do not impair environmental quality and that its costs of complying with any applicable environmental regulations are not currently significant, the Partnership cannot predict what, if any, effect these environmental regulations may have on its current or future operations.

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

No material part of the Partnership's business is seasonal and the Partnership conducts no foreign operations.

### ITEM 2. PROPERTIES

The Partnership's properties consist of leasehold interests in properties on which oil and gas wells are located. Such property interests are often subject to landowner royalties, overriding royalties and other oil and gas leasehold interests.

Fractional working interests in developmental and exploratory oil and gas prospects located in Texas and New Mexico were acquired by the Partnership, resulting in the Partnership's participation in the drilling of 34 oil and gas wells. There were six dry holes from previous periods, two wells plugged and abandoned and nine wells sold. At December 31, 2000, 17 wells were producing.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

For information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities for the years then ended, see Note 7 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" below. Such reserves have been evaluated by Williamson Petroleum Consultants, Inc., an independent petroleum consultant.

### ITEM 3. LEGAL PROCEEDINGS

The Partnership from time to time is a party to various legal proceedings incidental to its business involving claims in oil and gas leases or interests, other claims for damages in amounts not in excess of 10% of its current assets and other matters, none of which Pioneer USA believes to be material to the Partnership.

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

There were no matters submitted to a vote of the partners during the fourth quarter of 2000.

3

275

## PART II

### ITEM 5. MARKET FOR LIMITED PARTNERSHIP INTERESTS AND LIMITED PARTNERSHIP DISTRIBUTIONS

At March 8, 2001, the Partnership had 4,891 outstanding limited partnership interests held of record by 600 subscribers. There is no established public trading market for the limited partnership interests. Under the limited partnership agreement, Pioneer USA has made certain commitments to purchase partnership interests at a computed value.

Revenues which, in the sole judgement of the managing general partner, are not required to meet the Partnership's obligations are distributed to the partners at least quarterly in accordance with the limited partnership agreement. During the years ended December 31, 2000 and 1999, distributions of \$229,765 and \$50,502, respectively, were made to the limited partners.

### ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth selected financial data for the years ended December 31:

	2000	1999	1998	1997	1996
	-----	-----	-----	-----	-----
Operating results:					
-----					
Oil and gas sales	\$ 763,858	\$ 441,997	\$ 392,883	\$ 608,207	\$ 710
	=====	=====	=====	=====	=====
Gain on litigation settlement, net	\$ --	\$ --	\$ --	\$ --	\$ 43
	=====	=====	=====	=====	=====
Impairment of oil and gas properties	\$ --	\$ --	\$ 294,610	\$ 165,201	\$ 2

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Net income (loss)	\$ 337,729	\$ 17,320	\$ (563,993)	\$ (60,847)	\$ 312
Allocation of net income (loss):					
General partners	\$ 88,128	\$ 18,135	\$ (49,472)	\$ 31,736	\$ 92
Limited partners	\$ 249,601	\$ (815)	\$ (514,521)	\$ (92,583)	\$ 219
Limited partners' net income (loss) per limited partnership interest	\$ 51.03	\$ (.17)	\$ (105.20)	\$ (18.93)	\$ 4
Limited partners' cash distributions per limited partnership interest	\$ 46.98	\$ 10.33	\$ 19.57	\$ 47.31	\$ 5
At year end:					
Identifiable assets	\$ 454,904	\$ 425,107	\$ 474,528	\$ 1,158,135	\$1,526

(a) Including litigation settlement per limited partnership interest of \$6.96 in 1996.

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

Results of operations

2000 compared to 1999

The Partnership's oil and gas revenues increased 73% to \$763,858 for 2000 as compared to \$441,997 in 1999. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 2000, 17,639 barrels of oil, 6,519 barrels of natural gas liquids ("NGLs") and 45,981 mcf of gas were sold, or 31,822 barrel of oil equivalents ("BOEs"). In 1999, 17,472 barrels of oil, 6,414 barrels of NGLs and 48,380 mcf of gas were sold, or 31,949 BOEs. Due to the decline characteristics of the Partnership's oil and gas properties, management expects a certain amount of decline in production in the future until the Partnership's economically recoverable reserves are fully depleted.

The average price received per barrel of oil increased \$12.78, or 77%, from \$16.61 in 1999 to \$29.39 in 2000. The average price received per barrel of NGLs increased \$5.48, or 61%, from \$8.96 in 1999 to \$14.44 in 2000. The average price received per mcf of gas increased 69% from \$1.95 in 1999 to \$3.29 in 2000. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received in 2000.

Total costs and expenses increased in 2000 to \$431,421 as compared to \$427,526 in 1999, an increase of \$3,895, or 1%. The increase was due to increases in production costs and general and administrative expenses ("G&A"), offset by a decline in depletion.

Production costs were \$378,872 in 2000 and \$313,158 in 1999, resulting in an increase of \$65,714, or 21%. The increase was primarily due to additional well maintenance costs incurred to stimulate well production and higher production taxes associated with higher oil and gas prices.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 39% from \$18,932 in 1999 to \$26,409 in 2000 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$22,916 in 2000 and \$13,260 in 1999 for G&A incurred on behalf of the Partnership. The remaining G&A was paid directly by the Partnership. The managing general partner determines the allocated expenses based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Depletion was \$26,140 in 2000 as compared to \$95,436 in 1999, representing a decrease of \$69,296, or 73%. This decrease was primarily due to a 86,555 barrels of oil increase in proved reserves during 2000 as a result of higher commodity prices.

1999 compared to 1998

The Partnership's 1999 oil and gas revenues increased 13% to \$441,997 from \$392,883 in 1998. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 1999, 17,472 barrels of oil, 6,414 barrels of NGLs and 48,380 mcf of gas were sold, or 31,949 BOEs. In 1998, 19,150 barrels of oil, 6,748 barrels of NGLs and 48,971 mcf of gas were sold, or 34,060 BOEs.

5

277

The average price received per barrel of oil increased \$3.29, or 25%, from \$13.32 in 1998 to \$16.61 in 1999. The average price received per barrel of NGLs increased \$1.76, or 24%, from \$7.20 in 1998 to \$8.96 in 1999. The average price received per mcf of gas increased 7% from \$1.82 in 1998 to \$1.95 in 1999.

A gain on disposition of assets of \$199 was recognized during 1998 from post closing adjustments received from the sale of eight oil and gas wells during 1997.

Total costs and expenses decreased in 1999 to \$427,526 as compared to \$961,319 in 1998, a decrease of \$533,793, or 56%. The decrease was primarily due to declines in the impairment of oil and gas properties, depletion and production costs, offset by an increase in G&A expenses.

Production costs were \$313,158 in 1999 and \$336,406 in 1998, resulting in a \$23,248 decrease, or 7%. The decrease was due to declines in well maintenance costs and ad valorem taxes.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

During this period, G&A increased 30% from \$14,542 in 1998 to \$18,932 in 1999 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$13,260 in 1999 and \$11,786 in 1998 for G&A incurred on behalf of the Partnership.

In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the managing general partner reviews the Partnership's oil and gas properties for impairment whenever events or circumstances indicate a decline in the recoverability of the carrying value of the Partnership's assets may have occurred. As a result of the review and evaluation of its long-lived assets for impairment, the Partnership recognized a non-cash charge of \$294,610 related to its oil and gas properties during 1998.

Depletion was \$95,436 in 1999 compared to \$315,761 in 1998, representing a decrease of \$220,325, or 70%. This decrease was the result of an increase in proved reserves of 168,752 barrels of oil during 1999 as a result of higher commodity prices and a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 1998.

### Petroleum industry

The petroleum industry has been characterized by volatile oil, NGL and natural gas commodity prices and relatively stable supplier costs during the three years ended December 31, 2000. During 1998, weather patterns, regional economic recessions and political matters combined to cause worldwide oil supplies to exceed demand resulting in a substantial decline in oil prices. Also during 1998, but to a lesser extent, market prices for natural gas declined. During 1999 and 2000, the Organization of Petroleum Exporting Countries ("OPEC") and certain other crude oil exporting nations announced reductions in their planned export volumes. Those announcements, together with the enactment of the announced reductions in export volumes, had a positive impact

6

278

on world oil prices, as have overall natural gas supply and demand fundamentals on North American natural gas prices. Although the favorable commodity price environment and stable field service cost environment is expected to continue during 2001, there is no assurance that commodity prices will not return to a less favorable level or that field service costs will not escalate in the future, both of which could negatively impact the Partnership's future results of operations and cash distributions.

### Liquidity and capital resources

#### Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$227,133 during the year ended December 31, 2000 from 1999. This increase was due to an increase in oil and gas sales receipts of \$324,304, offset by increases in production costs paid of \$65,714, G&A expenses paid of \$7,477 and working capital of \$23,980. The increase in oil and gas receipts resulted from the increase in commodity prices during 2000 which contributed an additional \$325,772 to oil and gas receipts, offset by \$1,468 resulting from the decline in production during 2000. The increase in production costs was primarily due to increased production taxes associated with higher oil and gas prices and well maintenance costs incurred to stimulate well production. The increase in G&A was primarily due to higher

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues.

Net Cash Provided by (Used in) Investing Activities

The Partnership's principle investing activities during 2000 and 1999 were related to the upgrades of oil and gas equipment on various oil and gas properties.

Proceeds from asset dispositions of \$704 in 1999 were from equipment credits received on active properties.

Net Cash Used in Financing Activities

In 2000, cash distributions to the partners were \$308,330, of which \$78,565 was distributed to the general partners and \$229,765 to the limited partners. In 1999, cash distributions to the partners were \$67,767, of which \$17,265 was distributed to the general partners and \$50,502 to the limited partners.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO FINANCIAL STATEMENTS

	Page
	----
Financial Statements of Parker & Parsley 82-I, Ltd:	
Independent Auditors' Report.....	9
Balance Sheets as of December 31, 2000 and 1999.....	10
Statements of Operations for the Years Ended December 31,	
2000, 1999 and 1998.....	11
Statements of Partners' Capital for the Years Ended	
December 31, 2000, 1999 and 1998.....	12
Statements of Cash Flows for the Years Ended December 31,	
2000, 1999 and 1998.....	13
Notes to Financial Statements.....	14

INDEPENDENT AUDITORS' REPORT

The Partners  
Parker & Parsley 82-I, Ltd.  
(A Texas Limited Partnership):

We have audited the balance sheets of Parker & Parsley 82-I, Ltd. as of December 31, 2000 and 1999, and the related statements of operations, partners' capital and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parker & Parsley 82-I, Ltd. as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Dallas, Texas  
March 9, 2001

9

281

PARKER & PARSLEY 82-I, LTD.  
(A Texas Limited Partnership)

BALANCE SHEETS  
December 31

	2000 -----	1999 -----
ASSETS -----		
Current assets:		
Cash	\$ 57,728	\$ 61,558
Accounts receivable - oil and gas sales	109,719	61,533
	-----	-----
Total current assets	167,447	123,091
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	9,901,101	9,889,520
Accumulated depletion	(9,613,644)	(9,587,504)
	-----	-----
Net oil and gas properties	287,457	302,016
	-----	-----
	\$ 454,904	\$ 425,107

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	=====	=====
LIABILITIES AND PARTNERS' CAPITAL		
-----		
Current liabilities:		
Accounts payable - affiliate	\$ 13,712	\$ 13,314
Partners' capital:		
General partners	161,365	151,802
Limited partners (4,891 interests)	279,827	259,991
	-----	-----
	441,192	411,793
	-----	-----
	\$ 454,904	\$ 425,107
	=====	=====

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

10

282

PARKER & PARSLEY 82-I, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF OPERATIONS  
For the years ended December 31

	2000	1999	1998
	-----	-----	-----
Revenues:			
Oil and gas	\$ 763,858	\$ 441,997	\$ 392,883
Interest	5,292	2,849	4,244
Gain on disposition of assets	--	--	199
	-----	-----	-----
	769,150	444,846	397,326
	-----	-----	-----
Costs and expenses:			
Oil and gas production	378,872	313,158	336,406
General and administrative	26,409	18,932	14,542
Impairment of oil and gas properties	--	--	294,610
Depletion	26,140	95,436	315,761
	-----	-----	-----
	431,421	427,526	961,319
	-----	-----	-----
Net income (loss)	\$ 337,729	\$ 17,320	\$ (563,993)
	=====	=====	=====

Allocation of net income (loss):



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

General partners	\$ 88,128 =====	\$ 18,135 =====	\$ (49,472) =====
Limited partners	\$ 249,601 =====	\$ (815) =====	\$ (514,521) =====
Net income (loss) per limited partnership interest	\$ 51.03 =====	\$ (.17) =====	\$ (105.20) =====

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

11

283

PARKER & PARSLEY 82-I, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF PARTNERS' CAPITAL

	General partners -----	Limited partners -----	Total -----
Partners' capital at January 1, 1998	\$ 221,119	\$ 921,541	\$ 1,142,660
Distributions	(20,715)	(95,712)	(116,427)
Net loss	(49,472)	(514,521)	(563,993)
	-----	-----	-----
Partners' capital at December 31, 1998	150,932	311,308	462,240
Distributions	(17,265)	(50,502)	(67,767)
Net income (loss)	18,135	(815)	17,320
	-----	-----	-----
Partners' capital at December 31, 1999	151,802	259,991	411,793
Distributions	(78,565)	(229,765)	(308,330)
Net income	88,128	249,601	337,729
	-----	-----	-----
Partners' capital at December 31, 2000	\$ 161,365 =====	\$ 279,827 =====	\$ 441,192 =====

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

12

284

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

PARKER & PARSLEY 82-I, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF CASH FLOWS  
For the years ended December 31

	2000 -----	1999 -----	1998 -----
Cash flows from operating activities:			
Net income (loss)	\$ 337,729	\$ 17,320	\$ (563,993)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Impairment of oil and gas properties	--	--	294,610
Depletion	26,140	95,436	315,761
Gain on disposition of assets	--	--	(199)
Changes in assets and liabilities:			
Accounts receivable	(48,186)	(24,834)	26,999
Accounts payable	398	1,026	(3,187)
	-----	-----	-----
Net cash provided by operating activities	316,081	88,948	69,991
	-----	-----	-----
Cash flows from investing activities:			
Additions to oil and gas properties	(11,581)	(4,754)	(6,820)
Proceeds from asset dispositions	--	704	14,397
	-----	-----	-----
Net cash provided by (used in) investing activities	(11,581)	(4,050)	7,577
	-----	-----	-----
Cash flows used in financing activities:			
Cash distributions to partners	(308,330)	(67,767)	(116,427)
	-----	-----	-----
Net increase (decrease) in cash	(3,830)	17,131	(38,859)
Cash at beginning of year	61,558	44,427	83,286
	-----	-----	-----
Cash at end of year	\$ 57,728 =====	\$ 61,558 =====	\$ 44,427 =====

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

PARKER & PARSLEY 82-I, LTD.  
(A Texas Limited Partnership)

NOTES TO FINANCIAL STATEMENTS  
December 31, 2000, 1999 and 1998

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

### NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS

Parker & Parsley 82-I, Ltd. (the "Partnership") is a limited partnership organized in 1982 under the laws of the State of Texas. The Partnership's general partners are Pioneer Natural Resources USA, Inc. ("Pioneer USA") and P&P Employees 82-I, Ltd. ("EMPL"). The Partnership's managing general partner is Pioneer USA.

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Oil and gas properties - The Partnership utilizes the successful efforts method of accounting for its oil and gas properties and equipment. Under this method, all costs associated with productive wells and nonproductive development wells are capitalized while nonproductive exploration costs are expensed. Capitalized costs relating to proved properties are depleted using the unit-of-production method on a property-by-property basis based on proved oil (dominant mineral) reserves as evaluated by independent petroleum consultants. The carrying amounts of properties sold or otherwise disposed of and the related allowances for depletion are eliminated from the accounts and any gain or loss is included in results of operations.

Impairment of long-lived assets - In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the Partnership reviews its long-lived assets to be held and used on an individual property basis, including oil and gas properties accounted for under the successful efforts method of accounting, whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. An impairment loss is indicated if the sum of the expected future cash flows is less than the carrying amount of the assets. In this circumstance, the Partnership recognizes an impairment loss for the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset.

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

14

286

Net income (loss) per limited partnership interest - The net income (loss) per limited partnership interest is calculated by using the number of outstanding limited partnership interests.

Income taxes - A Federal income tax provision has not been included in the financial statements as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

Statements of cash flows - For purposes of reporting cash flows, cash includes depository accounts held by banks.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

General and administrative expenses - General and administrative expenses are allocated in part to the Partnership by the managing general partner. Allocated expenses are determined by the managing general partner based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Reclassifications - Certain reclassifications may have been made to the 1999 and 1998 financial statements to conform to the 2000 financial statement presentations.

Environmental - The Partnership is subject to extensive federal, state and local environmental laws and regulations. These laws, which are constantly changing, regulate the discharge of materials into the environment and may require the Partnership to remove or mitigate the environmental effects of the disposal or release of petroleum or chemical substances at various sites. Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Liabilities for expenditures of a noncapital nature are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated. Such liabilities are generally undiscounted unless the timing of cash payments for the liability or component are fixed or reliably determinable. No such liabilities have been accrued as of December 31, 2000.

Revenue recognition - The Partnership uses the entitlements method of accounting for oil, natural gas liquids ("NGLs") and natural gas revenues.

### NOTE 3. IMPAIRMENT OF LONG-LIVED ASSETS

In accordance with SFAS 121, the Partnership reviews its proved oil and gas properties for impairment whenever events and circumstances indicate a decline in the recoverability of the carrying value of the Partnership's oil and gas properties. The Partnership has estimated the expected future cash flows of its oil and gas properties as of December 31, 2000, 1999 and 1998, based on proved reserves, and compared such estimated future cash flows to the respective carrying amount of the oil and gas properties to determine if the carrying amounts were likely to be recoverable. For those proved oil and gas properties for which the carrying amount exceeded the estimated future cash flows, an impairment was determined to exist; therefore, the Partnership adjusted the carrying amount of those oil and gas properties to their fair value as determined by discounting their expected future cash flows at a discount rate commensurate with the risks involved in the industry. As a result, the Partnership recognized a non-cash impairment provision of \$294,610 related to its proved oil and gas properties during 1998.

15

287

### NOTE 4. INCOME TAXES

The financial statement basis of the Partnership's net assets and liabilities was \$663,714 less than the tax basis at December 31, 2000.

The following is a reconciliation of net income (loss) per statements of operations with the net income per Federal income tax returns for the years ended December 31:

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	2000 -----	1999 -----	1998 -----
Net income (loss) per statements of operations	\$ 337,729	\$ 17,320	\$ (563,993)
Depletion and depreciation provisions for tax reporting purposes less than amounts for financial reporting purposes	21,746	92,542	312,201
Impairment of oil and gas properties for financial reporting purposes	--	--	294,610
Loss on disposition of assets	--	--	(116)
Other, net	(637)	77	786
	-----	-----	-----
Net income per Federal income tax returns	\$ 358,838 =====	\$ 109,939 =====	\$ 43,488 =====

NOTE 5. OIL AND GAS PRODUCING ACTIVITIES

The following is a summary of the costs incurred, whether capitalized or expensed, related to the Partnership's oil and gas producing activities for the years ended December 31:

	2000 -----	1999 -----	1998 -----
Development costs	\$ 11,581 =====	\$ 4,754 =====	\$6,820 =====

Capitalized oil and gas properties consist of the following:

	2000 -----	1999 -----
Proved properties:		
Property acquisition costs	\$ 360,899	\$ 360,899
Completed wells and equipment	9,540,202	9,528,621
	-----	-----
Accumulated depletion	9,901,101 (9,613,644)	9,889,520 (9,587,504)
	-----	-----
Net oil and gas properties	\$ 287,457 =====	\$ 302,016 =====

NOTE 6. RELATED PARTY TRANSACTIONS

Pursuant to the limited partnership agreement, the Partnership had the following related

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

288

party transactions with the managing general partner during the years ended December 31:

	2000 -----	1999 -----	1998 -----
Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$162,023	\$156,380	\$150,391
Reimbursement of general and administrative expenses	\$ 22,916	\$ 13,260	\$ 11,786

Pioneer USA, EMPL and the Partnership are parties to the Partnership agreement. EMPL is a limited partnership in which Pioneer USA owns 77.5% and the remaining portion is owned by former affiliates. In addition, Pioneer USA owned 634 limited partner interests at January 1, 2001.

The costs and revenues of the Partnership are allocated as follows:

	General partners -----	Limited partners -----
Revenues:		
Proceeds from property dispositions prior to cost recovery	10%	90%
All other Partnership revenues	25%	75%
Costs and expenses:		
Lease acquisition costs, drilling and completion costs	10%	90%
Operating costs, direct costs and general and administrative expenses	25%	75%

NOTE 7. OIL AND GAS INFORMATION (UNAUDITED)

The following table presents information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities during the years then ended. All of the Partnership's reserves are proved developed and located within the United States. The Partnership's reserves are based on an evaluation prepared by Williamson Petroleum Consultants, Inc., an independent petroleum consultant, using criteria established by the Securities and Exchange Commission.

	Oil and NGLs (bbls) -----	Gas (mcf) -----
Net proved reserves at January 1, 1998	321,477	448,047
Revisions	(230,755)	(305,609)
Production	(25,898)	(48,971)

Net proved reserves at December 31, 1998	64,824	93,467
Revisions	280,613	443,568
Production	(23,886)	(48,380)
	-----	-----
Net proved reserves at December 31, 1999	321,551	488,655
Revisions	60,464	362,471
Production	(24,158)	(45,981)
	-----	-----
Net proved reserves at December 31, 2000	357,857	805,145
	=====	=====

As of December 31, 2000, the estimated present value of future net revenues of proved reserves, calculated using December 31, 2000 prices of \$26.55 per barrel of oil, \$13.69 per barrel of NGLs and \$8.68 per mcf of gas, discounted at 10% was approximately \$3,226,000 and undiscounted was \$6,208,000.

Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves. The Partnership emphasizes that reserve estimates are inherently imprecise and, accordingly, the estimates are expected to change as future information becomes available.

#### Disclosures about Oil & Gas Producing Activities

##### Standardized Measure of Discounted Future Net Cash Flows

The standardized measure of discounted future net cash flows is computed by applying year-end prices of oil and gas (with consideration of price changes only to the extent provided by contractual arrangements) to the estimated future production of proved oil and gas reserves less estimated future expenditures (based on year-end costs) to be incurred in developing and producing the proved reserves, discounted using a rate of 10% per year to reflect the estimated timing of the future cash flows. A Federal income tax provision has not been calculated as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

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

For the years ended December 31,		
2000	1999	1998
-----	-----	-----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

(in thousands)

Oil and gas producing activities:  
 Future cash inflows \$ 15,230 \$ 8,078 \$ 7

18

290

Future production costs	(9,022)	(5,386)	(6)
10% annual discount factor	6,208 (2,982)	2,692 (1,056)	(
Standardized measure of discounted future net cash flows	\$ 3,226 =====	\$ 1,636 =====	\$ =====

For the years ended December 31,

2000 1999 1998

(in thousands)

Oil and Gas Producing Activities:			
Oil and gas sales, net of production costs	\$ (385)	\$ (128)	\$ (56)
Net changes in prices and production costs	1,448	378	(898)
Revisions of previous quantity estimates	927	2,018	(164)
Accretion of discount	164	6	118
Changes in production rates, timing and other	(564)	(704)	(113)
Change in present value of future net revenues	1,590	1,570	(1,113)
Balance, beginning of year	1,636	66	1,179
Balance, end of year	\$ 3,226 =====	\$ 1,636 =====	\$ 66 =====

NOTE 8. MAJOR CUSTOMERS

The following table reflects the major customers of the Partnership's oil and gas sales (a major customer is defined as a customer whose sales exceed 10% of total sales) during the years ended December 31:

	2000	1999	1998
	----	----	----
Plains Marketing, L.P.	68%	66%	--



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Genesis Crude Oil, L.P.	--	--	65%
GPM Gas Corporation	13%	14%	13%
Western Gas Resources, Inc.	1%	2%	10%

At December 31, 2000, the amounts receivable from Plains Marketing, L.P. and GPM Gas Corporation were \$54,651 and \$30,037, respectively, which are included in the caption "Accounts receivable - oil and gas sales" in the accompanying Balance Sheet.

Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on the ability of the Partnership to sell its oil, NGLs and gas production.

### NOTE 9. PARTNERSHIP AGREEMENT

The following is a brief summary of the more significant provisions of the limited partnership agreement:

General partners - The general partners of the Partnership are Pioneer USA and EMPL.

19

291

Pioneer USA, the managing general partner, has the power and authority to manage, control and administer all Partnership affairs. As managing general partner and operator of the Partnership's properties, all production expenses are incurred by Pioneer USA and billed to the Partnership. The majority of the Partnership's oil and gas revenues are received directly by the Partnership, however, a portion of the oil and gas revenue is initially received by Pioneer USA prior to being paid to the Partnership.

Limited partner liability - The maximum amount of liability of any limited partner is the total contributions of such partner plus his share of any undistributed profits.

Initial capital contributions - The limited partners entered into subscription agreements for aggregate capital contributions of \$9,782,000. During 1985, the Partnership received a total of \$1,372,500 from its limited partners in response to an assessment by the managing general partner. Additionally, \$650,000 was contributed by the managing general partner for limited partnership interests on unpaid assessments of which \$500,000 was paid in 1985 and \$150,000 in 1986. The general partners are required to contribute amounts equal to 10% of Partnership expenditures for lease acquisition, drilling and completion and 25% of direct, general and administrative and operating expenses.

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

None.

20

292

### PART III

### ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE PARTNERSHIP

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The Partnership does not have any officers or directors. Under the limited partnership agreement, the Partnership's managing general partner, Pioneer USA, is granted the exclusive right and full authority to manage, control and administer the Partnership's business.

Set forth below are the names, ages and positions of the directors and executive officers of Pioneer USA. Directors of Pioneer USA are elected to serve until the next annual meeting of stockholders or until their successors are elected and qualified.

Name ----	Age at December 31, 2000 ----	Position -----
Scott D. Sheffield	48	President
Timothy L. Dove	44	Executive Vice President, Chief Financial Officer and Director
Dennis E. Fagerstone	51	Executive Vice President and Director
Mark L. Withrow	53	Executive Vice President, General Counsel and Director
Danny Kellum	46	Executive Vice President - Domestic Operations and Director
Rich Dealy	34	Vice President and Chief Accounting Officer

Scott D. Sheffield. Mr. Sheffield is a graduate of The University of Texas with a B.S. in Petroleum Engineering. Since August 1997, he has served as President, Chief Executive Officer and a director of Pioneer and President of Pioneer USA. Mr. Sheffield assumed the position of Chairman of the Board of Pioneer in August 1999. He served as a director of Pioneer USA from August 1997 until his resignation from the board in June 1999. Mr. Sheffield was the President and a director of Parker & Parsley Petroleum Company ("Parker & Parsley") from May 1990 until August 1997 and was the Chairman of the Board and Chief Executive Officer of Parker & Parsley from October 1990 until August 1997. He was the sole director of Parker & Parsley from May 1990 until October 1990. Mr. Sheffield joined Parker & Parsley Development Company ("PPDC"), a predecessor of Parker & Parsley, as a petroleum engineer in 1979. He served as Vice President - Engineering of PPDC from September 1981 until April 1985 when he was elected President and a director. In March 1989, Mr. Sheffield was elected Chairman of the Board and Chief Executive Officer of PPDC. Before joining PPDC's predecessor, Mr. Sheffield was employed as a production and reservoir engineer for Amoco Production Company.

Timothy L. Dove. Mr. Dove earned a B.S. in Mechanical Engineering from Massachusetts

Institute of Technology in 1979 and received his M.B.A. in 1981 from the University of Chicago. He became Executive Vice President - Business Development

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

of Pioneer and Pioneer USA in August 1997 and was also appointed a director of Pioneer USA in August 1997. Mr. Dove assumed the position of Chief Financial Officer of Pioneer and Pioneer USA effective February 1, 2000. Mr. Dove joined Parker & Parsley in May 1994 as Vice President - International and was promoted to Senior Vice President - Business Development in October 1996, in which position he served until August 1997. Prior to joining Parker & Parsley, Mr. Dove was employed with Diamond Shamrock Corp., and its successor, Maxus Energy Corp, in various capacities in international exploration and production, marketing, refining and marketing and planning and development.

Dennis E. Fagerstone. Mr. Fagerstone, a graduate of the Colorado School of Mines with a B.S. in Petroleum Engineering, became an Executive Vice President of Pioneer and Pioneer USA in August 1997. He was also appointed a director of Pioneer USA in August 1997. He served as Executive Vice President and Chief Operating Officer of MESA Inc. ("Mesa") from March 1, 1997 until August 1997. From October 1996 to February 1997, Mr. Fagerstone served as Senior Vice President and Chief Operating Officer of Mesa and from May 1991 to October 1996, he served as Vice President - Exploration and Production of Mesa. From June 1988 to May 1991, Mr. Fagerstone served as Vice President - Operations of Mesa.

Mark L. Withrow. Mr. Withrow, a graduate of Abilene Christian University with a B.S. in Accounting and Texas Tech University with a Juris Doctorate degree, became Executive Vice President, General Counsel and Secretary of Pioneer and Pioneer USA in August 1997. He was also appointed a director of Pioneer USA in August 1997. Mr. Withrow was Vice President - General Counsel of Parker & Parsley from January 1991, when he joined Parker & Parsley, to January 1995, when he was appointed Senior Vice President - General Counsel. He was Parker & Parsley's Secretary from August 1992 until August 1997. Prior to joining Parker & Parsley, Mr. Withrow was the managing partner of the law firm of Turpin, Smith, Dyer, Saxe & MacDonald, Midland, Texas.

Danny Kellum. Mr. Kellum, who received a Bachelor of Science degree in Petroleum Engineering from Texas Tech University in 1979, was elected Executive Vice President - Domestic Operations of Pioneer and Pioneer USA on May 18, 2000 and Director of Pioneer USA on February 1, 2000. From January 2000 until May 2000, Mr. Kellum served as Vice President - Domestic Operations of Pioneer and Pioneer USA. Mr. Kellum served as Vice President Permian Division of Pioneer and Pioneer USA from April 1998 until December 1999. From 1989 until 1994 he served as Spraberry District Manager and as Vice President of the Spraberry and Permian Division for Parker & Parsley until August of 1997. Mr. Kellum joined Parker & Parsley as an operations engineer in 1981 after a brief career with Mobil Oil Corporation.

Rich Dealy. Mr. Dealy is a graduate of Eastern New Mexico University with a B.B.A. in Accounting and Finance and is a Certified Public Accountant. He became Vice President and Chief Accounting Officer of Pioneer and Pioneer USA in February 1998. Mr. Dealy served as Controller of Pioneer USA from August 1997 to February 1998. He served as Controller of Parker & Parsley from August 1995 to August 1997. Mr. Dealy joined Parker & Parsley as an Accounting Manager in July, 1992. He was previously employed with KPMG Peat Marwick as an Audit Senior, in charge of Parker & Parsley's audit.

### ITEM 11. EXECUTIVE COMPENSATION

The Partnership does not have any directors or officers. Management of the Partnership is performed by Pioneer USA, the managing general partner. Under the Partnership agreement, Pioneer USA pays 8% of the Partnership's acquisition,

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

drilling and completion costs and 20% of its operating and general and administrative expenses. In return, Pioneer USA is allocated 20% of the Partnership's revenues.

EMPL is a co-general partner of the Partnership. Under this arrangement, EMPL pays 2% of the Partnership's acquisition, drilling and completion costs and 5% of its operating and general and administrative expenses. In return, EMPL is allocated 5% of the Partnership's revenues. EMPL does not receive any fees or reimbursements from the Partnership.

The Partnership does not directly pay any salaries of the executive officers of Pioneer USA, but does pay a portion of Pioneer USA's general and administrative expenses of which these salaries are a part.

See Notes 6 and 9 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" for information regarding fees and reimbursements paid to the managing general partner by the Partnership.

### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

#### (a) Beneficial owners of more than five percent

The Partnership is not aware of any person who beneficially owns 5% or more of the outstanding limited partnership interests of the Partnership. Pioneer USA and EMPL respectively own 80% and 20% of the general partners' interests in the Partnership. Pioneer USA owned 634 limited partner interests at January 1, 2001.

#### (b) Security ownership of management

The Partnership does not have any officers or directors. The managing general partner of the Partnership, Pioneer USA, has the exclusive right and full authority to manage, control and administer the Partnership's business. Under the limited partnership agreement, limited partners holding a majority of the outstanding limited partnership interests have the right to take certain actions, including the removal of the managing general partner or any other general partner. The Partnership is not aware of any current arrangement or activity which may lead to such removal. The Partnership is not aware of any officer or director of Pioneer USA who beneficially owns limited partnership interests in the Partnership.

23

295

### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

#### Transactions with the managing general partner

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

	2000	1999	1998
	-----	-----	-----
Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$162,023	\$156,380	\$150,391

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Reimbursement of general and administrative expenses	\$ 22,916	\$ 13,260	\$ 11,786
--	-----------	-----------	-----------

Under the limited partnership agreement, the general partners, Pioneer USA and EMPL, together pay 10% of the Partnership's acquisition, drilling and completion costs and 25% of its operating and general and administrative expenses. In return, they are allocated 25% of the Partnership's revenues. Twenty percent of the general partners' share of costs and revenues is allocated to EMPL and the remainder is allocated to Pioneer USA. Certain former affiliates of Pioneer USA are limited partners of EMPL. Also, see Notes 6 and 9 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" regarding the Partnership's participation with the managing general partner in oil and gas activities of the Partnership.

24

296

### PART IV

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

##### (a) 1. Financial statements

The following are filed as part of this Report:

Independent Auditors' Report

Balance sheets as of December 31, 2000 and 1999

Statements of operations for the years ended December 31, 2000, 1999 and 1998

Statements of partners' capital for the years ended December 31, 2000, 1999 and 1998

Statements of cash flows for the years ended December 31, 2000, 1999 and 1998

Notes to financial statements

##### 2. Financial statement schedules

All financial statement schedules have been omitted since the required information is in the financial statements or notes thereto, or is not applicable nor required.

##### (b) Reports on Form 8-K

None.

##### (c) Exhibits

The exhibits listed on the accompanying index to exhibits are filed or incorporated by reference as part of this Report.

25

297

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

S I G N A T U R E S

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, thereunto duly authorized.

PARKER & PARSLEY 82-I, LTD.

Dated: March 23, 2001

By: Pioneer Natural Resources USA, Inc.  
Managing General Partner

By: /s/ Scott D. Sheffield

-----  
Scott D. Sheffield, President

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

/s/ Scott D. Sheffield ----- Scott D. Sheffield	President of Pioneer USA	March 23, 2001
/s/ Timothy L. Dove ----- Timothy L. Dove	Executive Vice President, Chief Financial Officer and Director of Pioneer USA	March 23, 2001
/s/ Dennis E. Fagerstone ----- Dennis E. Fagerstone	Executive Vice President and Director of Pioneer USA	March 23, 2001
/s/ Mark L. Withrow ----- Mark L. Withrow	Executive Vice President, General Counsel and Director of Pioneer USA	March 23, 2001
/s/ Danny Kellum ----- Danny Kellum	Executive Vice President - Domestic Operations and Director of Pioneer USA	March 23, 2001
/s/ Rich Dealy ----- Rich Dealy	Vice President and Chief Accounting Officer of Pioneer USA	March 23, 2001

PARKER & PARSLEY 82-I, LTD.

INDEX TO EXHIBITS

The following documents are incorporated by reference in response to

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Item 14(c):

Exhibit No. -----	Description -----	Page ----
3.1	Agreement of Limited Partnership of Parker & Parsley 82-I, Ltd. incorporated by reference to Exhibit 4(e) of Partnership's Registration Statement on Form S-1 (Registration No. 2-75503A), as amended on February 4, 1982, the effective date thereof (hereinafter called, the Partnership's Registration Statement)	-
3.2	Amended and Restated Certificate of Limited Partnership of Parker & Parsley 82-I, Ltd. incorporated by reference to Exhibit 3.2 of the Partnership's Annual Report on Form 10-K for the year ended December 31, 1983	-
4.1	Form of Subscription Agreement and Power of Attorney incorporated by reference to Exhibit 4(b) of the Partnership's Registration Statement	-
4.2	Specimen Certificate of Limited Partnership Interest incorporated by reference to Exhibit 4(d) of the Partnership's Registration Statement	-

27

299

PARKER & PARSLEY 82-I, LTD.

SELECTED FINANCIAL DATA

The following selected financial data for the Partnership should be read in connection with Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements included in the attached supplemental information.

	Six months ended June 30,		Years ended Decem		
	2001 -----	2000 -----	2000 -----	1999 -----	1998 -----
Operating results:					
Oil and gas sales	\$ 421,846 =====	\$ 349,532 =====	\$ 763,858 =====	\$ 441,997 =====	\$ 392,88 =====
Gain on litigation settlement, net	\$ -- =====	\$ -- =====	\$ -- =====	\$ -- =====	\$ -- =====

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Impairment of oil and gas properties	\$ --	\$ --	\$ --	\$ --	\$ 294,61
Net income (loss)	\$ 199,638	\$ 141,386	\$ 337,729	\$ 17,320	\$ (563,99
Allocation of net income (loss):					
General partners	\$ 51,562	\$ 37,763	\$ 88,128	\$ 18,135	\$ (49,47
Limited partners	\$ 148,076	\$ 103,623	\$ 249,601	\$ (815)	\$ (514,52
Limited partners' net income (loss) per limited partnership interest	\$ 30.28	\$ 21.19	\$ 51.03	\$ (.17)	\$ (105.2
Limited partners' cash distributions per limited partnership interest	\$ 19.49	\$ 21.00	\$ 46.98	\$ 10.33	\$ 19.5
As of period ended:					
Total assets	\$ 533,168	\$ 437,924	\$ 454,904	\$ 425,107	\$ 474,52

-----  
(a) Including litigation settlement per limited partnership interest of \$6.96 in 1996.

300

PIONEER NATURAL RESOURCES COMPANY  
PIONEER NATURAL RESOURCES USA, INC.  
5205 NORTH O'CONNOR BLVD., SUITE 1400  
IRVING, TEXAS 75039

SUPPLEMENTAL INFORMATION

OF

PARKER & PARSLEY 82-II, LTD., A TEXAS LIMITED PARTNERSHIP

TO

PROXY STATEMENT/PROSPECTUS DATED , 2001

-----  
THE DATE OF THIS SUPPLEMENT IS , 2001  
-----

This document contains important information specific to Parker & Parsley



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

82-II, Ltd. and supplements the proxy statement/prospectus dated \_\_\_\_\_, 2001, of Pioneer Natural Resources Company and Pioneer Natural Resources USA, Inc., by which Pioneer USA is soliciting proxies to be voted at a special meeting of limited partners of the partnership. The purpose of the special meeting is for you to vote upon the merger of the partnership with and into Pioneer USA that, if completed, will result in your receiving common stock of Pioneer Natural Resources Company for your partnership interests.

This document contains the following information concerning Parker & Parsley 82-II, Ltd.:

- o A table containing:
  - the aggregate initial investment by the limited partners
  - the aggregate historical limited partner distributions through July 31, 2001
  - the merger value attributable to partnership interests of limited partners, excluding Pioneer USA
  - the merger value per \$1,000 limited partner investment
  - the merger value per \$1,000 limited partner investment as a multiple of distributions for the past four quarterly distributions including the distribution in July 2001
  - the book value per \$1,000 limited partner investment as of June 30, 2001 and as of December 31, 2000
  - the going concern value per \$1,000 limited partner investment
  - the liquidation value per \$1,000 limited partner investment
  - the ordinary tax loss per \$1,000 limited partner investment in year of initial investment
- o Information about:
  - the legal opinion for the limited partners
  - the term of the partnership
- o The partnership's quarterly report on Form 10-Q, including management's discussion and analysis of financial condition and results of operations, for the six months ended June 30, 2001
- o The partnership's annual report on Form 10-K, including management's discussion and analysis of financial condition and results of operations, for the year ended December 31, 2000
- o Selected historical financial data for the partnership for the six months ended June 30, 2001 and 2000 and the five years ended December 31, 2000

PARKER & PARSLEY 82-II, LTD.

SUPPLEMENTAL INFORMATION TABLE

Aggregate Initial Investment by the Limited Partners (a)	\$
Aggregate Historical Limited Partner Distributions through July 31, 2001 (a)	\$
Merger Value Attributable to Partnership Interests of Limited Partners, Excluding Pioneer USA (a), (b)	\$
Merger Value per \$1,000 Limited Partner Investment (b), (c)	\$
Merger Value per \$1,000 Limited Partner Investment as a Multiple of Distributions for the past four quarterly distributions including the distribution in July 2001 (b), (c)	
Book Value per \$1,000 Limited Partner Investment:	
-- as of June 30, 2001 (c)	\$
-- as of December 31, 2000 (c)	\$
Going Concern Value per \$1,000 Limited Partner Investment (c), (d)	\$
Liquidation Value per \$1,000 Limited Partner Investment (c), (e)	\$
Ordinary Tax Loss per \$1,000 Limited Partner Investment in Year of Initial Investment (c), (f)	\$

-----

(a) Stated in thousands.

(b) The merger value for the partnership is equal to the sum of the present value of estimated future net revenues from the partnership's estimated oil and gas reserves and its net working capital, in each case as of March 31, 2001, less its pro rata share, based on its reserve value, of the estimated expenses and fees of the mergers of all of the partnerships and less the cash distribution on July 13, 2001, by the partnership to its partners.

(c) Interests in some partnerships were sold in units at prices other than \$1,000. We have presented this information based on a \$1,000 initial investment for ease of use and comparison among partnerships. You should not assume that the amount shown per \$1,000 investment is the same as the value or amount attributable to a single unit investment.

(d) The going concern value for the partnership is based upon: (1) the sum of (A) the estimated net cash flow from the sale of the partnership's reserves during a 10-year operating period and (B) the estimated residual value from the sale of the partnership's remaining reserves at the end of the operating period, in each case using the same pricing and discount rate as

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

in the merger value calculation, less (2) (A) partnership level general and administrative expenses, and (B) the cash distribution on July 13, 2001 by the partnership to its partners.

- (e) The liquidation value for the partnership is based upon the sale of the partnership's reserves at the reserve value, less (1) liquidation expenses which are estimated to be the sum of (A) the partnership's pro rata share of the merger expenses and fees described in footnote (b) above and (B) 3% of the partnership's reserve value, and (2) the cash distribution on July 13, 2001 by the partnership to its partners. The liquidation expenses represent estimated costs to retain an investment banker or broker to sell the assets of the partnership and the legal and other closing costs associated with such transaction, including the wind-down costs of the partnership.
- (f) Your ability to use your distributive share of the partnership's loss to offset your other income may have been subject to certain limitations at your level as a partner, and you may therefore wish to consult your tax advisor to determine the additional value, if any, actually realized by you in your particular circumstances.

### INFORMATION ABOUT THE LEGAL OPINION FOR THE LIMITED PARTNERS

The partnership agreement for the partnership requires that special legal counsel render an opinion on behalf of the limited partners to Pioneer USA that (1) neither the grant nor the exercise of the right to approve the merger of the partnership by its limited partners will adversely affect the federal income tax classification of the partnership or any of its limited partners; and (2) neither the grant nor exercise of such right will result in the loss of any limited partner's limited liability. In addition, the counsel designated to render the opinion must be counsel other than counsel to Pioneer USA or the partnership. Both the designated counsel and the legal opinion must be approved by the limited partners. Pioneer USA has retained \_\_\_\_\_ of Dallas, Texas for the purpose of rendering this legal opinion on behalf of the limited partners to Pioneer USA. The merger proposals include an approval of that counsel and the form of its opinion. A copy of the opinion is attached as an exhibit to the merger proposals.

### INFORMATION ABOUT THE TERM OF THE PARTNERSHIP

The term of the partnership shall continue until terminated in accordance with the applicable provisions of its partnership agreement.

-2-

302

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

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

For the quarterly period ended June 30, 2001

Commission File No. 2-75530B

PARKER & PARSLEY 82-II, LTD.  
(Exact name of Registrant as specified in its charter)

Texas	75-1867115
-----	-----
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
5205 N. O'Connor Blvd., Suite 1400, Irving, Texas	75039
-----	-----
(Address of principal executive offices)	(Zip code)

Registrant's Telephone Number, including area code : (972) 444-9001

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 / x / No / /

303

PARKER & PARSLEY 82-II, LTD.

TABLE OF CONTENTS

	Page
Part I. Financial Information	
Item 1. Financial Statements	
Balance Sheets as of June 30, 2001 and December 31, 2000.....	3
Statements of Operations for the three and six months ended June 30, 2001 and 2000.....	4

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	Statement of Partners' Capital for the six months ended June 30, 2001.....	5
	Statements of Cash Flows for the six months ended June 30, 2001 and 2000.....	6
	Notes to Financial Statements.....	7
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations.....	7
Part II. Other Information		
Item 6.	Exhibits and Reports on Form 8-K.....	11
	Signatures.....	12

2

304

PARKER & PARSLEY 82-II, LTD.  
(A Texas Limited Partnership)

Part I. Financial Information

Item 1. Financial Statements

BALANCE SHEETS

	June 30, 2001	December 31, 2000
	-----	-----
	(Unaudited)	
ASSETS		
Current assets:		
Cash	\$ 155,816	\$ 77,911
Accounts receivable - oil and gas sales	91,508	107,778
	-----	-----
Total current assets	247,324	185,689
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	8,307,568	8,305,901
Accumulated depletion	(7,553,587)	(7,531,290)
	-----	-----
Net oil and gas properties	753,981	774,611
	-----	-----
	\$ 1,001,305	\$ 960,300
	=====	=====
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable - affiliate	\$ 17,621	\$ 12,662

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Partners' capital:		
General partners	134,008	121,968
Limited partners (6,126 interests)	849,676	825,670
	-----	-----
	983,684	947,638
	-----	-----
	\$ 1,001,305	\$ 960,300
	=====	=====

The financial information included as of June 30, 2001 has been prepared by the managing general partner without audit by independent public accountants.

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

3

305

PARKER & PARSLEY 82-II, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF OPERATIONS  
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2001	2000	2001	2000
	-----	-----	-----	-----
Revenues:				
Oil and gas	\$ 172,463	\$ 169,196	\$ 384,143	\$ 334,606
Interest	1,159	1,676	2,558	2,939
	-----	-----	-----	-----
	173,622	170,872	386,701	337,545
	-----	-----	-----	-----
Costs and expenses:				
Oil and gas production	79,225	72,440	184,165	147,258
General and administrative	5,282	5,668	13,211	10,827
Depletion	11,536	9,028	22,297	21,203
	-----	-----	-----	-----
	96,043	87,136	219,673	179,288
	-----	-----	-----	-----
Net income	\$ 77,579	\$ 83,736	\$ 167,028	\$ 158,257
	=====	=====	=====	=====
Allocation of net income:				
General partners	\$ 21,125	\$ 22,288	\$ 44,846	\$ 42,745
	=====	=====	=====	=====
Limited partners	\$ 56,454	\$ 61,448	\$ 122,182	\$ 115,512
	=====	=====	=====	=====
Net income per limited partnership interest	\$ 9.21	\$ 10.03	\$ 19.94	\$ 18.86
	=====	=====	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

4

306

PARKER & PARSLEY 82-II, LTD.  
(A Texas Limited Partnership)

STATEMENT OF PARTNERS' CAPITAL  
(Unaudited)

	General partners -----	Limited partners -----	Total -----
Balance at January 1, 2001	\$ 121,968	\$ 825,670	\$ 947,638
Distributions	(32,806)	(98,176)	(130,982)
Net income	44,846 -----	122,182 -----	167,028 -----
Balance at June 30, 2001	\$ 134,008 =====	\$ 849,676 =====	\$ 983,684 =====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

5

307

PARKER & PARSLEY 82-II, LTD.  
(A Texas Limited Partnership)

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

STATEMENTS OF CASH FLOWS  
(Unaudited)

	Six months ended June 30,	
	2001	2000
Cash flows from operating activities:		
Net income	\$ 167,028	\$ 158,257
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion	22,297	21,203
Changes in assets and liabilities:		
Accounts receivable	16,270	(8,639)
Accounts payable	4,959	5,136
Net cash provided by operating activities	210,554	175,957
Cash flows used in investing activities:		
Additions to oil and gas properties	(1,667)	(1,538)
Cash flows used in financing activities:		
Cash distributions to partners	(130,982)	(180,435)
Net increase (decrease) in cash	77,905	(6,016)
Cash at beginning of period	77,911	91,672
Cash at end of period	\$ 155,816	\$ 85,656

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

6

308

PARKER & PARSLEY 82-II, LTD.  
(A Texas Limited Partnership)

NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Unaudited)

Note 1. Organization and nature of operations

Parker & Parsley 82-II, Ltd. (the "Partnership") is a limited partnership organized in 1982 under the laws of the State of Texas.

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

### Note 2. Basis of presentation

In the opinion of management, the unaudited financial statements of the Partnership as of June 30, 2001 and for the three and six months ended June 30, 2001 and 2000 include all adjustments and accruals consisting only of normal recurring accrual adjustments which are necessary for a fair presentation of the results for the interim period. However, these interim results are not necessarily indicative of results for a full year. Certain reclassifications may have been made to the June 30, 2000 financial statements to conform to the June 30, 2001 financial statement presentations.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in this Form 10-Q pursuant to the rules and regulations of the Securities and Exchange Commission. The financial statements should be read in conjunction with the financial statements and the notes thereto contained in the Partnership's Report on Form 10-K for the year ended December 31, 2000, as filed with the Securities and Exchange Commission, a copy of which is available upon request by writing to Rich Dealy, Vice President and Chief Accounting Officer, 5205 North O'Connor Boulevard, Suite 1400, Irving, Texas 75039-3746.

### Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (1)

#### Results of Operations

Six months ended June 30, 2001 compared with six months ended June 30, 2000

#### Revenues:

The Partnership's oil and gas revenues increased 15% to \$384,143 for the six months ended June 30, 2001 as compared to \$334,606 for the same period in 2000. The increase in revenues resulted from higher average prices received, offset by a decline in production. For the six months ended June 30, 2001, 7,984 barrels

7

309

of oil, 2,949 barrels of natural gas liquids ("NGLs") and 22,031 mcf of gas were sold, or 14,605 barrel of oil equivalentents ("BOEs"). For the six months ended June 30, 2000, 8,628 barrels of oil, 3,976 barrels of NGLs and 18,498 mcf of gas were sold, or 15,687 BOEs.

The average price received per barrel of oil increased \$.28, or 1%, from \$27.51 for the six months ended June 30, 2000 to \$27.79 for the same period in 2001. The average price received per barrel of NGLs increased \$3.52, or 26% from \$13.63 during the six months ended June 30, 2000 to \$17.15 for the same period in 2001. The average price received per mcf of gas increased 118% from \$2.33 during the six months ended June 30, 2000 to \$5.07 for the same period in 2001. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received during the six months ended June 30, 2001.

#### Costs and Expenses:

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Total costs and expenses increased to \$219,673 for the six months ended June 30, 2001 as compared to \$179,288 for the same period in 2000, an increase of \$40,385, or 23%. This increase was due to increases in production costs, general and administrative expenses ("G&A") and depletion.

Production costs were \$184,165 for the six months ended June 30, 2001 and \$147,258 for the same period in 2000 resulting in a \$36,907 increase, or 25%. This increase was primarily due to additional well maintenance costs incurred to stimulate well production and higher production taxes associated with increased oil and gas revenues.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 22% from \$10,827 for the six months ended June 30, 2000 to \$13,211 for the same period in 2001, primarily due to a higher allocation of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues and an increase in audit and tax fees.

Depletion was \$22,297 for the six months ended June 30, 2001 as compared to \$21,203 for the same period in 2000, an increase of \$1,094, or 5%. This increase was primarily due to a reduction in proved reserves during the period ended June 30, 2001 due to lower commodity prices, offset by a decline in oil production of 644 barrels for the six months ended June 30, 2001 as compared to the same period in 2000.

Three months ended June 30, 2001 compared with three months ended June 30, 2000

### Revenues:

The Partnership's oil and gas revenues increased 2% to \$172,463 for the three months ended June 30, 2001, as compared to \$169,196 for the same period in 2000. The increase in revenues resulted from higher average prices received for gas and NGLs, offset by lower average prices received for oil and a decrease in production. For the three months ended June 30, 2001, 3,738 barrels of oil, 1,577 barrels of NGLs and 10,439 mcf of gas were sold, or 7,055 BOEs. For the

8

310

three months ended June 30, 2000, 4,189 barrels of oil, 1,932 barrels of NGLs and 9,347 mcf of gas were sold, or 7,679 BOEs.

The average price received per barrel of oil decreased \$.34, or 1%, from \$27.76 for the three months ended June 30, 2000 to \$27.42 for the three months ended June 30, 2001. The average price received per barrel of NGLs increased \$.95, or 7%, from \$14.12 during the three months ended June 30, 2000 to \$15.07 for the three months ended June 30, 2001. The average price received per mcf of gas increased 62% to \$4.43 during the three months ended June 30, 2001 from \$2.74 during the same period in 2000.

### Costs and Expenses:

Total costs and expenses increased to \$96,043 for the three months ended June 30, 2001 as compared to \$87,136 for the same period in 2000, an increase of \$8,907, or 10%. This increase was due to increases in production costs and depletion, offset by a decline in G&A.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Production costs were \$79,225 for the three months ended June 30, 2001 and \$72,440 for the same period in 2000 resulting in a \$6,785 increase, or 9%. The increase was primarily due to additional well maintenance costs incurred to stimulate well production.

During this period, G&A decreased 7% from \$5,668 for the three months ended June 30, 2000 to \$5,282 for the same period in 2001 due to a decrease in audit and tax fees.

Depletion was \$11,536 for the three months ended June 30, 2001 as compared to \$9,028 for the same period in 2000, an increase of \$2,508, or 28%. This increase was primarily due to a decline in proved reserves during the period ended June 30, 2001 due to lower commodity prices, offset by a decline in oil production of 451 barrels for the three months ended June 30, 2001 as compared to the same period in 2000.

### Liquidity and Capital Resources

#### Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$34,597 during the six months ended June 30, 2001 from the same period in 2000. This increase was due to an increase of \$49,156 in oil and gas sales receipts and a reduction of \$24,732 in working capital, offset by increases in production costs of \$36,907 and G&A expenses of \$2,384. The increase in oil and gas receipts resulted from the increase in commodity prices during 2001 which contributed an additional \$66,765 to oil and gas receipts, offset by \$17,609 resulting from the decline in production during 2001 as compared to the same period in 2000. The increase in production costs was primarily due to additional well maintenance costs incurred to stimulate well production and increased production taxes associated with higher oil and gas prices. The increase in G&A was primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues and an increase in audit and tax fees.

9

311

#### Net Cash Used in Investing Activities

The Partnership's investing activities during the six months ended June 30, 2001 and 2000 were related to the upgrades of oil and gas equipment on active properties.

#### Net Cash Used in Financing Activities

For the six months ended June 30, 2001, cash distributions to the partners were \$130,982, of which \$32,806 was distributed to the general partners and \$98,176 to the limited partners. For the same period ended June 30, 2000, cash distributions to the partners were \$180,435, of which \$45,080 was distributed to the general partners and \$135,355 to the limited partners.

For the three months ended June 30, 2001, no distributions were made by the partnership to its partners. Subsequent to June 30, 2001 the cash distribution that otherwise would have been mailed to partners in late June was made to holders of record as of July 9, 2001 and was mailed on July 13, 2001. For further information, see "Proposal to acquire partnerships" below.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

### Proposal to acquire partnerships

On June 29, 2001, Pioneer Natural Resources Company ("Pioneer") filed with the Securities and Exchange Commission Amendment No. 1 to the Form S-4 Registration Statement (File No. 333-59094) (the "preliminary proxy statement/prospectus"), which proposes an agreement and plan of merger among Pioneer, Pioneer Natural Resources USA, Inc. ("Pioneer USA"), a wholly-owned subsidiary of Pioneer, and 46 Parker & Parsley limited partnerships. Each partnership that approves the agreement and plan of merger and the other related merger proposals will merge with and into Pioneer USA upon the closing of the transactions described in the preliminary proxy statement/prospectus, and the partnership interests of each such partnership will be converted into the right to receive Pioneer common stock. The Partnership is one of the 46 Parker & Parsley limited partnerships that will be asked to approve the agreement and plan of merger. The preliminary proxy statement/prospectus is non-binding and is subject to, among other things, consideration of offers from third parties to purchase any partnership or its assets and the majority approval of the limited partnership interests in each partnership.

Pioneer USA will solicit proxies from limited partners to approve the mergers only when the proxy statement/prospectus is final and declared effective. No solicitation will be made using preliminary materials. Nonetheless, copies of the preliminary proxy statement/prospectus may be obtained without charge upon request from Pioneer Natural Resources Company, 5205 North O'Connor Blvd., Suite 1400, Irving, Texas 75039, Attention: Investor Relations.

The limited partners are urged to read the proxy statement/prospectus of Pioneer filed with the Securities and Exchange Commission, when it is finalized, because it contains important information about the proposed mergers, including information about the direct and indirect interests of Pioneer USA and Pioneer in the mergers. The limited partners may also obtain the preliminary and (when filed) final proxy statement/prospectus and other relevant documents relating to the proposed mergers free through the internet web site that the Securities and Exchange Commission maintains at [www.sec.gov](http://www.sec.gov).

10

312

-----

- (1) "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" contains forward looking statements that involve risks and uncertainties. Accordingly, no assurances can be given that the actual events and results will not be materially different than the anticipated results described in the forward looking statements.

### Part II. Other Information

#### Item 6. Exhibits and Reports on Form 8-K

- (a) Exhibits - none
- (b) Reports on Form 8-K - none

11

313

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

PARKER & PARSLEY 82-II, LTD.  
(A Texas Limited Partnership)

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 thereunto duly authorized.

PARKER & PARSLEY 82-II, LTD.

By: Pioneer Natural Resources USA, Inc.,  
Managing General Partner

Dated: August 7, 2001

By: /s/ Rich Dealy

-----  
Rich Dealy, Vice President and  
Chief Accounting Officer

12

314

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

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d)  
of the Securities Exchange Act of 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000

COMMISSION FILE NO. 2-75530B

PARKER & PARSLEY 82-II, LTD.  
(Exact name of Registrant as specified in its charter)

TEXAS  
-----  
(State or other jurisdiction of  
incorporation or organization)

75-1867115  
-----  
(I.R.S. Employer  
Identification Number)

1400 WILLIAMS SQUARE WEST, 5205 N. O'CONNOR BLVD., IRVING, TEXAS

75039  
-----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

(Address of principal executive offices)

(Zip code)

Registrant's Telephone Number, including area code: (972) 444-9001

Securities registered pursuant to Section 12(b) of the Act: NONE  
Securities registered pursuant to Section 12(g) of the Act:  
LIMITED PARTNERSHIP INTERESTS (\$2,000 PER UNIT)  
-----

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

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

No market currently exists for the limited partnership interests of the Registrant. Based on the original purchase price, the aggregate market value of limited partnership interests owned by non-affiliates of the Registrant is \$11,800,000.

As of March 8, 2001, the number of outstanding limited partnership interests was 6,126.

The following documents are incorporated by reference into the indicated parts of this Annual Report on Form 10-K: None

Parts I and II of this annual report on Form 10-K (the "Report") contain forward looking statements that involve risks and uncertainties. Accordingly, no assurances can be given that the actual events and results will not be materially different than the anticipated results described in the forward looking statements. See "Item 1. Business" for a description of various factors that could materially affect the ability of the Partnership to achieve the anticipated results described in the forward looking statements.

315

PART I

ITEM 1. BUSINESS

Parker & Parsley 82-II, Ltd. (the "Partnership") is a limited partnership organized in 1982 under the laws of the State of Texas. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA") and its co-general partner is P&P Employees 82-II, Ltd. ("EMPL"), a Texas limited partnership whose general partner is Pioneer USA. Pioneer USA is a wholly-owned subsidiary of Pioneer Natural Resources Company ("Pioneer"). As of March 8, 2001, the Partnership had 6,126 limited partnership interests outstanding.

The Partnership does not have any employees of its own. Pioneer USA employs 701 persons, many of whom dedicated a part of their time to the conduct of the Partnership's business during the period for which this Report is filed. Pioneer USA supplies all management functions.

The Partnership engages in oil and gas development and production and is not

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

involved in any industry segment other than oil and gas. The Partnership's production is geographically concentrated in West Texas.

The principal markets during 2000 for the oil produced by the Partnership were refineries and oil transmission companies that have facilities near the Partnership's oil producing properties. During 2000, Pioneer USA marketed the Partnership's gas to a variety of purchasers, none of which accounted for 10% or more of the Partnership's oil and gas revenues. Of the Partnership's total oil and gas revenues for 2000, approximately 70% was attributable to sales made to Plains Marketing, L.P. Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on its ability to sell its oil, natural gas liquids ("NGLs") and gas production.

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

Oil and gas production operations are subject to various types of regulations by local, state and federal agencies. The Partnership's operations are also subject to state conservation laws and regulations, including the establishment of maximum rates of production from wells and the regulation of spacing, plugging and abandonment of wells. Each state generally imposes a production or severance tax with respect to production and sale of oil and gas within their respective jurisdictions. Noncompliance with the laws and regulations may subject the Partnership to penalties, damages or other liabilities and compliance may increase the cost of the Partnership's operations. The oil and gas business is also subject to environmental hazards such as oil spills, gas leaks and

2

316

ruptures and discharges of toxic substances or gases that could expose the Partnership to substantial liability due to pollution and other environmental damages. Although the Partnership believes that its business operations do not impair environmental quality and that its costs of complying with any applicable environmental regulations are not currently significant, the Partnership cannot predict what, if any, effect these environmental regulations may have on its current or future operations.

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

No material part of the Partnership's business is seasonal and the Partnership conducts no foreign operations.

### ITEM 2. PROPERTIES

The Partnership's properties consist of leasehold interests in properties on which oil and gas wells are located. Such property interests are often subject to landowner royalties, overriding royalties and other oil and gas leasehold interests.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Fractional working interests in developmental and exploratory oil and gas prospects located in Texas and New Mexico were acquired by the Partnership, resulting in the Partnership's participation in the drilling of 52 oil and gas wells. At December 31, 2000, the Partnership had 16 producing oil and gas wells. Two wells were plugged and abandoned, five wells were dry holes and 29 wells have been sold.

For information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998, and changes in such quantities for the years then ended, see Note 7 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" below. Such reserves have been evaluated by Williamson Petroleum Consultants, Inc., an independent petroleum consultant.

### ITEM 3. LEGAL PROCEEDINGS

The Partnership from time to time is a party to various legal proceedings incidental to its business involving claims in oil and gas leases or interests, other claims for damages in amounts not in excess of 10% of its current assets and other matters, none of which Pioneer USA believes to be material to the Partnership.

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

There were no matters submitted to a vote of the partners during the fourth quarter of 2000.

3

317

## PART II

### ITEM 5. MARKET FOR LIMITED PARTNERSHIP INTERESTS AND LIMITED PARTNERSHIP DISTRIBUTIONS

At March 8, 2001, the Partnership had 6,126 outstanding limited partnership interests held of record by 772 subscribers. There is no established public trading market for the limited partnership interests. Under the limited partnership agreement, Pioneer USA has made certain commitments to purchase partnership interests at a computed value.

Revenues which, in the sole judgement of the general partners, are not required to meet the Partnership's obligations are distributed to the partners at least quarterly in accordance with the limited partnership agreement. During the years ended December 31, 2000 and 1999, distributions of \$270,025 and \$93,647, respectively, were made to the limited partners.

### ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth selected financial data for the years ended December 31:

	2000	1999	1998	1997	1996
	-----	-----	-----	-----	-----
Operating results:					
-----					
Oil and gas sales	\$ 730,936	\$ 477,533	\$ 379,887	\$ 598,339	\$ 700,000
	=====	=====	=====	=====	=====



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Gain on litigation settlement, net	\$ --	\$ --	\$ --	\$ --	\$
Impairment of oil and gas properties	\$ --	\$ --	\$ 65,229	\$ 310,732	\$
Net income (loss)	\$ 350,536	\$ 120,353	\$ (131,488)	\$ (93,386)	\$ 3
Allocation of net income (loss):					
General partner	\$ 94,215	\$ 38,680	\$ 2,863	\$ 30,221	\$
Limited partners	\$ 256,321	\$ 81,673	\$ (134,351)	\$ (123,607)	\$ 2
Limited partners' net income (loss) per limited partnership interest	\$ 41.84	\$ 13.33	\$ (21.93)	\$ (20.18)	\$
Limited partners' cash distributions per limited partnership interest	\$ 44.08	\$ 15.29	\$ (46.67)	\$ 43.00	\$
At year end:					
Identifiable assets	\$ 960,300	\$ 971,351	\$ 971,390	\$1,456,326	\$1,8

(a) Including litigation settlement per limited partnership interest of \$6.02 in 1996.

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

Results of operations

2000 compared to 1999

The Partnership's oil and gas revenues increased 53% to \$730,936 for 2000 as compared to \$477,533 in 1999. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 2000, 17,293 barrels of oil, 7,629 barrels of natural gas liquids ("NGLs") and 35,900 mcf of gas were sold, or 30,905 barrel of oil equivalents ("BOEs"). In 1999, 17,967 barrels of oil, 9,587 barrels of NGLs and 42,858 mcf of gas were sold, or 34,697 BOEs. Due to the decline characteristics of the Partnership's oil and gas properties, management expects a certain amount of decline in production in the future until the Partnership's economically recoverable reserves are fully depleted.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The average price received per barrel of oil increased \$12.39, or 73%, from \$17.08 in 1999 to \$29.47 in 2000. The average price received per barrel of NGLs increased \$5.21, or 53%, from \$9.80 in 1999 to \$15.01 in 2000. The average price received per mcf of gas increased 66% from \$1.79 in 1999 to \$2.98 in 2000. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received in 2000.

Total costs and expenses increased in 2000 to \$387,226 as compared to \$361,025 in 1999, an increase of \$26,201, or 7%. This increase was due to increases in production costs and general and administrative expenses ("G&A"), offset by a decline in depletion.

Production costs were \$316,735 in 2000 and \$280,719 in 1999, resulting in an increase of \$36,016, or 13%. The increase was primarily due to higher production taxes associated with higher oil and gas prices and additional well maintenance costs incurred to stimulate well production.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 28%, from \$19,626 in 1999 to \$25,120 in 2000 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$21,928 in 2000 and \$14,326 in 1999 for G&A incurred on behalf of the Partnership. The remaining G&A was paid directly by the Partnership. The managing general partner determines the allocated expenses based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Depletion was \$45,371 in 2000 as compared to \$60,680 in 1999, a decrease of \$15,309, or 25%. This decrease was primarily due to a 21,082 barrels of oil increase in proved reserves during 2000 as a result of higher commodity prices.

1999 compared to 1998

The Partnership's 1999 oil and gas revenues increased 26% to \$477,533 from \$379,887 in 1998. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 1999, 17,967 barrels of oil, 9,587 barrels of NGLs and 42,858 mcf of gas were sold, or 34,697 BOEs. In 1998, 19,042 barrels of oil, 8,812 barrels of NGLs and 41,862 mcf of gas were sold, or

34,831 BOEs.

The average price received per barrel of oil increased \$3.94, or 30%, from \$13.14 in 1998 to \$17.08 in 1999. The average price received per barrel of NGLs increased \$2.87, or 41%, from \$6.93 in 1998 to \$9.80 in 1999. The average price received per mcf of gas increased 9% from \$1.64 in 1998 to \$1.79 in 1999.

A gain on disposition of assets of \$1,281 was recognized during 1998 from post closing adjustments received from the sale of six oil and gas wells and an overriding royalty interest in one well during 1997.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Total costs and expenses decreased in 1999 to \$361,025 as compared to \$523,894 in 1998, a decrease of \$162,869, or 31%. The decrease was primarily due to declines in depletion and the impairment of oil and gas properties, offset by increases in production costs and G&A expenses.

Production costs were \$280,719 in 1999 and \$274,382 in 1998, resulting in an increase of \$6,337, or 2%. The increase was primarily due to additional well maintenance costs incurred to stimulate well production and an increase in production taxes due to increased oil and gas revenues, offset by a decline in ad valorem taxes.

During this period, G&A increased 45% from \$13,493 in 1998 to \$19,626 in 1999 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$14,326 in 1999 and \$11,397 in 1998 for G&A incurred on behalf of the Partnership.

In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the managing general partner reviews the Partnership's oil and gas properties for impairment whenever events or circumstances indicate a decline in the recoverability of the carrying value of the Partnership's assets may have occurred. As a result of the review and evaluation of its long-lived assets for impairment, the Partnership recognized a non-cash charge of \$65,229 related to its oil and gas properties during 1998.

Depletion was \$60,680 in 1999 compared to \$170,790 in 1998, a decrease of \$110,110, or 64%. This decrease was the result of an increase in proved reserves of 182,544 barrels of oil during 1999 as a result of higher commodity prices and a reduction in the Partnership's net depletable basis in accordance with SFAS 121 during the fourth quarter of 1998.

### Petroleum industry

The petroleum industry has been characterized by volatile oil, NGL and natural gas commodity prices and relatively stable supplier costs during the three years ended December 31, 2000. During 1998, weather patterns, regional economic recessions and political matters combined to cause worldwide oil supplies to exceed demand resulting in a substantial decline in oil prices. Also during 1998, but to a lesser extent, market prices for natural gas declined. During 1999 and 2000, the Organization

of Petroleum Exporting Countries ("OPEC") and certain other crude oil exporting nations announced reductions in their planned export volumes. Those announcements, together with the enactment of the announced reductions in export volumes, had a positive impact on world oil prices, as have overall natural gas supply and demand fundamentals on North American natural gas prices. Although the favorable commodity price environment and stable field service cost environment is expected to continue during 2001, there is no assurance that commodity prices will not return to a less favorable level or that field service costs will not escalate in the future, both of which could negatively impact the Partnership's future results of operations and cash distributions.

### Liquidity and capital resources

#### Net Cash Provided by Operating Activities

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Net cash provided by operating activities increased \$202,645 during the year ended December 31, 2000 from 1999. This increase was due to an increase in oil and gas sales receipts of \$256,384, offset by increases in production costs paid of \$36,016, G&A expenses paid of \$5,494 and working capital of \$12,229. The increase in oil and gas receipts resulted from the increase in commodity prices during 2000 which contributed an additional \$326,338 to oil and gas receipts, offset by \$69,954 resulting from the decline in production during 2000. The increase in production costs was primarily due to increased production taxes associated with higher oil and gas prices and well maintenance costs incurred to stimulate well production. The increase in G&A was primarily due to higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues.

### Net Cash Provided by (Used in) Investing Activities

The Partnership's principal investing activities during 2000 and 1999 included expenditures related to equipment upgrades on several oil and gas properties.

Proceeds from asset dispositions of \$422 in 1999 were from equipment credits received on active properties. During 1998, proceeds from disposition of assets of \$153,683 were primarily from the sale of six oil and gas wells during 1997.

### Net Cash Used in Financing Activities

In 2000, cash distributions to the partners were \$361,123, of which \$91,098 was distributed to the general partners and \$270,025 to the limited partners. In 1999, cash distributions to the partners were \$124,365, of which \$30,718 was distributed to the general partners and \$93,647 to the limited partners.

7

321

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

### INDEX TO FINANCIAL STATEMENTS

	Page
	----
Financial Statements of Parker & Parsley 82-II, Ltd:	
Independent Auditors' Report.....	9
Balance Sheets as of December 31, 2000 and 1999.....	10
Statements of Operations for the Years Ended December 31, 2000, 1999 and 1998.....	11
Statements of Partners' Capital for the Years Ended December 31, 2000, 1999 and 1998.....	12
Statements of Cash Flows for the Years Ended December 31, 2000, 1999 and 1998.....	13
Notes to Financial Statements.....	14

8

322

### INDEPENDENT AUDITORS' REPORT

# Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The Partners  
Parker & Parsley 82-II, Ltd.  
(A Texas Limited Partnership):

We have audited the balance sheets of Parker & Parsley 82-II, Ltd. as of December 31, 2000 and 1999, and the related statements of operations, partners' capital and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parker & Parsley 82-II, Ltd. as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Dallas, Texas  
March 9, 2001

9

323

PARKER & PARSLEY 82-II, LTD.  
(A Texas Limited Partnership)

## BALANCE SHEETS December 31

	2000	1999
	-----	-----
ASSETS		
-----		
Current assets:		
Cash	\$ 77,911	\$ 91,672
Accounts receivable - oil and gas sales	107,778	68,374
	-----	-----
Total current assets	185,689	160,046
	-----	-----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Oil and gas properties - at cost, based on the successful efforts accounting method	8,305,901	8,297,224
Accumulated depletion	(7,531,290)	(7,485,919)
	-----	-----
Net oil and gas properties	774,611	811,305
	-----	-----
	\$ 960,300	\$ 971,351
	=====	=====

LIABILITIES AND PARTNERS' CAPITAL

Current liabilities:		
Accounts payable - affiliate	\$ 12,662	\$ 13,126
Partners' capital:		
General partners	121,968	118,851
Limited partners (6,126 interests)	825,670	839,374
	-----	-----
	947,638	958,225
	-----	-----
	\$ 960,300	\$ 971,351
	=====	=====

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

10

324

PARKER & PARSLEY 82-II, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF OPERATIONS  
For the years ended December 31

	2000	1999	1998
	-----	-----	-----
Revenues:			
Oil and gas	\$ 730,936	\$ 477,533	\$ 379,887
Interest	6,826	3,845	11,238
Gain on disposition of assets	--	--	1,281
	-----	-----	-----
	737,762	481,378	392,406
	-----	-----	-----
Costs and expenses:			
Oil and gas production	316,735	280,719	274,382
General and administrative	25,120	19,626	13,493
Impairment of oil and gas properties	--	--	65,229

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Depletion	45,371	60,680	170,790
	-----	-----	-----
	387,226	361,025	523,894
	-----	-----	-----
Net income (loss)	\$ 350,536	\$ 120,353	\$ (131,488)
	=====	=====	=====
Allocation of net income (loss):			
General partners	\$ 94,215	\$ 38,680	\$ 2,863
	=====	=====	=====
Limited partners	\$ 256,321	\$ 81,673	\$ (134,351)
	=====	=====	=====
Net income (loss) per limited partnership interest	\$ 41.84	\$ 13.33	\$ (21.93)
	=====	=====	=====

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

11

325

PARKER & PARSLEY 82-II, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF PARTNERS' CAPITAL

	General partners	Limited partners	Total
	-----	-----	-----
Partners' capital at January 1, 1998	\$ 167,998	\$ 1,271,605	\$ 1,439,603
Distributions	(59,972)	(285,906)	(345,878)
Net income (loss)	2,863	(134,351)	(131,488)
	-----	-----	-----
Partners' capital at December 31, 1998	110,889	851,348	962,237
Distributions	(30,718)	(93,647)	(124,365)
Net income	38,680	81,673	120,353
	-----	-----	-----
Partners' capital at December 31, 1999	118,851	839,374	958,225
Distributions	(91,098)	(270,025)	(361,123)
Net income	94,215	256,321	350,536
	-----	-----	-----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Partners' capital at December 31, 2000	\$ 121,968	\$ 825,670	\$ 947,638
	=====	=====	=====

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

12

326

PARKER & PARSLEY 82-II, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF CASH FLOWS  
For the years ended December 31

	2000	1999	1998
	-----	-----	-----
Cash flows from operating activities:			
Net income (loss)	\$ 350,536	\$ 120,353	\$ (131,488)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Impairment of oil and gas properties	--	--	65,229
Depletion	45,371	60,680	170,790
Gain on disposition of assets	--	--	(1,281)
Changes in assets and liabilities:			
Accounts receivable	(39,404)	(31,612)	23,310
Accounts payable	(464)	3,973	(7,570)
	-----	-----	-----
Net cash provided by operating activities	356,039	153,394	118,990
	-----	-----	-----
Cash flows from investing activities:			
Additions to oil and gas properties	(8,677)	(2,053)	(13,600)
Proceeds from asset dispositions	--	422	153,683
	-----	-----	-----
Net cash provided by (used in) investing activities	(8,677)	(1,631)	140,083
	-----	-----	-----
Cash flows used in financing activities:			
Cash distributions to partners	(361,123)	(124,365)	(345,878)
	-----	-----	-----
Net increase (decrease) in cash	(13,761)	27,398	(86,805)
Cash at beginning of year	91,672	64,274	151,079
	-----	-----	-----
Cash at end of year	\$ 77,911	\$ 91,672	\$ 64,274
	=====	=====	=====

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



PARKER & PARSLEY 82-II, LTD.  
(A Texas Limited Partnership)

NOTES TO FINANCIAL STATEMENTS  
December 31, 2000, 1999 and 1998

NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS

Parker & Parsley 82-II, Ltd. (the "Partnership") is a limited partnership organized in 1982 under the laws of the State of Texas. The Partnership's general partners are Pioneer Natural Resources USA, Inc. ("Pioneer USA") and P&P Employees 82-II, Ltd. ("EMPL"). The Partnership's managing general partner is Pioneer USA.

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Oil and gas properties - The Partnership utilizes the successful efforts method of accounting for its oil and gas properties and equipment. Under this method, all costs associated with productive wells and nonproductive development wells are capitalized while nonproductive exploration costs are expensed. Capitalized costs relating to proved properties are depleted using the unit-of-production method on a property-by-property basis based on proved oil (dominant mineral) reserves as evaluated by independent petroleum consultants. The carrying amounts of properties sold or otherwise disposed of and the related allowances for depletion are eliminated from the accounts and any gain or loss is included in results of operations.

Impairment of long-lived assets - In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the Partnership reviews its long-lived assets to be held and used on an individual property basis, including oil and gas properties accounted for under the successful efforts method of accounting, whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. An impairment loss is indicated if the sum of the expected future cash flows is less than the carrying amount of the assets. In this circumstance, the Partnership recognizes an impairment loss for the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset.

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

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Net income (loss) per limited partnership interest - The net income (loss) per limited partnership interest is calculated by using the number of outstanding limited partnership interests.

Income taxes - A Federal income tax provision has not been included in the financial statements as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

Statements of cash flows - For purposes of reporting cash flows, cash includes depository accounts held by banks.

General and administrative expenses - General and administrative expenses are allocated in part to the Partnership by the managing general partner. Allocated expenses are determined by the managing general partner based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Reclassifications - Certain reclassifications may have been made to the 1999 and 1998 financial statements to conform to the 2000 financial statement presentations.

Environmental - The Partnership is subject to extensive federal, state and local environmental laws and regulations. These laws, which are constantly changing, regulate the discharge of materials into the environment and may require the Partnership to remove or mitigate the environmental effects of the disposal or release of petroleum or chemical substances at various sites. Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Liabilities for expenditures of a noncapital nature are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated. Such liabilities are generally undiscounted unless the timing of cash payments for the liability or component are fixed or reliably determinable. No such liabilities have been accrued as of December 31, 2000.

Revenue recognition - The Partnership uses the entitlements method of accounting for oil, natural gas liquids ("NGLs") and natural gas revenues.

### NOTE 3. IMPAIRMENT OF LONG-LIVED ASSETS

In accordance with SFAS 121, the Partnership reviews its proved oil and gas properties for impairment whenever events and circumstances indicate a decline in the recoverability of the carrying value of the Partnership's oil and gas properties. The Partnership has estimated the expected future cash flows of its oil and gas properties as of December 31, 2000, 1999 and 1998, based on proved reserves, and compared such estimated future cash flows to the respective carrying amount of the oil and gas properties to determine if the carrying amounts were likely to be recoverable. For those proved oil and gas properties for which the carrying amount exceeded the estimated future cash flows, an impairment was determined to exist; therefore, the Partnership adjusted the carrying amount of those oil and gas properties to their fair value as determined by discounting their expected future cash flows at a discount rate commensurate with the risks involved in the industry. As a result, the

Partnership recognized a non-cash impairment provision of \$65,229 related to its proved oil and gas properties during 1998.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

NOTE 4. INCOME TAXES

The financial statement basis of the Partnership's net assets and liabilities was \$425,788 less than the tax basis at December 31, 2000.

The following is a reconciliation of net income (loss) per statements of operations with the net income per Federal income tax returns for the years ended December 31:

	2000	1999	1998
	-----	-----	-----
Net income (loss) per statements of operations	\$ 350,536	\$ 120,353	\$ (131,488)
Depletion and depreciation provisions for tax reporting purposes less than amounts for financial reporting purposes	39,685	55,288	163,319
Impairment of oil and gas properties for financial reporting purposes	--	--	65,229
Other, net	(932)	209	217
	-----	-----	-----
Net income per Federal income tax returns	\$ 389,289	\$ 175,850	\$ 97,277
	=====	=====	=====

NOTE 5. OIL AND GAS PRODUCING ACTIVITIES

The following is a summary of the costs incurred, whether capitalized or expensed, related to the Partnership's oil and gas producing activities for the years ended December 31:

	2000	1999	1998
	-----	-----	-----
Development costs	\$ 8,677	\$ 2,053	\$13,600
	=====	=====	=====

Capitalized oil and gas properties consist of the following:

	2000	1999
	-----	-----
Proved properties:		
Property acquisition costs	\$ 415,980	\$ 415,980
Completed wells and equipment	7,889,921	7,881,244
	-----	-----
Accumulated depletion	8,305,901	8,297,224
	(7,531,290)	(7,485,919)
	-----	-----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Net oil and gas properties	\$ 774,611	\$ 811,305
	=====	=====

16

330

NOTE 6. RELATED PARTY TRANSACTIONS

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

	2000 -----	1999 -----	1998 -----
Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$143,855	\$139,170	\$133,844
Reimbursement of general and administrative expenses	\$ 21,928	\$ 14,326	\$ 11,397

Pioneer USA, EMPL and the Partnership are parties to the Partnership agreement. EMPL is a limited partnership in which Pioneer USA owns 83% and the remaining portion is owned by former affiliates. In addition, Pioneer USA owned 226 limited partner interests at January 1, 2001.

The costs and revenues of the Partnership are allocated as follows:

	General partners -----	Limited partners -----
Revenues:		
Proceeds from property dispositions prior to cost recovery	10%	90%
All other Partnership revenues	25%	75%
Costs and expenses:		
Lease acquisition costs, drilling and completion costs	10%	90%
Operating costs, direct costs and general and administrative expenses	25%	75%

NOTE 7. OIL AND GAS INFORMATION (UNAUDITED)

The following table presents information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities during the years then ended. All of the Partnership's reserves are proved developed and located within the United States. The Partnership's reserves are based on an evaluation prepared by Williamson Petroleum Consultants, Inc., an independent petroleum consultant, using criteria established by the Securities and Exchange Commission.

17

	Oil and NGLs (bbls)	Gas (mcf)
	-----	-----
Net proved reserves at January 1, 1998	376,355	512,848
Revisions	(163,438)	(164,998)
Production	(27,854)	(41,862)
	-----	-----
Net proved reserves at December 31, 1998	185,063	305,988
Revisions	288,622	425,997
Production	(27,554)	(42,858)
	-----	-----
Net proved reserves at December 31, 1999	446,131	689,127
Revisions	(13,008)	(29,574)
Production	(24,922)	(35,900)
	-----	-----
Net proved reserves at December 31, 2000	408,201	623,653
	=====	=====

As of December 31, 2000, the estimated present value of future net revenues of proved reserves, calculated using December 31, 2000 prices of \$26.58 per barrel of oil, \$13.60 per barrel of NGLs and \$8.05 per mcf of gas, discounted at 10% was approximately \$3,222,000 and undiscounted was \$6,505,000.

Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves. The Partnership emphasizes that reserve estimates are inherently imprecise and, accordingly, the estimates are expected to change as future information becomes available.

#### Disclosures about Oil & Gas Producing Activities

##### Standardized Measure of Discounted Future Net Cash Flows

The standardized measure of discounted future net cash flows is computed by applying year-end prices of oil and gas (with consideration of price changes only to the extent provided by contractual arrangements) to the estimated future production of proved oil and gas reserves less estimated future expenditures (based on year-end costs) to be incurred in developing and producing the proved reserves, discounted using a rate of 10% per year to reflect the estimated timing of the future cash flows. A Federal income tax provision has not been calculated as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

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

	For the years ended December 31,		
	2000	1999	1998
	(in thousands)		
Oil and gas producing activities:			
Future cash inflows	\$ 14,233	\$ 11,083	\$ 2,024
Future production costs	(7,728)	(6,439)	(1,464)
	6,505	4,644	560
10% annual discount factor	(3,283)	(2,235)	(228)
Standardized measure of discounted future net cash flows	\$ 3,222	\$ 2,409	\$ 332

	For the years ended December 31,		
	2000	1999	1998
	(in thousands)		
Oil and Gas Producing Activities:			
Oil and gas sales, net of production costs	\$ (414)	\$ (197)	\$ (106)
Net changes in prices and production costs	1,300	807	(871)
Revisions of previous quantity estimates	(118)	1,768	(241)
Accretion of discount	240	33	147
Changes in production rates, timing and other	(195)	(334)	(72)
Change in present value of future net revenues	813	2,077	(1,143)
Balance, beginning of year	2,409	332	1,475
Balance, end of year	\$ 3,222	\$ 2,409	\$ 332

## NOTE 8. MAJOR CUSTOMERS

The following table reflects the major customers of the Partnership's oil and gas sales (a major customer is defined as a customer whose sales exceed 10% of total sales) during the years ended December 31:

2000	1999	1998
-----	-----	-----

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Plains Marketing, L.P.	70%	65%	-
Genesis Crude Oil, L.P.	-	-	66%
Western Gas Resources, Inc.	2%	5%	21%

At December 31, 2000, the amount receivable from Plains Marketing, L.P. was \$56,201 which is included in the caption "Accounts receivable - oil and gas sales" in the accompanying Balance Sheet.

Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on the ability of the Partnership to sell its oil, NGLs and gas production.

### NOTE 9. PARTNERSHIP AGREEMENT

The following is a brief summary of the more significant provisions of the limited partnership agreement:

General partners - The general partners of the Partnership are Pioneer USA and EMPL. Pioneer USA, the managing general partner, has the power and authority to manage, control

19

333

and administer all Partnership affairs. As managing general partner and operator of the Partnership's properties, all production expenses are incurred by Pioneer USA and billed to the Partnership. The majority of the Partnership's oil and gas revenues are received directly by the Partnership, however, a portion of the oil and gas revenue is initially received by Pioneer USA prior to being paid to the Partnership.

Limited partner liability - The maximum amount of liability of any limited partner is the total contributions of such partner plus his share of any undistributed profits.

Initial capital contributions - The limited partners entered into subscription agreements for aggregate capital contributions of \$12,252,000. The general partners are required to contribute amounts equal to 10% of Partnership expenditures for lease acquisition, drilling and completion and 25% of direct, general and administrative and operating expenses.

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

None.

20

334

## PART III

### ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE PARTNERSHIP

The Partnership does not have any officers or directors. Under the limited partnership agreement, the Partnership's managing general partner, Pioneer USA, is granted the exclusive right and full authority to manage, control and administer the Partnership's business.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Set forth below are the names, ages and positions of the directors and executive officers of Pioneer USA. Directors of Pioneer USA are elected to serve until the next annual meeting of stockholders or until their successors are elected and qualified.

Name ----	Age at December 31, 2000 ----	Position -----
Scott D. Sheffield	48	President
Timothy L. Dove	44	Executive Vice President, Chief Financial Officer and Director
Dennis E. Fagerstone	51	Executive Vice President and Director
Mark L. Withrow	53	Executive Vice President, General Counsel and Director
Danny Kellum	46	Executive Vice President - Domestic Operations and Director
Rich Dealy	34	Vice President and Chief Accounting Officer

Scott D. Sheffield. Mr. Sheffield is a graduate of The University of Texas with a B.S. in Petroleum Engineering. Since August 1997, he has served as President, Chief Executive Officer and a director of Pioneer and President of Pioneer USA. Mr. Sheffield assumed the position of Chairman of the Board of Pioneer in August 1999. He served as a director of Pioneer USA from August 1997 until his resignation from the board in June 1999. Mr. Sheffield was the President and a director of Parker & Parsley Petroleum Company ("Parker & Parsley") from May 1990 until August 1997 and was the Chairman of the Board and Chief Executive Officer of Parker & Parsley from October 1990 until August 1997. He was the sole director of Parker & Parsley from May 1990 until October 1990. Mr. Sheffield joined Parker & Parsley Development Company ("PPDC"), a predecessor of Parker & Parsley, as a petroleum engineer in 1979. He served as Vice President - Engineering of PPDC from September 1981 until April 1985 when he was elected President and a director. In March 1989, Mr. Sheffield was elected Chairman of the Board and Chief Executive Officer of PPDC. Before joining PPDC's predecessor, Mr. Sheffield was employed as a production and reservoir engineer for Amoco Production Company.

Timothy L. Dove. Mr. Dove earned a B.S. in Mechanical Engineering from Massachusetts Institute of Technology in 1979 and received his M.B.A. in 1981 from the University of Chicago. He became Executive Vice President - Business Development of Pioneer and Pioneer USA in August 1997 and was also appointed a director of Pioneer USA in August 1997. Mr. Dove assumed the position of Chief Financial Officer of Pioneer and Pioneer USA effective February 1, 2000. Mr. Dove joined Parker & Parsley in May 1994 as Vice President - International and was promoted to Senior Vice President - Business Development in October 1996, in which position he served until August 1997. Prior to joining Parker & Parsley, Mr. Dove was employed with Diamond Shamrock Corp., and its successor, Maxus Energy Corp, in various capacities in international exploration and production,



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

marketing, refining and marketing and planning and development.

Dennis E. Fagerstone. Mr. Fagerstone, a graduate of the Colorado School of Mines with a B.S. in Petroleum Engineering, became an Executive Vice President of Pioneer and Pioneer USA in August 1997. He was also appointed a director of Pioneer USA in August 1997. He served as Executive Vice President and Chief Operating Officer of MESA Inc. ("Mesa") from March 1, 1997 until August 1997. From October 1996 to February 1997, Mr. Fagerstone served as Senior Vice President and Chief Operating Officer of Mesa and from May 1991 to October 1996, he served as Vice President - Exploration and Production of Mesa. From June 1988 to May 1991, Mr. Fagerstone served as Vice President - Operations of Mesa.

Mark L. Withrow. Mr. Withrow, a graduate of Abilene Christian University with a B. S. in Accounting and Texas Tech University with a Juris Doctorate degree, became Executive Vice President, General Counsel and Secretary of Pioneer and Pioneer USA in August 1997. He was also appointed a director of Pioneer USA in August 1997. Mr. Withrow was Vice President - General Counsel of Parker & Parsley from January 1991, when he joined Parker & Parsley, to January 1995, when he was appointed Senior Vice President - General Counsel. He was Parker & Parsley's Secretary from August 1992 until August 1997. Prior to joining Parker & Parsley, Mr. Withrow was the managing partner of the law firm of Turpin, Smith, Dyer, Saxe & MacDonald, Midland, Texas.

Danny Kellum. Mr. Kellum, who received a Bachelor of Science degree in Petroleum Engineering from Texas Tech University in 1979, was elected Executive Vice President - Domestic Operations of Pioneer and Pioneer USA on May 18, 2000 and Director of Pioneer USA on February 1, 2000. From January 2000 until May 2000, Mr. Kellum served as Vice President - Domestic Operations of Pioneer and Pioneer USA. Mr. Kellum served as Vice President Permian Division of Pioneer and Pioneer USA from April 1998 until December 1999. From 1989 until 1994 he served as Spraberry District Manager and as Vice President of the Spraberry and Permian Division for Parker & Parsley until August of 1997. Mr. Kellum joined Parker & Parsley as an operations engineer in 1981 after a brief career with Mobil Oil Corporation.

Rich Dealy. Mr. Dealy is a graduate of Eastern New Mexico University with a B.B.A. in Accounting and Finance and is a Certified Public Accountant. He became Vice President and Chief Accounting Officer of Pioneer and Pioneer USA in February 1998. Mr. Dealy served as Controller of Pioneer USA from August 1997 to February 1998. He served as Controller of Parker & Parsley from August 1995 to August 1997. Mr. Dealy joined Parker & Parsley as an Accounting Manager in July, 1992. He was previously employed with KPMG Peat Marwick as an Audit Senior, in charge of Parker & Parsley's audit.

22

336

### ITEM 11. EXECUTIVE COMPENSATION

The Partnership does not have any directors or officers. Management of the Partnership is performed by Pioneer USA, the managing general partner. Under the Partnership agreement, Pioneer USA pays 8% of the Partnership's acquisition, drilling and completion costs and 20% of its operating and general and administrative expenses. In return, Pioneer USA is allocated 20% of the Partnership's revenues.

EMPL is a co-general partner of the Partnership. Under this arrangement, EMPL pays 2% of the Partnership's acquisition, drilling and completion costs and 5% of its operating and general and administrative expenses. In return, EMPL is allocated 5% of the Partnership's revenues. EMPL does not receive any fees or

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

reimbursements from the Partnership.

The Partnership does not directly pay any salaries of the executive officers of Pioneer USA, but does pay a portion of Pioneer USA's general and administrative expenses of which these salaries are a part.

See Notes 6 and 9 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" for information regarding fees and reimbursements paid to the managing general partner by the Partnership.

### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

#### (a) Beneficial owners of more than five percent

The Partnership is not aware of any person who beneficially owns 5% or more of the outstanding limited partnership interests of the Partnership. Pioneer USA and EMPL respectively own 80% and 20% of the general partners' interests in the Partnership. Pioneer USA owned 226 limited partner interests at January 1, 2001.

#### (b) Security ownership of management

The Partnership does not have any officers or directors. The managing general partner of the Partnership, Pioneer USA, has the exclusive right and full authority to manage, control and administer the Partnership's business. Under the limited partnership agreement, limited partners holding a majority of the outstanding limited partnership interests have the right to take certain actions, including the removal of the managing general partner or any other general partner. The Partnership is not aware of any current arrangement or activity which may lead to such removal. The Partnership is not aware of any officer or director of Pioneer USA who beneficially owns limited partnership interests in the Partnership.

23

337

### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Transactions with the managing general partner

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the general partners during the years ended December 31:

	2000 -----	1999 -----	1998 -----
Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$ 143,855	\$ 139,170	\$133,844
Reimbursement of general and administrative expenses	\$ 21,928	\$ 14,326	\$ 11,397

Under the limited partnership agreement, the general partners, Pioneer USA and EMPL, together pay 10% of the Partnership's acquisition, drilling and completion costs and 25% of its operating and general and administrative expenses. In return, they are allocated 25% of the Partnership's revenues. Twenty percent of the general partner's share of costs and revenues is allocated to EMPL and the

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

remainder is allocated to Pioneer USA. Certain former affiliates of the managing general partner are limited partners of EMPL. Also, see Notes 6 and 9 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data", regarding the Partnership's participation with the managing general partner in oil and gas activities of the Partnership.

24

338

### PART IV

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

(a) 1. Financial statements

The following are filed as part of this Report:

Independent Auditors' Report

Balance sheets as of December 31, 2000 and 1999

Statements of operations for the years ended December 31, 2000, 1999 and 1998

Statements of partners' capital for the years ended December 31, 2000, 1999 and 1998

Statements of cash flows for the years ended December 31, 2000, 1999 and 1998

Notes to financial statements

2. Financial statement schedules

All financial statement schedules have been omitted since the required information is in the financial statements or notes thereto, or is not applicable nor required.

(b) Reports on Form 8-K

None.

(c) Exhibits

The exhibits listed on the accompanying index to exhibits are filed or incorporated by reference as part of this Report.

25

339

### S I G N A T U R E S

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, thereunto duly authorized.

PARKER & PARSLEY 82-II, LTD.

Dated: March 23, 2001

By: Pioneer Natural Resources USA, Inc.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Managing General Partner

By: /s/ Scott D. Sheffield  
-----  
Scott D. Sheffield, President

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

/s/ Scott D. Sheffield ----- Scott D. Sheffield	President of Pioneer USA	March 23, 2001
/s/ Timothy L. Dove ----- Timothy L. Dove	Executive Vice President, Chief Financial Officer and Director of Pioneer USA	March 23, 2001
/s/ Dennis E. Fagerstone ----- Dennis E. Fagerstone	Executive Vice President and Director of Pioneer USA	March 23, 2001
/s/ Mark L. Withrow ----- Mark L. Withrow	Executive Vice President, General Counsel and Director of Pioneer USA	March 23, 2001
/s/ Danny Kellum ----- Danny Kellum	Executive Vice President - Domestic Operations and Director of Pioneer USA	March 23, 2001
/s/ Rich Dealy ----- Rich Dealy	Vice President and Chief Accounting Officer of Pioneer USA	March 23, 2001

26

340

PARKER & PARSLEY 82-II, LTD.

INDEX TO EXHIBITS

The following documents are incorporated by reference in response to Item 14(c):

Exhibit No. -----	Description -----	Page -----
3.1	Agreement of Limited Partnership of Parker & Parsley 82-II, Ltd. incorporated	-

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

by reference to Exhibit 4(e) of Partnership's Registration Statement on Form S-1 (Registration No. 2-75503B), as amended on February 4, 1982, the effective date thereof (hereinafter called, the Partnership's Registration Statement)

3.2	Amended and Restated Certificate of Limited Partnership of Parker & Parsley 82-II, Ltd. incorporated by reference to Exhibit 3.2 of the Partnership's Annual Report on Form 10-K for the year ended December 31, 1983	-
4.1	Form of Subscription Agreement and Power of Attorney incorporated by reference to Exhibit 4(b) of the Partnership's Registration Statement	-
4.2	Specimen Certificate of Limited Partnership Interest incorporated by reference to Exhibit 4(d) of the Partnership's Registration Statement	-

27

341

PARKER & PARSLEY 82-II, LTD.

SELECTED FINANCIAL DATA

The following selected financial data for the Partnership should be read in connection with Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements included in the attached supplemental information.

	Six months ended June 30,		Years ended Decem		
	2001	2000	2000	1999	1998
Operating results:					
Oil and gas sales	\$ 384,143	\$ 334,606	\$ 730,936	\$ 477,533	\$ 379,88
Gain on litigation settlement, net	\$ --	\$ --	\$ --	\$ --	\$ --
Impairment of oil and gas properties	\$ --	\$ --	\$ --	\$ --	\$ 65,22
Net income (loss)	\$ 167,028	\$ 158,257	\$ 350,536	\$ 120,353	\$ (131,48

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Allocation of net income (loss):					
General partners	\$ 44,846	\$ 42,745	\$ 94,215	\$ 38,680	\$ 2,86
Limited partners	\$ 122,182	\$ 115,512	\$ 256,321	\$ 81,673	\$ (134,35
Limited partners' net income (loss) per limited partnership interest	\$ 19.94	\$ 18.86	\$ 41.84	\$ 13.33	\$ (21.9
Limited partners' cash distributions per limited partnership interest	\$ 16.03	\$ 22.10	\$ 44.08	\$ 15.29	\$ (46.6
As of period ended:					
Total assets	\$1,001,305	\$ 954,309	\$ 960,300	\$ 971,351	\$ 971,39

-----

(a) Including litigation settlement per limited partnership interest of \$6.02 in 1996.

342

PIONEER NATURAL RESOURCES COMPANY  
PIONEER NATURAL RESOURCES USA, INC.  
5205 NORTH O'CONNOR BLVD., SUITE 1400  
IRVING, TEXAS 75039

SUPPLEMENTAL INFORMATION

OF

PARKER & PARSLEY 82-III, LTD., A TEXAS LIMITED PARTNERSHIP

TO

PROXY STATEMENT/PROSPECTUS DATED , 2001

-----

THE DATE OF THIS SUPPLEMENT IS , 2001

-----

This document contains important information specific to Parker & Parsley 82-III, Ltd. and supplements the proxy statement/prospectus dated , 2001, of Pioneer Natural Resources Company and Pioneer Natural Resources USA, Inc., by which Pioneer USA is soliciting proxies to be voted at a special meeting of limited partners of the partnership. The purpose of the special meeting is for you to vote upon the merger of the partnership with and into Pioneer USA that, if completed, will result in your receiving common stock of Pioneer Natural Resources Company for your partnership interests.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

This document contains the following information concerning Parker & Parsley 82-III, Ltd.:

- o A table containing:
  - the aggregate initial investment by the limited partners
  - the aggregate historical limited partner distributions through July 31, 2001
  - the merger value attributable to partnership interests of limited partners, excluding Pioneer USA
  - the merger value per \$1,000 limited partner investment
  - the merger value per \$1,000 limited partner investment as a multiple of distributions for the past four quarterly distributions including the distribution in July 2001
  - the book value per \$1,000 limited partner investment as of June 30, 2001 and as of December 31, 2000
  - the going concern value per \$1,000 limited partner investment
  - the liquidation value per \$1,000 limited partner investment
  - the ordinary tax loss per \$1,000 limited partner investment in year of initial investment
- o Information about:
  - the legal opinion for the limited partners
  - the term of the partnership
- o The partnership's financial statements, including management's discussion and analysis of financial condition and results of operations, for the six months ended June 30, 2001
- o The partnership's financial statements, including management's discussion and analysis of financial condition and results of operations, for the year ended December 31, 2000
- o Selected historical financial data for the partnership for the six months ended June 30, 2001 and 2000 and the five years ended December 31, 2000

# Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

## SUPPLEMENTAL INFORMATION TABLE

Aggregate Initial Investment by the Limited Partners (a)	\$
Aggregate Historical Limited Partner Distributions through July 31, 2001 (a)	\$
Merger Value Attributable to Partnership Interests of Limited Partners, Excluding Pioneer USA (a), (b)	\$
Merger Value per \$1,000 Limited Partner Investment (b), (c)	\$
Merger Value per \$1,000 Limited Partner Investment as a Multiple of Distributions for the past four quarterly distributions including the distribution in July 2001 (b), (c)	
Book Value per \$1,000 Limited Partner Investment:	
-- as of June 30, 2001 (c)	\$
-- as of December 31, 2000 (c)	\$
Going Concern Value per \$1,000 Limited Partner Investment (c), (d)	\$
Liquidation Value per \$1,000 Limited Partner Investment (c), (e)	\$
Ordinary Tax Loss per \$1,000 Limited Partner Investment in Year of Initial Investment (c), (f)	\$

-----

- (a) Stated in thousands.
- (b) The merger value for the partnership is equal to the sum of the present value of estimated future net revenues from the partnership's estimated oil and gas reserves and its net working capital, in each case as of March 31, 2001, less its pro rata share, based on its reserve value, of the estimated expenses and fees of the mergers of all of the partnerships and less the cash distribution on July 13, 2001, by the partnership to its partners.
- (c) Interests in some partnerships were sold in units at prices other than \$1,000. We have presented this information based on a \$1,000 initial investment for ease of use and comparison among partnerships. You should not assume that the amount shown per \$1,000 investment is the same as the value or amount attributable to a single unit investment.
- (d) The going concern value for the partnership is based upon: (1) the sum of (A) the estimated net cash flow from the sale of the partnership's reserves during a 10-year operating period and (B) the estimated residual value from the sale of the partnership's remaining reserves at the end of the operating period, in each case using the same pricing and discount rate as in the merger value calculation, less (2) (A) partnership level general and administrative expenses, and (B) the cash distribution on July 13, 2001 by the partnership to its partners.
- (e) The liquidation value for the partnership is based upon the sale of the partnership's reserves at the reserve value, less (1) liquidation expenses



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

which are estimated to be the sum of (A) the partnership's pro rata share of the merger expenses and fees described in footnote (b) above and (B) 3% of the partnership's reserve value, and (2) the cash distribution on July 13, 2001 by the partnership to its partners. The liquidation expenses represent the estimated costs to retain an investment banker or broker to sell the assets of the partnership and the legal and other closing costs associated with such transaction, including the wind-down costs of the partnership.

- (f) Your ability to use your distributive share of the partnership's loss to offset your other income may have been subject to certain limitations at your level as a partner, and you may therefore wish to consult your tax advisor to determine the additional value, if any, actually realized by you in your particular circumstances.

### INFORMATION ABOUT THE LEGAL OPINION FOR THE LIMITED PARTNERS

The partnership agreement for the partnership requires that special legal counsel render an opinion on behalf of the limited partners to Pioneer USA that (1) neither the grant nor the exercise of the right to approve the merger of the partnership by its limited partners will adversely affect the federal income tax classification of the partnership or any of its limited partners; and (2) neither the grant nor exercise of such right will result in the loss of any limited partner's limited liability. In addition, the counsel designated to render the opinion must be counsel other than counsel to Pioneer USA or the partnership. Both the designated counsel and the legal opinion must be approved by the limited partners. Pioneer USA has retained \_\_\_\_\_ of Dallas, Texas for the purpose of rendering this legal opinion on behalf of the limited partners to Pioneer USA. The merger proposals include an approval of that counsel and the form of its opinion. A copy of the opinion is attached as an exhibit to the merger proposals.

### INFORMATION ABOUT THE TERM OF THE PARTNERSHIP

The term of the partnership shall continue until terminated in accordance with the applicable provisions of its partnership agreement.

-2-

344

PARKER & PARSLEY 82-III, LTD.

(A Texas Limited Partnership)

### FINANCIAL STATEMENTS

June 30, 2001 and December 31, 2000

(Unaudited)

345

PARKER & PARSLEY 82-III, LTD.

(A Texas Limited Partnership)

### BALANCE SHEETS

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	June 30, 2001	December 31, 2000
	----- (Unaudited)	-----
ASSETS		
Current assets:		
Cash	\$ 115,914	\$ 46,188
Accounts receivable - oil and gas sales	52,221	69,903
	-----	-----
Total current assets	168,135	116,091
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	5,970,397	5,970,397
Accumulated depletion	(5,645,635)	(5,634,468)
	-----	-----
Net oil and gas properties	324,762	335,929
	-----	-----
	\$ 492,897	\$ 452,020
	=====	=====
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable - affiliate	\$ 13,954	\$ 9,780
Partners' capital:		
General partners	68,552	57,956
Limited partners (3,441 interests)	410,391	384,284
	-----	-----
	478,943	442,240
	-----	-----
	\$ 492,897	\$ 452,020
	=====	=====

The financial information included as of June 30, 2001 has been prepared by the managing general partner without audit by independent public accountants.

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

PARKER & PARSLEY 82-III, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF OPERATIONS  
(Unaudited)

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	Three months ended June 30,		Six months ended June 30,	
	2001	2000	2001	2000
Revenues:				
Oil and gas	\$ 130,711	\$ 126,967	\$ 271,996	\$ 263,297
Interest	766	1,091	1,659	1,896
	-----	-----	-----	-----
	131,477	128,058	273,655	265,193
	-----	-----	-----	-----
Costs and expenses:				
Oil and gas production	59,272	56,857	122,071	108,862
General and administrative	3,923	4,126	9,433	8,308
Depletion	5,323	5,572	11,167	11,991
	-----	-----	-----	-----
	68,518	66,555	142,671	129,161
	-----	-----	-----	-----
Net income	\$ 62,959	\$ 61,503	\$ 130,984	\$ 136,032
	=====	=====	=====	=====
Allocation of net income:				
General partners	\$ 16,538	\$ 16,212	\$ 34,166	\$ 35,807
	=====	=====	=====	=====
Limited partners	\$ 46,421	\$ 45,291	\$ 96,818	\$ 100,225
	=====	=====	=====	=====
Net income per limited partnership interest	\$ 13.49	\$ 13.17	\$ 28.14	\$ 29.13
	=====	=====	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

PARKER & PARSLEY 82-III, LTD.  
(A Texas Limited Partnership)

STATEMENT OF PARTNERS' CAPITAL  
(Unaudited)

General partners	Limited partners	Total
-----	-----	-----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Balance at January 1, 2001	\$ 57,956	\$ 384,284	\$ 442,240
Distributions	(23,570)	(70,711)	(94,281)
Net income	34,166	96,818	130,984
	-----	-----	-----
Balance at June 30, 2001	\$ 68,552	\$ 410,391	\$ 478,943
	=====	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

4

348

PARKER & PARSLEY 82-III, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF CASH FLOWS  
(Unaudited)

	Six months ended June 30,	
	2001	2000
	-----	-----
Cash flows from operating activities:		
Net income	\$ 130,984	\$ 136,032
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion	11,167	11,991
Changes in assets and liabilities:		
Accounts receivable	17,682	(13,930)
Accounts payable	4,174	2,771
	-----	-----
Net cash provided by operating activities	164,007	136,864
	-----	-----
Cash flows used in investing activities:		
Additions to oil and gas properties	-	(2,799)

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Cash flows used in financing activities:		
Cash distributions to partners	(94,281)	(138,779)
	-----	-----
Net increase (decrease) in cash	69,726	(4,714)
Cash at beginning of period	46,188	53,335
	-----	-----
Cash at end of period	\$ 115,914	\$ 48,621
	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

5

349

PARKER & PARSLEY 82-III, LTD.  
(A Texas Limited Partnership)

NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Unaudited)

### Note 1. Organization and nature of operations

Parker & Parsley 82-III, Ltd. (the "Partnership") is a limited partnership organized in 1982 under the laws of the State of Texas.

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

### Note 2. Basis of presentation

In the opinion of management, the unaudited financial statements of the Partnership as of June 30, 2001 and for the three and six months ended June 30, 2001 and 2000 include all adjustments and accruals consisting only of normal recurring accrual adjustments which are necessary for a fair presentation of the results for the interim period. These interim results are not necessarily indicative of results for a full year. Certain reclassifications may have been made to the June 30, 2000 financial statements to conform to the June 30, 2001 financial statement presentations.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in these interim financial statements. The financial statements should be read in conjunction with the financial statements and the notes thereto contained in the Partnership's report for the year ended December 31, 2000, a copy of which is available upon request by writing to Rich Dealy, Vice President and Chief Accounting Officer, 5205 North O'Connor Boulevard, Suite 1400, Irving, Texas 75039-3746.

Management's Discussion and Analysis of Financial Condition and  
Results of Operations (1)

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

### Results of Operations

Six months ended June 30, 2001 compared with six months ended June 30, 2000

#### Revenues:

The Partnership's oil and gas revenues increased 3% to \$271,996 for the six months ended June 30, 2001 as compared to \$263,297 for the same period in 2000. The increase in revenues resulted from higher average prices received, offset by a decline in production. For the six months ended June 30, 2001, 6,884 barrels

6

350

of oil, 1,723 barrels of natural gas liquids ("NGLs") and 12,402 mcf of gas were sold, or 10,674 barrel of oil equivalents ("BOEs"). For the six months ended June 30, 2000, 7,134 barrels of oil, 3,410 barrels of NGLs and 11,409 mcf of gas were sold, or 12,446 BOEs.

The average price received per barrel of oil increased slightly from \$27.90 for the six months ended June 30, 2000 to \$27.93 for the same period in 2001. The average price received per barrel of NGLs increased \$2.72, or 22%, from \$12.30 during the six months ended June 30, 2000 to \$15.02 for the same period in 2001. The average price received per mcf of gas increased 123% from \$1.95 during the six months ended June 30, 2000 to \$4.34 in the same period in 2001. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received during the six months ended June 30, 2001.

#### Costs and Expenses:

Total costs and expenses increased to \$142,671 for the six months ended June 30, 2001 as compared to \$129,161 for the same period in 2000, an increase of \$13,510, or 10%. This increase was due to increases in production costs and general and administrative expenses ("G&A"), offset by a decline in depletion.

Production costs were \$122,071 for the six months ended June 30, 2001 and \$108,862 for the same period in 2000, resulting in a \$13,209 increase, or 12%. The increase was due to additional well maintenance costs incurred to stimulate well production and higher production taxes due to higher oil and gas prices.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 14% from \$8,308 for the six months ended June 30, 2000 to \$9,433 for the same period in 2001, primarily due to a higher allocation of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues and an increase in audit and tax fees.

Depletion was \$11,167 for the six months ended June 30, 2001 as compared to \$11,991 for the same period in 2000, a decrease of \$824, or 7%. This decrease was due to a decline in oil production of 250 barrels for the six months ended June 30, 2001 as compared to the same period in 2000.

Three months ended June 30, 2001 compared with three months ended June 30, 2000

#### Revenues:

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The Partnership's oil and gas revenues increased 3% to \$130,711 for the three months ended June 30, 2001 as compared to \$126,967 for the same period in 2000. The increase in revenues resulted from higher average prices received for gas and NGLs, offset by a decrease in production and lower average prices received for oil. For the three months ended June 30, 2001, 3,306 barrels of oil, 1,102

7

351

barrels of NGLs and 7,207 mcf of gas were sold, or 5,609 BOEs. For the three months ended June 30, 2000, 3,396 barrels of oil, 1,533 barrels of NGLs and 5,105 mcf of gas were sold, or 5,780 BOEs.

The average price received per barrel of oil decreased \$.96, or 3%, from \$28.19 for the three months ended June 30, 2000 to \$27.23 for the three months ended June 30, 2001. The average price received per barrel of NGLs increased \$1.55, or 12%, from \$12.41 during the three months ended June 30, 2000 to \$13.96 for the same period in 2001. The average price received per mcf of gas increased 47% to \$3.52 during the three months ended June 30, 2001 from \$2.39 during the same period in 2000.

### Costs and Expenses:

Total costs and expenses increased to \$68,518 for the three months ended June 30, 2001 as compared to \$66,555 for the same period in 2000, an increase of \$1,963, or 3%. This increase was due to higher production costs, offset by declines in depletion and G&A.

Production costs were \$59,272 for the three months ended June 30, 2001 and \$56,857 for the same period in 2000 resulting in a \$2,415 increase, or 4%. The increase was due to additional well maintenance costs incurred to stimulate well production and higher production taxes due to higher gas and NGL prices.

During this period, G&A decreased 5% from \$4,126 for the three months ended June 30, 2000 to \$3,923 for the same period in 2001, primarily due to less audit and tax expenses.

Depletion was \$5,323 for the three months ended June 30, 2001 as compared to \$5,572 for the same period in 2000, a decrease of \$249, or 4%. This decrease was attributable to a decline in oil production of 90 for the three months ended June 30, 2001 as compared to the three months ended June 30, 2000.

### Liquidity and Capital Resources

#### Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$27,143 during the six months ended June 30, 2001 from the same period ended June 30, 2000. This increase was due to an increase in oil and gas sales receipts of \$8,462 and a reduction in working capital of \$33,015, offset by increases in production costs of \$13,209 and G&A expenses of \$1,125. The increase in oil and gas receipts resulted from the increase in commodity prices during 2001 which contributed an additional \$36,705 to oil and gas receipts, offset by \$28,243 resulting from the decline in production during 2001 as compared to the same period in 2000. The increase in production costs was primarily due to additional well maintenance costs incurred to stimulate well production and increased production taxes associated with higher oil and gas prices. The increase in G&A was primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas

revenues and an increase in audit and tax fees.

8

352

#### Net Cash Used in Investing Activities

The Partnership's principal investing activities during the six months ended June 30, 2000 were related to upgrades of oil and gas equipment on active properties.

#### Net Cash Used in Financing Activities

For the six months ended June 30, 2001, cash distributions to the partners were \$94,281, of which \$23,570 was distributed to the general partners and \$70,711 to the limited partners. For the same period ended June 30, 2000, cash distributions to the partners were \$138,779, of which \$33,539 was distributed to the general partners and \$105,240 to the limited partners.

For the three months ended June 30, 2001, no distributions were made by the partnership to its partners. Subsequent to June 30, 2001 the cash distribution that otherwise would have been mailed to partners in late June was made to holders of record as of July 9, 2001 and was mailed on July 13, 2001. For further information, see "Proposal to acquire partnerships" below.

#### Proposal to acquire partnerships

On June 29, 2001, Pioneer Natural Resources Company ("Pioneer") filed with the Securities and Exchange Commission Amendment No. 1 to the Form S-4 Registration Statement (File No. 333- 59094) (the "preliminary proxy statement/prospectus"), which proposes an agreement and plan of merger among Pioneer, Pioneer Natural Resources USA, Inc. ("Pioneer USA"), a wholly-owned subsidiary of Pioneer, and 46 Parker & Parsley limited partnerships. Each partnership that approves the agreement and plan of merger and the other related merger proposals will merge with and into Pioneer USA upon the closing of the transactions described in the preliminary proxy statement/prospectus, and the partnership interests of each such partnership will be converted into the right to receive Pioneer common stock. The Partnership is one of the 46 Parker & Parsley limited partnerships that will be asked to approve the agreement and plan of merger. The preliminary proxy statement/prospectus is non-binding and is subject to, among other things, consideration of offers from third parties to purchase any partnership or its assets and the majority approval of the limited partnership interests in each partnership.

Pioneer USA will solicit proxies from limited partners to approve the mergers only when the proxy statement/prospectus is final and declared effective. No solicitation will be made using preliminary materials. Nonetheless, copies of the preliminary proxy statement/prospectus may be obtained without charge upon request from Pioneer Natural Resources Company, 5205 North O'Connor Blvd., Suite 1400, Irving, Texas 75039, Attention: Investor Relations.

The limited partners are urged to read the proxy statement/prospectus of Pioneer filed with the Securities and Exchange Commission, when it is finalized, because it contains important information about the proposed mergers, including information about the direct and indirect interests of Pioneer USA and Pioneer in the mergers. The limited partners may also obtain the preliminary and (when filed) final proxy statement/prospectus and other relevant documents relating to



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

the proposed mergers free through the internet web site that the Securities and Exchange Commission maintains at [www.sec.gov](http://www.sec.gov).

9

353

- 
- (1) "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" contains forward looking statements that involve risks and uncertainties. Accordingly, no assurances can be given that the actual events and results will not be materially different than the anticipated results described in the forward looking statements.

10

354

PARKER & PARSLEY 82-III, LTD.  
(A Texas Limited Partnership)

FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITORS' REPORT

December 31, 2000 and 1999

355

INDEPENDENT AUDITORS' REPORT

The Partners  
Parker & Parsley 82-III, Ltd.  
(A Texas Limited Partnership):

We have audited the balance sheets of Parker & Parsley 82-III, Ltd. as of December 31, 2000 and 1999, and the related statements of operations, partners' capital and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parker & Parsley 82-III, Ltd. as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Dallas, Texas  
March 9, 2001

2

356

PARKER & PARSLEY 82-III, LTD.  
(A Texas Limited Partnership)

BALANCE SHEETS  
December 31

	2000	1999
	-----	-----
ASSETS		
Current assets:		
Cash	\$ 46,188	\$ 53,335
Accounts receivable - oil and gas sales	69,903	47,611
	-----	-----
Total current assets	116,091	100,946
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	5,970,397	5,967,913
Accumulated depletion	(5,634,468)	(5,611,986)
Net oil and gas properties	335,929	355,927
	-----	-----
	\$ 452,020	\$ 456,873
	=====	=====

LIABILITIES AND PARTNERS' CAPITAL

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Current liabilities:		
Accounts payable - affiliate	\$ 9,780	\$ 11,302
Partners' capital:		
General partners	57,956	54,214
Limited partners (3,441 interests)	384,284	391,357
	-----	-----
	442,240	445,571
	\$ 452,020	\$ 456,873
	=====	=====

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

3

357

PARKER & PARSLEY 82-III, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF OPERATIONS  
For the years ended December 31

	2000	1999	1998
	-----	-----	-----
Revenues:			
Oil and gas	\$ 562,399	\$ 340,246	\$ 253,873
Interest	4,310	2,124	3,120
Gain on disposition of assets	-	1,922	634
	-----	-----	-----
	566,709	344,292	257,627
	-----	-----	-----
Costs and expenses:			
Oil and gas production	222,803	198,571	202,485
General and administrative	19,194	14,161	9,538
Impairment of oil and gas properties	-	-	277,671
Depletion	22,482	46,605	252,951
	-----	-----	-----
	264,479	259,337	742,645
	-----	-----	-----
Net income (loss)	\$ 302,230	\$ 84,955	\$ (485,018)
	=====	=====	=====

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Allocation of net income (loss):			
General partners	\$ 78,705	\$ 27,431	\$ (41,756)
	=====	=====	=====
Limited partners	\$ 223,525	\$ 57,524	\$ (443,262)
	=====	=====	=====
Net income (loss) per limited partnership interest	\$ 64.96	\$ 16.72	\$ (128.82)
	=====	=====	=====

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

4

358

PARKER & PARSLEY 82-III, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF PARTNERS' CAPITAL

	General partners	Limited partners	Total
	-----	-----	-----
Partners' capital at January 1, 1998	\$ 106,887	\$ 9 13,918	\$ 1,020,805
Distributions	(16,245)	(70,235)	(86,480)
Net loss	(41,756)	(443,262)	(485,018)
	-----	-----	-----
Partners' capital at December 31, 1998	48,886	400,421	449,307
Distributions	(22,103)	(66,588)	(88,691)
Net income	27,431	57,524	84,955
	-----	-----	-----
Partners' capital at December 31, 1999	54,214	391,357	445,571
Distributions	(74,963)	(230,598)	(305,561)
Net income	78,705	223,525	302,230

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Partners' capital at December 31, 2000	\$ 57,956	\$ 384,284	\$ 442,240
	=====	=====	=====

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

5

359

PARKER & PARSLEY 82-III, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF CASH FLOWS  
For the years ended December 31

	2000	1999	1998
	-----	-----	-----
Cash flows from operating activities:			
Net income (loss)	\$ 302,230	\$ 84,955	\$ (485,018)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Gain on disposition of assets	-	(1,922)	(634)
Impairment of oil and gas properties	-	-	277,671
Depletion	22,482	46,605	252,951
Changes in assets and liabilities:			
Accounts receivable	(22,292)	(24,579)	19,893
Accounts payable	(1,522)	5,081	(6,865)
	-----	-----	-----
Net cash provided by operating activities	300,898	110,140	57,998
	-----	-----	-----
Cash flows from investing activities:			
Additions to oil and gas properties	(2,484)	(1,281)	(4,114)
Proceeds from disposition of assets	-	2,415	23,382
	-----	-----	-----
Net cash provided by (used in) investing activities	(2,484)	1,134	19,268
	-----	-----	-----
Cash flows used in financing activities:			
Cash distributions to partners	(305,561)	(88,691)	(86,480)
	-----	-----	-----
Net increase (decrease) in cash	(7,147)	22,583	(9,214)
Cash at beginning of year	53,335	30,752	39,966
	-----	-----	-----

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Cash at end of year	\$ 46,188	\$ 53,335	\$ 30,752
	=====	=====	=====

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

6

360

PARKER & PARSLEY 82-III, LTD.  
(A Texas Limited Partnership)

NOTES TO FINANCIAL STATEMENTS  
December 31, 2000, 1999 and 1998

### NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS

Parker & Parsley 82-III, Ltd. (the "Partnership") is a Texas limited partnership organized in 1982 under the laws of the State of Texas. The Partnership's general partners are Pioneer Natural Resources USA, Inc. ("Pioneer USA") and P&P Employees 82-III, Ltd. ("EMPL"). The Partnership's managing general partner is Pioneer USA.

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Oil and gas properties - The Partnership utilizes the successful efforts method of accounting for its oil and gas properties and equipment. Under this method, all costs associated with productive wells and nonproductive development wells are capitalized while nonproductive exploration costs are expensed. Capitalized costs relating to proved properties are depleted using the unit-of-production method on a property-by-property basis based on proved oil (dominant mineral) reserves as evaluated by independent petroleum consultants. The carrying amounts of properties sold or otherwise disposed of and the related allowances for depletion are eliminated from the accounts and any gain or loss is included in results of operations.

Impairment of long-lived assets - In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the Partnership reviews its long-lived assets to be held and used on an individual property basis, including oil and gas properties accounted for under the successful efforts method of accounting, whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. An impairment loss is indicated if the sum of the expected future cash flows is less than the carrying amount of the assets. In this circumstance, the Partnership recognizes an impairment loss for the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset.

Use of estimates in the preparation of financial statements - Preparation

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

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

7

361

Net income (loss) per limited partnership interest - The net income (loss) per limited partnership interest is calculated by using the number of outstanding limited partnership interests.

Income taxes - A Federal income tax provision has not been included in the financial statements as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

Statements of cash flows - For purposes of reporting cash flows, cash includes depository accounts held by banks.

General and administrative expenses - General and administrative expenses are allocated in part to the Partnership by the managing general partner. Allocated expenses are determined by the managing general partner based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Reclassifications - Certain reclassifications may have been made to the 1999 and 1998 financial statements to conform to the 2000 financial statement presentations.

Environmental - The Partnership is subject to extensive federal, state and local environmental laws and regulations. These laws, which are constantly changing, regulate the discharge of materials into the environment and may require the Partnership to remove or mitigate the environmental effects of the disposal or release of petroleum or chemical substances at various sites. Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Liabilities for expenditures of a noncapital nature are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated. Such liabilities are generally undiscounted unless the timing of cash payments for the liability or component are fixed or reliably determinable. No such liabilities have been accrued as of December 31, 2000.

Revenue recognition - The Partnership uses the entitlements method of accounting for oil, natural gas liquids ("NGLs") and natural gas revenues.

### NOTE 3. IMPAIRMENT OF LONG-LIVED ASSETS

In accordance with SFAS 121, the Partnership reviews its proved oil and gas properties for impairment whenever events and circumstances indicate a decline in the recoverability of the carrying value of the Partnership's oil and gas properties. The Partnership has estimated the expected future cash flows of its oil and gas properties as of December 31, 2000, 1999 and 1998, based on proved reserves, and compared such estimated future cash flows to the respective carrying amount of the oil and gas properties to determine if the carrying amounts were likely to be recoverable. For those proved oil and gas properties for which the carrying amount exceeded the estimated future cash flows, an impairment was determined to exist; therefore, the Partnership adjusted the

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

carrying amount of those oil and gas properties to their fair value as determined by discounting their expected future cash flows at a discount rate commensurate with the risks involved

8

362

in the industry. As a result, the Partnership recognized a non-cash impairment provision of \$277,671 related to its proved oil and gas properties during 1998.

### NOTE 4. INCOME TAXES

The financial statement basis of the Partnership's net assets and liabilities was \$410,896 less than the tax basis at December 31, 2000.

The following is a reconciliation of net income (loss) per statements of operations with the net income per Federal income tax returns for the years ended December 31:

	2000	1999	1998
Net income (loss) per statements of operations	\$ 302,230	\$ 84,955	\$ (485,018)
Depletion and depreciation provisions for tax reporting purposes less than amounts for financial reporting purposes	18,732	42,255	245,110
Impairment of oil and gas properties for financial reporting purposes	-	-	277,671
Other, net	(570)	(1,597)	787
	\$ 320,392	\$ 125,613	\$ 38,550
	=====	=====	=====

### NOTE 5. OIL AND GAS PRODUCING ACTIVITIES

The following is a summary of the costs incurred, whether capitalized or expensed, related to the Partnership's oil and gas producing activities for the years ended December 31:

	2000	1999	1998
Development costs	\$ 2,484	\$ 1,281	\$ 4,114
	=====	=====	=====

Capitalized oil and gas properties consist of the following:

	2000	1999
--	------	------



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Proved properties:		
Property acquisition costs	\$ 348,798	\$ 348,798
Completed wells and equipment	5,621,599	5,619,115
	-----	-----
	5,970,397	5,967,913
Accumulated depletion	(5,634,468)	(5,611,986)
	-----	-----
Net oil and gas properties	\$ 335,929	\$ 355,927
	=====	=====

9

363

NOTE 6. RELATED PARTY TRANSACTIONS

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

	2000	1999	1998
	-----	-----	-----
Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$105,725	\$102,247	\$ 97,602
Reimbursement of general and administrative expenses	\$16,872	\$10,207	\$ 7,802

Pioneer USA, EMPL and the Partnership are parties to the Partnership agreement. EMPL is a limited partnership in which Pioneer USA owns 81% and the remaining portion is owned by former affiliates. Pioneer USA owned 205.34 limited partner interests at January 1, 2001.

The costs and revenues of the Partnership are allocated as follows:

	General partners	Limited partners
	-----	-----
Revenues:		
Proceeds from property dispositions prior to cost recovery	10%	90%
All other Partnership revenues	25%	75%
Costs and expenses:		
Lease acquisition costs, drilling and completion costs	10%	90%
Operating costs, direct costs and general and		

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

administrative expenses

25%

75%

NOTE 7. OIL AND GAS INFORMATION (UNAUDITED)

The following table presents information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities during the years then ended. All of the Partnership's reserves are proved developed and located within the United States. The Partnership's reserves are based on an evaluation prepared by Williamson Petroleum Consultants, Inc., an independent petroleum consultant, using criteria established by the Securities and Exchange Commission.

10

364

	Oil and NGLs (bbls)	Gas (mcf)
	-----	-----
Net proved reserves at January 1, 1998	290,644	256,851
Revisions	(204,881)	
Production	(19,540)	(17,680)
	-----	-----
Net proved reserves at December 31, 1998	66,223	74,429
Revisions		243,433
312,763		
Production	(20,801)	(23,061)
	-----	-----
Net proved reserves at December 31, 1999	288,855	364,131
Revisions	42,883	(44,362)
Production	(20,646)	(21,480)
	-----	-----
Net proved reserves at December 31, 2000	311,092	298,289
	=====	=====

As of December 31, 2000, the estimated present value of future net revenues of proved reserves, calculated using December 31, 2000 prices of \$26.64 per barrel of oil, \$13.66 per barrel of NGLs and \$7.61 per mcf of gas, discounted at 10% was approximately \$2,053,000 and undiscounted was \$3,888,000.

Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves. The Partnership emphasizes that reserve estimates are inherently imprecise and, accordingly, the estimates are expected to change as future information becomes available.

Disclosures about Oil & Gas Producing Activities

Standardized Measure of Discounted Future Net Cash Flows

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The standardized measure of discounted future net cash flows is computed by applying year-end prices of oil and gas (with consideration of price changes only to the extent provided by contractual arrangements) to the estimated future production of proved oil and gas reserves less estimated future expenditures (based on year-end costs) to be incurred in developing and producing the proved reserves, discounted using a rate of 10% per year to reflect the estimated timing of the future cash flows. A Federal income tax provision has not been calculated as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

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

11

365

	For the years ended December 31,		
	2000	1999	1998
	-----	-----	-----
	(in thousands)		
Oil and gas producing activities:			
Future cash inflows	\$ 9,373	\$ 7,135	\$ 709
Future production costs	(5,485)	(4,540)	(606)
	-----	-----	-----
	3,888	2,595	103
10% annual discount factor	(1,835)	(1,113)	(26)
	-----	-----	-----
Standardized measure of discounted future net cash flows	\$ 2,053	\$ 1,482	\$ 77
	=====	=====	=====

	For the years ended December 31,		
	2000	1999	1998
	-----	-----	-----
	(in thousands)		

Oil and Gas Producing Activities:

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Oil and gas sales, net of production costs	\$ (340)	\$ (141)	\$ (51)
Net changes in prices and production costs	711	355	(718)
Revisions of previous quantity estimates	219	1,650	(182)
Accretion of discount	148	8	102
Changes in production rates, timing and other	(167)	(467)	(96)
Change in present value of future net revenues	571	1,405	(945)
Balance, beginning of year	1,482	77	1,022
	-----	-----	-----
Balance, end of year	\$ 2,053	\$ 1,482	\$ 77
	=====	=====	=====

NOTE 8. MAJOR CUSTOMERS

The following table reflects the major customers of the Partnership's oil and gas sales (a major customer is defined as a customer whose sales exceed 10% of total sales) during the years ended December 31:

	2000	1999	1998
	-----	-----	-----
Plains Marketing, L.P.	60%	56%	-
TEPPCO Crude Oil LLC	14%	15%	-
Genesis Crude Oil, L.P.	-	-	77%

At December 31, 2000, the amounts receivable from Plains Marketing, L.P. and TEPPCO Crude Oil LLC were \$31,458 and \$4,158, respectively, which are included in the caption "Accounts receivable - oil and gas sales" in the accompanying Balance Sheet.

Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on the ability of the Partnership to sell its oil, NGLs and gas production.

NOTE 9. PARTNERSHIP AGREEMENT

The following is a brief summary of the more significant provisions of the limited partnership agreement:

General partners - The general partners of the Partnership are Pioneer USA and EMPL. Pioneer USA, the managing general partner, has the power and authority to manage, control and administer all Partnership affairs. As managing general partner and operator of the Partnership's properties, all production expenses are incurred by Pioneer USA and billed to the Partnership. The majority of the Partnership's oil and gas revenues are received directly

by the Partnership, however, a portion of the oil and gas revenue is initially received by Pioneer USA prior to being paid to the

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Partnership.

Limited partner liability - The maximum amount of liability of any limited partner is the total contributions of such partner plus his share of any undistributed profits.

Initial capital contributions - The limited partners entered into subscription agreements for aggregate capital contributions of \$6,882,000. The general partners are required to contribute amounts equal to 10% of Partnership expenditures for lease acquisition, drilling and completion and 25% of direct, general and administrative and operating expenses.

13

367

PARKER & PARSLEY 82-III, LTD.  
(A TEXAS LIMITED PARTNERSHIP)

THIS REPORT CONTAINS FORWARD LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. ACCORDINGLY, NO ASSURANCES CAN BE GIVEN THAT THE ACTUAL EVENTS AND RESULTS WILL NOT BE MATERIALLY DIFFERENT THAN THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of operations

2000 compared to 1999

The Partnership's oil and gas revenues increased 65% to \$562,399 for 2000 as compared to \$340,246 in 1999. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 2000, 14,019 barrels of oil, 6,627 barrels of natural gas liquids ("NGLs") and 21,480 mcf of gas were sold, or 24,226 barrel of oil equivalents ("BOEs"). In 1999, 14,043 barrels of oil, 6,758 barrels of NGLs and 23,061 mcf of gas were sold, or 24,645 BOEs. Due to the decline characteristics of the Partnership's oil and gas properties, management expects a certain amount of decline in production in the future until the Partnership's economically recoverable reserves are fully depleted.

The average price received per barrel of oil increased \$12.54, or 73%, from \$17.13 in 1999 to \$29.67 in 2000. The average price received per barrel of NGLs increased \$4.73, or 52%, from \$9.13 in 1999 to \$13.86 in 2000. The average price received per mcf of gas increased 54% from \$1.65 in 1999 to \$2.54 in 2000. The market price for oil and gas has been extremely volatile in the past decade, and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received in 2000.

A gain on disposition of assets of \$1,922 was recognized during 1999 from equipment credits received on one fully depleted well.

Total costs and expenses increased in 2000 to \$264,479 as compared to \$259,337 in 1999, an increase of \$5,142, or 2%. The increase was primarily due to increases in production costs and general and administrative expenses ("G&A"), offset by a decline in depletion.

Production costs were \$222,803 in 2000 and \$198,571 in 1999, resulting in a

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

\$24,232 increase, or 12%. The increase was primarily due to higher production taxes associated with higher oil and gas prices and additional well maintenance costs incurred to stimulate well production.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 36% from \$14,161 in 1999 to \$19,194 in 2000, primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$16,872 in 2000 and \$10,207 in 1999 for G&A incurred on behalf of the Partnership. The remaining G&A was paid directly by the Partnership. The managing general partner determines the allocated expenses based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Depletion was \$22,482 in 2000 as compared to \$46,605 in 1999, representing a decrease of \$24,123, or 52%. This decrease primarily due to a 36,746 barrels of oil increase in proved reserves during 2000 as a result of higher commodity prices.

368

1999 compared to 1998

The Partnership's 1999 oil and gas revenues increased 34% to \$340,246 from \$253,873 in 1998. The increase in revenues resulted from higher average prices received and an increase in production. In 1999, 14,043 barrels of oil, 6,758 barrels of NGLs and 23,061 mcf of gas were sold, or 24,645 BOEs. In 1998, 14,727 barrels of oil, 4,813 barrels of NGLs and 17,680 mcf of gas were sold, or 22,487 BOEs.

The average price received per barrel of oil increased \$3.82, or 29%, from \$13.31 in 1998 to \$17.13 in 1999. The average price received per barrel of NGLs increased \$2.71, or 42%, from \$6.42 in 1998 to \$9.13 in 1999. The average price received per mcf of gas increased 8% from \$1.53 in 1998 to \$1.65 in 1999.

A gain on disposition of assets of \$1,922 and \$634 was recognized during 1999 and 1998 from salvage value received on various asset dispositions.

Total costs and expenses decreased in 1999 to \$259,337 as compared to \$742,645 in 1998, a decrease of \$483,308, or 65%. The decrease was primarily due to declines in the impairment of oil and gas properties, depletion and production costs, offset by an increase in G&A.

Production costs were \$198,571 in 1999 and \$202,485 in 1998, resulting in a \$3,914 decrease, or 2%. The decrease was due to declines in workover costs and ad valorem taxes, offset by an increase in production taxes due to increase oil and gas sales.

During this period, G&A increased 48% from \$9,538 in 1998 to \$14,161 in 1999 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$10,207 in 1999 and \$7,802 in 1998 for G&A incurred on behalf of the Partnership.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the managing general partner reviews the Partnership's oil and gas properties for impairment whenever events or circumstances indicate a decline in the recoverability of the carrying value of the Partnership's assets may have occurred. As a result of the review and evaluation of its long-lived assets for impairment, the Partnership recognized a non-cash charge of \$277,671 related to its oil and gas properties during 1998.

Depletion was \$46,605 in 1999 compared to \$252,951 in 1998, representing a decrease of \$206,346, or 82%. This decrease was the result of an increase in proved reserves of 164,606 barrels of oil during 2000 as a result of higher commodity prices and a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 1998.

### Petroleum industry

The petroleum industry has been characterized by volatile oil, NGL and natural gas commodity prices and relatively stable supplier costs during the three years ended December 31, 2000. During 1998, weather patterns, regional economic recessions and political matters combined to cause worldwide oil supplies to exceed demand resulting in a substantial decline in oil prices. Also during 1998, but to a lesser extent, market prices for natural gas declined. During 1999 and 2000, the Organization of Petroleum Exporting Countries ("OPEC") and certain other crude oil exporting nations announced reductions in their planned export volumes. Those announcements, together with the enactment of the announced reductions in export volumes, had a positive impact on world oil prices, as have overall natural gas supply and demand fundamentals on North American natural gas prices. Although the favorable commodity price environment and stable field service cost environment is expected to continue during 2001, there is no assurance that commodity prices will not return to a less favorable level or that field service costs will not escalate in the future, both of which could negatively impact the Partnership's future results of operations and cash distributions.

369

### Liquidity and capital resources

#### Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$190,758 during the year ended December 31, 2000 from 1999. This increase was due to an increase in oil and gas sales receipts of \$224,339, offset by increases in production costs paid of \$24,233, G&A expenses paid of \$5,032 and working capital of \$4,316. The increase in oil and gas receipts resulted from the increase in commodity prices during 2000 which contributed an additional \$230,886 to oil and gas receipts, offset by \$6,547 resulting from the decline in production during 2000. The increase in production costs was primarily due to increased production taxes associated with higher oil and gas prices and additional well maintenance costs incurred to stimulate well production. The increase in G&A was primarily due to higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues.

#### Net Cash Provided by (Used in) Investing Activities

The Partnership's principal investing activities during 2000 and 1999 included expenditures related to upgrades of equipment on various oil and gas properties.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Proceeds from disposition of assets of \$2,415 were recognized during 1999 from salvage value received on disposition of equipment primarily on one oil and gas well.

### Net Cash Used in Financing Activities

In 2000, cash distributions to the partners were \$305,561, of which \$74,963 was distributed to the general partners and \$230,598 to the limited partners. In 1999, cash distributions to the partners were \$88,691, of which \$22,103 was distributed to the general partners and \$66,588 to the limited partners.

370

### PARKER & PARSLEY 82-III, LTD.

#### SELECTED FINANCIAL DATA

The following selected financial data for the Partnership should be read in connection with Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements included in the attached supplemental information.

	Six months ended June 30,		Years ended December 31,		
	2001	2000	2000	1999	1998
Operating results:					
Oil and gas sales	\$ 271,996	\$ 263,297	\$ 562,399	\$ 340,246	\$ 253,873
Impairment of oil and gas properties	\$ --	\$ --	\$ --	\$ --	\$ 277,671
Gain on litigation settlement, net	\$ --	\$ --	\$ --	\$ --	\$ --
Net income (loss)	\$ 130,984	\$ 136,032	\$ 302,230	\$ 84,955	\$ (485,018)
Allocation of net					



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

income (loss):					
General partners	\$ 34,166	\$ 35,807	\$ 78,705	\$ 27,431	\$ (41,756)
	=====	=====	=====	=====	=====
Limited partners	\$ 96,818	\$ 100,225	\$ 223,525	\$ 57,524	\$ (443,262)
	=====	=====	=====	=====	=====
Limited partners' net income (loss) per limited partnership interest	\$ 28.14	\$ 29.13	\$ 64.96	\$ 16.72	\$ (128.82)
	=====	=====	=====	=====	=====
Limited partners' cash distributions per limited partnership interest	\$ 20.55	\$ 30.58	\$ 67.01	\$ 19.35	\$ 20.41
	=====	=====	=====	=====	=====
As of period ended:					
Total assets	\$ 492,897	\$ 456,897	\$ 452,020	\$ 456,873	\$ 455,528
	=====	=====	=====	=====	=====

-----

(a) Including litigation settlement per limited partnership interest of \$10.65 in 1996.

371

PIONEER NATURAL RESOURCES COMPANY  
PIONEER NATURAL RESOURCES USA, INC.  
5205 NORTH O'CONNOR BLVD., SUITE 1400  
IRVING, TEXAS 75039

SUPPLEMENTAL INFORMATION

OF

PARKER & PARSLEY 83-A, LTD., A TEXAS LIMITED PARTNERSHIP

TO

PROXY STATEMENT/PROSPECTUS DATED \_\_\_\_\_, 2001

-----

THE DATE OF THIS SUPPLEMENT IS \_\_\_\_\_, 2001

-----

This document contains important information specific to Parker & Parsley 83-A, Ltd. and supplements the proxy statement/prospectus dated \_\_\_\_\_, 2001, of Pioneer Natural Resources Company and Pioneer Natural Resources USA, Inc., by which Pioneer USA is soliciting proxies to be voted at a special meeting of limited partners of the partnership. The purpose of the special meeting is for you to vote upon the merger of the partnership with and into Pioneer USA that, if completed, will result in your receiving common stock of Pioneer Natural Resources Company for your partnership interests.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

This document contains the following information concerning Parker & Parsley 83-A, Ltd.:

- o A table containing:
  - the aggregate initial investment by the limited partners
  - the aggregate historical limited partner distributions through July 31, 2001
  - the merger value attributable to partnership interests of limited partners, excluding Pioneer USA
  - the merger value per \$1,000 limited partner investment
  - the merger value per \$1,000 limited partner investment as a multiple of distributions for the past four quarterly distributions including the distribution in July 2001
  - the book value per \$1,000 limited partner investment as of June 30, 2001 and as of December 31, 2000
  - the going concern value per \$1,000 limited partner investment
  - the liquidation value per \$1,000 limited partner investment
  - the ordinary tax loss per \$1,000 limited partner investment in year of initial investment
- o Information about:
  - the legal opinion for the limited partners
  - the term of the partnership
- o The partnership's quarterly report on Form 10-Q, including management's discussion and analysis of financial condition and results of operations, for the six months ended June 30, 2001
- o The partnership's annual report on Form 10-K, including management's discussion and analysis of financial condition and results of operations, for the year ended December 31, 2000
- o Selected historical financial data for the partnership for the six months ended June 30, 2001 and 2000 and the five years ended December 31, 2000

-1-

372

PARKER & PARSLEY 83-A, LTD.  
SUPPLEMENTAL INFORMATION TABLE

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Aggregate Initial Investment by the Limited Partners (a)	\$
Aggregate Historical Limited Partner Distributions through July 31, 2001 (a)	\$
Merger Value Attributable to Partnership Interests of Limited Partners, Excluding Pioneer USA (a), (b)	\$
Merger Value per \$1,000 Limited Partner Investment (b), (c)	\$
Merger Value per \$1,000 Limited Partner Investment as a Multiple of Distributions for the past four quarterly distributions including the distribution in July 2001 (b), (c)	
Book Value per \$1,000 Limited Partner Investment:	
-- as of June 30, 2001 (c)	\$
-- as of December 31, 2000 (c)	\$
Going Concern Value per \$1,000 Limited Partner Investment (c), (d)	\$
Liquidation Value per \$1,000 Limited Partner Investment (c), (e)	\$
Ordinary Tax Loss per \$1,000 Limited Partner Investment in Year of Initial Investment (c), (f)	\$

-----

(a) Stated in thousands.

(b) The merger value for the partnership is equal to the sum of the present value of estimated future net revenues from the partnership's estimated oil and gas reserves and its net working capital, in each case as of March 31, 2001, less its pro rata share, based on its reserve value, of the estimated expenses and fees of the mergers of all of the partnerships and less the cash distribution on July 13, 2001, by the partnership to its partners.

(c) Interests in some partnerships were sold in units at prices other than \$1,000. We have presented this information based on a \$1,000 initial investment for ease of use and comparison among partnerships. You should not assume that the amount shown per \$1,000 investment is the same as the value or amount attributable to a single unit investment.

(d) The going concern value for the partnership is based upon: (1) the sum of (A) the estimated net cash flow from the sale of the partnership's reserves during a 10-year operating period and (B) the estimated residual value from the sale of the partnership's remaining reserves at the end of the operating period, in each case using the same pricing and discount rate as in the merger value calculation, less (2) (A) partnership level general and administrative expenses, and (B) the cash distribution on July 13, 2001 by the partnership to its partners.

(e) The liquidation value for the partnership is based upon the sale of the partnership's reserves at the reserve value, less (1) liquidation expenses which are estimated to be the sum of (A) the partnership's pro rata share of the merger expenses and fees described in footnote (b) above and (B) 3% of the partnership's reserve value, and (2) the cash distribution on July 13, 2001 by the partnership to its partners. The liquidation expenses

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

represent the estimated costs to retain an investment banker or broker to sell the assets of the partnership and the legal and other closing costs associated with such transaction, including the wind-down costs of the partnership.

- (f) Your ability to use your distributive share of the partnership's loss to offset your other income may have been subject to certain limitations at your level as a partner, and you may therefore wish to consult your tax advisor to determine the additional value, if any, actually realized by you in your particular circumstances.

INFORMATION ABOUT THE LEGAL OPINION FOR THE LIMITED PARTNERS

The partnership agreement for the partnership requires that special legal counsel render an opinion on behalf of the limited partners to Pioneer USA that (1) neither the grant nor the exercise of the right to approve the merger of the partnership by its limited partners will adversely affect the federal income tax classification of the partnership or any of its limited partners; and (2) neither the grant nor exercise of such right will result in the loss of any limited partner's limited liability. In addition, the counsel designated to render the opinion must be counsel other than counsel to Pioneer USA or the partnership. Both the designated counsel and the legal opinion must be approved by the limited partners. Pioneer USA has retained \_\_\_\_\_ of Dallas, Texas for the purpose of rendering this legal opinion on behalf of the limited partners to Pioneer USA. The merger proposals include an approval of that counsel and the form of its opinion. A copy of the opinion is attached as an exhibit to the merger proposals.

INFORMATION ABOUT THE TERM OF THE PARTNERSHIP

The term of the partnership shall continue until terminated in accordance with the applicable provisions of its partnership agreement.

-2-

373

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, 2001

Commission File No. 2-81398A

PARKER & PARSLEY 83-A, LTD.  
(Exact name of Registrant as specified in its charter)

Texas

75-1891384

-----  
(State or other jurisdiction of

-----  
(I.R.S. Employer

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

incorporation or organization)

Identification Number)

5205 N. O'Connor Blvd., Suite 1400, Irving, Texas

75039

-----

-----

(Address of principal executive offices)

(Zip code)

Registrant's Telephone Number, including area code : (972) 444-9001

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 / x / No / /

374

PARKER & PARSLEY 83-A, LTD.

TABLE OF CONTENTS

	Page
Part I. Financial Information	
Item 1. Financial Statements	
Balance Sheets as of June 30, 2001 and December 31, 2000.....	3
Statements of Operations for the three and six months ended June 30, 2001 and 2000.....	4
Statement of Partners' Capital for the six months ended June 30, 2001.....	5
Statements of Cash Flows for the six months ended June 30, 2001 and 2000.....	6
Notes to Financial Statements.....	7
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.....	7

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Part II. Other Information

Item 6.	Exhibits and Reports on Form 8-K.....	11
	Signatures.....	12

2

375

PARKER & PARSLEY 83-A, LTD.  
(A Texas Limited Partnership)

Part I. Financial Information

Item 1.	Financial Statements
---------	----------------------

BALANCE SHEETS

	June 30, 2001	December 31, 2000
	----- (Unaudited)	-----
ASSETS		
Current assets:		
Cash	\$ 392,584	\$ 169,055
Accounts receivable - oil and gas sales	229,511	279,239
	-----	-----
Total current assets	622,095	448,294
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	16,902,945	16,901,194
Accumulated depletion	(15,665,442)	(15,622,262)
	-----	-----
Net oil and gas properties	1,237,503	1,278,932
	-----	-----
	\$ 1,859,598	\$ 1,727,226
	=====	=====
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable - affiliate	\$ 43,464	\$ 33,783
Partners' capital:		
General partners	236,728	200,131
Limited partners (19,505 interests)	1,579,406	1,493,312
	-----	-----
	1,816,134	1,693,443
	-----	-----
	\$ 1,859,598	\$ 1,727,226
	=====	=====

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The financial information included as of June 30, 2001 has been prepared by the managing general partner without audit by independent public accountants.

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

3

376

PARKER & PARSLEY 83-A, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF OPERATIONS  
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2001	2000	2001	2000
Revenues:				
Oil and gas	\$ 471,330	\$ 447,770	\$ 979,098	\$ 864,836
Interest	2,904	2,956	6,256	5,424
	-----	-----	-----	-----
	474,234	450,726	985,354	870,260
	-----	-----	-----	-----
Costs and expenses:				
Oil and gas production	239,495	226,945	471,641	443,276
General and administrative	14,392	14,886	33,115	27,789
Depletion	22,631	18,632	43,180	40,238
	-----	-----	-----	-----
	276,518	260,463	547,936	511,303
	-----	-----	-----	-----
Net income	\$ 197,716	\$ 190,263	\$ 437,418	\$ 358,957
	=====	=====	=====	=====
Allocation of net income:				
General partners	\$ 52,896	\$ 50,724	\$ 116,436	\$ 96,236
	=====	=====	=====	=====
Limited partners	\$ 144,820	\$ 139,539	\$ 320,982	\$ 262,721
	=====	=====	=====	=====
Net income per limited partnership interest	\$ 7.43	\$ 7.15	\$ 16.46	\$ 13.47
	=====	=====	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

PARKER & PARSLEY 83-A, LTD.  
(A Texas Limited Partnership)

STATEMENT OF PARTNERS' CAPITAL  
(Unaudited)

	General partners -----	Limited partners -----	Total -----
Balance at January 1, 2001	\$ 200,131	\$1,493,312	\$1,693,443
Distributions	(79,839)	(234,888)	(314,727)
Net income	116,436	320,982	437,418
	-----	-----	-----
Balance at June 30, 2001	\$ 236,728 =====	\$1,579,406 =====	\$1,816,134 =====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

PARKER & PARSLEY 83-A, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF CASH FLOWS  
(Unaudited)

Six months ended June 30,	
-----	-----
2001	2000



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Cash flows from operating activities:		
Net income	\$ 437,418	\$ 358,957
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion	43,180	40,238
Changes in assets and liabilities:		
Accounts receivable	49,728	(33,517)
Accounts payable	9,681	16,525
	-----	-----
Net cash provided by operating activities	540,007	382,203
	-----	-----
Cash flows used in investing activities:		
Additions to oil and gas properties	(1,751)	(7,921)
Cash flows used in financing activities:		
Cash distributions to partners	(314,727)	(373,589)
	-----	-----
Net increase in cash	223,529	693
Cash at beginning of period	169,055	143,823
	-----	-----
Cash at end of period	\$ 392,584	\$ 144,516
	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

6

379

PARKER & PARSLEY 83-A, LTD.  
(A Texas Limited Partnership)

NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Unaudited)

Note 1. Organization and nature of operations

Parker & Parsley 83-A, Ltd. (the "Partnership") is a limited partnership organized in 1983 under the laws of the State of Texas.

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

Note 2. Basis of presentation

In the opinion of management, the unaudited financial statements of the Partnership as of June 30, 2001 and for the three and six months ended June 30, 2001 and 2000 include all adjustments and accruals consisting only of normal recurring accrual adjustments which are necessary for a fair presentation of the

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

results for the interim period. However, these interim results are not necessarily indicative of results for a full year. Certain reclassifications may have been made to the June 30, 2000 financial statements to conform to the June 30, 2001 financial statement presentations.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in this Form 10-Q pursuant to the rules and regulations of the Securities and Exchange Commission. The financial statements should be read in conjunction with the financial statements and the notes thereto contained in the Partnership's Report on Form 10-K for the year ended December 31, 2000, as filed with the Securities and Exchange Commission, a copy of which is available upon request by writing to Rich Dealy, Vice President and Chief Accounting Officer, 5205 North O'Connor Boulevard, Suite 1400, Irving, Texas 75039-3746.

### Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (1)

#### Results of Operations

Six months ended June 30, 2001 compared with six months ended June 30, 2000

#### Revenues:

The Partnership's oil and gas revenues increased 13% to \$979,098 for the six months ended June 30, 2001 as compared to \$864,836 for the same period in 2000. The increase in revenues resulted from higher average prices received, offset by a decrease in production. For the six months ended June 30, 2001, 20,863 barrels

7

380

of oil, 8,678 barrels of natural gas liquids ("NGLs") and 52,495 mcf of gas were sold, or 38,290 barrel of oil equivalents ("BOEs"). For the six months ended June 30, 2000, 21,455 barrels of oil, 11,696 barrels of NGLs and 46,838 mcf of gas were sold, or 40,957 BOEs.

The average price received per barrel of oil increased slightly from \$27.55 for the six months ended June 30, 2000 to \$27.56 for the same period in 2001. The average price received per barrel of NGLs increased \$2.36, or 17%, from \$14.30 during the six months ended June 30, 2000 to \$16.66 for the same period in 2001. The average price received per mcf of gas increased 118% from \$2.27 during the six months ended June 30, 2000 to \$4.95 for the same period in 2001. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received during the six months ended June 30, 2001.

#### Costs and Expenses:

Total costs and expenses increased to \$547,936 for the six months ended June 30, 2001 as compared to \$511,303 for the same period in 2000, an increase of \$36,633, or 7%. This increase was due to higher production costs, general and administrative expenses ("G&A") and depletion.

Production costs were \$471,641 for the six months ended June 30, 2001 and \$443,276 for the same period in 2000 resulting in a \$28,365 increase, or 6%. The

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

increase was the primarily due to additional well maintenance costs incurred to stimulate well production and higher production taxes associated with higher oil and gas prices, offset by a decline in workover expenses.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 19% from \$27,789 for the six months ended June 30, 2000 to \$33,115 for the same period in 2001, primarily due to a higher allocation of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues and an increase in audit and tax fees.

Depletion was \$43,180 for the six months ended June 30, 2001 as compared to \$40,238 for the same period in 2000, an increase of \$2,942, or 7%. This increase was primarily due to a decline in proved reserves during the period ended June 30, 2001 due to lower commodity prices, offset by a decrease in oil production of 592 barrels for the six months ended June 30, 2001 as compared to the same period in 2000.

Three months ended June 30, 2001 compared with three months ended June 30, 2000

### Revenues:

The Partnership's oil and gas revenues increased 5% to \$471,330 for the three months ended June 30, 2001 as compared to \$447,770 for the same period in 2000. The increase in revenues resulted from higher average prices received for gas and NGLs, offset by a decrease in production and lower average prices received for oil. For the three months ended June 30, 2001, 10,695 barrels of oil, 5,002 barrels of NGLs and 26,788 mcf of gas were sold, or 20,162 BOEs. For the three

8

381

months ended June 30, 2000, 10,617 barrels of oil, 6,110 barrels of NGLs and 23,850 mcf of gas were sold, or 20,702 BOEs.

The average price received per barrel of oil decreased \$.58, or 2%, from \$27.66 for the three months ended June 30, 2000 to \$27.08 for the same period in 2001. The average price received per barrel of NGLs increased \$.48, or 3%, from \$14.40 during the three months ended June 30, 2000 to \$14.88 for the same period in 2001. The average price received per mcf of gas increased 44% to \$4.00 for the three months ended June 30, 2001 from \$2.77 for the same period in 2000.

### Costs and Expenses:

Total costs and expenses increased to \$276,518 for the three months ended June 30, 2001 as compared to \$260,463 for the same period in 2000, an increase of \$16,055, or 6%. This increase was due to higher production costs and depletion, offset by a decline in G&A.

Production costs were \$239,495 for the three months ended June 30, 2001 and \$226,945 for the same period in 2000 resulting in a \$12,550 increase, or 6%. This increase was primarily due to additional well maintenance expense incurred to stimulate well production, offset by a decline in workover expenses.

During this period, G&A decreased 3% from \$14,886 for the three months ended June 30, 2000 to \$14,392 for the same period in 2001, primarily due to lower audit and tax expenses.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Depletion was \$22,631 for the three months ended June 30, 2001 as compared to \$18,632 for the same period in 2000, an increase of \$3,999, or 21%. This increase was primarily due to a decline in proved reserves during the period ended June 30, 2001 due to lower commodity prices and an increase in oil production of 78 barrels for the six months ended June 30, 2001 as compared to the same period in 2000.

### Liquidity and Capital Resources

#### Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$157,804 during the six months ended June 30, 2001 from the same period in 2000. This increase was due to an increase of \$115,094 in oil and gas sales receipts and a reduction of \$76,401 in working capital, offset by increases in production costs of \$28,365 and G&A expenses of \$5,326. The increase in oil and gas receipts resulted from the increase in commodity prices during 2001 which contributed an additional \$152,860 to oil and gas receipts, offset by \$37,766 resulting from the decline in production during 2001 as compared to the same period in 2000. The increase in production costs was primarily due to additional well maintenance costs incurred to stimulate well production and increased production taxes associated with higher oil and gas prices, offset by a decline in workover expenses. The increase in G&A was primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues and an increase in audit and tax fees.

9

382

#### Net Cash Used in Investing Activities

The Partnership's investment activities during the six months ended June 30, 2001 and 2000 were related to expenditures for equipment upgrades on active oil and gas properties.

#### Net Cash Used in Financing Activities

For the six months ended June 30, 2001, cash distributions to the partners were \$314,727, of which \$79,839 was distributed to the general partners and \$234,888 to the limited partners. For the six months ended June 30, 2000, cash distributions to the partners were \$373,589, of which \$90,377 was distributed to the general partners and \$283,212 to the limited partners.

For the three months ended June 30, 2001, no distributions were made by the partnership to its partners. Subsequent to June 30, 2001 the cash distribution that otherwise would have been mailed to partners in late June was made to holders of record as of July 9, 2001 and was mailed on July 13, 2001. For further information, see "Proposal to acquire partnerships" below.

#### Proposal to acquire partnerships

On June 29, 2001, Pioneer Natural Resources Company ("Pioneer") filed with the Securities and Exchange Commission Amendment No. 1 to the Form S-4 Registration Statement (File No. 333- 59094) (the "preliminary proxy statement/prospectus"), which proposes an agreement and plan of merger among Pioneer, Pioneer Natural Resources USA, Inc. ("Pioneer USA"), a wholly-owned subsidiary of Pioneer, and 46 Parker & Parsley limited partnerships. Each partnership that approves the agreement and plan of merger and the other related merger proposals will merge

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

with and into Pioneer USA upon the closing of the transactions described in the preliminary proxy statement/prospectus, and the partnership interests of each such partnership will be converted into the right to receive Pioneer common stock. The Partnership is one of the 46 Parker & Parsley limited partnerships that will be asked to approve the agreement and plan of merger. The preliminary proxy statement/prospectus is non-binding and is subject to, among other things, consideration of offers from third parties to purchase any partnership or its assets and the majority approval of the limited partnership interests in each partnership.

Pioneer USA will solicit proxies from limited partners to approve the mergers only when the proxy statement/prospectus is final and declared effective. No solicitation will be made using preliminary materials. Nonetheless, copies of the preliminary proxy statement/prospectus may be obtained without charge upon request from Pioneer Natural Resources Company, 5205 North O'Connor Blvd., Suite 1400, Irving, Texas 75039, Attention: Investor Relations.

The limited partners are urged to read the proxy statement/prospectus of Pioneer filed with the Securities and Exchange Commission, when it is finalized, because it contains important information about the proposed mergers, including information about the direct and indirect interests of Pioneer USA and Pioneer in the mergers. The limited partners may also obtain the preliminary and (when filed) final proxy statement/prospectus and other relevant documents relating to the proposed mergers free through the internet web site that the Securities and Exchange Commission maintains at [www.sec.gov](http://www.sec.gov).

10

383

-----

- (1) "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" contains forward looking statements that involve risks and uncertainties. Accordingly, no assurances can be given that the actual events and results will not be materially different than the anticipated results described in the forward looking statements.

Part II. Other Information

Item 6. Exhibits and Reports on Form 8-K

- (a) Exhibits - none  
(b) Reports on Form 8-K - none

11

384

PARKER & PARSLEY 83-A, LTD.  
(A Texas Limited Partnership)

SIGNATURES

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

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 thereunto duly authorized.

PARKER & PARSLEY 83-A, LTD.

By: Pioneer Natural Resources USA, Inc.  
Managing General Partner

Dated: August 8, 2001

By: /s/ Rich Dealy

-----  
Rich Dealy, Vice President and  
Chief Accounting Officer

12

385

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

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d)  
of the Securities Exchange Act of 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000

COMMISSION FILE NO. 2-81398A

PARKER & PARSLEY 83-A, LTD.  
(Exact name of Registrant as specified in its charter)

TEXAS

-----  
(State or other jurisdiction of  
incorporation or organization)

75-1891

-----  
(I.R.S. Em  
Identificatio

1400 WILLIAMS SQUARE WEST, 5205 N. O'CONNOR BLVD., IRVING, TEXAS

75039

-----  
(Address of principal executive offices)

-----  
(Zip code)

Registrant's Telephone Number, including area code : (972) 444-9001

Securities registered pursuant to Section 12(b) of  
the Act: NONE Securities registered pursuant to  
Section 12(g) of the Act:  
LIMITED PARTNERSHIP INTERESTS (\$1,000 PER UNIT)

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

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

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

No market currently exists for the limited partnership interests of the Registrant. Based on the original purchase price, the aggregate market value of limited partnership interests owned by non-affiliates of the Registrant is \$18,829,000.

As of March 8, 2001, the number of outstanding limited partnership interests was 19,505.

The following documents are incorporated by reference into the indicated parts of this Annual Report on Form 10-K: None

PARTS I AND II OF THIS ANNUAL REPORT ON FORM 10-K (THE "REPORT") CONTAIN FORWARD LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. ACCORDINGLY, NO ASSURANCES CAN BE GIVEN THAT THE ACTUAL EVENTS AND RESULTS WILL NOT BE MATERIALLY DIFFERENT THAN THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS. SEE "ITEM 1. BUSINESS" FOR A DESCRIPTION OF VARIOUS FACTORS THAT COULD MATERIALLY AFFECT THE ABILITY OF THE PARTNERSHIP TO ACHIEVE THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS.

386

### PART I

#### ITEM 1. BUSINESS

Parker & Parsley 83-A, Ltd. (the "Partnership") is a limited partnership organized in 1983 under the laws of the State of Texas. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA") and its co-general partner is P&P Employees 83-A, Ltd. ("EMPL"), a Texas limited partnership whose general partner is Pioneer USA. Pioneer USA is a wholly-owned subsidiary of Pioneer Natural Resources Company ("Pioneer"). As of March 8, 2001, the Partnership had 19,505 limited partnership interests outstanding.

The Partnership does not have any employees of its own. Pioneer USA employs 701 persons, many of whom dedicated a part of their time to the conduct of the Partnership's business during the period for which this Report is filed. Pioneer USA is responsible for all management functions.

The Partnership engages in oil and gas development and production and is not involved in any industry segment other than oil and gas. The Partnership's production is geographically concentrated in West Texas.

The principal markets during 2000 for the oil produced by the Partnership were refineries and oil transmission companies that have facilities near the Partnership's oil producing properties. During 2000, Pioneer USA marketed the Partnership's gas to a variety of purchasers, none of which accounted for 10% or

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

more of the Partnership's oil and gas revenues. Of the Partnership's total oil and gas revenues for 2000, approximately 53% was attributable to sales made to Plains Marketing, L.P. Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on its ability to sell its oil, natural gas liquids ("NGLs") and gas production.

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

Oil and gas production operations are subject to various types of regulations by local, state and federal agencies. The Partnership's operations are also subject to state conservation laws and regulations, including the establishment of maximum rates of production from wells and the regulation of spacing, plugging and abandonment of wells. Each state generally imposes a production or severance tax with respect to production and sale of oil and gas within their respective jurisdictions. Noncompliance with the laws and regulations may subject the Partnership to penalties, damages or other liabilities and compliance may increase the cost of the Partnership's operations. The oil and gas business is also subject to environmental hazards such as oil spills, gas leaks and ruptures and discharges of toxic substances or gases that could expose the Partnership to substantial liability due to pollution and other environmental damages. Although the Partnership believes that

2

387

its business operations do not impair environmental quality and that its costs of complying with any applicable environmental regulations are not currently significant, the Partnership cannot predict what, if any, effect these environmental regulations may have on its current or future operations.

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

No material part of the Partnership's business is seasonal and the Partnership conducts no foreign operations.

### ITEM 2. PROPERTIES

The Partnership's properties consist of leasehold interests in properties on which oil and gas wells are located. Such property interests are often subject to landowner royalties, overriding royalties and other oil and gas leasehold interests.

Fractional working interests in developmental oil and gas prospects located primarily in the Spraberry Trend Area of West Texas were acquired by the Partnership, resulting in the Partnership's participation in the drilling of 69 oil and gas wells. Two wells were dry holes from previous periods, 22 wells have been sold and three wells have been plugged and abandoned due to unprofitable



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

operations. At December 31, 2000, 42 wells were producing.

For information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998, and changes in such quantities for the years then ended, see Note 7 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" below. Such reserves have been evaluated by Williamson Petroleum Consultants, Inc., an independent petroleum consultant.

### ITEM 3. LEGAL PROCEEDINGS

The Partnership from time to time is a party to various legal proceedings incidental to its business involving claims in oil and gas leases or interests, other claims for damages in amounts not in excess of 10% of its current assets and other matters, none of which Pioneer USA believes to be material to the Partnership.

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

There were no matters submitted to a vote of the partners during the fourth quarter of 2000.

3

388

## PART II

### ITEM 5. MARKET FOR LIMITED PARTNERSHIP INTERESTS AND LIMITED PARTNERSHIP DISTRIBUTIONS

At March 8, 2001, the Partnership had 19,505 outstanding limited partnership interests held of record by 1,273 subscribers. There is no established public trading market for the limited partnership interests. Under the limited partnership agreement, Pioneer USA has made certain commitments to purchase partnership interests at a computed value.

Revenues which, in the sole judgement of the managing general partner, are not required to meet the Partnership's obligations are distributed to the partners at least quarterly in accordance with the limited partnership agreement. During the years ended December 31, 2000 and 1999, distributions of \$659,311 and \$181,573, respectively, were made to the limited partners.

### ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth selected financial data for the years ended December 31:

	2000	1999	1998	1997
	-----	-----	-----	-----
Operating results:				
-----				
Oil and gas sales	\$ 1,929,701	\$ 1,176,562	\$ 910,252	\$ 1,402,306
	=====	=====	=====	=====

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Impairment of oil and gas properties	\$ --	\$ --	\$ 430,351	\$ 1,194,023
Gain on litigation settlement, net	\$ --	\$ --	\$ --	\$ --
Net income (loss)	\$ 929,165	\$ 229,546	\$ (784,583)	\$ (811,642)
Allocation of net income (loss):				
General partners	\$ 246,105	\$ 82,467	\$ (52,520)	\$ (1,662)
Limited partners	\$ 683,060	\$ 147,079	\$ (732,063)	\$ (809,980)
Limited partners' net income (loss) per limited partnership interest	\$ 35.02	\$ 7.54	\$ (37.53)	\$ (41.53)
Limited partners' cash distributions per limited partnership interest	\$ 33.80	\$ 9.31	\$ 20.73	\$ 24.50
At year end:				
Identifiable assets	\$ 1,727,226	\$ 1,684,906	\$ 1,691,709	\$ 3,015,116

(a) Including litigation settlement per limited partnership interest of \$34.33 in 1996.

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

Results of operations

2000 compared to 1999

The Partnership's oil and gas revenues increased 64% to \$1,929,701 for 2000 as compared to \$1,176,562 in 1999. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 2000, 43,334 barrels of oil, 23,345 barrels of natural gas liquids ("NGLs") and 94,612 mcf of gas were sold, or 82,448 barrel of oil equivalent ("BOEs"). In 1999, 43,654 barrels of oil, 25,584 barrels of NGLs and 109,716 mcf of gas were sold, or 87,524 BOEs. Due to the decline characteristics of the Partnership's oil and gas properties, management expects a certain amount of decline in production in the

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

future until the Partnership's economically recoverable reserves are fully depleted.

The average price received per barrel of oil increased \$12.58, or 74%, from \$16.96 in 1999 to \$29.54 in 2000. The average price received per barrel of NGLs increased \$6.16, or 65%, from \$9.42 in 1999 to \$15.58 in 2000. The average price received per mcf of gas increased 70% from \$1.78 in 1999 to \$3.02 in 2000. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received in 2000.

A gain on disposition of assets of \$1,801 recognized during 1999 was related to equipment credits received on one fully depleted well.

Total costs and expenses increased in 2000 to \$1,014,313 as compared to \$955,718 in 1999, an increase of \$58,595, or 6%. The increase was primarily due to increases in production costs and general and administrative expenses ("G&A"), offset by a decline in depletion.

Production costs were \$867,551 in 2000 and \$756,020 in 1999, resulting in a \$111,531 increase, or 15%. The increase was primarily due to higher production taxes associated with higher oil and gas prices and additional workover and well maintenance costs incurred to stimulate well production.

G&A's components are independent accounting and engineering fees, computer services, postage and managing general partner personnel costs. During this period, G&A increased 39% from \$47,303 in 1999 to \$65,724 in 2000 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$57,891 in 2000 and \$35,297 in 1999 for G&A incurred on behalf of the Partnership. The remaining G&A was paid directly by the Partnership. The managing general partner determines the allocated expenses based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

5

390

Depletion was \$81,038 in 2000 as compared to \$152,395 in 1999. This represented a decrease of \$71,357, or 47%. The decrease was primarily due to a 129,265 barrels of oil increase in proved reserves during 2000 as a result of higher commodity prices.

1999 compared to 1998

The Partnership's 1999 oil and gas revenues increased 29% to \$1,176,562 from \$910,252 in 1998. The increase in revenues resulted from higher average prices received and an increase in production from 1998 to 1999. In 1999, 43,654 barrels of oil, 25,584 barrels of NGLs and 109,716 mcf of gas were sold, or 87,524 BOEs. In 1998, 46,586 barrels of oil, 21,026 barrels of NGLs and 95,156 mcf of gas were sold, or 83,471 BOEs.

The average price received per barrel of oil increased \$3.62, or 27%, from \$13.34 in 1998 to \$16.96 in 1999. The average price received per barrel of NGLs increased \$2.93, or 45%, from \$6.49 in 1998 to \$9.42 in 1999. The average price

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

received per mcf of gas increased 11% from \$1.60 in 1998 to \$1.78 in 1999.

A gain on disposition of assets of \$1,801 recognized during 1999 was related to equipment credits received on one fully depleted well while the \$3,702 gain recognized during 1998 was from final closing adjustments from the sale during 1997 of 16 oil and gas wells.

Total costs and expenses decreased in 1999 to \$955,718 as compared to \$1,715,723 in 1998, a decrease of \$760,005, or 44%. The decrease was primarily due to declines in the impairment of oil and gas properties and depletion, offset by increases in production costs and G&A expenses.

Production costs were \$756,020 in 1999 and \$731,005 in 1998, resulting in a \$25,015 increase, or 3%. The increase was attributable to additional well maintenance costs incurred to stimulate well production and production taxes due to increased oil and gas revenues, offset by a decline in ad valorem taxes.

During this period, G&A increased 43% from \$33,000 in 1998 to \$47,303 in 1999 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$35,297 in 1999 and \$27,308 in 1998 for G&A incurred on behalf of the Partnership.

In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the managing general partner reviews the Partnership's oil and gas properties for impairment whenever events or circumstances indicate a decline in the recoverability of the carrying value of the Partnership's assets may have occurred. As a result of the review and evaluation of its long-lived assets for impairment, the Partnership recognized a non-cash charge of \$430,351 related to its oil and gas properties during 1998.

Depletion was \$152,395 in 1999 compared to \$521,367 in 1998. This represented a decrease of \$368,972, or 71%. The decrease was the result of an increase in proved reserves of 416,430 barrels of oil during 1999 as a result of higher commodity prices and a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 1998.

### Petroleum industry

The petroleum industry has been characterized by volatile oil, NGL and natural gas commodity prices and relatively stable supplier costs during the three years ended December 31, 2000. During 1998, weather patterns, regional economic recessions and political matters combined to cause worldwide oil supplies to exceed demand resulting in a substantial decline in oil prices. Also during 1998, but to a lesser extent, market prices for natural gas declined. During 1999 and 2000, the Organization of Petroleum Exporting Countries ("OPEC") and certain other crude oil exporting nations announced reductions in their planned export volumes. Those announcements, together with the enactment of the announced reductions in export volumes, had a positive impact on world oil prices, as have overall natural gas supply and demand fundamentals on North American natural gas prices. Although the favorable commodity price environment and stable field service cost environment is expected to continue during 2001, there is no assurance that commodity prices will not return to a less favorable level or that field service costs will not escalate in the future, both of which could negatively impact the Partnership's future results of operations and cash

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

distributions.

Liquidity and capital resources

Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$620,642 during the year ended December 31, 2000 from 1999. This increase was due to an increase in oil and gas sales receipts of \$760,015, offset by increases in production costs paid of \$111,531, G&A expenses paid of \$18,421 and working capital of \$9,421. The increase in oil and gas receipts resulted from the increase in commodity prices during 2000 which contributed an additional \$849,987 to oil and gas receipts, offset by \$89,973 resulting from the decline in production during 2000. The increase in production costs was primarily due to increased production taxes associated with higher oil and gas prices and additional workover and well maintenance costs incurred to stimulate well production. The increase in G&A was primarily due to higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues.

Net Cash Provided by (Used in) Investing Activities

The Partnership's investing activities during 2000 and 1999 included expenditures related to equipment upgrades on various oil and gas properties.

Proceeds from asset dispositions in 1999 of \$2,611 were from equipment credits received on active wells.

Net Cash Used in Financing Activities

In 2000, cash distributions to the partners were \$887,776, of which \$228,465 was distributed to the general partners and \$659,311 to the limited partners. In 1999, cash distributions to the partners were \$245,794, of which \$64,221 was distributed to the general partners and \$181,573 to the limited partners.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO FINANCIAL STATEMENTS

Financial Statements of Parker & Parsley 83-A, Ltd:

- Independent Auditors' Report.....
- Balance Sheets as of December 31, 2000 and 1999.....
- Statements of Operations for the Years Ended December 31, 2000, 1999 and 1998.....
- Statements of Partners' Capital for the Years Ended December 31, 2000, 1999 and 1998.....
- Statements of Cash Flows for the Years Ended December 31, 2000, 1999 and 1998.....
- Notes to Financial Statements.....

INDEPENDENT AUDITORS' REPORT

The Partners  
Parker & Parsley 83-A, Ltd.  
(A Texas Limited Partnership):

We have audited the balance sheets of Parker & Parsley 83-A, Ltd. as of December 31, 2000 and 1999, and the related statements of operations, partners' capital and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parker & Parsley 83-A, Ltd. as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Dallas, Texas  
March 9, 2001

PARKER & PARSLEY 83-A, LTD.  
(A Texas Limited Partnership)

BALANCE SHEETS  
December 31

2000	1999
-----	-----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

ASSETS

-----

Current assets:

Cash	\$ 169,055	\$ 143,823
Accounts receivable - oil and gas sales	279,239	189,995

Total current assets	448,294	333,818
----------------------	---------	---------

Oil and gas properties - at cost, based on the  
successful efforts accounting method  
Accumulated depletion

16,901,194	16,892,307
(15,622,262)	(15,541,219)

Net oil and gas properties	1,278,932	1,351,088
----------------------------	-----------	-----------

\$ 1,727,226	\$ 1,684,906
=====	=====

LIABILITIES AND PARTNERS' CAPITAL

-----

Current liabilities:

Accounts payable - affiliate	\$ 33,783	\$ 32,852
------------------------------	-----------	-----------

Partners' capital:

General partners	200,131	182,491
Limited partners (19,505 interests)	1,493,312	1,469,563

1,693,443	1,652,054
-----------	-----------

\$ 1,727,226	\$ 1,684,906
=====	=====

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

PARKER & PARSLEY 83-A, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF OPERATIONS  
For the years ended December 31

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	2000 -----	1999 -----	1998 -----
Revenues:			
Oil and gas	\$ 1,929,701	\$ 1,176,562	\$ 9,100,000
Interest	13,777	6,901	1,000
Gain on disposition of assets	-	1,801	-
	-----	-----	-----
	1,943,478	1,185,264	9,101,000
	-----	-----	-----
Costs and expenses:			
Oil and gas production	867,551	756,020	7,000,000
General and administrative	65,724	47,303	1,000
Impairment of oil and gas properties	-	-	4,000
Depletion	81,038	152,395	5,000
	-----	-----	-----
	1,014,313	955,718	1,700,000
	-----	-----	-----
Net income (loss)	\$ 929,165	\$ 229,546	\$ (700,000)
	=====	=====	=====
Allocation of net income (loss):			
General partners	\$ 246,105	\$ 82,467	\$ (1,000)
	=====	=====	=====
Limited partners	\$ 683,060	\$ 147,079	\$ (699,000)
	=====	=====	=====
Net income (loss) per limited partnership interest	\$ 35.02	\$ 7.54	\$ (7.00)
	=====	=====	=====

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

PARKER & PARSLEY 83-A, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF PARTNERS' CAPITAL

General partners	Limited partners	Total
-----	-----	-----



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Partners' capital at January 1, 1998	\$ 336,024	\$ 2,640,444	\$ 2,976,468
Distributions	(119,259)	(404,324)	(523,583)
Net loss	(52,520)	(732,063)	(784,583)
	-----	-----	-----
Partners' capital at December 31, 1998	164,245	1,504,057	1,668,302
Distributions	(64,221)	(181,573)	(245,794)
Net income	82,467	147,079	229,546
	-----	-----	-----
Partners' capital at December 31, 1999	182,491	1,469,563	1,652,054
Distributions	(228,465)	(659,311)	(887,776)
Net income	246,105	683,060	929,165
	-----	-----	-----
Partners' capital at December 31, 2000	\$ 200,131	\$ 1,493,312	\$ 1,693,443
	=====	=====	=====

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

12

397

PARKER & PARSLEY 83-A, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF CASH FLOWS  
For the years ended December 31

	2000	1999	1998
	-----	-----	-----
Cash flows from operating activities:			
Net income (loss)	\$ 929,165	\$ 229,546	\$ (784,583)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Impairment of oil and gas properties	-	-	430,300
Depletion	81,038	152,395	521,300
Gain on disposition of assets	-	(1,801)	(3,700)
Changes in assets and liabilities:			
Accounts receivable	(89,244)	(88,337)	39,900
Accounts payable	931	9,445	(15,200)
	-----	-----	-----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Net cash provided by operating activities	921,890	301,248	188,1
	-----	-----	-----
Cash flows from investing activities:			
Additions to oil and gas properties	(8,882)	(8,942)	(14,9
Proceeds from asset dispositions	-	2,611	271,8
	-----	-----	-----
Net cash provided by (used in) investing activities	(8,882)	(6,331)	256,8
	-----	-----	-----
Cash flows used in financing activities:			
Cash distributions to partners	(887,776)	(245,794)	(523,5
	-----	-----	-----
Net increase (decrease) in cash	25,232	49,123	(78,5
Cash at beginning of year	143,823	94,700	173,2
	-----	-----	-----
Cash at end of year	\$ 169,055	\$ 143,823	\$ 94,7
	=====	=====	=====

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

13

398

PARKER & PARSLEY 83-A, LTD.  
(A Texas Limited Partnership)

NOTES TO FINANCIAL STATEMENTS  
December 31, 2000, 1999 and 1998

NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS

Parker & Parsley 83-A, Ltd. (the "Partnership") is a limited partnership organized in 1983 under the laws of the State of Texas. The Partnership's general partners are Pioneer Natural Resources USA, Inc. ("Pioneer USA") and P&P Employees 83-A, Ltd. ("EMPL"). The Partnership's managing general partner is Pioneer USA.

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Oil and gas properties - The Partnership utilizes the successful efforts method of accounting for its oil and gas properties and equipment. Under this

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

method, all costs associated with productive wells and nonproductive development wells are capitalized while nonproductive exploration costs are expensed. Capitalized costs relating to proved properties are depleted using the unit-of-production method on a property-by-property basis based on proved oil (dominant mineral) reserves as evaluated by independent petroleum consultants. The carrying amounts of properties sold or otherwise disposed of and the related allowances for depletion are eliminated from the accounts and any gain or loss is included in results of operations.

Impairment of long-lived assets - In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the Partnership reviews its long-lived assets to be held and used on an individual property basis, including oil and gas properties accounted for under the successful efforts method of accounting, whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. An impairment loss is indicated if the sum of the expected future cash flows is less than the carrying amount of the assets. In this circumstance, the Partnership recognizes an impairment loss for the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset.

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

14

399

Net income (loss) per limited partnership interest - The net income (loss) per limited partnership interest is calculated by using the number of outstanding limited partnership interests.

Income taxes - A Federal income tax provision has not been included in the financial statements as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

Statements of cash flows - For purposes of reporting cash flows, cash includes depository accounts held by banks.

General and administrative expenses - General and administrative expenses are allocated in part to the Partnership by the managing general partner. Allocated expenses are determined by the managing general partner based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Reclassifications - Certain reclassifications may have been made to the 1999 and 1998 financial statements to conform to the 2000 financial statement presentations.

Environmental - The Partnership is subject to extensive federal, state and local environmental laws and regulations. These laws, which are constantly changing, regulate the discharge of materials into the environment and may require the Partnership to remove or mitigate the environmental effects of the

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

disposal or release of petroleum or chemical substances at various sites. Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Liabilities for expenditures of a noncapital nature are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated. Such liabilities are generally undiscounted unless the timing of cash payments for the liability or component are fixed or reliably determinable. No such liabilities have been accrued as of December 31, 2000.

Revenue recognition - The Partnership uses the entitlements method of accounting for oil, natural gas liquids ("NGLs") and natural gas revenues.

### NOTE 3. IMPAIRMENT OF LONG-LIVED ASSETS

In accordance with SFAS 121, the Partnership reviews its proved oil and gas properties for impairment whenever events and circumstances indicate a decline in the recoverability of the carrying value of the Partnership's oil and gas properties. The Partnership has estimated the expected future cash flows of its oil and gas properties as of December 31, 2000, 1999 and 1998, based on proved reserves, and compared such estimated future cash flows to the respective carrying amount of the oil and gas properties to determine if the carrying amounts were likely to be recoverable. For those proved oil and gas properties for which the carrying amount exceeded the estimated future cash flows, an impairment was determined to exist; therefore, the Partnership adjusted the carrying amount of those oil and gas properties to their fair value as determined by discounting their expected future cash flows at a discount rate commensurate with the risks involved in the industry. As a result, the Partnership recognized a non-cash impairment provision of

15

400

\$430,351 related to its proved oil and gas properties during 1998.

### NOTE 4. INCOME TAXES

The financial statement basis of the Partnership's net assets and liabilities was \$1,081,971 less than the tax basis at December 31, 2000.

The following is a reconciliation of net income (loss) per statements of operations with the net income per Federal income tax returns for the years ended December 31:

	2000	1999	1998
	-----	-----	-----
Net income (loss) per statements of operations	\$ 929,165	\$ 229,546	\$ (784,5
Depletion and depreciation provisions for tax reporting purposes less than amounts for financial reporting purposes	72,648	144,177	510,6
Impairment of oil and gas properties for financial reporting purposes	-	-	430,3
Other, net	(2,243)	(235)	8
	-----	-----	-----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Net income per Federal income tax returns	\$ 999,570 =====	\$ 373,488 =====	\$ 157,2 =====
---	---------------------	---------------------	-------------------

NOTE 5. OIL AND GAS PRODUCING ACTIVITIES

The following is a summary of the costs incurred, whether capitalized or expensed, related to the Partnership's oil and gas producing activities for the years ended December 31:

	2000 -----	1999 -----	1998 -----
Development costs	\$ 8,882 =====	\$ 8,942 =====	\$14,943 =====

Capitalized oil and gas properties consist of the following:

	2000 -----	1999 -----
Proved properties:		
Property acquisition costs	\$ 1,000,072	\$ 1,000,072
Completed wells and equipment	15,901,122	15,892,235
	-----	-----
Accumulated depletion	16,901,194 (15,622,262)	16,892,307 (15,541,219)
	-----	-----
Net oil and gas properties	\$ 1,278,932 =====	\$ 1,351,088 =====

16

401

NOTE 6. RELATED PARTY TRANSACTIONS

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

	2000 -----	1999 -----	1998 -----
Payment of lease operating and supervision			

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

charges in accordance with standard industry operating agreements	\$ 407,783	\$ 397,884	\$ 370,984
Reimbursement of general and administrative expenses	\$ 57,891	\$ 35,297	\$ 27,308

Pioneer USA, EMPL and the Partnership are parties to the partnership agreement. EMPL is a limited partnership in which Pioneer USA owns 79% and the remaining portion is owned by former affiliates. In addition, Pioneer USA owned 676 limited partner interests at January 1, 2001.

The costs and revenues of the Partnership are allocated as follows:

	General partners -----	Limited partners -----
<b>Revenues:</b>		
Proceeds from property dispositions prior to cost recovery	10%	90%
All other Partnership revenues	25%	75%
<b>Costs and expenses:</b>		
Lease acquisition costs, drilling and completion costs	10%	90%
Operating costs, direct costs and general and administrative expenses	25%	75%
Incremental direct expenses	-	100%

Incremental direct expenses are direct expenses which would not be incurred except for the requirements of the securities regulatory authorities. Such expenses totaled \$7,833, \$12,006 and \$5,692 in 2000, 1999 and 1998, respectively.

### NOTE 7. OIL AND GAS INFORMATION (UNAUDITED)

The following table presents information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities during the years then ended. All of the Partnership's reserves are proved developed and located within the United States. The Partnership's reserves are based on an evaluation prepared by Williamson Petroleum Consultants, Inc., an independent petroleum consultant, using criteria established by the Securities and Exchange Commission.

	Oil and NGLs (bbls) -----	Gas (mcf) -----
Net proved reserves at January 1, 1998	765,491	1,179,867
Revisions	(361,806)	(528,746)
Production	(67,612)	(95,156)
	-----	-----
Net proved reserves at December 31, 1998	336,073	555,965

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Revisions	714,690	1,245,944
Production	(69,238)	(109,716)
	-----	-----
Net proved reserves at December 31, 1999	981,525	1,692,193
Revisions	124,418	(56,128)
Production	(66,679)	(94,612)
	-----	-----
Net proved reserves at December 31, 2000	1,039,264	1,541,453
	=====	=====

As of December 31, 2000, the estimated present value of future net revenues of proved reserves, calculated using December 31, 2000 prices of \$26.61 per barrel

17

402

of oil, \$13.13 per barrel of NGLs and \$7.87 per mcf of gas, discounted at 10% was approximately \$7,532,000 and undiscounted was \$14,892,000.

Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves. The Partnership emphasizes that reserve estimates are inherently imprecise and, accordingly, the estimates are expected to change as future information becomes available.

Disclosures about Oil & Gas Producing Activities

Standardized Measure of Discounted Future Net Cash Flows

The standardized measure of discounted future net cash flows is computed by applying year-end prices of oil and gas (with consideration of price changes only to the extent provided by contractual arrangements) to the estimated future production of proved oil and gas reserves less estimated future expenditures (based on year-end costs) to be incurred in developing and producing the proved reserves, discounted using a rate of 10% per year to reflect the estimated timing of the future cash flows. A Federal income tax provision has not been calculated as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

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

For the years ended Decem	
2000	1999
-----	-----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

(in thousands)

Oil and gas producing activities:		
Future cash inflows	\$ 34,721	\$ 24,100
Future production costs	(19,829)	(14,511)
	-----	-----
	14,892	9,589
10% annual discount factor	(7,360)	(4,422)
	-----	-----
Standardized measure of discounted future net cash flows	\$ 7,532	\$ 5,167
	=====	=====

18

403

	For the years ended December 31		
	2000	1999	1998
	(in thousands)		
Oil and Gas Producing Activities:			
Oil and gas sales, net of production costs	\$ (1,062)	\$ (421)	\$ (1,062)
Net changes in prices and production costs	2,717	1,751	(1,751)
Revisions of previous quantity estimates	713	4,985	4,985
Accretion of discount	517	51	51
Changes in production rates, timing and other	(520)	(1,711)	(1,711)
	-----	-----	-----
Change in present value of future net revenues	2,365	4,655	(1,711)
	-----	-----	-----
Balance, beginning of year	5,167	512	512
	-----	-----	-----
Balance, end of year	\$ 7,532	\$ 5,167	\$ 5,167
	=====	=====	=====

NOTE 8. MAJOR CUSTOMERS

The following table reflects the major customers of the Partnership's oil and gas sales (a major customer is defined as a customer whose sales exceed 10% of total sales) during the years ended December 31:

2000	1999	1998
-----	-----	-----



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Plains Marketing, L.P.	53%	52%	-
Genesis Crude Oil, L.P.	-	-	64%
Western Gas Resources, Inc.	3%	5%	17%

At December 31, 2000, the amount receivable from Plains Marketing, L.P. was \$100,032 which is included in the caption "Accounts receivable - oil and gas sales" in the accompanying Balance Sheet.

Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on the ability of the Partnership to sell its oil, NGLs and gas production.

### NOTE 9. PARTNERSHIP AGREEMENT

The following is a brief summary of the more significant provisions of the limited partnership agreement:

General partners - The general partners of the Partnership are Pioneer USA and EMPL. Pioneer USA, the managing general partner, has the power and authority to manage, control and administer all Partnership affairs. As managing general partner and operator of the Partnership's properties, all production expenses are incurred by Pioneer USA and billed to the Partnership. The majority of the Partnership's oil and gas revenues are received directly by the Partnership, however, a portion of the oil and gas revenue is initially received by Pioneer USA prior to being paid to the Partnership.

Limited partner liability - The maximum amount of liability of any limited partner is the total contributions of such partner plus his share of any undistributed profits.

Initial capital contributions - The limited partners entered into subscription agreements for aggregate capital contributions of \$19,505,000. The general partners are required to contribute amounts equal to 10% of Partnership expenditures for lease acquisition, drilling and

19

404

completion and 25% of direct, general and administrative and operating expenses.

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

None.

20

405

PART III

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

### ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE PARTNERSHIP

The Partnership does not have any officers or directors. Under the limited partnership agreement, the Partnership's managing general partner, Pioneer USA, is granted the exclusive right and full authority to manage, control and administer the Partnership's business.

Set forth below are the names, ages and positions of the directors and executive officers of Pioneer USA. Directors of Pioneer USA are elected to serve until the next annual meeting of stockholders or until their successors are elected and qualified.

Name -----	Age at December 31, 2000 -----	Position -----
Scott D. Sheffield	48	President
Timothy L. Dove	44	Executive Vice President, Chief Financial Officer and Director
Dennis E. Fagerstone	51	Executive Vice President and Director
Mark L. Withrow	53	Executive Vice President, General Counsel and Director
Danny Kellum	46	Executive Vice President - Director of Operations and Director
Rich Dealy	34	Vice President and Chief Accounting Officer

Scott D. Sheffield. Mr. Sheffield is a graduate of The University of Texas with a B.S. in Petroleum Engineering. Since August 1997, he has served as President, Chief Executive Officer and a director of Pioneer and President of Pioneer USA. Mr. Sheffield assumed the position of Chairman of the Board of Pioneer in August 1999. He served as a director of Pioneer USA from August 1997 until his resignation from the board in June 1999. Mr. Sheffield was the President and a director of Parker & Parsley Petroleum Company ("Parker & Parsley") from May 1990 until August 1997 and was the Chairman of the Board and Chief Executive Officer of Parker & Parsley from October 1990 until August 1997. He was the sole director of Parker & Parsley from May 1990 until October 1990. Mr. Sheffield joined Parker & Parsley Development Company ("PPDC"), a predecessor of Parker & Parsley, as a petroleum engineer in 1979. He served as Vice President - Engineering of PPDC from September 1981 until April 1985 when he was elected President and a director. In March 1989, Mr. Sheffield was elected Chairman of the Board and Chief Executive Officer of PPDC. Before joining PPDC's predecessor, Mr. Sheffield was employed as a production and reservoir engineer for Amoco Production Company.

Timothy L. Dove. Mr. Dove earned a B.S. in Mechanical Engineering from Massachusetts

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Institute of Technology in 1979 and received his M.B.A. in 1981 from the University of Chicago. He became Executive Vice President - Business Development of Pioneer and Pioneer USA in August 1997 and was also appointed a director of Pioneer USA in August 1997. Mr. Dove assumed the position of Chief Financial Officer of Pioneer and Pioneer USA effective February 1, 2000. Mr. Dove joined Parker & Parsley in May 1994 as Vice President - International and was promoted to Senior Vice President - Business Development in October 1996, in which position he served until August 1997. Prior to joining Parker & Parsley, Mr. Dove was employed with Diamond Shamrock Corp., and its successor, Maxus Energy Corp, in various capacities in international exploration and production, marketing, refining and marketing and planning and development.

Dennis E. Fagerstone. Mr. Fagerstone, a graduate of the Colorado School of Mines with a B.S. in Petroleum Engineering, became an Executive Vice President of Pioneer and Pioneer USA in August 1997. He was also appointed a director of Pioneer USA in August 1997. He served as Executive Vice President and Chief Operating Officer of MESA Inc. ("Mesa") from March 1, 1997 until August 1997. From October 1996 to February 1997, Mr. Fagerstone served as Senior Vice President and Chief Operating Officer of Mesa and from May 1991 to October 1996, he served as Vice President - Exploration and Production of Mesa. From June 1988 to May 1991, Mr. Fagerstone served as Vice President - Operations of Mesa.

Mark L. Withrow. Mr. Withrow, a graduate of Abilene Christian University with a B. S. in Accounting and Texas Tech University with a Juris Doctorate degree, became Executive Vice President, General Counsel and Secretary of Pioneer and Pioneer USA in August 1997. He was also appointed a director of Pioneer USA in August 1997. Mr. Withrow was Vice President - General Counsel of Parker & Parsley from January 1991, when he joined Parker & Parsley, to January 1995, when he was appointed Senior Vice President - General Counsel. He was Parker & Parsley's Secretary from August 1992 until August 1997. Prior to joining Parker & Parsley, Mr. Withrow was the managing partner of the law firm of Turpin, Smith, Dyer, Saxe & MacDonald, Midland, Texas.

Danny Kellum. Mr. Kellum, who received a Bachelor of Science degree in Petroleum Engineering from Texas Tech University in 1979, was elected Executive Vice President - Domestic Operations of Pioneer and Pioneer USA on May 18, 2000 and Director of Pioneer USA on February 1, 2000. From January 2000 until May 2000, Mr. Kellum served as Vice President - Domestic Operations of Pioneer and Pioneer USA. Mr. Kellum served as Vice President Permian Division of Pioneer and Pioneer USA from April 1998 until December 1999. From 1989 until 1994 he served as Spraberry District Manager and as Vice President of the Spraberry and Permian Division for Parker & Parsley until August of 1997. Mr. Kellum joined Parker & Parsley as an operations engineer in 1981 after a brief career with Mobil Oil Corporation.

Rich Dealy. Mr. Dealy is a graduate of Eastern New Mexico University with a B.B.A. in Accounting and Finance and is a Certified Public Accountant. He became Vice President and Chief Accounting Officer of Pioneer and Pioneer USA in February 1998. Mr. Dealy served as Controller of Pioneer USA from August 1997 to February 1998. He served as Controller of Parker & Parsley from August 1995 to August 1997. Mr. Dealy joined Parker & Parsley as an Accounting Manager in July, 1992. He was previously employed with KPMG Peat Marwick as an Audit Senior, in charge of Parker & Parsley's audit.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

### ITEM 11. EXECUTIVE COMPENSATION

The Partnership does not have any directors or officers. Management of the Partnership is performed by Pioneer USA, the managing general partner. Under the partnership agreement, Pioneer USA pays 8% of the Partnership's acquisition, drilling and completion costs and 20% of its operating and general and administrative expenses. In return, Pioneer USA is allocated 20% of the Partnership's revenues.

EMPL is a co-general partner of the Partnership. Under this arrangement, EMPL pays 2% of the Partnership's acquisition, drilling and completion costs and 5% of its operating and general and administrative expenses. In return, EMPL is allocated 5% of the Partnership's revenues. EMPL does not receive any fees or reimbursements from the Partnership.

The Partnership does not directly pay any salaries of the executive officers of Pioneer USA, but does pay a portion of Pioneer USA's general and administrative expenses of which these salaries are a part.

See Notes 6 and 9 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" for information regarding fees and reimbursements paid to the managing general partner by the Partnership.

### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

#### (a) Beneficial owners of more than five percent

The Partnership is not aware of any person who beneficially owns 5% or more of the outstanding limited partnership interests of the Partnership. Pioneer USA and EMPL respectively own 80% and 20% of the general partners' interests in the Partnership. Pioneer USA owned 676 limited partner interests at January 1, 2001.

#### (b) Security ownership of management

The Partnership does not have any officers or directors. The managing general partner of the Partnership, Pioneer USA, has the exclusive right and full authority to manage, control and administer the Partnership's business. Under the limited partnership agreement, limited partners holding a majority of the outstanding limited partnership interests have the right to take certain actions, including the removal of the managing general partner or any other general partner. The Partnership is not aware of any current arrangement or activity which may lead to such removal. The Partnership is not aware of any officer or director of Pioneer USA who beneficially owns limited partnership interests in the Partnership.

23

408

### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Transactions with the managing general partner

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

2000

1999

1998

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	-----	-----	-----
Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$407,783	\$397,884	\$370,984
Reimbursement of general and administrative expenses	\$ 57,891	\$ 35,297	\$ 27,308

Under the limited partnership agreement, the general partners, Pioneer USA and EMPL, together pay 10% of the Partnership's acquisition, drilling and completion costs and 25% of its operating and general and administrative expenses. In return, they are allocated 25% of the Partnership's revenues. Twenty percent of the general partners' share of costs and revenues is allocated to EMPL and the remainder is allocated to Pioneer USA. Certain former affiliates of Pioneer USA are limited partners of EMPL. Also, see Notes 6 and 9 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data", regarding the Partnership's participation with the managing general partner in oil and gas activities of the Partnership.

24

409

PART IV

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

(a) 1. Financial statements

The following are filed as part of this Report:

Independent Auditors' Report

Balance sheets as of December 31, 2000 and 1999

Statements of operations for the years ended December 31, 2000, 1999 and 1998

Statements of partners' capital for the years ended December 31, 2000, 1999 and 1998

Statements of cash flows for the years ended December 31, 2000, 1999 and 1998

Notes to financial statements

2. Financial statement schedules

All financial statement schedules have been omitted since the required information is in the financial statements or notes thereto, or is not applicable nor required.

(b) Reports on Form 8-K

None.

(c) Exhibits

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The exhibits listed on the accompanying index to exhibits are filed or incorporated by reference as part of this Report.

25

410

S I G N A T U R E S

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, thereunto duly authorized.

PARKER & PARSLEY 83-A, LTD.

Dated: March 23, 2001

By: Pioneer Natural Resources USA, Inc.  
Managing General Partner

By: /s/ Scott D. Sheffield  
-----  
Scott D. Sheffield, President

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

/s/ Scott D. Sheffield  
-----  
Scott D. Sheffield

President of Pioneer USA

Ma

/s/ Timothy L. Dove  
-----  
Timothy L. Dove

Executive Vice President, Chief  
Financial Officer and Director of  
Pioneer USA

Ma

/s/ Dennis E. Fagerstone  
-----  
Dennis E. Fagerstone

Executive Vice President and  
Director of Pioneer USA

Ma

/s/ Mark L. Withrow  
-----  
Mark L. Withrow

Executive Vice President, General  
Counsel and Director of Pioneer USA

Ma

/s/ Danny Kellum  
-----  
Danny Kellum

Executive Vice President - Domestic  
Operations and Director of Pioneer  
USA

Ma

/s/ Rich Dealy  
-----  
Rich Dealy

Vice President and Chief Accounting  
Officer of Pioneer USA

Ma

## PARKER &amp; PARSLEY 83-A, LTD.

## INDEX TO EXHIBITS

The following documents are incorporated by reference in response to Item 14(c):

Exhibit No. -----	Description -----	Page ----
3.1	Agreement of Limited Partnership of Parker & Parsley 83-A, Ltd. incorporated by reference to Exhibit 4(e) of Partnership's Registration Statement on Form S-1 (Registration No. 2-81398A), as amended on April 26, 1983, the effective date thereof (hereinafter called, the Partnership's Registration Statement)	-
3.2	Amended and Restated Certificate of Limited Partnership of Parker & Parsley 83-A, Ltd. incorporated by reference to Exhibit 3.2 of the Partnership's Annual Report on Form 10-K for the period from July 1, 1983 (date of organization) through December 31, 1983	-
4.1	Form of Subscription Agreement and Power of Attorney incorporated by reference to Exhibit 4(b) of the Partnership's Registration Statement	-
4.2	Specimen Certificate of Limited Partnership Interest incorporated by reference to Exhibit 4(d) of the Partnership's Registration Statement	-

## PARKER &amp; PARSLEY 83-A, LTD.

## SELECTED FINANCIAL DATA

The following selected financial data for the Partnership should be read in connection with Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements included in the attached supplemental information.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	Six months ended June 30,		Years ended Decem		
	2001	2000	2000	1999	1998
Operating results:					
Oil and gas sales	\$ 979,098	\$ 864,836	\$1,929,701	\$1,176,562	\$ 910,25
Impairment of oil and gas properties	\$ --	\$ --	\$ --	\$ --	\$ 430,35
Gain on litigation settlement, net	\$ --	\$ --	\$ --	\$ --	\$ --
Net income (loss)	\$ 437,418	\$ 358,957	\$ 929,165	\$ 229,546	\$ (784,58
Allocation of net income (loss):					
General partners	\$ 116,436	\$ 96,236	\$ 246,105	\$ 82,467	\$ (52,52
Limited partners	\$ 320,982	\$ 262,721	\$ 683,060	\$ 147,079	\$ (732,06
Limited partners' net income (loss) per limited partnership interest	\$ 16.46	\$ 13.47	\$ 35.02	\$ 7.54	\$ (37.5
Limited partners' cash distributions per limited partnership interest	\$ 12.04	\$ 14.52	\$ 33.80	\$ 9.31	\$ 20.7
As of period ended:					
Total assets	\$ 1,859,598	\$1,686,799	\$1,727,226	\$1,684,906	\$1,691,70

(a) Including litigation settlement per limited partnership interest of \$34.33 in 1996.

413

PIONEER NATURAL RESOURCES COMPANY  
PIONEER NATURAL RESOURCES USA, INC.  
5205 NORTH O'CONNOR BLVD., SUITE 1400  
IRVING, TEXAS 75039

SUPPLEMENTAL INFORMATION



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

OF

PARKER & PARSLEY 83-B, LTD., A TEXAS LIMITED PARTNERSHIP

TO

PROXY STATEMENT/PROSPECTUS DATED , 2001

-----

THE DATE OF THIS SUPPLEMENT IS , 2001

-----

This document contains important information specific to Parker & Parsley 83-B, Ltd. and supplements the proxy statement/prospectus dated , 2001, of Pioneer Natural Resources Company and Pioneer Natural Resources USA, Inc., by which Pioneer USA is soliciting proxies to be voted at a special meeting of limited partners of the partnership. The purpose of the special meeting is for you to vote upon the merger of the partnership with and into Pioneer USA that, if completed, will result in your receiving common stock of Pioneer Natural Resources Company for your partnership interests.

This document contains the following information concerning Parker & Parsley 83-B, Ltd.:

- o A table containing:
  - the aggregate initial investment by the limited partners
  - the aggregate historical limited partner distributions through July 31, 2001
  - the merger value attributable to partnership interests of limited partners, excluding Pioneer USA
  - the merger value per \$1,000 limited partner investment
  - the merger value per \$1,000 limited partner investment as a multiple of distributions for the past four quarterly distributions including the distribution in July 2001
  - the book value per \$1,000 limited partner investment as of June 30, 2001 and as of December 31, 2000
  - the going concern value per \$1,000 limited partner investment
  - the liquidation value per \$1,000 limited partner investment
  - the ordinary tax loss per \$1,000 limited partner investment in year of initial investment
- o Information about:
  - the legal opinion for the limited partners
  - the term of the partnership
- o The partnership's quarterly report on Form 10-Q, including

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

management's discussion and analysis of financial condition and results of operations, for the six months ended June 30, 2001

- o The partnership's annual report on Form 10-K, including management's discussion and analysis of financial condition and results of operations, for the year ended December 31, 2000
  
- o Selected historical financial data for the partnership for the six months ended June 30, 2001 and 2000 and the five years ended December 31, 2000

-1-

414

PARKER & PARSLEY 83-B, LTD.

### SUPPLEMENTAL INFORMATION TABLE

Aggregate Initial Investment by the Limited Partners (a)	\$
Aggregate Historical Limited Partner Distributions through July 31, 2001 (a)	\$
Merger Value Attributable to Partnership Interests of Limited Partners, Excluding Pioneer USA (a), (b)	\$
Merger Value per \$1,000 Limited Partner Investment (b), (c)	\$
Merger Value per \$1,000 Limited Partner Investment as a Multiple of Distributions for the past four quarterly distributions including the distribution in July 2001 (b), (c)	
Book Value per \$1,000 Limited Partner Investment:	
-- as of June 30, 2001 (c)	\$
-- as of December 31, 2000 (c)	\$
Going Concern Value per \$1,000 Limited Partner Investment (c), (d)	\$
Liquidation Value per \$1,000 Limited Partner Investment (c), (e)	\$
Ordinary Tax Loss per \$1,000 Limited Partner Investment in Year of Initial Investment (c), (f)	\$

-----

(a) Stated in thousands.

(b) The merger value for the partnership is equal to the sum of the present value of estimated future net revenues from the partnership's estimated oil and gas reserves and its net working capital, in each case as of March 31, 2001, less its pro rata share, based on its reserve value, of the estimated expenses and fees of the mergers of all of the partnerships and less the cash distribution on July 13, 2001, by the partnership to its partners.

(c) Interests in some partnerships were sold in units at prices other than

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

\$1,000. We have presented this information based on a \$1,000 initial investment for ease of use and comparison among partnerships. You should not assume that the amount shown per \$1,000 investment is the same as the value or amount attributable to a single unit investment.

- (d) The going concern value for the partnership is based upon: (1) the sum of (A) the estimated net cash flow from the sale of the partnership's reserves during a 10-year operating period and (B) the estimated residual value from the sale of the partnership's remaining reserves at the end of the operating period, in each case using the same pricing and discount rate as in the merger value calculation, less (2) (A) partnership level general and administrative expenses, and (B) the cash distribution on July 13, 2001 by the partnership to its partners.
- (e) The liquidation value for the partnership is based upon the sale of the partnership's reserves at the reserve value, less (1) liquidation expenses which are estimated to be the sum of (A) the partnership's pro rata share of the merger expenses and fees described in footnote (b) above and (B) 3% of the partnership's reserve value, and (2) the cash distribution on July 13, 2001 by the partnership to its partners. The liquidation expenses represent the estimated costs to retain an investment banker or broker to sell the assets of the partnership and the legal and other closing costs associated with such transaction, including the wind-down costs of the partnership.
- (f) Your ability to use your distributive share of the partnership's loss to offset your other income may have been subject to certain limitations at your level as a partner, and you may therefore wish to consult your tax advisor to determine the additional value, if any, actually realized by you in your particular circumstances.

### INFORMATION ABOUT THE LEGAL OPINION FOR THE LIMITED PARTNERS

The partnership agreement for the partnership requires that special legal counsel render an opinion on behalf of the limited partners to Pioneer USA that (1) neither the grant nor the exercise of the right to approve the merger of the partnership by its limited partners will adversely affect the federal income tax classification of the partnership or any of its limited partners; and (2) neither the grant nor exercise of such right will result in the loss of any limited partner's limited liability. In addition, the counsel designated to render the opinion must be counsel other than counsel to Pioneer USA or the partnership. Both the designated counsel and the legal opinion must be approved by the limited partners. Pioneer USA has retained \_\_\_\_\_ of Dallas, Texas for the purpose of rendering this legal opinion on behalf of the limited partners to Pioneer USA. The merger proposals include an approval of that counsel and the form of its opinion. A copy of the opinion is attached as an exhibit to the merger proposals.

### INFORMATION ABOUT THE TERM OF THE PARTNERSHIP

The term of the partnership shall continue until terminated in accordance with the applicable provisions of its partnership agreement.

-2-

415

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

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

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, 2001

Commission File No. 2-81398B

PARKER & PARSLEY 83-B, LTD.  
(Exact name of Registrant as specified in its charter)

Texas	75-1907245
-----	-----
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
5205 N. O'Connor Blvd., Suite 1400, Irving, Texas	75039
-----	-----
(Address of principal executive offices)	(Zip code)
Registrant's Telephone Number, including area code : (972) 444-9001	

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 / x / No / /

416

PARKER & PARSLEY 83-B, LTD.

TABLE OF CONTENTS

Page

Part I. Financial Information

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Item 1.	Financial Statements	
	Balance Sheets as of June 30, 2001 and December 31, 2000.....	3
	Statements of Operations for the three and six months ended June 30, 2001 and 2000.....	4
	Statement of Partners' Capital for the six months ended June 30, 2001.....	5
	Statements of Cash Flows for the six months ended June 30, 2001 and 2000.....	6
	Notes to Financial Statements.....	7
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations.....	7
Part II. Other Information		
Item 6.	Exhibits and Reports on Form 8-K.....	11
	Signatures.....	12

2

417

PARKER & PARSLEY 83-B, LTD.  
(A Texas Limited Partnership)

Part I. Financial Information

Item 1. Financial Statements

BALANCE SHEETS

	June 30, 2001	December 31, 2000
	----- (Unaudited)	-----
ASSETS		
Current assets:		
Cash	\$ 491,644	\$ 224,865
Accounts receivable - oil and gas sales	246,453	369,349
	-----	-----
Total current assets	738,097	594,214
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	18,964,252	18,957,070

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Accumulated depletion	(17,300,181)	(17,248,214)
	-----	-----
Net oil and gas properties	1,664,071	1,708,856
	-----	-----
	\$ 2,402,168	\$ 2,303,070
	=====	=====

LIABILITIES AND PARTNERS' CAPITAL

Current liabilities:

Accounts payable - affiliate	\$ 56,318	\$ 39,862
------------------------------	-----------	-----------

Partners' capital:

General partners	341,357	316,574
Limited partners (23,370 interests)	2,004,493	1,946,634
	-----	-----
	2,345,850	2,263,208
	-----	-----
	\$ 2,402,168	\$ 2,303,070
	=====	=====

The financial information included as of June 30, 2001 has been prepared by the managing general partner without audit by independent public accountants.

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

3

418

PARKER & PARSLEY 83-B, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF OPERATIONS  
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2001	2000	2001	2000
	-----	-----	-----	-----
Revenues:				
Oil and gas	\$ 519,120	\$ 545,418	\$1,086,570	\$1,095,887
Interest	3,685	5,180	7,940	9,089
Gain on disposition of assets	10,923	1,428	10,923	5,351
	-----	-----	-----	-----
	533,728	552,026	1,105,433	1,110,327
	-----	-----	-----	-----
Costs and expenses:				
Oil and gas production	306,551	247,177	584,983	480,127
General and administrative	15,891	17,899	36,427	34,788
Depletion	27,493	22,471	51,967	52,331

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	-----	-----	-----	-----
	349,935	287,547	673,377	567,246
	-----	-----	-----	-----
Net income	\$ 183,793	\$ 264,479	\$ 432,056	\$ 543,081
	=====	=====	=====	=====
Allocation of net income:				
General partners	\$ 48,513	\$ 69,659	\$ 114,788	\$ 143,294
	=====	=====	=====	=====
Limited partners	\$ 135,280	\$ 194,820	\$ 317,268	\$ 399,787
	=====	=====	=====	=====
Net income per limited partnership interest	\$ 5.79	\$ 8.34	\$ 13.58	\$ 17.11
	=====	=====	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

4

419

PARKER & PARSLEY 83-B, LTD.  
(A Texas Limited Partnership)

STATEMENT OF PARTNERS' CAPITAL  
(Unaudited)

	General partners	Limited partners	Total
	-----	-----	-----
Balance at January 1, 2001	\$ 316,574	\$1,946,634	\$2,263,208
Distributions	(90,005)	(259,409)	(349,414)
Net income	114,788	317,268	432,056
	-----	-----	-----
Balance at June 30, 2001	\$ 341,357	\$2,004,493	\$2,345,850
	=====	=====	=====

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

5

420

PARKER & PARSLEY 83-B, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF CASH FLOWS  
(Unaudited)

	Six months ended June 30,	
	2001	2000
	-----	-----
Cash flows from operating activities:		
Net income	\$ 432,056	\$ 543,081
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion	51,967	52,331
Gain on disposition of assets	(10,923)	(5,351)
Changes in assets and liabilities:		
Accounts receivable	122,896	(21,372)
Accounts payable	16,456	21,923
	-----	-----
Net cash provided by operating activities	612,452	590,612
	-----	-----
Cash flows from investing activities:		
Additions to oil and gas properties	(7,182)	(5,122)
Proceeds from asset disposition	10,923	5,358
	-----	-----
Net cash provided by investing activities	3,741	236
	-----	-----
Cash flows used in financing activities:		
Cash distributions to partners	(349,414)	(574,504)
	-----	-----
Net increase in cash	266,779	16,344
Cash at beginning of period	224,865	244,091
	-----	-----
Cash at end of period	\$ 491,644	\$ 260,435
	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

6



PARKER & PARSLEY 83-B, LTD.  
(A Texas Limited Partnership)

NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Unaudited)

Note 1. Organization and nature of organization

Parker & Parsley 83-B, Ltd. (the "Partnership") is a limited partnership organized in 1983 under the laws of the State of Texas.

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

Note 2. Basis of presentation

In the opinion of management, the unaudited financial statements of the Partnership as of June 30, 2001 and for the three and six months ended June 30, 2001 and 2000 include all adjustments and accruals consisting only of normal recurring accrual adjustments which are necessary for a fair presentation of the results for the interim period. These interim results are not necessarily indicative of results for a full year. Certain reclassifications may have been made to the June 30, 2000 financial statements to conform to the June 30, 2001 financial statement presentations.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in this Form 10-Q pursuant to the rules and regulations of the Securities and Exchange Commission. The financial statements should be read in conjunction with the financial statements and the notes thereto contained in the Partnership's Report on Form 10-K for the year ended December 31, 2000, as filed with the Securities and Exchange Commission, a copy of which is available upon request by writing to Rich Dealy, Vice President and Chief Accounting Officer, 5205 North O'Connor Boulevard, Suite 1400, Irving, Texas 75039-3746.

Item 2. Management's Discussion and Analysis of Financial Condition  
and Results of Operations (1)

Results of Operations

Six months ended June 30, 2001 compared with six months ended June 30, 2000

Revenues:

The Partnership's oil and gas revenues decreased 1% to \$1,086,570 for the six months ended June 30, 2001 as compared to \$1,095,887 for the same period in 2000. The decrease in revenues resulted from a decline in production and lower average prices received for oil, offset by higher average prices received for gas and NGLs. For the six months ended June 30, 2001, 23,078 barrels of oil,

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

10,759 barrels of natural gas liquids ("NGLs") and 56,204 mcf of gas were sold, or 43,204 barrel of oil equivalents ("BOEs"). For the six months ended June 30, 2000, 25,927 barrels of oil, 16,013 barrels of NGLs and 70,252 mcf of gas were sold, or 53,649 BOEs.

The average price received per barrel of oil decreased \$.15, or 1%, from \$27.78 for the six months ended June 30, 2000 to \$27.63 for the same period in 2001. The average price received per barrel of NGLs increased \$2.54, or 18%, from \$14.10 during the six months ended June 30, 2000 to \$16.64 for the same period in 2001. The average price received per mcf of gas increased 125% from \$2.13 during the six months ended June 30, 2000 to \$4.80 for the same period in 2001. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received during the six months ended June 30, 2001.

A gain on disposition of assets of \$10,923 was recognized during the six months ended June 30, 2001 from salvage income received on a well that was plugged and abandoned in the prior year. A gain of \$5,351 was recognized during the same period ended June 30, 2000 from equipment credits received on a fully depleted well.

### Costs and Expenses:

Total costs and expenses increased to \$673,377 for the six months ended June 30, 2001 as compared to \$567,246 for the same period in 2000, an increase of \$106,131, or 19%. This increase resulted from higher production costs and general and administrative expenses ("G&A"), offset by a decline in depletion.

Production costs were \$584,983 for the six months ended June 30, 2001 and \$480,127 for the same period in 2000 resulting in a \$104,856 increase, or 22%. The increase was primarily due to additional workover and well maintenance costs incurred to stimulate production.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 5% from \$34,788 for the six months ended June 30, 2000 to \$36,427 for the same period in 2001, primarily due to increased audit and tax fees.

Depletion was \$51,967 for the six months ended June 30, 2001 as compared to \$52,331 for the same period in 2000, a decrease of \$364, or 1%. This decrease was primarily due to a reduction in the Partnership's net depletable basis from charges taken in accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121") during the fourth quarter of 2000 and a decline in oil production of 2,849 barrels for the six months ended June 30, 2001 as compared to the same period in 2000.

that will be asked to approve the agreement and plan of merger. The preliminary proxy statement/prospectus is non-binding and is subject to, among other things, consideration of offers from third parties to purchase any partnership or its assets and the majority approval of the limited partnership interests in each partnership.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Pioneer USA will solicit proxies from limited partners to approve the mergers only when the proxy statement/prospectus is final and declared effective. No solicitation will be made using preliminary materials. Nonetheless, copies of the preliminary proxy statement/prospectus may be obtained without charge upon request from Pioneer Natural Resources Company, 5205 North O'Connor Blvd., Suite 1400, Irving, Texas 75039, Attention: Investor Relations.

The limited partners are urged to read the proxy statement/prospectus of Pioneer filed with the Securities and Exchange Commission, when it is finalized, because it contains important information about the proposed mergers, including information about the direct and indirect interests of Pioneer USA and Pioneer in the mergers. The limited partners may also obtain the preliminary and (when filed) final proxy statement/prospectus and other relevant documents relating to the proposed mergers free through the internet web site that the Securities and Exchange Commission maintains at [www.sec.gov](http://www.sec.gov).

-----

- (1) "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" contains forward looking statements that involve risks and uncertainties. Accordingly, no assurances can be given that the actual events and results will not be materially different than the anticipated results described in the forward looking statements.

### Part II. Other Information

Item 6. Exhibits and Reports on Form 8-K

- (a) Exhibits - none
- (b) Reports on Form 8-K - none

11

424

PARKER & PARSLEY 83-B, LTD.  
(A Texas Limited Partnership)

### 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 thereunto duly authorized.

PARKER & PARSLEY 83-B, LTD.

By: Pioneer Natural Resources USA, Inc.,  
Managing General Partner

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Dated: August 7, 2001

By: /s/ Rich Dealy

-----  
Rich Dealy, Vice President and  
Chief Accounting Officer

12

425

Three months ended June 30, 2001 compared with three months ended June 30, 2000

### Revenues:

The Partnership's oil and gas revenues decreased 5% to \$519,120 for the three months ended June 30, 2001 as compared to \$545,418 for the same period in 2000. The decrease in revenues resulted from a decline in production and lower average prices received for oil, offset by higher average prices received for gas and NGLs. For the three months ended June 30, 2001, 12,473 barrels of oil, 5,587 barrels of NGLs and 26,602 mcf of gas were sold, or 22,494 BOEs. For the three months ended June 30, 2000, 12,194 barrels of oil, 7,964 barrels of NGLs and 34,873 mcf of gas were sold, or 25,970 BOEs.

The average price received per barrel of oil decreased \$.92, or 3%, from \$27.91 for the three months ended June 30, 2000 to \$26.99 for the three months ended June 30, 2001. The average price received per barrel of NGLs increased slightly from \$14.72 during the three months ended June 30, 2000 to \$14.76 for the same period in 2001. The average price received per mcf of gas increased 49% from \$2.52 during the three months ended June 30, 2000 to \$3.76 for the same period in 2001.

A gain on disposition of assets of \$10,923 was recognized during the three months ended June 30, 2001 from salvage income received on a well that was plugged and abandoned in the prior year. A gain of \$1,428 was recognized during the same period ended June 30, 2000 from equipment credits received on a fully depleted well.

### Costs and Expenses:

Total costs and expenses increased to \$349,935 for the three months ended June 30, 2001 as compared to \$287,547 for the same period in 2000, an increase of \$62,388, or 22%. This increase was due to higher production costs and depletion, offset by a decline in G&A.

Production costs were \$306,551 for the three months ended June 30, 2001 and \$247,177 for the same period in 2000 resulting in a \$59,374 increase, or 24%. This increase was primarily due to additional workover and well maintenance costs incurred to stimulate production.

During this period, G&A decreased 11% from \$17,899 for the three months ended June 30, 2000 to \$15,891 for the same period in 2001, primarily due to decreased audit and tax fees.

Depletion was \$27,493 for the three months ended June 30, 2001 as compared to \$22,471 for the same period in 2000, an increase of \$5,022, or 22%. This increase was primarily due to a reduction in proved reserves for the period ended June 30, 2000 due to lower commodity prices and an increase in oil production of 279 barrels for the three months ended June 30, 2001 compared to

the same period in 2000.

9

426

#### Liquidity and Capital Resources

##### Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$21,840 during the six months ended June 30, 2001 from the same period in 2000. This increase was due to a reduction of \$138,801 in working capital, offset by increases in production costs of \$104,856 and G&A expenses of \$1,639 and a decline of \$10,466 in oil and gas sales receipts. The decrease in oil and gas receipts resulted from a decline of \$233,580 in production during 2001 as compared to the same period in 2000 and a decline in oil prices of \$3,664, offset by an increase in gas and NGL prices of \$226,778 during 2001. The increase in production costs was primarily due to additional workover and well maintenance costs incurred to stimulate well production. The increase in G&A was primarily due to increased audit and tax fees.

##### Net Cash Provided by Investing Activities

The Partnership's investing activities during the six months ended June 30, 2001 and 2000 were for expenditures related to oil and gas equipment upgrades on active properties.

Proceeds from asset disposition of \$10,923 and \$5,358 were received during the six months ended June 30, 2001 and 2000, respectively. The proceeds received during the period in 2001 were due to salvage income received on a well plugged and abandoned in the prior year. The proceeds received during the period in 2000 were for equipment credits on active properties.

##### Net Cash Used in Financing Activities

For the six months ended June 30, 2001, cash distributions to the partners were \$349,414, of which \$90,005 was distributed to the general partners and \$259,409 to the limited partners. For the same period ended June 30, 2000, cash distributions to the partners were \$574,504, of which \$144,738 was distributed to the general partners and \$429,766 to the limited partners.

For the three months ended June 30, 2001, no distributions were made by the partnership to its partners. Subsequent to June 30, 2001 the cash distribution that otherwise would have been mailed to partners in late June was made to holders of record as of July 9, 2001 and was mailed on July 13, 2001. For further information, see "Proposal to acquire partnerships" below.

##### Proposal to acquire partnerships

On June 29, 2001, Pioneer Natural Resources Company ("Pioneer") filed with the Securities and Exchange Commission Amendment No. 1 to the Form S-4 Registration Statement (File No. 333-59094) (the "preliminary proxy statement/prospectus"), which proposes an agreement and plan of merger among Pioneer, Pioneer Natural Resources USA, Inc. ("Pioneer USA"), a wholly-owned subsidiary of Pioneer, and 46 Parker & Parsley limited partnerships. Each partnership that approves the agreement and plan of merger and the other related merger proposals will merge with and into Pioneer USA upon the closing of the transactions described in the preliminary proxy statement/prospectus, and the partnership interests of each

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

such partnership will be converted into the right to receive Pioneer common stock. The Partnership is one of the 46 Parker & Parsley limited partnerships

10

427

that will be asked to approve the agreement and plan of merger. The preliminary proxy statement/prospectus is non-binding and is subject to, among other things, consideration of offers from third parties to purchase any partnership or its assets and the majority approval of the limited partnership interests in each partnership.

Pioneer USA will solicit proxies from limited partners to approve the mergers only when the proxy statement/prospectus is final and declared effective. No solicitation will be made using preliminary materials. Nonetheless, copies of the preliminary proxy statement/prospectus may be obtained without charge upon request from Pioneer Natural Resources Company, 5205 North O'Connor Blvd., Suite 1400, Irving, Texas 75039, Attention: Investor Relations.

The limited partners are urged to read the proxy statement/prospectus of Pioneer filed with the Securities and Exchange Commission, when it is finalized, because it contains important information about the proposed mergers, including information about the direct and indirect interests of Pioneer USA and Pioneer in the mergers. The limited partners may also obtain the preliminary and (when filed) final proxy statement/prospectus and other relevant documents relating to the proposed mergers free through the internet web site that the Securities and Exchange Commission maintains at [www.sec.gov](http://www.sec.gov).

-----

- (1) "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" contains forward looking statements that involve risks and uncertainties. Accordingly, no assurances can be given that the actual events and results will not be materially different than the anticipated results described in the forward looking statements.

### Part II. Other Information

Item 6. Exhibits and Reports on Form 8-K

- (a) Exhibits - none
- (b) Reports on Form 8-K - none

11

428

PARKER & PARSLEY 83-B, LTD.  
(A Texas Limited Partnership)

### SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PARKER & PARSLEY 83-B, LTD.

By: Pioneer Natural Resources USA, Inc.,  
Managing General Partner

Dated: August 7, 2001

By: /s/ Rich Dealy

-----  
Rich Dealy, Vice President and  
Chief Accounting Officer

12

429

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

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d)  
of the Securities Exchange Act of 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000

COMMISSION FILE NO. 2-81398B

PARKER & PARSLEY 83-B, LTD.  
(Exact name of Registrant as specified in its charter)

TEXAS

-----  
(State or other jurisdiction of  
incorporation or organization)

1400 WILLIAMS SQUARE WEST, 5205 N. O'CONNOR BLVD., IRVING, TEXAS

-----  
(Address of principal executive offices)

75-19072

-----  
(I.R.S. Emp  
Identification

75039

-----  
(Zip code)

Registrant's Telephone Number, including area code : (972) 444-9001

Securities registered pursuant to Section 12(b) of  
the Act: NONE Securities registered pursuant to  
Section 12(g) of the Act:  
LIMITED PARTNERSHIP INTERESTS (\$1,000 PER UNIT)  
-----

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

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

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

No market currently exists for the limited partnership interests of the Registrant. Based on the original purchase price, the aggregate market value of limited partnership interests owned by non-affiliates of the Registrant is \$22,493,000.

As of March 8, 2001, the number of outstanding limited partnership interests was 23,370.

The following documents are incorporated by reference into the indicated parts of this Annual Report on Form 10-K: None

PARTS I AND II OF THIS ANNUAL REPORT ON FORM 10-K (THE "REPORT") CONTAIN FORWARD LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. ACCORDINGLY, NO ASSURANCES CAN BE GIVEN THAT THE ACTUAL EVENTS AND RESULTS WILL NOT BE MATERIALLY DIFFERENT THAN THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS. SEE "ITEM 1. BUSINESS" FOR A DESCRIPTION OF VARIOUS FACTORS THAT COULD MATERIALLY AFFECT THE ABILITY OF THE PARTNERSHIP TO ACHIEVE THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS.

430

### PART I

#### ITEM 1. BUSINESS

Parker & Parsley 83-B, Ltd. (the "Partnership") is a limited partnership organized in 1983 under the laws of the State of Texas. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA") and its co-general partner is P&P Employees 83-B, Ltd. ("EMPL"), a Texas limited partnership whose general partner is Pioneer USA. Pioneer USA is a wholly-owned subsidiary of Pioneer Natural Resources Company ("Pioneer"). As of March 8, 2001, the Partnership had 23,370 limited partnership interests outstanding.

The Partnership does not have any employees of its own. Pioneer USA employs 701 persons, many of whom dedicated a part of their time to the conduct of the Partnership's business during the period for which this Report is filed. Pioneer USA is responsible for all management functions.

The Partnership engages in oil and gas development and production and is not involved in any industry segment other than oil and gas. The Partnership's production is geographically concentrated in West Texas.

The principal markets during 2000 for the oil produced by the Partnership were refineries and oil transmission companies that have facilities near the Partnership's oil producing properties. During 2000, Pioneer USA marketed the



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Partnership's gas to a variety of purchasers, none of which accounted for 10% or more of the Partnership's oil and gas revenues. Of the Partnership's total oil and gas revenues for 2000, approximately 46%, 13% and 10% were attributable to sales made to Plains Marketing, L.P., TEPPCO Crude Oil LLC and Phillips Petroleum Company, respectively. Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on its ability to sell its oil, natural gas liquids ("NGLs") and gas production.

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

Oil and gas production operations are subject to various types of regulations by local, state and federal agencies. The Partnership's operations are also subject to state conservation laws and regulations, including the establishment of maximum rates of production from wells and the regulation of spacing, plugging and abandonment of wells. Each state generally imposes a production or severance tax with respect to production and sale of oil and gas within their respective jurisdictions. Noncompliance with the laws and regulations may subject the Partnership to penalties, damages or other liabilities and compliance may increase the cost of the Partnership's operations. The oil and gas business is also subject to environmental hazards such as oil spills, gas leaks and ruptures and discharges of toxic substances or gases that could expose the Partnership to substantial liability due to pollution and other environmental damages. Although the Partnership believes that

2

431

its business operations do not impair environmental quality and that its costs of complying with any applicable environmental regulations are not currently significant, the Partnership cannot predict what, if any, effect these environmental regulations may have on its current or future operations.

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

No material part of the Partnership's business is seasonal and the Partnership conducts no foreign operations.

### ITEM 2. PROPERTIES

The Partnership's properties consist of leasehold interests in properties on which oil and gas wells are located. Such property interests are often subject to landowner royalties, overriding royalties and other oil and gas leasehold interests.

Fractional working interests in developmental oil and gas prospects located primarily in Texas were acquired by the Partnership, resulting in the Partnership's participation in the drilling of 59 productive oil and gas wells.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

At December 31, 2000, the Partnership had 41 producing wells. Thirteen wells have been plugged and abandoned due to unprofitable operations and five wells were sold.

For information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998, and changes in such quantities for the years then ended, see Note 7 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" below. Such reserves have been evaluated by Williamson Petroleum Consultants, Inc., an independent petroleum consultant.

### ITEM 3. LEGAL PROCEEDINGS

The Partnership from time to time is a party to various legal proceedings incidental to its business involving claims in oil and gas leases or interests, other claims for damages in amounts not in excess of 10% of its current assets and other matters, none of which Pioneer USA believes to be material to the Partnership.

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

There were no matters submitted to a vote of the partners during the fourth quarter of 2000.

3

432

## PART II

### ITEM 5. MARKET FOR LIMITED PARTNERSHIP INTERESTS AND LIMITED PARTNERSHIP DISTRIBUTIONS

At March 8, 2001, the Partnership had 23,370 outstanding limited partnership interests held of record by 1,379 subscribers. There is no established public trading market for the limited partnership interests. Under the limited partnership agreement, Pioneer USA has made certain commitments to purchase partnership interests at a computed value.

Revenues which, in the sole judgement of the managing general partner, are not required to meet the Partnership's obligations are distributed to the partners at least quarterly in accordance with the limited partnership agreement. During the years ended December 31, 2000 and 1999, distributions of \$942,688 and \$325,903, respectively, were made to the limited partners.

### ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth selected financial data for the years ended December 31:

	2000 -----	1999 -----	1998 -----	1997 -----
Operating results:				
-----				
Oil and gas sales	\$ 2,376,791	\$ 1,548,013	\$ 1,267,241	\$ 1,924,748

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Gain on litigation settlement, net	\$ -	\$ -	\$ -	\$ -
Impairment of oil and gas properties	\$ 84,697	\$ 152,505	\$ 362,325	\$ 1,171,409
Net income (loss)	\$ 1,174,971	\$ 292,874	\$ (871,809)	\$ (754,107)
Allocation of net income (loss):				
General partners	\$ 325,015	\$ 125,187	\$ (46,980)	\$ 56,351
Limited partners	\$ 849,956	\$ 167,687	\$ (824,829)	\$ (810,458)
Limited partners' net income (loss) per limited partnership interest	\$ 36.37	\$ 7.18	\$ (35.29)	\$ (34.68)
Limited partners' cash distributions per limited partnership interest	\$ 40.34	\$ 13.95	\$ 11.49	\$ 32.48
At year end:				
Identifiable assets	\$ 2,303,070	\$ 2,391,541	\$ 2,529,136	\$ 3,774,504

(a) Including litigation settlement per limited partnership interest of \$46.83 in 1996.

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

Results of operations

2000 compared to 1999

The Partnership's oil and gas revenues increased 54% to \$2,376,791 for 2000 as compared to \$1,548,013 in 1999. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 2000, 51,895

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

barrels of oil, 29,919 barrels of natural gas liquids ("NGLs") and 132,106 mcf of gas were sold, or 103,832 barrel of oil equivalents ("BOEs"). In 1999, 54,446 barrels of oil, 35,000 barrels of NGLs and 157,842 mcf of gas were sold, or 115,753 BOEs. Due to the decline characteristics of the Partnership's oil and gas properties, management expects a certain amount of decline in production in the future until the Partnership's economically recoverable reserves are fully depleted.

The average price received per barrel of oil increased \$12.51, or 73%, from \$17.18 in 1999 to \$29.69 in 2000. The average price received per barrel of NGLs increased \$5.47, or 55%, from \$10.00 in 1999 to \$15.47 in 2000. The average price received per mcf of gas increased 70% from \$1.66 in 1999 to \$2.83 in 2000. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received in 2000.

A gain on disposition of assets of \$7,482 during 2000 was due to salvage income received on one well plugged and abandoned during the current year. A gain of \$3,375 during 1999 was recognized from equipment credits received on one fully depleted well.

Total costs and expenses decreased in 2000 to \$1,230,645 as compared to \$1,270,634 in 1999, a decrease of \$39,989, or 3%. The decrease was primarily due to declines in depletion and the impairment of oil and gas properties, offset by increases in production costs and general and administrative expenses ("G&A").

Production costs were \$947,439 in 2000 and \$879,335 in 1999, resulting in a \$68,104 increase, or 8%. The increase was primarily due to higher production taxes associated with higher oil and gas prices.

G&A's components are independent accounting and engineering fees, and managing general partner personnel and operating costs. During this period, G&A increased 35% from \$58,993 in 1999 to \$79,646 in 2000 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$71,304 in 2000 and \$46,440 in 1999 for G&A incurred on behalf of the Partnership. The remaining G&A was paid directly by the Partnership. The managing general partner determines the allocated expenses based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the managing general partner reviews the Partnership's oil and gas properties for impairment whenever events or circumstances indicate a decline in the recoverability of the carrying value of the Partnership's assets may have occurred. As a result of the review and evaluation of its long-lived assets for impairment, the Partnership recognized non-cash charges of \$84,697 and \$152,505 related to its oil and gas properties during 2000 and 1999, respectively.

Depletion was \$106,841 in 2000 as compared to \$179,801 in 1999, representing a

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

decrease of \$72,960, or 41%. This decrease was primarily due to a 115,324 barrels of oil increase in proved reserves during 2000 as a result of higher commodity prices and a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 1999.

Abandoned property costs of \$12,022 during 2000 was related to the plugging and abandonment of one well during the current year.

1999 compared to 1998

The Partnership's 1999 oil and gas revenues increased 22% to \$1,548,013 from \$1,267,241 in 1998. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 1999, 54,446 barrels of oil, 35,000 barrels of NGLs and 157,842 mcf of gas were sold, or 115,753 BOEs. In 1998, 62,162 barrels of oil, 31,533 barrels of NGLs and 147,495 mcf of gas were sold, or 118,278 BOEs.

The average price received per barrel of oil increased \$3.88, or 29%, from \$13.30 in 1998 to \$17.18 in 1999. The average price received per barrel of NGLs increased \$3.21, or 47%, from \$6.79 in 1998 to \$10.00 in 1999. The average price received per mcf of gas increased 8% from \$1.54 in 1998 to \$1.66 in 1999.

A gain on disposition of assets of \$3,375 during 1999 was recognized from equipment credits received on one fully depleted well. During 1998, a gain on disposition of assets of \$157 was recognized from post closing adjustments received from the sale of two oil and gas wells and an overriding royalty interest on one well during 1997.

Total costs and expenses decreased in 1999 to \$1,270,634 as compared to \$2,152,425 in 1998, a decrease of \$881,791, or 41%. The decrease was primarily due to declines in depletion, the impairment of oil and gas properties and production costs, offset by an increase in G&A.

Production costs were \$879,335 in 1999 and \$978,080 in 1998, resulting in a \$98,745 decrease, or 10%. The decrease was due to declines in well maintenance costs and ad valorem taxes, offset by an increase in production taxes due to an increase in oil and gas revenues.

During this period, G&A increased 36% from \$43,488 in 1998 to \$58,993 in 1999 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$46,440 in 1999 and \$38,017 in 1998 for G&A incurred on behalf of the Partnership.

The Partnership recognized non-cash SFAS 121 charges of \$152,505 and \$362,325 related to its oil and gas properties during 1999 and 1998, respectively.

Depletion was \$179,801 in 1999 compared to \$768,532 in 1998. This represented a decrease of \$588,731, or 77%. This decrease was the result of a combination of factors that included an increase in proved reserves of 430,250 barrels of oil during 1999 as a result of higher commodity prices, a reduction in the Partnership's net depletable basis from charges taken in accordance with

SFAS 121 during the fourth quarter of 1998 and a decline in oil production of 7,716 barrels for the period ended December 31, 1999 compared to the same period

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

in 1998.

### Petroleum industry

The petroleum industry has been characterized by volatile oil, NGL and natural gas commodity prices and relatively stable supplier costs during the three years ended December 31, 2000. During 1998, weather patterns, regional economic recessions and political matters combined to cause worldwide oil supplies to exceed demand resulting in a substantial decline in oil prices. Also during 1998, but to a lesser extent, market prices for natural gas declined. During 1999 and 2000, the Organization of Petroleum Exporting Countries ("OPEC") and certain other crude oil exporting nations announced reductions in their planned export volumes. Those announcements, together with the enactment of the announced reductions in export volumes, had a positive impact on world oil prices, as have overall natural gas supply and demand fundamentals on North American natural gas prices. Although the favorable commodity price environment and stable field service cost environment is expected to continue during 2001, there is no assurance that commodity prices will not return to a less favorable level or that field service costs will not escalate in the future, both of which could negatively impact the Partnership's future results of operations and cash distributions.

### Liquidity and capital resources

#### Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$733,136 during the year ended December 31, 2000 from 1999. This increase was due to an increase in oil and gas sales receipts of \$838,001, offset by increases in production costs paid of \$68,104, G&A expenses paid of \$20,653, \$12,022 in abandoned property costs paid and working capital of \$4,086. The increase in oil and gas receipts resulted from the increase in commodity prices during 2000 which contributed an additional \$1,065,062 to oil and gas receipts, offset by \$227,061 resulting from the decline in production during 2000. The increase in production costs was primarily due to increased production taxes associated with higher oil and gas prices. The increase in G&A was primarily due to higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues.

#### Net Cash Used in Investing Activities

The Partnership's investing activities during 2000 and 1999 were for expenditures related to oil and gas equipment upgrades on active properties.

Proceeds from asset dispositions of \$7,482 recognized during 2000 were related to salvage income received on one well plugged and abandoned during the current year. Proceeds of \$3,845 recognized during 1999 were primarily from equipment credits received on one fully depleted well.

#### Net Cash Used in Financing Activities

In 2000, cash distributions to the partners were \$1,260,369, of which \$317,681 was distributed to the general partners and \$942,688 to the limited partners. In 1999, cash distributions to the partners were \$438,977, of which \$113,074 was distributed to the general partners and \$325,903 to the limited partners.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO FINANCIAL STATEMENTS

Financial Statements of Parker & Parsley 83-B, Ltd:

Independent Auditors' Report.....  
Balance Sheets as of December 31, 2000 and 1999.....  
Statements of Operations for the Years Ended December 31,  
2000, 1999 and 1998.....  
Statements of Partners' Capital for the Years Ended  
December 31, 2000, 1999 and 1998.....  
Statements of Cash Flows for the Years Ended December 31,  
2000, 1999 and 1998.....  
Notes to Financial Statements.....

INDEPENDENT AUDITORS' REPORT

The Partners  
Parker & Parsley 83-B, Ltd.  
(A Texas Limited Partnership):

We have audited the balance sheets of Parker & Parsley 83-B, Ltd. as of December 31, 2000 and 1999, and the related statements of operations, partners' capital and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parker & Parsley 83-B, Ltd. as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Ernst & Young LLP

Dallas, Texas  
March 9, 2001

9

438

PARKER & PARSLEY 83-B, LTD.  
(A Texas Limited Partnership)

BALANCE SHEETS  
December 31

	2000	1999
	-----	-----
ASSETS		
-----		
Current assets:		
Cash	\$ 224,865	\$ 244,091
Accounts receivable - oil and gas sales	369,349	263,774
	-----	-----
Total current assets	594,214	507,865
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	18,957,070	19,500,569
Accumulated depletion	(17,248,214)	(17,616,893)
	-----	-----
Net oil and gas properties	1,708,856	1,883,676
	-----	-----
	\$ 2,303,070	\$ 2,391,541
	=====	=====
LIABILITIES AND PARTNERS' CAPITAL		
-----		
Current liabilities:		
Accounts payable - affiliate	\$ 39,862	\$ 42,935
Partners' capital:		
General partners	316,574	309,240
Limited partners (23,370 interests)	1,946,634	2,039,366
	-----	-----
	2,263,208	2,348,606
	-----	-----
	\$ 2,303,070	\$ 2,391,541



=====

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

10

439

PARKER & PARSLEY 83-B, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF OPERATIONS  
For the years ended December 31

	2000	1999	1998
	-----	-----	-----
Revenues:			
Oil and gas	\$ 2,376,791	\$ 1,548,013	\$ 1,200,000
Interest	21,343	12,120	-
Gain on disposition of assets	7,482	3,375	-
	-----	-----	-----
	2,405,616	1,563,508	1,200,000
	-----	-----	-----
Costs and expenses:			
Oil and gas production	947,439	879,335	900,000
General and administrative	79,646	58,993	-
Impairment of oil and gas properties	84,697	152,505	300,000
Depletion	106,841	179,801	700,000
Abandoned property	12,022	-	-
	-----	-----	-----
	1,230,645	1,270,634	2,100,000
	-----	-----	-----
Net income (loss)	\$ 1,174,971	\$ 292,874	\$ (800,000)
	=====	=====	=====
Allocation of net income (loss):			
General partners	\$ 325,015	\$ 125,187	\$ (100,000)
	=====	=====	=====
Limited partners	\$ 849,956	\$ 167,687	\$ (700,000)
	=====	=====	=====
Net income (loss) per limited partnership interest	\$ 36.37	\$ 7.18	\$ (7.14)
	=====	=====	=====

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

11

440

PARKER & PARSLEY 83-B, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF PARTNERS' CAPITAL

	General partners	Limited partners	Total
	-----	-----	-----
Partners' capital at January 1, 1998	\$ 435,525	\$ 3,290,919	\$ 3,726,444
Distributions	(91,418)	(268,508)	(359,926)
Net loss	(46,980)	(824,829)	(871,809)
	-----	-----	-----
Partners' capital at December 31, 1998	297,127	2,197,582	2,494,709
Distributions	(113,074)	(325,903)	(438,977)
Net income	125,187	167,687	292,874
	-----	-----	-----
Partners' capital at December 31, 1999	309,240	2,039,366	2,348,606
Distributions	(317,681)	(942,688)	(1,260,369)
Net income	325,015	849,956	1,174,971
	-----	-----	-----
Partners' capital at December 31, 2000	\$ 316,574	\$ 1,946,634	\$ 2,263,208
	=====	=====	=====

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

12

441

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

PARKER & PARSLEY 83-B, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF CASH FLOWS  
For the years ended December 31

	2000	1999	
	-----	-----	-----
Cash flows from operating activities:			
Net income (loss)	\$ 1,174,971	\$ 292,874	\$
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Impairment of oil and gas properties	84,697	152,505	
Depletion	106,841	179,801	
Gain on disposition of assets	(7,482)	(3,375)	
Changes in assets and liabilities:			
Accounts receivable	(105,575)	(113,070)	
Accounts payable	(3,073)	8,508	
	-----	-----	-----
Net cash provided by operating activities	1,250,379	517,243	
	-----	-----	-----
Cash flows from investing activities:			
Additions to oil and gas properties	(16,718)	(11,719)	
Proceeds from disposition of assets	7,482	3,845	
	-----	-----	-----
Net cash used in investing activities	(9,236)	(7,874)	
	-----	-----	-----
Cash flows used in financing activities:			
Cash distributions to partners	(1,260,369)	(438,977)	
	-----	-----	-----
Net increase (decrease) in cash	(19,226)	70,392	
Cash at beginning of year	244,091	173,699	
	-----	-----	-----
Cash at end of year	\$ 224,865	\$ 244,091	\$
	=====	=====	=====

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

PARKER & PARSLEY 83-B, LTD.  
(A Texas Limited Partnership)

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

NOTES TO FINANCIAL STATEMENTS  
December 31, 2000, 1999 and 1998

### NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS

Parker & Parsley 83-B, Ltd. (the "Partnership") is a limited partnership organized in 1983 under the laws of the State of Texas. The Partnership's general partners are Pioneer Natural Resources USA, Inc. ("Pioneer USA") and P&P Employees 83-B, Ltd. ("EMPL"). The Partnership's managing general partner is Pioneer USA.

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Oil and gas properties - The Partnership utilizes the successful efforts method of accounting for its oil and gas properties and equipment. Under this method, all costs associated with productive wells and nonproductive development wells are capitalized while nonproductive exploration costs are expensed. Capitalized costs relating to proved properties are depleted using the unit-of-production method on a property-by-property basis based on proved oil (dominant mineral) reserves as evaluated by independent petroleum consultants. The carrying amounts of properties sold or otherwise disposed of and the related allowances for depletion are eliminated from the accounts and any gain or loss is included in results of operations.

Impairment of long-lived assets - In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the Partnership reviews its long-lived assets to be held and used on an individual property basis, including oil and gas properties accounted for under the successful efforts method of accounting, whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. An impairment loss is indicated if the sum of the expected future cash flows is less than the carrying amount of the assets. In this circumstance, the Partnership recognizes an impairment loss for the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset.

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

Net income (loss) per limited partnership interest - The net income (loss) per limited

partnership interest is calculated by using the number of outstanding limited partnership interests.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Income taxes - A Federal income tax provision has not been included in the financial statements as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

Statements of cash flows - For purposes of reporting cash flows, cash includes depository accounts held by banks.

General and administrative expenses - General and administrative expenses are allocated in part to the Partnership by the managing general partner. Allocated expenses are determined by the managing general partner based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Reclassifications - Certain reclassifications may have been made to the 1999 and 1998 financial statements to conform to the 2000 financial statement presentations.

Environmental - The Partnership is subject to extensive federal, state and local environmental laws and regulations. These laws, which are constantly changing, regulate the discharge of materials into the environment and may require the Partnership to remove or mitigate the environmental effects of the disposal or release of petroleum or chemical substances at various sites. Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Liabilities for expenditures of a noncapital nature are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated. Such liabilities are generally undiscounted unless the timing of cash payments for the liability or component are fixed or reliably determinable. No such liabilities have been accrued as of December 31, 2000.

Revenue recognition - The Partnership uses the entitlements method of accounting for oil, natural gas liquids ("NGLs") and natural gas revenues.

### NOTE 3. IMPAIRMENT OF LONG-LIVED ASSETS

In accordance with SFAS 121, the Partnership reviews its proved oil and gas properties for impairment whenever events and circumstances indicate a decline in the recoverability of the carrying value of the Partnership's oil and gas properties. The Partnership has estimated the expected future cash flows of its oil and gas properties as of December 31, 2000, 1999 and 1998, based on proved reserves, and compared such estimated future cash flows to the respective carrying amount of the oil and gas properties to determine if the carrying amounts were likely to be recoverable. For those proved oil and gas properties for which the carrying amount exceeded the estimated future cash flows, an impairment was determined to exist; therefore, the Partnership adjusted the carrying amount of those oil and gas properties to their fair value as determined by discounting their expected future cash flows at a discount rate commensurate with the risks involved in the industry. As a result, the Partnership recognized non-cash impairment provisions of \$84,697, \$152,505 and \$362,325 related to its proved oil and gas properties during 2000, 1999 and 1998,

respectively.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

NOTE 4. INCOME TAXES

The financial statement basis of the Partnership's net assets and liabilities was \$1,137,401 less than the tax basis at December 31, 2000.

The following is a reconciliation of net income (loss) per statements of operations with the net income per Federal income tax returns for the years ended December 31:

	2000	1999	
	-----	-----	-----
Net income (loss) per statements of operations	\$ 1,174,971	\$ 292,874	\$
Depletion and depreciation provisions for tax reporting purposes less than amounts for financial reporting purposes	90,760	163,887	
Impairment of oil and gas properties for financial reporting purposes	84,697	152,505	
Salvage income	-	-	
Other, net	(7,657)	(1,145)	
	-----	-----	-----
Net income per Federal income tax returns	\$ 1,342,771	\$ 608,121	\$
	=====	=====	=====

NOTE 5. OIL AND GAS PRODUCING ACTIVITIES

The following is a summary of the costs incurred, whether capitalized or expensed, related to the Partnership's oil and gas producing activities for the years ended December 31:

	2000	1999	1998
	-----	-----	-----
Development costs	\$ 16,718	\$ 11,719	\$ 27,705
	=====	=====	=====

Capitalized oil and gas properties consist of the following:

	2000	1999
	-----	-----
Proved properties:		
Property acquisition costs	\$ 911,105	\$ 946,730
Completed wells and equipment	18,045,965	18,553,839
	-----	-----
Accumulated depletion	18,957,070 (17,248,214)	19,500,569 (17,616,893)

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	-----	-----
Net oil and gas properties	\$ 1,708,856	\$ 1,883,676
	=====	=====

16

445

NOTE 6. RELATED PARTY TRANSACTIONS

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

	2000	1999	1998
	-----	-----	-----
Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$ 426,573	\$ 424,831	\$ 426,899
Reimbursement of general and administrative expenses	\$ 71,304	\$ 46,440	\$ 38,017

Pioneer USA, EMPL and the Partnership are parties to the partnership agreement. EMPL is a limited partnership in which Pioneer USA owns 79% and the remaining portion is owned by former affiliates. In addition, Pioneer USA owned 877 limited partner interests at January 1, 2001.

The costs and revenues of the Partnership are allocated as follows:

	General partners	Limited partners
	-----	-----
Revenues:		
Proceeds from property dispositions prior to cost recovery	10%	90%
All other Partnership revenues	25%	75%
Costs and expenses:		
Lease acquisition costs, drilling and completion costs	10%	90%
Operating costs, direct costs and general and administrative expenses	25%	75%
Incremental direct expenses	-	100%

Incremental direct expenses are direct expenses which would not be incurred except for the requirements of the securities regulatory authorities and totaled \$8,342, \$12,553 and \$5,471 in 2000, 1999 and 1998, respectively.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

### NOTE 7. OIL AND GAS INFORMATION (UNAUDITED)

The following table presents information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities during the years then ended. All of the Partnership's reserves are proved developed and located within the United States. The Partnership's reserves are based on an evaluation prepared by Williamson Petroleum Consultants, Inc., an independent petroleum consultant, using criteria established by the Securities and Exchange Commission.

17

446

	Oil and NGLs (bbls)	Gas (mcf)
	-----	-----
Net proved reserves at January 1, 1998	1,215,076	1,717,779
Revisions	(498,218)	(464,099)
Production	(93,695)	(147,495)
	-----	-----
Net proved reserves at December 31, 1998	623,163	1,106,185
Revisions	738,384	1,321,692
Production	(89,446)	(157,842)
	-----	-----
Net proved reserves at December 31, 1999	1,272,101	2,270,035
Revisions	82,614	(66,662)
Production	(81,814)	(132,106)
	-----	-----
Net proved reserves at December 31, 2000	1,272,901	2,071,267
	=====	=====

As of December 31, 2000, the estimated present value of future net revenues of proved reserves, calculated using December 31, 2000 prices of \$26.64 per barrel of oil, \$13.32 per barrel of NGLs and \$7.73 per mcf of gas, discounted at 10% was approximately \$9,555,000 and undiscounted was \$18,817,000.

Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves. The Partnership emphasizes that reserve estimates are inherently imprecise and, accordingly, the estimates are expected to change as future information becomes available.

#### Disclosures about Oil & Gas Producing Activities

##### Standardized Measure of Discounted Future Net Cash Flows

The standardized measure of discounted future net cash flows is computed by applying year-end prices of oil and gas (with consideration of price changes



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

only to the extent provided by contractual arrangements) to the estimated future production of proved oil and gas reserves less estimated future expenditures (based on year-end costs) to be incurred in developing and producing the proved reserves, discounted using a rate of 10% per year to reflect the estimated timing of the future cash flows. A Federal income tax provision has not been calculated as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

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

18

447

	For the years ended December 31,	
	2000	1999
	(in thousands)	
Oil and gas producing activities:		
Future cash inflows	\$ 43,776	\$ 31,312
Future production costs	(24,959)	(18,234)
	-----	-----
	18,817	13,078
10% annual discount factor	(9,262)	(6,181)
	-----	-----
Standardized measure of discounted future net cash flows	\$ 9,555	\$ 6,897
	=====	=====

	For the years ended December 31,		
	2000	1999	1998
	(in thousands)		
Oil and Gas Producing Activities:			
Oil and gas sales, net of production costs	\$ (1,429)	\$ (669)	\$ (289)
Net changes in prices and production costs	3,342	3,109	(3,208)
Revisions of previous quantity estimates	439	5,091	(627)
Accretion of discount	690	110	489
Changes in production rates, timing and other	(384)	(1,847)	(147)
	-----	-----	-----
Change in present value of future net revenues	2,658	5,794	(3,782)
	-----	-----	-----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Balance, beginning of year	6,897	1,103	4,885
	-----	-----	-----
Balance, end of year	\$ 9,555	\$ 6,897	\$ 1,103
	=====	=====	=====

NOTE 8. MAJOR CUSTOMERS

The following table reflects the major customers of the Partnership's oil and gas sales (a major customer is defined as a customer whose sales exceed 10% of total sales) during the years ended December 31:

	2000	1999	1998
	-----	-----	-----
Plains Marketing, L.P.	46%	42%	-
TEPPCO Crude Oil LLC	13%	14%	-
Phillips Petroleum Company	10%	3%	3%
Genesis Crude Oil, L.P.	-	-	60%
Western Gas Resources, Inc.	4%	8%	29%

At December 31, 2000, the amounts receivable from Plains Marketing, L.P., TEPPCO Crude Oil LLC Inc. and Phillips Petroleum Company were \$112,877, \$29,666 and \$22,742, respectively, which are included in the caption "Accounts receivable - oil and gas sales" in the accompanying Balance Sheet.

Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on the ability of the Partnership to sell its oil, NGLs and gas production.

19

448

NOTE 9. PARTNERSHIP AGREEMENT

The following is a brief summary of the more significant provisions of the limited partnership agreement:

General partners - The general partners of the Partnership are Pioneer USA and EMPL. Pioneer USA, the managing general partner, has the power and authority to manage, control and administer all Partnership affairs. As managing general partner and operator of the Partnership's properties, all production expenses are incurred by Pioneer USA and billed to the Partnership. The majority of the Partnership's oil and gas revenues are received directly by the Partnership, however, a portion of the oil and gas revenue is initially received by Pioneer USA prior to being paid to the Partnership.

Limited partner liability - The maximum amount of liability of any limited partner is the total contributions of such partner plus his share of any undistributed profits.

Initial capital contributions - The limited partners entered into

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

subscription agreements for aggregate capital contributions of \$23,370,000. The general partners are required to contribute amounts equal to 10% of Partnership expenditures for lease acquisition, drilling and completion and 25% of direct, general and administrative and operating expenses.

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

None.

20

449

### PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE PARTNERSHIP

The Partnership does not have any officers or directors. Under the limited partnership agreement, the Partnership's managing general partner, Pioneer USA, is granted the exclusive right and full authority to manage, control and administer the Partnership's business.

Set forth below are the names, ages and positions of the directors and executive officers of Pioneer USA. Directors of Pioneer USA are elected to serve until the next annual meeting of stockholders or until their successors are elected and qualified.

Name ----	Age at December 31, 2000 ----	Position -----
Scott D. Sheffield	48	President
Timothy L. Dove	45	Executive Vice President, Chief Financial Officer and Director
Dennis E. Fagerstone	51	Executive Vice President and Director
Mark L. Withrow	53	Executive Vice President, General Counsel and Director
Danny Kellum	46	Executive Vice President - Domestic Operations and Director
Rich Dealy	34	Vice President and Chief Accounting Officer

Scott D. Sheffield. Mr. Sheffield is a graduate of The University of Texas with a B.S. in Petroleum Engineering. Since August 1997, he has served as President, Chief Executive Officer and a director of Pioneer and President of Pioneer USA. Mr. Sheffield assumed the position of Chairman of the Board of Pioneer in August 1999. He served as a director of Pioneer USA from August 1997 until his resignation from the board in June 1999. Mr. Sheffield was the

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

President and a director of Parker & Parsley Petroleum Company ("Parker & Parsley") from May 1990 until August 1997 and was the Chairman of the Board and Chief Executive Officer of Parker & Parsley from October 1990 until August 1997. He was the sole director of Parker & Parsley from May 1990 until October 1990. Mr. Sheffield joined Parker & Parsley Development Company ("PPDC"), a predecessor of Parker & Parsley, as a petroleum engineer in 1979. He served as Vice President - Engineering of PPDC from September 1981 until April 1985 when he was elected President and a director. In March 1989, Mr. Sheffield was elected Chairman of the Board and Chief Executive Officer of PPDC. Before joining PPDC's predecessor, Mr. Sheffield was employed as a production and reservoir engineer for Amoco Production Company.

21

450

Timothy L. Dove. Mr. Dove earned a B.S. in Mechanical Engineering from Massachusetts Institute of Technology in 1979 and received his M.B.A. in 1981 from the University of Chicago. He became Executive Vice President - Business Development of Pioneer and Pioneer USA in August 1997 and was also appointed a director of Pioneer USA in August 1997. Mr. Dove assumed the position of Chief Financial Officer of Pioneer and Pioneer USA effective February 1, 2000. Mr. Dove joined Parker & Parsley in May 1994 as Vice President - International and was promoted to Senior Vice President - Business Development in October 1996, in which position he served until August 1997. Prior to joining Parker & Parsley, Mr. Dove was employed with Diamond Shamrock Corp., and its successor, Maxus Energy Corp, in various capacities in international exploration and production, marketing, refining and marketing and planning and development.

Dennis E. Fagerstone. Mr. Fagerstone, a graduate of the Colorado School of Mines with a B.S. in Petroleum Engineering, became an Executive Vice President of Pioneer and Pioneer USA in August 1997. He was also appointed a director of Pioneer USA in August 1997. He served as Executive Vice President and Chief Operating Officer of MESA Inc. ("Mesa") from March 1, 1997 until August 1997. From October 1996 to February 1997, Mr. Fagerstone served as Senior Vice President and Chief Operating Officer of Mesa and from May 1991 to October 1996, he served as Vice President - Exploration and Production of Mesa. From June 1988 to May 1991, Mr. Fagerstone served as Vice President - Operations of Mesa.

Mark L. Withrow. Mr. Withrow, a graduate of Abilene Christian University with a B. S. in Accounting and Texas Tech University with a Juris Doctorate degree, became Executive Vice President, General Counsel and Secretary of Pioneer and Pioneer USA in August 1997. He was also appointed a director of Pioneer USA in August 1997. Mr. Withrow was Vice President - General Counsel of Parker & Parsley from January 1991, when he joined Parker & Parsley, to January 1995, when he was appointed Senior Vice President - General Counsel. He was Parker & Parsley's Secretary from August 1992 until August 1997. Prior to joining Parker & Parsley, Mr. Withrow was the managing partner of the law firm of Turpin, Smith, Dyer, Saxe & MacDonald, Midland, Texas.

Danny Kellum. Mr. Kellum, who received a Bachelor of Science degree in Petroleum Engineering from Texas Tech University in 1979, was elected Executive Vice President - Domestic Operations of Pioneer and Pioneer USA on May 18, 2000 and Director of Pioneer USA on February 1, 2000. From January 2000 until May 2000, Mr. Kellum served as Vice President - Domestic Operations of Pioneer and Pioneer USA. Mr. Kellum served as Vice President Permian Division of Pioneer and Pioneer USA from April 1998 until December 1999. From 1989 until 1994 he served as Spraberry District Manager and as Vice President of the Spraberry and Permian Division for Parker & Parsley until August of 1997. Mr. Kellum joined Parker &

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Parsley as an operations engineer in 1981 after a brief career with Mobil Oil Corporation.

Rich Dealy. Mr. Dealy is a graduate of Eastern New Mexico University with a B.B.A. in Accounting and Finance and is a Certified Public Accountant. He became Vice President and Chief Accounting Officer of Pioneer and Pioneer USA in February 1998. Mr. Dealy served as Controller of Pioneer USA from August 1997 to February 1998. He served as Controller of Parker & Parsley from August 1995 to August 1997. Mr. Dealy joined Parker & Parsley as an Accounting Manager in July, 1992. He was previously employed with KPMG Peat Marwick as an Audit Senior, in charge of Parker & Parsley's audit.

22

451

### ITEM 11. EXECUTIVE COMPENSATION

The Partnership does not have any directors or officers. Management of the Partnership is performed by Pioneer USA, the managing general partner. Under the partnership agreement, Pioneer USA pays 8% of the Program's acquisition, drilling and completion costs and 20% of its operating and general and administrative expenses. In return, Pioneer USA is allocated 20% of the Program's revenues.

EMPL is a co-general partner of the Partnership. Under this arrangement, EMPL pays 2% of the Program's acquisition, drilling and completion costs and 5% of its operating and general and administrative expenses. In return, EMPL is allocated 5% of the Program's revenues. EMPL does not receive any fees or reimbursements from the Partnership.

The Partnership does not directly pay any salaries of the executive officers of Pioneer USA, but does pay a portion of Pioneer USA's general and administrative expenses of which these salaries are a part.

See Notes 6 and 9 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" for information regarding fees and reimbursements paid to the managing general partner by the Partnership.

### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

#### (a) Beneficial owners of more than five percent

The Partnership is not aware of any person who beneficially owns 5% or more of the outstanding limited partnership interests of the Partnership. Pioneer USA and EMPL respectively own 80% and 20% of the general partners' interests in the Partnership. Pioneer USA owned 877 limited partner interests at January 1, 2001.

#### (b) Security ownership of management

The Partnership does not have any officers or directors. The managing general partner of the Partnership, Pioneer USA, has the exclusive right and full authority to manage, control and administer the Partnership's business. Under the limited partnership agreement, limited partners holding a majority of the outstanding limited partnership interests have the right to take certain actions, including the removal of the managing general partner or any other general partner. The Partnership is not aware of any current arrangement or activity which may lead to such removal. The Partnership is not aware of any officer or director of Pioneer USA who beneficially owns limited partnership interests in the Partnership.

## ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Transactions with the managing general partner

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

	2000 -----	1999 -----	1998 -----
Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$ 426,573	\$ 424,831	\$ 426,899
Reimbursement of general and administrative expenses	\$ 71,304	\$ 46,440	\$ 38,017

Under the limited partnership agreement, the general partners, Pioneer USA and EMPL, together pay 10% of the Partnership's acquisition, drilling and completion costs and 25% of its operating and general and administrative expenses. In return, they are allocated 25% of the Partnership's revenues. Twenty percent of the general partners' share of costs and revenues is allocated to EMPL and the remainder is allocated to Pioneer USA. Certain former affiliates of Pioneer USA are limited partners of EMPL. Also, see Notes 6 and 9 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data", regarding the Partnership's participation with the managing general partner in oil and gas activities of the Partnership.

## PART IV

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

## (a) 1. Financial statements

The following are filed as part of this Report:

Independent Auditors' Report

Balance sheets as of December 31, 2000 and 1999

Statements of operations for the years ended December 31, 2000, 1999 and 1998

Statements of partners' capital for the years ended December 31, 2000, 1999 and 1998

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Statements of cash flows for the years ended December 31, 2000, 1999 and 1998

Notes to financial statements

2. Financial statement schedules

All financial statement schedules have been omitted since the required information is in the financial statements or notes thereto, or is not applicable nor required.

(b) Reports on Form 8-K

None.

(c) Exhibits

The exhibits listed on the accompanying index to exhibits are filed or incorporated by reference as part of this Report.

S I G N A T U R E S

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, thereunto duly authorized.

PARKER & PARSLEY 83-B, LTD.

Dated: March 29, 2001

By: Pioneer Natural Resources USA, Inc.  
Managing General Partner

By: /s/ Scott D. Sheffield  
-----  
Scott D. Sheffield, President

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

/s/ Scott D. Sheffield  
-----  
Scott D. Sheffield

President of Pioneer USA

Ma

/s/ Timothy L. Dove  
-----  
Timothy L. Dove

Executive Vice President, Chief  
Financial Officer and Director of  
Pioneer USA

Ma

/s/ Dennis E. Fagerstone  
-----

Executive Vice President and  
Director of Pioneer USA

Ma

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Dennis E. Fagerstone

/s/ Mark L. Withrow  
-----  
Mark L. Withrow

Executive Vice President, General  
Counsel and Director of Pioneer USA

/s/ Danny Kellum  
-----  
Danny Kellum

Executive Vice President - Domestic  
Operations and Director of Pioneer  
USA

/s/ Rich Dealy  
-----  
Rich Dealy

Vice President and Chief Accounting  
Officer of Pioneer USA

26

455

PARKER & PARSLEY 83-B, LTD.

INDEX TO EXHIBITS

The following documents are incorporated by reference in response to  
Item 14(c):

Exhibit No. -----	Description -----	Page ----
3.1	Agreement of Limited Partnership of Parker & Parsley 83-B, Ltd. incorporated by reference to Exhibit 4(e) of Partnership's Registration Statement on Form S-1 (Registration No. 2-81398B), as amended on April 26, 1983, the effective date thereof (hereinafter called, the Partnership's Registration Statement)	-
3.2	Amended and Restated Certificate of Limited Partnership of Parker & Parsley 83-B, Ltd. incorporated by reference to Exhibit 3.2 of the Partnership's Annual Report on Form 10-K for the period from July 1, 1983 (date of organization) through December 31, 1983	-
4.1	Form of Subscription Agreement and Power of Attorney incorporated by reference to Exhibit 4(b) of the Partnership's Registration Statement	-
4.2	Specimen Certificate of Limited Partnership Interest incorporated by reference to Exhibit 4(d) of the Partnership's Registration Statement	-



456

## PARKER &amp; PARSLEY 83-B, LTD.

## SELECTED FINANCIAL DATA

The following selected financial data for the Partnership should be read in connection with Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements included in the attached supplemental information.

	Six months ended June 30,		Years ended Decemb		
	2001	2000	2000	1999	1998
Operating results:					
Oil and gas sales	\$1,086,570	\$1,095,887	\$2,376,791	\$1,548,013	\$1,267,241
Gain on litigation settlement, net	\$ --	\$ --	\$ --	\$ --	\$ --
Impairment of oil and gas properties	\$ --	\$ --	\$ 84,697	\$ 152,505	\$ 362,325
Net income (loss)	\$ 432,056	\$ 543,081	\$1,174,971	\$ 292,874	\$ (871,809)
Allocation of net income (loss):					
General partners	\$ 114,788	\$ 143,294	\$ 325,015	\$ 125,187	\$ (46,980)
Limited partners	\$ 317,268	\$ 399,787	\$ 849,956	\$ 167,687	\$ (824,829)
Limited partners' net income (loss) per limited partnership interest	\$ 13.58	\$ 17.11	\$ 36.37	\$ 7.18	\$ (35.29)
Limited partners' cash distributions per limited partnership interest	\$ 11.10	\$ 18.39	\$ 40.34	\$ 13.95	\$ 11.49

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	=====	=====	=====	=====	=====
As of period ended:					
Total assets	\$2,402,168	\$2,382,041	\$2,303,070	\$2,391,541	\$2,529,136
	=====	=====	=====	=====	=====

-----

(a) Including litigation settlement per limited partnership interest of \$46.83 in 1996.

457

PIONEER NATURAL RESOURCES COMPANY  
PIONEER NATURAL RESOURCES USA, INC.  
5205 NORTH O'CONNOR BLVD., SUITE 1400  
IRVING, TEXAS 75039

SUPPLEMENTAL INFORMATION

OF

PARKER & PARSLEY 84-A, LTD., A TEXAS LIMITED PARTNERSHIP

TO

PROXY STATEMENT/PROSPECTUS DATED , 2001

-----

THE DATE OF THIS SUPPLEMENT IS , 2001

-----

This document contains important information specific to Parker & Parsley 84-A, Ltd. and supplements the proxy statement/prospectus dated , 2001, of Pioneer Natural Resources Company and Pioneer Natural Resources USA, Inc., by which Pioneer USA is soliciting proxies to be voted at a special meeting of limited partners of the partnership. The purpose of the special meeting is for you to vote upon the merger of the partnership with and into Pioneer USA that, if completed, will result in your receiving common stock of Pioneer Natural Resources Company for your partnership interests.

This document contains the following information concerning Parker & Parsley 84-A, Ltd.:

- o A table containing:
  - the aggregate initial investment by the limited partners
  - the aggregate historical limited partner distributions through July 31, 2001
  - the merger value attributable to partnership interests of limited partners, excluding Pioneer USA
  - the merger value per \$1,000 limited partner investment
  - the merger value per \$1,000 limited partner investment as a

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

multiple of distributions for the past four quarterly distributions including the distribution in July 2001

- the book value per \$1,000 limited partner investment as of June 30, 2001 and as of December 31, 2000
- the going concern value per \$1,000 limited partner investment
- the liquidation value per \$1,000 limited partner investment
- the ordinary tax loss per \$1,000 limited partner investment in year of initial investment
- o Information about:
  - the legal opinion for the limited partners
  - the term of the partnership
- o The partnership's quarterly report on Form 10-Q, including management's discussion and analysis of financial condition and results of operations, for the six months ended June 30, 2001
- o The partnership's annual report on Form 10-K, including management's discussion and analysis of financial condition and results of operations, for the year ended December 31, 2000
- o Selected historical financial data for the partnership for the six months ended June 30, 2001 and 2000 and the five years ended December 31, 2000

-1-

458

PARKER & PARSLEY 84-A LTD.

### SUPPLEMENTAL INFORMATION TABLE

Aggregate Initial Investment by the Limited Partners (a)	\$
Aggregate Historical Limited Partner Distributions through July 31, 2001 (a)	\$
Merger Value Attributable to Partnership Interests of Limited Partners, Excluding Pioneer USA (a), (b)	\$
Merger Value per \$1,000 Limited Partner Investment (b), (c)	\$
Merger Value per \$1,000 Limited Partner Investment as a Multiple of Distributions for the past four quarterly distributions including the distribution in July 2001 (b), (c)	
Book Value per \$1,000 Limited Partner Investment:	

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

-- as of June 30, 2001 (c)	\$
-- as of December 31, 2000 (c)	\$
Going Concern Value per \$1,000 Limited Partner Investment (c), (d)	\$
Liquidation Value per \$1,000 Limited Partner Investment (c), (e)	\$
Ordinary Tax Loss per \$1,000 Limited Partner Investment in Year of Initial Investment (c), (f)	\$

-----

- (a) Stated in thousands.
- (b) The merger value for the partnership is equal to the sum of the present value of estimated future net revenues from the partnership's estimated oil and gas reserves and its net working capital, in each case as of March 31, 2001, less its pro rata share, based on its reserve value, of the estimated expenses and fees of the mergers of all of the partnerships and less the cash distribution on July 13, 2001, by the partnership to its partners.
- (c) Interests in some partnerships were sold in units at prices other than \$1,000. We have presented this information based on a \$1,000 initial investment for ease of use and comparison among partnerships. You should not assume that the amount shown per \$1,000 investment is the same as the value or amount attributable to a single unit investment.
- (d) The going concern value for the partnership is based upon: (1) the sum of (A) the estimated net cash flow from the sale of the partnership's reserves during a 10-year operating period and (B) the estimated residual value from the sale of the partnership's remaining reserves at the end of the operating period, in each case using the same pricing and discount rate as in the merger value calculation, less (2) (A) partnership level general and administrative expenses, and (B) the cash distribution on July 13, 2001 by the partnership to its partners.
- (e) The liquidation value for the partnership is based upon the sale of the partnership's reserves at the reserve value, less (1) liquidation expenses which are estimated to be the sum of (A) the partnership's pro rata share of the merger expenses and fees described in footnote (b) above and (B) 3% of the partnership's reserve value, and (2) the cash distribution on July 13, 2001 by the partnership to its partners. The liquidation expenses represent the estimated costs to retain an investment banker or broker to sell the assets of the partnership and the legal and other closing costs associated with such transaction, including the wind-down costs of the partnership.
- (f) Your ability to use your distributive share of the partnership's loss to offset your other income may have been subject to certain limitations at your level as a partner, and you may therefore wish to consult your tax advisor to determine the additional value, if any, actually realized by you in your particular circumstances.

INFORMATION ABOUT THE LEGAL OPINION FOR THE LIMITED PARTNERS

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The partnership agreement for the partnership requires that special legal counsel render an opinion on behalf of the limited partners to Pioneer USA that (1) neither the grant nor the exercise of the right to approve the merger of the partnership by its limited partners will adversely affect the federal income tax classification of the partnership or any of its limited partners; and (2) neither the grant nor exercise of such right will result in the loss of any limited partner's limited liability. In addition, the counsel designated to render the opinion must be counsel other than counsel to Pioneer USA or the partnership. Both the designated counsel and the legal opinion must be approved by the limited partners. Pioneer USA has retained \_\_\_\_\_ of Dallas, Texas for the purpose of rendering this legal opinion on behalf of the limited partners to Pioneer USA. The merger proposals include an approval of that counsel and the form of its opinion. A copy of the opinion is attached as an exhibit to the merger proposals.

INFORMATION ABOUT THE TERM OF THE PARTNERSHIP

The term of the partnership shall continue until terminated in accordance with the applicable provisions of its partnership agreement.

-2-

459

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, 2001

Commission File No. 2-90417

PARKER & PARSLEY 84-A, LTD.  
(Exact name of Registrant as specified in its charter)

Texas	75-1974814
-----	-----
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

5205 N. O'Connor Blvd., Suite 1400, Irving, Texas	75039
-----	-----
(Address of principal executive offices)	(Zip code)

Registrant's Telephone Number, including area code : (972) 444-9001

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

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes / x / No / /

460

PARKER & PARSLEY 84-A, LTD.

### TABLE OF CONTENTS

	Page
Part I. Financial Information	
Item 1. Financial Statements	
Balance Sheets as of June 30, 2001 and December 31, 2000.....	3
Statements of Operations for the three and six months ended June 30, 2001 and 2000.....	4
Statement of Partners' Capital for the six months ended June 30, 2001.....	5
Statements of Cash Flows for the six months ended June 30, 2001 and 2000.....	6
Notes to Financial Statements.....	7
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.....	7
Part II. Other Information	
Item 6. Exhibits and Reports on Form 8-K.....	11
Signatures.....	12

2

461

PARKER & PARSLEY 84-A, LTD.  
(A Texas Limited Partnership)

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Part I. Financial Information

Item 1. Financial Statements

BALANCE SHEETS

	June 30, 2001	December 31, 2000
	----- (Unaudited)	-----
ASSETS		
Current assets:		
Cash	\$ 497,847	\$ 179,539
Accounts receivable - oil and gas sales	247,028	360,844
	-----	-----
Total current assets	744,875	540,383
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	18,264,695	18,260,776
Accumulated depletion	(16,449,041)	(16,391,831)
	-----	-----
Net oil and gas properties	1,815,654	1,868,945
	-----	-----
	\$ 2,560,529	\$ 2,409,328
	=====	=====
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable - affiliate	\$ 47,293	\$ 36,496
Partners' capital:		
General partners	336,712	293,504
Limited partners (19,435 interests)	2,176,524	2,079,328
	-----	-----
	2,513,236	2,372,832
	-----	-----
	\$ 2,560,529	\$ 2,409,328
	=====	=====

The financial information included as of June 30, 2001 has been prepared by the managing general partner without audit by independent public accountants.

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

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

STATEMENTS OF OPERATIONS  
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2001	2000	2001	2000
Revenues:				
Oil and gas	\$ 476,179	\$ 549,309	\$1,110,822	\$1,082,369
Interest	3,705	4,294	7,360	6,992
	-----	-----	-----	-----
	479,884	553,603	1,118,182	1,089,361
	-----	-----	-----	-----
Costs and expenses:				
Oil and gas production	261,190	245,145	509,980	464,779
General and administrative	14,541	19,804	36,760	34,139
Depletion	29,102	25,167	57,210	58,813
	-----	-----	-----	-----
	304,833	290,116	603,950	557,731
	-----	-----	-----	-----
Net income	\$ 175,051	\$ 263,487	\$ 514,232	\$ 531,630
	=====	=====	=====	=====
Allocation of net income:				
General partners	\$ 48,192	\$ 69,972	\$ 137,658	\$ 142,146
	=====	=====	=====	=====
Limited partners	\$ 126,859	\$ 193,515	\$ 376,574	\$ 389,484
	=====	=====	=====	=====
Net income per limited partnership interest	\$ 6.53	\$ 9.96	\$ 19.38	\$ 20.04
	=====	=====	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

PARKER & PARSLEY 84-A, LTD.  
(A Texas Limited Partnership)

STATEMENT OF PARTNERS' CAPITAL  
(Unaudited)



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	General partners -----	Limited partners -----	Total -----
Balance at January 1, 2001	\$ 293,504	\$2,079,328	\$2,372,832
Distributions	(94,450)	(279,378)	(373,828)
Net income	137,658 -----	376,574 -----	514,232 -----
Balance at June 30, 2001	\$ 336,712 =====	\$2,176,524 =====	\$2,513,236 =====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

5

464

PARKER & PARSLEY 84-A, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF CASH FLOWS  
(Unaudited)

	Six months ended June 30,	
	2001 -----	2000 -----
Cash flows from operating activities:		
Net income	\$ 514,232	\$ 531,630
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion	57,210	58,813
Changes in assets and liabilities:		
Accounts receivable	113,816	(33,685)
Accounts payable	10,797	22,835
Net cash provided by operating activities	696,055 -----	579,593 -----
Cash flows used in investing activities:		
Additions to oil and gas properties	(3,919)	(11,126)
Cash flows used in financing activities:		
Cash distributions to partners	(373,828)	(507,986)

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Net increase in cash	318,308	60,481
Cash at beginning of period	179,539	117,140
Cash at end of period	\$ 497,847	\$ 177,621

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

6

465

PARKER & PARSLEY 84-A, LTD.  
(A Texas Limited Partnership)

NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Unaudited)

### Note 1. Organization and nature of operations

Parker & Parsley 84-A, Ltd. (the "Partnership") is a limited partnership organized in 1984 under the laws of the State of Texas.

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

### Note 2. Basis of presentation

In the opinion of management, the unaudited financial statements of the Partnership as of June 30, 2001 and for the three and six months ended June 30, 2001 and 2000 include all adjustments and accruals consisting only of normal recurring accrual adjustments which are necessary for a fair presentation of the results for the interim period. These interim results are not necessarily indicative of results for a full year. Certain reclassifications may have been made to the June 30, 2000 financial statements to conform to the June 30, 2001 financial statement presentations.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in this Form 10-Q pursuant to the rules and regulations of the Securities and Exchange Commission. The financial statements should be read in conjunction with the financial statements and the notes thereto contained in the Partnership's Report on Form 10-K for the year ended December 31, 2000, as filed with the Securities and Exchange Commission, a copy of which is available upon request by writing to Rich Dealy, Vice President and Chief Accounting Officer, 5205 North O'Connor Boulevard, Suite 1400, Irving, Texas 75039-3746.

### Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (1)

#### Results of Operations

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Six months ended June 30, 2001 compared with six months ended June 30, 2000

### Revenues:

The Partnership's oil and gas revenues increased 3% to \$1,110,822 for the six months ended June 30, 2001 as compared to \$1,082,369 for the same period in 2000. The increase in revenues resulted from higher average prices received for gas and NGLs, offset by a decrease in production and lower average prices

7

466

received for oil. For the six months ended June 30, 2001, 26,035 barrels of oil, 12,266 barrels of natural gas liquids ("NGLs") and 57,564 mcf of gas were sold, or 47,895 barrel of oil equivalents ("BOEs"). For the six months ended June 30, 2000, 26,759 barrels of oil, 16,307 barrels of NGLs and 68,163 mcf of gas were sold, or 54,427 BOEs.

The average price received per barrel of oil decreased \$.61, or 2%, from \$27.63 for the six months ended June 30, 2000 to \$27.02 for the same period in 2001. The average price received per barrel of NGLs increased \$.95, or 7%, from \$13.27 during the six months ended June 30, 2000 to \$14.22 for the same period in 2001. The average price received per mcf of gas increased 117% from \$1.86 during the six months ended June 30, 2000 to \$4.04 for the same period in 2001. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received during the six months ended June 30, 2001.

### Costs and Expenses:

Total costs and expenses increased to \$603,950 for the six months ended June 30, 2001 as compared to \$557,731 for the same period in 2000, an increase of \$46,219, or 8%. This increase was primarily due to increases in production costs and general and administrative expenses ("G&A"), offset by a decline in depletion.

Production costs were \$509,980 for the six months ended June 30, 2001 and \$464,779 for the same period in 2000 resulting in a \$45,201 increase, or 10%. The increase was primarily due to additional well maintenance and workover costs incurred to stimulate well production.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 8% from \$34,139 for the six months ended June 30, 2000 to \$36,760 for the same period in 2001, primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues and an increase in audit and tax fees.

Depletion was \$57,210 for the six months ended June 30, 2001 as compared to \$58,813 for the same period in 2000, a decrease of \$1,603, or 3%. This decrease was the result of a decline in oil production of 724 barrels for the six months ended June 30, 2001 compared to the same period in 2000.

Three months ended June 30, 2001 compared with three months ended June 30, 2000

### Revenues:

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The Partnership's oil and gas revenues decreased 13% to \$476,179 for the three months ended June 30, 2001 as compared to \$549,309 for the same period in 2000. The decrease in revenues resulted from a decrease in production and lower average prices received for oil and NGLs, offset by higher average prices received for gas. For the three months ended June 30, 2001, 12,406 barrels of oil, 5,875 barrels of NGLs and 24,014 mcf of gas were sold, or 22,283 BOEs. For

8

467

the three months ended June 30, 2000, 13,188 barrels of oil, 8,087 barrels of NGLs and 33,092 mcf of gas were sold, or 26,790 BOEs.

The average price received per barrel of oil decreased \$.78, or 3%, from \$27.65 for the three months ended June 30, 2000 to \$26.87 for the three months ended June 30, 2001. The average price received per barrel of NGLs decreased \$1.77, or 13%, from \$13.84 during the three months ended June 30, 2000 to \$12.07 for the same period in 2001. The average price received per mcf of gas increased 36% to \$2.99 for the three months ended June 30, 2001 from \$2.20 for the same period in 2000.

### Costs and Expenses:

Total costs and expenses increased to \$304,833 for the three months ended June 30, 2001 as compared to \$290,116 for the same period in 2000, an increase of \$14,717, or 5%. This increase was primarily due to increases in production costs and depletion, offset by a decline in G&A.

Production costs were \$261,190 for the three months ended June 30, 2001 and \$245,145 for the same period in 2000 resulting in an increase of \$16,045, or 7%. The increase was primarily due to additional well maintenance and workover costs incurred to stimulate well production.

During this period, G&A decreased 27% from \$19,804 for the three months ended June 30, 2000 to \$14,541 for the same period in 2001, primarily due to a lower percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of decreased oil and gas revenues and a decrease in audit and tax fees.

Depletion was \$29,102 for the three months ended June 30, 2001 as compared to \$25,167 for the same period in 2000, an increase of \$3,935, or 16%. This increase was the result of a reduction in revisions to proved reserves during the period ended June 30, 2001 as a result of lower commodity prices, offset by a decline in oil production of 782 barrels for the three months ended June 30, 2001 as compared to the same period in 2000.

### Liquidity and Capital Resources

#### Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$116,462 during the six months ended June 30, 2001 from the same period ended June 30, 2000. This increase was due to an increase of \$28,821 in oil and gas sales receipts and a reduction in working capital of \$135,463, offset by increases in production costs of \$45,201 and G&A expenses of \$2,621. The increase in oil and gas receipts resulted from the increase in gas and NGL prices of \$164,517 during 2001, offset by \$119,533 resulting from the decline in production and a \$16,163 decline resulting from lower oil prices during 2001 as compared to the same

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

period in 2000. The increase in production costs was primarily due to additional well maintenance and workover costs incurred to stimulate well production. The increase in G&A was primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues and an increase in audit and tax fees.

9

468

### Net Cash Used in Investing Activities

The Partnership's principal investing activities during the six months ended June 30, 2001 and 2000 were for expenditures related to oil and gas equipment upgrades on active properties.

### Net Cash Used in Financing Activities

For the six months ended June 30, 2001, cash distributions to the partners were \$373,828, of which \$94,450 was distributed to the general partners and \$279,378 to the limited partners. For the same period ended June 30, 2000, cash distributions to the partners were \$507,986, of which \$129,953 was distributed to the general partners and \$378,033 to the limited partners.

For the three months ended June 30, 2001, no distributions were made by the partnership to its partners. Subsequent to June 30, 2001 the cash distribution that otherwise would have been mailed to partners in late June was made to holders of record as of July 9, 2001 and was mailed on July 13, 2001. For further information, see "Proposal to acquire partnerships" below.

### Proposal to acquire partnerships

On June 29, 2001, Pioneer Natural Resources Company ("Pioneer") filed with the Securities and Exchange Commission Amendment No. 1 to the Form S-4 Registration Statement (File No. 333-59094) (the "preliminary proxy statement/prospectus"), which proposes an agreement and plan of merger among Pioneer, Pioneer Natural Resources USA, Inc. ("Pioneer USA"), a wholly-owned subsidiary of Pioneer, and 46 Parker & Parsley limited partnerships. Each partnership that approves the agreement and plan of merger and the other related merger proposals will merge with and into Pioneer USA upon the closing of the transactions described in the preliminary proxy statement/prospectus, and the partnership interests of each such partnership will be converted into the right to receive Pioneer common stock. The Partnership is one of the 46 Parker & Parsley limited partnerships that will be asked to approve the agreement and plan of merger. The preliminary proxy statement/prospectus is non-binding and is subject to, among other things, consideration of offers from third parties to purchase any partnership or its assets and the majority approval of the limited partnership interests in each partnership.

Pioneer USA will solicit proxies from limited partners to approve the mergers only when the proxy statement/prospectus is final and declared effective. No solicitation will be made using preliminary materials. Nonetheless, copies of the preliminary proxy statement/prospectus may be obtained without charge upon request from Pioneer Natural Resources Company, 5205 North O'Connor Blvd., Suite 1400, Irving, Texas 75039, Attention: Investor Relations.

The limited partners are urged to read the proxy statement/prospectus of Pioneer filed with the Securities and Exchange Commission, when it is finalized, because it contains important information about the proposed mergers, including

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

information about the direct and indirect interests of Pioneer USA and Pioneer in the mergers. The limited partners may also obtain the preliminary and (when filed) final proxy statement/prospectus and other relevant documents relating to the proposed mergers free through the internet web site that the Securities and Exchange Commission maintains at [www.sec.gov](http://www.sec.gov).

10

469

-----

- (1) "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" contains forward looking statements that involve risks and uncertainties. Accordingly, no assurances can be given that the actual events and results will not be materially different than the anticipated results described in the forward looking statements.

Part II. Other Information

Item 6. Exhibits and Reports on Form 8-K

- (a) Exhibits - none  
(b) Reports on Form 8-K - none

11

470

PARKER & PARSLEY 84-A, LTD.  
(A Texas Limited Partnership)

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 thereunto duly authorized.

PARKER & PARSLEY 84-A, LTD.

By: Pioneer Natural Resources USA, Inc.,  
Managing General Partner

Dated: August 6, 2001

By: /s/ Rich Dealy

-----  
Rich Dealy, Vice President and

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Chief Accounting Officer

12

471

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

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d)  
of the Securities Exchange Act of 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000

COMMISSION FILE NO. 2-90417

PARKER & PARSLEY 84-A, LTD.  
(Exact name of Registrant as specified in its charter)

TEXAS

75-1974814

-----  
(State or other jurisdiction of  
incorporation or organization)

-----  
(I.R.S. Employer  
Identification Number)

1400 WILLIAMS SQUARE WEST, 5205 N. O'CONNOR BLVD., IRVING, TEXAS

75039

-----  
(Address of principal executive offices)

-----  
(Zip code)

Registrant's Telephone Number, including area code : (972) 444-9001

Securities registered pursuant to Section 12(b) of the Act: NONE  
Securities registered pursuant to Section 12(g) of the Act:  
LIMITED PARTNERSHIP INTERESTS (\$1,000 PER UNIT)

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

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

No market currently exists for the limited partnership interests of the Registrant. Based on the original purchase price, the aggregate market value of limited partnership interests owned by non-s of the Registrant is \$19,016,000.

As of March 8, 2001, the number of outstanding limited partnership interests was 19,435.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The following documents are incorporated by reference into the indicated parts of this Annual Report on Form 10-K: None

PARTS I AND II OF THIS ANNUAL REPORT ON FORM 10-K (THE "REPORT") CONTAIN FORWARD LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. ACCORDINGLY, NO ASSURANCES CAN BE GIVEN THAT THE ACTUAL EVENTS AND RESULTS WILL NOT BE MATERIALLY DIFFERENT THAN THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS. SEE "ITEM 1. BUSINESS" FOR A DESCRIPTION OF VARIOUS FACTORS THAT COULD MATERIALLY AFFECT THE ABILITY OF THE PARTNERSHIP TO ACHIEVE THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS.

2

472

### PART I

#### ITEM 1. BUSINESS

Parker & Parsley 84-A, Ltd. (the "Partnership") is a limited partnership organized in 1984 under the laws of the State of Texas. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA") and its co-general partner is P&P Employees 84-A, Ltd. ("EMPL"), a Texas limited partnership whose general partner is Pioneer USA. Pioneer USA is a wholly-owned subsidiary of Pioneer Natural Resources Company ("Pioneer"). As of March 8, 2001, the Partnership had 19,435 limited partnership interests outstanding.

The Partnership does not have any employees of its own. Pioneer USA employs 701 persons, many of whom dedicated a part of their time to the conduct of the Partnership's business during the period for which this Report is filed. Pioneer USA supplies all management functions.

The Partnership engages in oil and gas development and production and is not involved in any industry segment other than oil and gas. The Partnership's production is geographically concentrated in West Texas.

The principal markets during 2000 for the oil produced by the Partnership were refineries and oil transmission companies that have facilities near the Partnership's oil producing properties. During 2000, Pioneer USA marketed the Partnership's gas to a variety of purchasers. Of the Partnership's total oil and gas revenues for 2000, approximately 35%, 17% and 10% were attributable to sales made to Plains Marketing, L.P., TEPPCO Crude Oil LLC and NGTS LLC, respectively. Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on its ability to sell its oil, natural gas liquids ("NGLs") and gas production.

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

Oil and gas production operations are subject to various types of regulations by local, state and federal agencies. The Partnership's operations are also subject to state conservation laws and regulations, including the establishment of maximum rates of production from wells and the regulation of spacing, plugging and abandonment of wells. Each state generally imposes a production or severance tax with respect to production and sale of oil and gas within their respective jurisdictions. Noncompliance with the laws and regulations may subject the



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Partnership to penalties, damages or other liabilities and compliance may increase the cost of the Partnership's operations. The oil and gas business is also subject to environmental hazards such as oil spills, gas leaks and ruptures and discharges of toxic substances or gases that could expose the Partnership to substantial

2

473

liability due to pollution and other environmental damages. Although the Partnership believes that its business operations do not impair environmental quality and that its costs of complying with any applicable environmental regulations are not currently significant, the Partnership cannot predict what, if any, effect these environmental regulations may have on its current or future operations.

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

No material part of the Partnership's business is seasonal and the Partnership conducts no foreign operations.

### ITEM 2. PROPERTIES

The Partnership's properties consist of leasehold interests in properties on which oil and gas wells are located. Such property interests are often subject to landowner royalties, overriding royalties and other oil and gas leasehold interests.

Fractional working interests in developmental and exploratory oil and gas prospects located primarily in the Spraberry Trend Area of West Texas were acquired by the Partnership, resulting in the Partnership's participation in the drilling of 42 oil and gas wells. At December 31, 2000, 38 wells were producing and four wells had been plugged and abandoned due to unprofitable operations.

For information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998, and changes in such quantities for the years then ended, see Note 7 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" below. Such reserves have been evaluated by Williamson Petroleum Consultants, Inc., an independent petroleum consultant.

### ITEM 3. LEGAL PROCEEDINGS

The Partnership from time to time is a party to various legal proceedings incidental to its business involving claims in oil and gas leases or interests, other claims for damages in amounts not in excess of 10% of its current assets and other matters, none of which Pioneer USA believes to be material to the Partnership.

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

There were no matters submitted to a vote of the partners during the fourth quarter of 2000.

## PART II

## ITEM 5. MARKET FOR LIMITED PARTNERSHIP INTERESTS AND LIMITED PARTNERSHIP DISTRIBUTIONS

At March 8, 2001, the Partnership had 19,435 outstanding limited partnership interests held of record by 1,268 subscribers. There is no established public trading market for the limited partnership interests. Under the limited partnership agreement, Pioneer USA has made certain commitments to purchase partnership interests at a computed value.

Revenues which, in the sole judgement of the managing general partner, are not required to meet the Partnership's obligations are distributed to the partners at least quarterly in accordance with the limited partnership agreement. During the years ended December 31, 2000 and 1999, distributions of \$872,006 and \$293,145, respectively, were made to the limited partners.

## ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth selected financial data for the years ended December 31:

	2000	1999	1998	1997	1996
	-----	-----	-----	-----	-----
Operating results:					
-----					
Oil and gas sales	\$2,348,261	\$1,419,376	\$1,124,134	\$1,668,018	\$1,984,34
	=====	=====	=====	=====	=====
Impairment of oil and gas properties	\$ -	\$ -	\$ 425,668	\$ 370,361	\$ -
	=====	=====	=====	=====	=====
Gain on litigation settlement, net	\$ -	\$ -	\$ -	\$ -	\$1,055,35
	=====	=====	=====	=====	=====
Net income (loss)	\$1,240,674	\$ 340,062	\$ (923,346)	\$ 70,124	\$1,782,13
	=====	=====	=====	=====	=====
Allocation of net income (loss):					
General partners	\$ 328,079	\$ 113,550	\$ (56,570)	\$ 121,907	\$ 462,04
	=====	=====	=====	=====	=====
Limited partners	\$ 912,595	\$ 226,512	\$ (866,776)	\$ (51,783)	\$1,320,09
	=====	=====	=====	=====	=====
Limited partners' net income (loss) per limited partnership interest	\$ 46.96	\$ 11.65	\$ (44.60)	\$ (2.66)	\$ 67.9
	=====	=====	=====	=====	=====

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Limited partners' cash distributions per limited partnership interest	\$ 44.87	\$ 15.08	\$ 12.82	\$ 32.32	\$ 73.6
	=====	=====	=====	=====	=====

At year end:

Identifiable assets	\$2,409,328	\$2,343,035	\$2,390,810	\$3,657,643	\$4,436,38
	=====	=====	=====	=====	=====

-----

(a) Including litigation settlement per limited partnership interest of \$42.48 in 1996.

4

475

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

Results of operations

2000 compared to 1999

The Partnership's oil and gas revenues increased 65% to \$2,348,261 for 2000 as compared to \$1,419,376 in 1999. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 2000, 51,863 barrels of oil, 33,622 barrels of natural gas liquids ("NGLs") and 138,617 mcf of gas were sold, or 108,588 barrel of oil equivalents ("BOEs"). In 1999, 50,064 barrels of oil, 35,804 barrels of NGLs and 154,235 mcf of gas were sold, or 111,574 BOEs. Due to the decline characteristics of the Partnership's oil and gas properties, management expects a certain amount of decline in production in the future until the Partnership's economically recoverable reserves are fully depleted.

The average price received per barrel of oil increased \$12.19, or 70%, from \$17.36 in 1999 to \$29.55 in 2000. The average price received per barrel of NGLs increased \$4.97, or 55%, from \$9.03 in 1999 to \$14.00 in 2000. The average price received per mcf of gas increased 69% from \$1.47 in 1999 to \$2.49 in 2000. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received in 2000.

Total costs and expenses increased in 2000 to \$1,124,923 as compared to \$1,088,550 in 1999, an increase of \$36,373, or 3%. The increase was primarily due to increases in production costs and general and administrative expenses ("G&A"), offset by a decline in depletion.

Production costs were \$937,743 in 2000 and \$859,602 in 1999, resulting in an increase of \$78,141 or 9%. The increase was primarily due to higher production taxes associated with higher oil and gas prices and workover costs incurred to stimulate well production, offset by lower well maintenance costs.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

45% from \$53,481 in 1999 to \$77,459 in 2000 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$70,448 in 2000 and \$42,581 in 1999 for G&A incurred on behalf of the Partnership. The remaining G&A was paid directly by the Partnership. The managing general partner determines the allocated expenses based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

5

476

Depletion was \$109,721 in 2000 as compared to \$175,467 in 1999, representing a decrease of \$65,746, or 37%. This decrease was primarily due to a 150,475 barrels of oil increase in proved reserves during 2000 as a result of higher commodity prices.

1999 compared to 1998

The Partnership's 1999 oil and gas revenues increased 26% to \$1,419,376 from \$1,124,134 in 1998. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 1999, 50,064 barrels of oil, 35,804 barrels of NGLs and 154,235 mcf of gas were sold, or 111,574 BOEs. In 1998, 54,153 barrels of oil, 34,549 barrels of NGLs and 145,870 mcf of gas were sold, or 113,014 BOEs.

The average price received per barrel of oil increased \$4.06, or 31%, from \$13.30 in 1998 to \$17.36 in 1999. The average price received per barrel of NGLs increased \$2.95, or 49%, from \$6.08 in 1998 to \$9.03 in 1999. The average price received per mcf of gas increased 11% from \$1.33 in 1998 to \$1.47 in 1999.

A gain on disposition of assets of \$2,100 was recognized during 1998 from the sale of equipment on one fully depleted well.

Total costs and expenses decreased in 1999 to \$1,088,550 as compared to \$2,059,738 in 1998, a decrease of \$971,188, or 47%. The decrease was primarily due to declines in depletion, the impairment of oil and gas properties and production costs, offset by an increase in G&A expenses.

Production costs were \$859,602 in 1999 and \$865,247 in 1998, resulting in a \$5,645 decrease. The decrease was due to declines in workover costs and ad valorem taxes, offset by increases in well maintenance costs incurred to stimulate well production and in production taxes due to increased oil and gas revenues.

During this period, G&A increased 39% from \$38,385 in 1998 to \$53,481 in 1999 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$42,581 in 1999 and \$33,724 in 1998 for G&A incurred on behalf of the Partnership.

In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the managing general partner reviews the Partnership's oil and gas properties for impairment whenever events or

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

circumstances indicate a decline in the recoverability of the carrying value of the Partnership's assets may have occurred. As a result of the review and evaluation of its long-lived assets for impairment, the Partnership recognized a non-cash charge of \$425,668 related to its oil and gas properties during 1998.

Depletion was \$175,467 in 1999 compared to \$730,438 in 1998. This represented a decrease of \$554,971, or 76%. This decrease was the result of an increase in proved reserves of 445,239 barrels of oil during 1999 as a result of higher commodity prices and a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 1998.

6

477

### Petroleum industry

The petroleum industry has been characterized by volatile oil, NGL and natural gas commodity prices and relatively stable supplier costs during the three years ended December 31, 2000. During 1998, weather patterns, regional economic recessions and political matters combined to cause worldwide oil supplies to exceed demand resulting in a substantial decline in oil prices. Also during 1998, but to a lesser extent, market prices for natural gas declined. During 1999 and 2000, the Organization of Petroleum Exporting Countries ("OPEC") and certain other crude oil exporting nations announced reductions in their planned export volumes. Those announcements, together with the enactment of the announced reductions in export volumes, had a positive impact on world oil prices, as have overall natural gas supply and demand fundamentals on North American natural gas prices. Although the favorable commodity price environment and stable field service cost environment is expected to continue during 2001, there is no assurance that commodity prices will not return to a less favorable level or that field service costs will not escalate in the future, both of which could negatively impact the Partnership's future results of operations and cash distributions.

### Liquidity and capital resources

#### Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$852,554 during the year ended December 31, 2000 from 1999. This increase was due to an increase in oil and gas sales receipts of \$936,985 and a decline in working capital of \$17,688, offset by increases in production costs paid of \$78,141 and G&A expenses paid of \$23,978. The increase in oil and gas receipts resulted from the increase in commodity prices during 2000 which contributed an additional \$953,265 to oil and gas receipts, offset by \$16,280 resulting from the decline in production during 2000. The increase in production costs was primarily due to increased production taxes associated with higher oil and gas prices and workover costs incurred to stimulate well production, offset by lower well maintenance costs. The increase in G&A was primarily due to higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues.

#### Net Cash Used in Investing Activities

The Partnership's investing activities during 2000 and 1999 were related to expenditures for equipment upgrades on various oil and gas properties.

#### Net Cash Used in Financing Activities

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

In 2000, cash distributions to the partners were \$1,173,468, of which \$301,462 was distributed to the general partners and \$872,006 to the limited partners. In 1999, cash distributions to the partners were \$392,295, of which \$99,150 was distributed to the general partners and \$293,145 to the limited partners.

7

478

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO FINANCIAL STATEMENTS

	Page
Financial Statements of Parker & Parsley 84-A, Ltd:	
Independent Auditors' Report.....	9
Balance Sheets as of December 31, 2000 and 1999.....	10
Statements of Operations for the Years Ended December 31, 2000, 1999 and 1998.....	11
Statements of Partners' Capital for the Years Ended December 31, 2000, 1999 and 1998.....	12
Statements of Cash Flows for the Years Ended December 31, 2000, 1999 and 1998.....	13
Notes to Financial Statements.....	14

8

479

INDEPENDENT AUDITORS' REPORT

The Partners  
Parker & Parsley 84-A, Ltd.  
(A Texas Limited Partnership):

We have audited the balance sheets of Parker & Parsley 84-A, Ltd. as of December 31, 2000 and 1999, and the related statements of operations, partners' capital and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parker & Parsley 84-A, Ltd. as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Dallas, Texas  
March 9, 2001

9

480

PARKER & PARSLEY 84-A, LTD.  
(A Texas Limited Partnership)

BALANCE SHEETS  
December 31

	2000	1999
ASSETS	-----	-----
Current assets:		
Cash	\$ 179,539	\$ 117,140
Accounts receivable - oil and gas sales	360,844	261,763
	-----	-----
Total current assets	540,383	378,903
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	18,260,776	18,246,242
Accumulated depletion	(16,391,831)	(16,282,110)
	-----	-----
Net oil and gas properties	1,868,945	1,964,132
	-----	-----
	\$ 2,409,328	\$ 2,343,035
	=====	=====

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

LIABILITIES AND PARTNERS' CAPITAL

Current liabilities:		
Accounts payable -	\$ 36,496	\$ 37,409
Partners' capital:		
General partners	293,504	266,887
Limited partners (19,435 interests)	2,079,328	2,038,739
	-----	-----
	2,372,832	2,305,626
	-----	-----
	\$ 2,409,328	\$ 2,343,035
	=====	=====

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

10

481

PARKER & PARSLEY 84-A, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF OPERATIONS  
For the years ended December 31

	2000	1999	1998
	-----	-----	-----
Revenues:			
Oil and gas	\$ 2,348,261	\$ 1,419,376	\$ 1,124,134
Interest	17,336	9,236	10,158
Gain on disposition of assets	--	--	2,100
	-----	-----	-----



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	2,365,597	1,428,612	1,136,392
	-----	-----	-----
Costs and expenses:			
Oil and gas production	937,743	859,602	865,247
General and administrative	77,459	53,481	38,385
Impairment of oil and gas properties	--	--	425,668
Depletion	109,721	175,467	730,438
	-----	-----	-----
	1,124,923	1,088,550	2,059,738
	-----	-----	-----
Net income (loss)	\$ 1,240,674	\$ 340,062	\$ (923,346)
	=====	=====	=====
Allocation of net income (loss):			
General partners	\$ 328,079	\$ 113,550	\$ (56,570)
	=====	=====	=====
Limited partners	\$ 912,595	\$ 226,512	\$ (866,776)
	=====	=====	=====
Net income (loss) per limited partnership interest	\$ 46.96	\$ 11.65	\$ (44.60)
	=====	=====	=====

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

PARKER & PARSLEY 84-A, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF PARTNERS' CAPITAL

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	General partners -----	Limited partners -----	Total -----
Partners' capital at January 1, 1998	\$ 395,245	\$ 3,221,215	\$ 3,616,460
Distributions	(86,188)	(249,067)	(335,255)
Net loss	(56,570)	(866,776)	(923,346)
	-----	-----	-----
Partners' capital at December 31, 1998	252,487	2,105,372	2,357,859
Distributions	(99,150)	(293,145)	(392,295)
Net income	113,550	226,512	340,062
	-----	-----	-----
Partners' capital at December 31, 1999	266,887	2,038,739	2,305,626
Distributions	(301,462)	(872,006)	(1,173,468)
Net income	328,079	912,595	1,240,674
	-----	-----	-----
Partners' capital at December 31, 2000	\$ 293,504	\$ 2,079,328	\$ 2,372,832
	=====	=====	=====

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

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

483

PARKER & PARSLEY 84-A, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF CASH FLOWS  
For the years ended December 31

	2000	1999	1998
	-----	-----	-----
Cash flows from operating activities:			
Net income (loss)	\$ 1,240,674	\$ 340,062	\$ (923,346)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Impairment of oil and gas properties	--	--	425,668
Depletion	109,721	175,467	730,438
Gain on disposition of assets	--	--	(2,100)
Changes in assets and liabilities:			
Accounts receivable	(99,081)	(122,140)	85,609
Accounts payable	(913)	4,458	(8,232)
	-----	-----	-----
Net cash provided by operating activities	1,250,401	397,847	308,037
	-----	-----	-----
Cash flows from investing activities:			
Additions to oil and gas properties	(14,534)	(12,628)	(10,572)
Proceeds from asset dispositions	--	211	2,100
	-----	-----	-----
Net cash used in investing activities	(14,534)	(12,417)	(8,472)
	-----	-----	-----
Cash flows used in financing activities:			
Cash distributions to partners	(1,173,468)	(392,295)	(335,255)
	-----	-----	-----
Net increase (decrease) in cash	62,399	(6,865)	(35,690)
Cash at beginning of year	117,140	124,005	159,695
	-----	-----	-----
Cash at end of year	\$ 179,539	\$ 117,140	\$ 124,005
	=====	=====	=====

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

13

484

PARKER & PARSLEY 84-A, LTD.  
(A Texas Limited Partnership)

NOTES TO FINANCIAL STATEMENTS  
December 31, 2000, 1999 and 1998

NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS

Parker & Parsley 84-A, Ltd. (the "Partnership") is a limited partnership organized in 1984 under the laws of the State of Texas. The Partnership's general partners are Pioneer Natural Resources USA, Inc. ("Pioneer USA") and P&P Employees 84-A, Ltd. ("EMPL"). The Partnership's managing general partner is Pioneer USA.

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Oil and gas properties - The Partnership utilizes the successful efforts method of accounting for its oil and gas properties and equipment. Under this method, all costs associated with productive wells and nonproductive development wells are capitalized while nonproductive exploration costs are expensed. Capitalized costs relating to proved properties are depleted using the unit-of-production method on a property-by-property basis based on proved oil (dominant mineral) reserves as evaluated by independent petroleum consultants. The carrying amounts of properties sold or otherwise disposed of and the related allowances for depletion are eliminated from the accounts and any gain or loss is included in results of operations.

Impairment of long-lived assets - In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the Partnership reviews its long-lived assets to be held and used on an individual property basis, including oil and gas properties accounted for under the successful efforts method of accounting, whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. An impairment loss is indicated if the sum of the expected future cash flows is less than the carrying amount of the assets. In this circumstance, the Partnership recognizes an impairment loss for the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset.

Use of estimates in the preparation of financial statements - Preparation of the accompanying financial statements in conformity with generally accepted accounting principles requires management to make estimates

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Net income (loss) per limited partnership interest - The net income (loss) per limited partnership interest is calculated by using the number of outstanding limited partnership interests.

Income taxes - A Federal income tax provision has not been included in the financial statements

14

485

as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

Statements of cash flows - For purposes of reporting cash flows, cash includes depository accounts held by banks.

General and administrative expenses - General and administrative expenses are allocated in part to the Partnership by the managing general partner. Allocated expenses are determined by the managing general partner based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Reclassifications - Certain reclassifications may have been made to the 1999 and 1998 financial statements to conform to the 2000 financial statement presentations.

Environmental - The Partnership is subject to extensive federal, state and local environmental laws and regulations. These laws, which are constantly changing, regulate the discharge of materials into the environment and may require the Partnership to remove or mitigate the environmental effects of the disposal or release of petroleum or chemical substances at various sites. Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Liabilities for expenditures of a noncapital nature are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated. Such liabilities are generally undiscounted unless the timing of cash payments for the liability or component are fixed or reliably determinable. No such liabilities have been accrued as of December 31, 2000.

Revenue recognition - The Partnership uses the entitlements method of accounting for oil, natural gas liquids ("NGLs") and natural gas revenues.

### NOTE 3. IMPAIRMENT OF LONG-LIVED ASSETS

In accordance with SFAS 121, the Partnership reviews its proved oil and gas properties for impairment whenever events and circumstances indicate a decline in the recoverability of the carrying value of the Partnership's oil and gas properties. The Partnership has estimated the expected future cash flows of its oil and gas properties as of December 31, 2000, 1999 and 1998, based on proved reserves, and compared such estimated future cash flows to the respective carrying amount of the oil and gas properties to determine if the carrying amounts were likely to be recoverable. For those proved oil and gas properties

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

for which the carrying amount exceeded the estimated future cash flows, an impairment was determined to exist; therefore, the Partnership adjusted the carrying amount of those oil and gas properties to their fair value as determined by discounting their expected future cash flows at a discount rate commensurate with the risks involved in the industry. As a result, the Partnership recognized a non-cash impairment provision of \$425,668 related to its proved oil and gas properties during 1998.

15

486

NOTE 4. INCOME TAXES

The financial statement basis of the Partnership's net assets and liabilities was \$383,897 less than the tax basis at December 31, 2000.

The following is a reconciliation of net income (loss) per statements of operations with the net income per Federal income tax returns for the years ended December 31:

	2000	1999	1998
	-----	-----	-----
Net income (loss) per statements of operations	\$ 1,240,674	\$ 340,062	\$ (923)
Depletion and depreciation provisions for tax reporting purposes less than amounts for financial reporting purposes	98,611	165,764	695
Impairment of oil and gas properties for financial reporting purposes	--	--	425
Salvage income	--	--	2
Other, net	(2,689)	(4,938)	5
	-----	-----	-----
Net income per Federal income tax returns	\$ 1,336,596	\$ 500,888	\$ 206
	=====	=====	=====

NOTE 5. OIL AND GAS PRODUCING ACTIVITIES

The following is a summary of the costs incurred, whether capitalized or expensed, related to the Partnership's oil and gas producing activities for the years ended December 31:

	2000	1999	1998
	-----	-----	-----
Development costs	\$ 14,534	\$ 12,628	\$ 10,572
	=====	=====	=====

Capitalized oil and gas properties consist of the following:

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	2000 -----	1999 -----
Proved properties:		
Property acquisition costs	\$ 923,276	\$ 923,276
Completed wells and equipment	17,337,500	17,322,966
	-----	-----
	18,260,776	18,246,242
Accumulated depletion	(16,391,831)	(16,282,110)
	-----	-----
Net oil and gas properties	\$ 1,868,945	\$ 1,964,132
	=====	=====

16

487

NOTE 6. RELATED PARTY TRANSACTIONS

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

	2000 -----	1999 -----	1998 -----
Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$ 410,572	\$ 395,016	\$ 382,325
Reimbursement of general and administrative expenses	\$ 70,448	\$ 42,581	\$ 33,724

Pioneer USA, EMPL and the Partnership are parties to the Partnership agreement. EMPL is a limited partnership in which Pioneer USA owns 77.5% and the remaining portion is owned by former s. In addition, Pioneer USA owned 419 limited partner interests in the Partnership at January 1, 2001.

The costs and revenues of the Partnership are allocated as follows:

	General partners -----	Limited partners -----
Revenues:		
Proceeds from property dispositions prior to cost		

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

recovery	10%	90%
All other Partnership revenues	25%	75%
Costs and expenses:		
Lease acquisition costs, drilling and completion costs	10%	90%
Operating costs, direct costs and general and administrative expenses	25%	75%
Incremental direct expenses	-	100%

Incremental direct expenses are direct expenses which would not be incurred except for the requirements of the securities regulatory authorities and totaled \$7,011, \$10,900 and \$4,661 in 2000, 1999 and 1998, respectively.

NOTE 7. OIL AND GAS INFORMATION (UNAUDITED)

The following table presents information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities during the years then ended. All of the Partnership's reserves are proved developed and located within the United States. The Partnership's reserves are based on an evaluation prepared by Williamson Petroleum Consultants, Inc., an independent petroleum consultant, using criteria established by the Securities and Exchange Commission.

17

488

	Oil and NGLs (bbls)	Gas (mcf)
	-----	-----
Net proved reserves at January 1, 1998	1,053,041	1,516,688
Revisions	(400,628)	(306,319)
Production	(88,702)	(145,870)
	-----	-----
Net proved reserves at December 31, 1998	563,711	1,064,499
Revisions	789,038	1,498,169
Production	(85,868)	(154,235)
	-----	-----
Net proved reserves at December 31, 1999	1,266,881	2,408,433
Revisions	168,380	(31,965)
Production	(85,485)	(138,617)
	-----	-----
Net proved reserves at December 31, 2000	1,349,776	2,237,851
	=====	=====

As of December 31, 2000, the estimated present value of future net revenues of proved reserves, calculated using December 31, 2000 prices of \$26.64



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

per barrel of oil, \$13.02 per barrel of NGLs and \$7.45 per mcf of gas, discounted at 10% was approximately \$10,236,000 and undiscounted was \$20,832,000.

Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves. The Partnership emphasizes that reserve estimates are inherently imprecise and, accordingly, the estimates are expected to change as future information becomes available.

### Disclosures about Oil & Gas Producing Activities

#### Standardized Measure of Discounted Future Net Cash Flows

The standardized measure of discounted future net cash flows is computed by applying year-end prices of oil and gas (with consideration of price changes only to the extent provided by contractual arrangements) to the estimated future production of proved oil and gas reserves less estimated future expenditures (based on year-end costs) to be incurred in developing and producing the proved reserves, discounted using a rate of 10% per year to reflect the estimated timing of the future cash flows. A Federal income tax provision has not been calculated as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

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

18

489

	For the years ended December 31,		
	2000	1999	1998
	(in thousands)		
Oil and gas producing activities:			
Future cash inflows	\$ 45,297	\$ 30,875	\$ 6,111
Future production costs	(24,465)	(18,195)	(4,514)
	20,832	12,680	1,597
10% annual discount factor	(10,596)	(6,020)	(598)
	\$ 10,236	\$ 6,660	\$ 999
	\$ 10,236	\$ 6,660	\$ 999

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	For the years ended December 31,		
	2000	1999	1998
	(in thousands)		
Oil and Gas Producing Activities:			
Oil and gas sales, net of production costs	\$ (1,411)	\$ (560)	\$ (259)
Net changes in prices and production costs	3,988	2,450	(2,438)
Revisions of previous quantity estimates	1,037	4,939	(555)
Accretion of discount	666	100	406
Changes in production rates, timing and other	(704)	(1,268)	(211)
Change in present value of future net revenues	3,576	5,661	(3,057)
Balance, beginning of year	6,660	999	4,056
Balance, end of year	\$ 10,236	\$ 6,660	\$ 999

NOTE 8. MAJOR CUSTOMERS

The following table reflects the major customers of the Partnership's oil and gas sales (a major customer is defined as a customer whose sales exceed 10% of total sales) during the years ended December 31:

	2000	1999	1998
Plains Marketing, L.P.	35%	33%	-
TEPPCO Crude Oil LLC	17%	18%	-
Genesis Crude Oil, L.P.	-	-	53%
NGTS LLC	10%	7%	-
Western Gas Resources, Inc.	3%	7%	29%

At December 31, 2000, the amounts receivable from Plains Marketing, L.P., TEPPCO Crude Oil LLC and NGTS LLC were \$43,117, \$76,863 and \$693, respectively, which are included in the caption "Accounts receivable - oil and gas sales" in the accompanying Balance Sheet.

Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on the ability of the Partnership to sell its oil, NGLs and gas production.

NOTE 9. PARTNERSHIP AGREEMENT

The following is a brief summary of the more significant provisions of the limited partnership agreement:

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

General partners - The general partners of the Partnership are Pioneer USA and EMPL. Pioneer USA, the managing general partner, has the power and authority to manage, control and administer all Partnership affairs. As managing general partner and operator of the Partnership's properties, all production expenses are incurred by Pioneer USA and billed to the Partnership. The majority of the Partnership's oil and gas revenues are received directly by the Partnership, however, a portion of the oil and gas revenue is initially received by Pioneer USA prior to being paid to the Partnership.

19

490

Limited partner liability - The maximum amount of liability of any limited partner is the total contributions of such partner plus his share of any undistributed profits.

Initial capital contributions - The limited partners entered into subscription agreements for aggregate capital contributions of \$19,435,000. The general partners are required to contribute amounts equal to 10% of Partnership expenditures for lease acquisition, drilling and completion and 25% of direct, general and administrative and operating expenses.

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

None.

20

491

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE PARTNERSHIP

The Partnership does not have any officers or directors. Under the limited partnership agreement, the Partnership's managing general partner, Pioneer USA, is granted the exclusive right and full authority to manage, control and administer the Partnership's business.

Set forth below are the names, ages and positions of the directors and executive officers of Pioneer USA. Directors of Pioneer USA are elected to serve until the next annual meeting of stockholders or until their successors are elected and qualified.

Name	Age at December 31, 2000	Position
----	----	-----
Scott D. Sheffield	48	President
Timothy L. Dove	44	Executive Vice President, Chief

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

		Financial Officer and Director
Dennis E. Fagerstone	51	Executive Vice President and Director
Mark L. Withrow	53	Executive Vice President, General Counsel and Director
Danny Kellum	46	Executive Vice President - Domestic Operations and Director
Rich Dealy	34	Vice President and Chief Accounting Officer

Scott D. Sheffield. Mr. Sheffield is a graduate of The University of Texas with a B.S. in Petroleum Engineering. Since August 1997, he has served as President, Chief Executive Officer and a director of Pioneer and President of Pioneer USA. Mr. Sheffield assumed the position of Chairman of the Board of Pioneer in August 1999. He served as a director of Pioneer USA from August 1997 until his resignation from the board in June 1999. Mr. Sheffield was the President and a director of Parker & Parsley Petroleum Company ("Parker & Parsley") from May 1990 until August 1997 and was the Chairman of the Board and Chief Executive Officer of Parker & Parsley from October 1990 until August 1997. He was the sole director of Parker & Parsley from May 1990 until October 1990. Mr. Sheffield joined Parker & Parsley Development Company ("PPDC"), a predecessor of Parker & Parsley, as a petroleum engineer in 1979. He served as Vice President - Engineering of PPDC from September 1981 until April 1985 when he was elected President and a director. In March 1989, Mr. Sheffield was elected Chairman of the Board and Chief Executive Officer of PPDC. Before joining PPDC's predecessor, Mr. Sheffield was employed as a production and reservoir engineer for Amoco Production Company.

Timothy L. Dove. Mr. Dove earned a B.S. in Mechanical Engineering from Massachusetts Institute of Technology in 1979 and received his M.B.A. in 1981 from the University of Chicago. He became Executive Vice President - Business Development of Pioneer and Pioneer USA in August 1997 and was also appointed a director of Pioneer USA in August 1997. Mr. Dove assumed the position of Chief Financial Officer of Pioneer and Pioneer USA effective February 1, 2000. Mr. Dove joined Parker & Parsley in May 1994 as Vice President - International and was promoted to Senior Vice President - Business Development in October 1996, in which position he served until August 1997. Prior to joining Parker & Parsley, Mr. Dove was employed with Diamond Shamrock Corp., and its successor, Maxus Energy Corp, in various capacities in international exploration and production, marketing, refining and marketing and planning and development.

Dennis E. Fagerstone. Mr. Fagerstone, a graduate of the Colorado School of Mines with a B.S. in Petroleum Engineering, became an Executive Vice President of Pioneer and Pioneer USA in August 1997. He was also appointed a director of Pioneer USA in August 1997. He served as Executive Vice President and Chief Operating Officer of MESA Inc. ("Mesa") from March 1, 1997 until August 1997. From October 1996 to February 1997, Mr. Fagerstone served as Senior Vice President and Chief Operating Officer of Mesa and from May 1991 to October 1996, he served as Vice President - Exploration and Production of Mesa. From June 1988 to May 1991, Mr. Fagerstone served as Vice President - Operations of Mesa.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Mark L. Withrow. Mr. Withrow, a graduate of Abilene Christian University with a B. S. in Accounting and Texas Tech University with a Juris Doctorate degree, became Executive Vice President, General Counsel and Secretary of Pioneer and Pioneer USA in August 1997. He was also appointed a director of Parker & Parsley from January 1991, when he joined Parker & Parsley, to January 1995, when he was appointed Senior Vice President - General Counsel. He was Parker & Parsley's Secretary from August 1992 until August 1997. Prior to joining Parker & Parsley, Mr. Withrow was the managing partner of the law firm of Turpin, Smith, Dyer, Saxe & MacDonald, Midland, Texas.

Danny Kellum. Mr. Kellum, who received a Bachelor of Science degree in Petroleum Engineering from Texas Tech University in 1979, was elected Executive Vice President - Domestic Operations of Pioneer and Pioneer USA on May 18, 2000 and Director of Pioneer USA on February 1, 2000. From January 2000 until May 2000, Mr. Kellum served as Vice President - Domestic Operations of Pioneer and Pioneer USA. Mr. Kellum served as Vice President Permian Division of Pioneer and Pioneer USA from April 1998 until December 1999. From 1989 until 1994 he served as Spraberry District Manager and as Vice President of the Spraberry and Permian Division for Parker & Parsley until August of 1997. Mr. Kellum joined Parker & Parsley as an operations engineer in 1981 after a brief career with Mobil Oil Corporation.

Rich Dealy. Mr. Dealy is a graduate of Eastern New Mexico University with a B.B.A. in Accounting and Finance and is a Certified Public Accountant. He became Vice President and Chief Accounting Officer of Pioneer and Pioneer USA in February 1998. Mr. Dealy served as Controller of Pioneer USA from August 1997 to February 1998. He served as Controller of Parker & Parsley from August 1995 to August 1997. Mr. Dealy joined Parker & Parsley as an Accounting Manager in July, 1992. He was previously employed with KPMG Peat Marwick as an Audit Senior, in charge of Parker & Parsley's audit.

22

493

### ITEM 11. EXECUTIVE COMPENSATION

The Partnership does not have any directors or officers. Management of the Partnership is performed by Pioneer USA, the managing general partner. Under the Partnership agreement, Pioneer USA pays 8% of the Partnership's acquisition, drilling and completion costs and 20% of its operating and general and administrative expenses. In return, Pioneer USA is allocated 20% of the Partnership's revenues.

EMPL is a co-general partner of the Partnership. Under this arrangement, EMPL pays 2% of the Partnership's acquisition, drilling and completion costs and 5% of its operating and general and administrative expenses. In return, EMPL is allocated 5% of the Partnership's revenues. EMPL does not receive any fees or reimbursements from the Partnership.

The Partnership does not directly pay any salaries of the executive officers of Pioneer USA, but does pay a portion of Pioneer USA's general and administrative expenses of which these salaries are a part.

See Notes 6 and 9 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" for information regarding fees and reimbursements paid to the managing general partner by the Partnership.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

(a) Beneficial owners of more than five percent

The Partnership is not aware of any person who beneficially owns 5% or more of the outstanding limited partnership interests of the Partnership. Pioneer USA and EMPL respectively own 80% and 20% of the general partners' interests in the Partnership. Pioneer USA owned 419 limited partner interests at January 1, 2001.

(b) Security ownership of management

The Partnership does not have any officers or directors. The managing general partner of the Partnership, Pioneer USA, has the exclusive right and full authority to manage, control and administer the Partnership's business. Under the limited partnership agreement, limited partners holding a majority of the outstanding limited partnership interests have the right to take certain actions, including the removal of the managing general partner or any other general partner. The Partnership is not aware of any current arrangement or activity which may lead to such removal. The Partnership is not aware of any officer or director of Pioneer USA who beneficially owns limited partnership interests in the Partnership.

23

494

### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Transactions with the managing general partner

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

	2000 -----	1999 -----	1998 -----
Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$410,572	\$395,016	\$382,325
Reimbursement of general and administrative expenses	\$ 70,448	\$ 42,581	\$ 33,724

Under the limited partnership agreement, the general partners, Pioneer USA and EMPL, together pay 10% of the Partnership's acquisition, drilling and completion costs and 25% of its operating and general and administrative expenses. In return, they are allocated 25% of the Partnership's revenues. Twenty percent of the general partners' share of costs and revenues is allocated to EMPL and the remainder is allocated to Pioneer USA. Certain former s of Pioneer USA are limited partners of EMPL. Also, see Notes 6 and 9 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data", regarding the Partnership's participation with the managing general partner in oil and gas activities of the Partnership.

PART IV

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

(a) 1. Financial statements

The following are filed as part of this Report:

Independent Auditors' Report

Balance sheets as of December 31, 2000 and 1999

Statements of operations for the years ended December 31, 2000,  
1999 and 1998

Statements of partners' capital for the years ended December 31,  
2000, 1999 and 1998

Statements of cash flows for the years ended December 31, 2000,  
1999 and 1998

Notes to financial statements

2. Financial statement schedules

All financial statement schedules have been omitted since the  
required information is in the financial statements or notes thereto,  
or is not applicable nor required.

(b) Reports on Form 8-K

None.

(c) Exhibits

The exhibits listed on the accompanying index to exhibits are filed or  
incorporated by reference as part of this Report.

S I G N A T U R E S

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, thereunto duly authorized.

PARKER & PARSLEY 84-A, LTD.

Dated: March 23, 2001

By: Pioneer Natural Resources USA, Inc.  
Managing General Partner

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

By: /s/ Scott D. Sheffield  
 -----  
 Scott D. Sheffield, President

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

/s/ Scott D. Sheffield ----- Scott D. Sheffield	President of Pioneer USA	March 23, 2001
/s/ Timothy L. Dove ----- Timothy L. Dove	Executive Vice President, Chief Financial Officer and Director of Pioneer USA	March 23, 2001
/s/ Dennis E. Fagerstone ----- Dennis E. Fagerstone	Executive Vice President and Director of Pioneer USA	March 23, 2001
/s/ Mark L. Withrow ----- Mark L. Withrow	Executive Vice President, General Counsel and Director of Pioneer USA	March 23, 2001
/s/ Danny Kellum ----- Danny Kellum	Executive Vice President - Domestic Operations and Director of Pioneer USA	March 23, 2001
/s/ Rich Dealy ----- Rich Dealy	Vice President and Chief Accounting Officer of Pioneer USA	March 23, 2001

497

PARKER & PARSLEY 84-A, LTD.

INDEX TO EXHIBITS

The following documents are incorporated by reference in response to Item 14(c):

Exhibit No. -----	Description -----	Page ----
3.1	Agreement of limited partnership of Parker & Parsley 84-A, Ltd. incorporated by reference	-



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	to Exhibit 4(e) of Partnership's Registration Statement on Form S-1 (Registration No. 2-90417), as amended on May 24, 1984, the effective date thereof (hereinafter called, the Partnership's Registration Statement)	
3.2	Amended and Restated Certificate of Limited Partnership of Parker & Parsley 84-A, Ltd. incorporated by reference to Exhibit 3.2 of the Partnership's Annual Report on Form 10-K for the period from July 6, 1984 (date of organization) through December 31, 1984	-
4.1	Form of Subscription Agreement and Power of Attorney incorporated by reference to Exhibit 4(b) of the Partnership's Registration Statement	-
4.2	Specimen Certificate of Limited Partnership Interest incorporated by reference to Exhibit 4(d) of the Partnership's Registration Statement	-

498

PARKER & PARSLEY 84-A, LTD.

SELECTED FINANCIAL DATA

The following selected financial data for the Partnership should be read in connection with Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements included in the attached supplemental information.

	Six months ended June 30,		Years ended December 31,		
	2001	2000	2000	1999	1998
Operating results:					
Oil and gas sales	\$1,110,822	\$1,082,369	\$2,348,261	\$1,419,376	\$1,124,134
	=====	=====	=====	=====	=====
Impairment of oil and gas properties	\$ --	\$ --	\$ --	\$ --	\$ 425,668
	=====	=====	=====	=====	=====

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Gain on litigation settlement, net	\$ --	\$ --	\$ --	\$ --	\$ --
Net income (loss)	\$ 514,232	\$ 531,630	\$1,240,674	\$ 340,062	\$ (923,346)
Allocation of net income (loss):					
General partners	\$ 137,658	\$ 142,146	\$ 328,079	\$ 113,550	\$ (56,570)
Limited partners	\$ 376,574	\$ 389,484	\$ 912,595	\$ 226,512	\$ (866,776)
Limited partners' net income (loss) per limited partnership interest	\$ 19.38	\$ 20.04	\$ 46.96	\$ 11.65	\$ (44.60)
Limited partners' cash distributions per limited partnership interest	\$ 14.37	\$ 19.45	\$ 44.87	\$ 15.08	\$ 12.82
As of period ended:					
Total assets	\$2,560,529	\$2,389,514	\$2,409,328	\$2,343,035	\$2,390,810

-----  
(a) Including litigation settlement per limited partnership interest of \$42.48 in 1996.

499

PIONEER NATURAL RESOURCES COMPANY  
PIONEER NATURAL RESOURCES USA, INC.  
5205 NORTH O'CONNOR BLVD., SUITE 1400  
IRVING, TEXAS 75039

SUPPLEMENTAL INFORMATION

OF

PARKER & PARSLEY 85-A, LTD., A TEXAS LIMITED PARTNERSHIP

TO

PROXY STATEMENT/PROSPECTUS DATED , 2001

-----  
THE DATE OF THIS SUPPLEMENT IS , 2001  
-----

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

This document contains important information specific to Parker & Parsley 85-A, Ltd. and supplements the proxy statement/prospectus dated , 2001, of Pioneer Natural Resources Company and Pioneer Natural Resources USA, Inc., by which Pioneer USA is soliciting proxies to be voted at a special meeting of limited partners of the partnership. The purpose of the special meeting is for you to vote upon the merger of the partnership with and into Pioneer USA that, if completed, will result in your receiving common stock of Pioneer Natural Resources Company for your partnership interests.

This document contains the following information concerning Parker & Parsley 85-A, Ltd.:

- o A table containing:
  - the aggregate initial investment by the limited partners
  - the aggregate historical limited partner distributions through July 31, 2001
  - the merger value attributable to partnership interests of limited partners, excluding Pioneer USA
  - the merger value per \$1,000 limited partner investment
  - the merger value per \$1,000 limited partner investment as a multiple of distributions for the past four quarterly distributions including the distribution in July 2001
  - the book value per \$1,000 limited partner investment as of June 30, 2001 and as of December 31, 2000
  - the going concern value per \$1,000 limited partner investment
  - the liquidation value per \$1,000 limited partner investment
  - the ordinary tax loss per \$1,000 limited partner investment in year of initial investment
- o Information about:
  - the legal opinion for the limited partners
  - the term of the partnership
- o The partnership's quarterly report on Form 10-Q, including management's discussion and analysis of financial condition and results of operations, for the six months ended June 30, 2001
- o The partnership's annual report on Form 10-K, including management's discussion and analysis of financial condition and results of operations, for the year ended December 31, 2000
- o Selected historical financial data for the partnership for the six months ended June 30, 2001 and 2000 and the five years ended December 31, 2000

500

PARKER &amp; PARSLEY 85-A LTD.

## SUPPLEMENTAL INFORMATION TABLE

Aggregate Initial Investment by the Limited Partners (a)	\$
Aggregate Historical Limited Partner Distributions through July 31, 2001 (a)	\$
Merger Value Attributable to Partnership Interests of Limited Partners, Excluding Pioneer USA (a), (b)	\$
Merger Value per \$1,000 Limited Partner Investment (b), (c)	\$
Merger Value per \$1,000 Limited Partner Investment as a Multiple of Distributions for the past four quarterly distributions including the distribution in July 2001 (b) (c)	
Book Value per \$1,000 Limited Partner Investment:	
-- as of June 30, 2001 (c)	\$
-- as of December 31, 2000 (c)	\$
Going Concern Value per \$1,000 Limited Partner Investment (c), (d)	\$
Liquidation Value per \$1,000 Limited Partner Investment (c), (e)	\$
Ordinary Tax Loss per \$1,000 Limited Partner Investment in Year of Initial Investment (c), (f)	\$

-----

(a) Stated in thousands.

(b) The merger value for the partnership is equal to the sum of the present value of estimated future net revenues from the partnership's estimated oil and gas reserves and its net working capital, in each case as of March 31, 2001, less its pro rata share, based on its reserve value, of the estimated expenses and fees of the mergers of all of the partnerships and less the cash distribution on July 13, 2001, by the partnership to its partners.

(c) Interests in some partnerships were sold in units at prices other than \$1,000. We have presented this information based on a \$1,000 initial investment for ease of use and comparison among partnerships. You should not assume that the amount shown per \$1,000 investment is the same as the value or amount attributable to a single unit investment.

(d) The going concern value for the partnership is based upon: (1) the sum of (A) the estimated net cash flow from the sale of the partnership's reserves during a 10-year operating period and (B) the estimated residual value from the sale of the partnership's remaining reserves at the end of the operating period, in each case using the same pricing and discount rate as

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

in the merger value calculation, less (2) (A) partnership level general and administrative expenses, and (B) the cash distribution on July 13, 2001 by the partnership to its partners.

- (e) The liquidation value for the partnership is based upon the sale of the partnership's reserves at the reserve value, less (1) liquidation expenses which are estimated to be the sum of (A) the partnership's pro rata share of the merger expenses and fees described in footnote (b) above and (B) 3% of the partnership's reserve value, and (2) the cash distribution on July 13, 2001 by the partnership to its partners. The liquidation expenses represent the estimated costs to retain an investment banker or broker to sell the assets of the partnership and the legal and other closing costs associated with such transaction, including the wind-down costs of the partnership.
- (f) Your ability to use your distributive share of the partnership's loss to offset your other income may have been subject to certain limitations at your level as a partner, and you may therefore wish to consult your tax advisor to determine the additional value, if any, actually realized by you in your particular circumstances.

### INFORMATION ABOUT THE LEGAL OPINION FOR THE LIMITED PARTNERS

The partnership agreement for the partnership requires that special legal counsel render an opinion on behalf of the limited partners to Pioneer USA that (1) neither the grant nor the exercise of the right to approve the merger of the partnership by its limited partners will adversely affect the federal income tax classification of the partnership or any of its limited partners; and (2) neither the grant nor exercise of such right will result in the loss of any limited partner's limited liability. In addition, the counsel designated to render the opinion must be counsel other than counsel to Pioneer USA or the partnership. Both the designated counsel and the legal opinion must be approved by the limited partners. Pioneer USA has retained \_\_\_\_\_ of Dallas, Texas for the purpose of rendering this legal opinion on behalf of the limited partners to Pioneer USA. The merger proposals include an approval of that counsel and the form of its opinion. A copy of the opinion is attached as an exhibit to the merger proposals.

### INFORMATION ABOUT THE TERM OF THE PARTNERSHIP

The term of the partnership is until December 31, 2035, unless the partnership is earlier terminated in accordance with the applicable provisions of its partnership agreement.

-2-

501

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, 2001

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Commission File No. 2-99079A

PARKER & PARSLEY 85-A, LTD.  
 (Exact name of Registrant as specified in its charter)

Texas	75-2064518
-----	-----
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
5205 N. O'Connor Blvd., Suite 1400, Irving, Texas	75039
-----	-----
(Address of principal executive offices)	(Zip code)

Registrant's Telephone Number, including area code : (972) 444-9001

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 / x / No / /

502

PARKER & PARSLEY 85-A, LTD.

TABLE OF CONTENTS

	Page
Part I. Financial Information	
Item 1. Financial Statements	
Balance Sheets as of June 30, 2001 and December 31, 2000.....	3
Statements of Operations for the three and six months ended June 30, 2001 and 2000.....	4
Statement of Partners' Capital for the six months	

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	ended June 30, 2001.....	5
	Statements of Cash Flows for the six months ended June 30, 2001 and 2000.....	6
	Notes to Financial Statements.....	7
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations.....	7
Part II. Other Information		
Item 6.	Exhibits and Reports on Form 8-K.....	11
	Signatures.....	12

2

503

PARKER & PARSLEY 85-A, LTD.  
(A Texas Limited Partnership)

Part I. Financial Information

Item 1. Financial Statements

BALANCE SHEETS

	June 30, 2001	December 31, 2000
	----- (Unaudited)	-----
ASSETS		
Current assets:		
Cash	\$ 163,158	\$ 72,868
Accounts receivable - oil and gas sales	72,982	103,810
	-----	-----
Total current assets	236,140	176,678
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	7,402,301	7,398,954
Accumulated depletion	(6,889,539)	(6,871,985)
	-----	-----
Net oil and gas properties	512,762	526,969
	-----	-----
	\$ 748,902	\$ 703,647
	=====	=====
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable - affiliate	\$ 18,211	\$ 11,211

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Partners' capital:		
Managing general partner	7,319	6,936
Limited partners (9,613 interests)	723,372	685,500
	-----	-----
	730,691	692,436
	-----	-----
	\$ 748,902	\$ 703,647
	=====	=====

The financial information included as of June 30, 2001 has been prepared by the managing general partner without audit by independent public accountants.

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

3

504

PARKER & PARSLEY 85-A, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF OPERATIONS  
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2001	2000	2001	2000
	-----	-----	-----	-----
Revenues:				
Oil and gas	\$ 165,950	\$ 174,901	\$ 382,756	\$ 353,329
Interest	1,199	1,518	2,517	2,548
	-----	-----	-----	-----
	167,149	176,419	385,273	355,877
	-----	-----	-----	-----
Costs and expenses:				
Oil and gas production	99,647	76,933	184,949	168,879
General and administrative	4,979	5,247	11,483	10,600
Depletion	9,097	7,115	17,554	15,707
	-----	-----	-----	-----
	113,723	89,295	213,986	195,186
	-----	-----	-----	-----
Net income	\$ 53,426	\$ 87,124	\$ 171,287	\$ 160,691
	=====	=====	=====	=====
Allocation of net income:				
Managing general partner	\$ 534	\$ 871	\$ 1,713	\$ 1,607
	=====	=====	=====	=====
Limited partners	\$ 52,892	\$ 86,253	\$ 169,574	\$ 159,084
	=====	=====	=====	=====
Net income per limited partnership interest	\$ 5.50	\$ 8.97	\$ 17.64	\$ 16.55
	=====	=====	=====	=====



The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

4

505

PARKER & PARSLEY 85-A, LTD.  
(A Texas Limited Partnership)

STATEMENT OF PARTNERS' CAPITAL  
(Unaudited)

	Managing general partner -----	Limited partners -----	Total -----
Balance at January 1, 2001	\$ 6,936	\$ 685,500	\$ 692,436
Distributions	(1,330)	(131,702)	(133,032)
Net income	1,713	169,574	171,287
	-----	-----	-----
Balance at June 30, 2001	\$ 7,319	\$ 723,372	\$ 730,691
	=====	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

5

506

PARKER & PARSLEY 85-A, LTD.  
(A Texas Limited Partnership)

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

STATEMENTS OF CASH FLOWS  
(Unaudited)

	Six months ended June 30,	
	2001	2000
Cash flows from operating activities:		
Net income	\$ 171,287	\$ 160,691
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion	17,554	15,707
Changes in assets and liabilities:		
Accounts receivable	30,828	(8,835)
Accounts payable	7,000	4,482
	-----	-----
Net cash provided by operating activities	226,669	172,045
	-----	-----
Cash flows used in investing activities:		
Additions to oil and gas properties	(3,347)	(3,092)
Cash flows used in financing activities:		
Cash distributions to partners	(133,032)	(178,266)
	-----	-----
Net increase (decrease) in cash	90,290	(9,313)
Cash at beginning of period	72,868	73,810
	-----	-----
Cash at end of period	\$ 163,158	\$ 64,497
	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

6

507

PARKER & PARSLEY 85-A, LTD.  
(A Texas Limited Partnership)

NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Unaudited)

Note 1. Organization and nature of operations

Parker & Parsley 85-A, Ltd. (the "Partnership") is a limited partnership organized in 1985 under the laws of the State of Texas.

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

### Note 2. Basis of presentation

In the opinion of management, the unaudited financial statements of the Partnership as of June 30, 2001 and for the three and six months ended June 30, 2001 and 2000 include all adjustments and accruals consisting only of normal recurring accrual adjustments which are necessary for a fair presentation of the results for the interim period. These interim results are not necessarily indicative of results for a full year. Certain reclassifications may have been made to the June 30, 2000 financial statements to conform to the June 30, 2001 financial statement presentations.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in this Form 10-Q pursuant to the rules and regulations of the Securities and Exchange Commission. The financial statements should be read in conjunction with the financial statements and the notes thereto contained in the Partnership's Report on Form 10-K for the year ended December 31, 2000, as filed with the Securities and Exchange Commission, a copy of which is available upon request by writing to Rich Dealy, Vice President and Chief Accounting Officer, 5205 North O'Connor Boulevard, Suite 1400, Irving, Texas 75039-3746.

### Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (1)

#### Results of Operations

Six months ended June 30, 2001 compared with six months ended June 30, 2000

#### Revenues:

The Partnership's oil and gas revenues increased 8% to \$382,756 for the six months ended June 30, 2001 as compared to \$353,329 for the same period in 2000. The increase in revenues resulted from higher average prices received for gas and NGLs, offset by a decrease in production and lower average prices received for oil. For the six months ended June 30, 2001, 8,134 barrels of oil, 3,588

7

508

barrels of natural gas liquids ("NGLs") and 21,052 mcf of gas were sold, or 15,231 barrel of oil equivalents ("BOEs"). For the six months ended June 30, 2000, 8,535 barrels of oil, 5,502 barrels of NGLs and 21,614 mcf of gas were sold, or 17,639 BOEs.

The average price received per barrel of oil decreased \$.07 from \$27.78 for the six months ended June 30, 2000 to \$27.71 for the same period in 2001. The average price received per barrel of NGLs increased \$2.89, or 22%, from \$13.12 during the six months ended June 30, 2000 to \$16.01 for the same period in 2001. The average price received per mcf of gas increased 133% from \$2.04 during the six months ended June 30, 2000 to \$4.75 for the same period in 2001. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received during the six months ended June 30, 2001.

#### Costs and Expenses:

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Total costs and expenses increased to \$213,986 for the six months ended June 30, 2001 as compared to \$195,186 for the same period in 2000, an increase of \$18,800, or 10%. This increase was due to increases in production costs, depletion and general and administrative expenses ("G&A").

Production costs were \$184,949 for the six months ended June 30, 2001 and \$168,879 for the same period in 2000, an increase of \$16,070, or 10%. The increase was primarily due to an increase in workover costs incurred to stimulate well production.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 8% from \$10,600 for the six months ended June 30, 2000 to \$11,483 for the same period in 2001 primarily due to an increase in audit and tax fees.

Depletion was \$17,554 for the six months ended June 30, 2001 as compared to \$15,707 for the same period in 2000, an increase of \$1,847, or 12%. This increase was primarily due to a reduction in proved reserves for the period ended June 30, 2001 as a result of lower commodity prices.

Three months ended June 30, 2001 compared with three months ended June 30, 2000

### Revenues:

The Partnership's oil and gas revenues decreased 5% to \$165,950 for the three months ended June 30, 2001, as compared to \$174,901 for the same period in 2000. The decrease in revenues resulted from lower average prices received for oil and NGLs and a decline in production, offset by higher average prices received for gas. For the three months ended June 30, 2001, 4,100 barrels of oil, 1,570 barrels of NGLs and 8,687 mcf of gas were sold, or 7,118 BOEs. For the three months ended June 30, 2000, 4,084 barrels of oil, 2,518 barrels of NGLs and 9,802 mcf of gas were sold, or 8,236 BOEs.

8

509

The average price received per barrel of oil decreased \$1.03, or 4%, from \$28.18 for the three months ended June 30, 2000 to \$27.15 for the same period in 2001. The average price received per barrel of NGLs decreased \$.40, or 3%, from \$14.26 during the three months ended June 30, 2000 to \$13.86 for the same period in 2001. The average price received per mcf of gas increased 55% from \$2.44 during the three months ended June 30, 2000 to \$3.79 for the same period in 2001.

### Costs and Expenses:

Total costs and expenses increased to \$113,723 for the three months ended June 30, 2001 as compared to \$89,295 for the same period in 2000, an increase of \$24,428, or 27%. This increase was due to an increase in production costs and depletion, offset by a decline in G&A.

Production costs were \$99,647 for the three months ended June 30, 2001 and \$76,933 for the same period in 2000, an increase of \$22,714, or 30%. The increase was primarily due to higher workover and well maintenance costs incurred to stimulate well production.

During this period, G&A decreased 5% from \$5,247 for the three months ended June 30, 2000 to \$4,979 for the same period in 2001, primarily due to a decline in

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

audit and tax fees.

Depletion was \$9,097 for the three months ended June 30, 2001 as compared to \$7,115 for the same period in 2000, an increase of \$1,982, or 28%. This increase was primarily due to a reduction in proved reserves for the period ended June 30, 2001 as a result of lower commodity prices.

### Liquidity and Capital Resources

#### Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$54,624 during the six months ended June 30, 2001 from the same period ended June 30, 2000. This increase was primarily due to an increase in oil and gas sales receipts of \$29,396 and a reduction in working capital of \$42,181, offset by increases in production costs of \$16,070 and G&A expenses of \$883. The increase in oil and gas receipts resulted from the increase in gas and NGL prices of \$74,394 during 2001, offset by a decline of \$44,449 in production and a \$549 decline resulting from lower oil prices during 2001 as compared to the same period in 2000. The increase in production costs was primarily due to an increase in workover costs incurred to stimulate well production. The increase in G&A was primarily due to an increase in audit and tax fees.

#### Net Cash Used in Investing Activities

The Partnership's investing activities during the six months ended June 30, 2001 and 2000 included expenditures related to equipment upgrades on active properties.

#### Net Cash Used in Financing Activities

For the six months ended June 30, 2001, cash distributions to the partners were \$133,032, of which \$1,330 was distributed to the managing general partner and

9

510

\$131,702 to the limited partners. For the same period ended June 30, 2000, cash distributions to the partners were \$178,266, of which \$1,783 was distributed to the managing general partner and \$176,483 to the limited partners.

For the three months ended June 30, 2001, no distributions were made by the partnership to its partners. Subsequent to June 30, 2001 the cash distribution that otherwise would have been mailed to partners in late June was made to holders of record as of July 9, 2001 and was mailed on July 13, 2001. For further information, see "Proposal to acquire partnerships" below.

#### Proposal to acquire partnerships

On June 29, 2001, Pioneer Natural Resources Company ("Pioneer") filed with the Securities and Exchange Commission Amendment No. 1 to the Form S-4 Registration Statement (File No. 333-59094) (the "preliminary proxy statement/prospectus"), which proposes an agreement and plan of merger among Pioneer, Pioneer Natural Resources USA, Inc. ("Pioneer USA"), a wholly-owned subsidiary of Pioneer, and 46 Parker & Parsley limited partnerships. Each partnership that approves the agreement and plan of merger and the other related merger proposals will merge with and into Pioneer USA upon the closing of the transactions described in the preliminary proxy statement/prospectus, and the partnership interests of each such partnership will be converted into the right to receive Pioneer common

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

stock. The Partnership is one of the 46 Parker & Parsley limited partnerships that will be asked to approve the agreement and plan of merger. The preliminary proxy statement/prospectus is non-binding and is subject to, among other things, consideration of offers from third parties to purchase any partnership or its assets and the majority approval of the limited partnership interests in each partnership.

Pioneer USA will solicit proxies from limited partners to approve the mergers only when the proxy statement/prospectus is final and declared effective. No solicitation will be made using preliminary materials. Nonetheless, copies of the preliminary proxy statement/prospectus may be obtained without charge upon request from Pioneer Natural Resources Company, 5205 North O'Connor Blvd., Suite 1400, Irving, Texas 75039, Attention: Investor Relations.

The limited partners are urged to read the proxy statement/prospectus of Pioneer filed with the Securities and Exchange Commission, when it is finalized, because it contains important information about the proposed mergers, including information about the direct and indirect interests of Pioneer USA and Pioneer in the mergers. The limited partners may also obtain the preliminary and (when filed) final proxy statement/prospectus and other relevant documents relating to the proposed mergers free through the internet web site that the Securities and Exchange Commission maintains at [www.sec.gov](http://www.sec.gov).

-----

- (1) "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" contains forward looking statements that involve risks and uncertainties. Accordingly, no assurances can be given that the actual events and results will not be materially different than the anticipated results described in the forward looking statements.

10

511

### Part II. Other Information

Item 6. Exhibits and Reports on Form 8-K

- (a) Exhibits - none
- (b) Reports on Form 8-K - none

11

512

PARKER & PARSLEY 85-A, LTD.  
(A Texas Limited Partnership)

SIGNATURES

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

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 thereunto duly authorized.

PARKER & PARSLEY 85-A, LTD.

By: Pioneer Natural Resources USA, Inc.,  
Managing General Partner

Dated: August 6, 2001

By: /s/ Rich Dealy

-----  
Rich Dealy, Vice President and  
Chief Accounting Officer

12

513

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

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d)  
of the Securities Exchange Act of 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000

COMMISSION FILE NO. 2-99079A

PARKER & PARSLEY 85-A, LTD.  
(Exact name of Registrant as specified in its charter)

TEXAS

75-2064518

-----  
(State or other jurisdiction of  
incorporation or organization)

-----  
(I.R.S. Employer  
Identification Number)

1400 WILLIAMS SQUARE WEST, 5205 N. O'CONNOR BLVD., IRVING, TEXAS

75039

-----  
(Address of principal executive offices)

-----  
(Zip code)

Registrant's Telephone Number, including area code : (972) 444-9001

Securities registered pursuant to Section 12(b) of the Act: NONE  
Securities registered pursuant to Section 12(g) of the Act:  
LIMITED PARTNERSHIP INTERESTS (\$1,000 PER UNIT)

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

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

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

No market currently exists for the limited partnership interests of the Registrant. Based on the original purchase price, the aggregate market value of limited partnership interests owned by non-affiliates of the Registrant is \$9,426,000.

As of March 8, 2001, the number of outstanding limited partnership interests was 9,613.

The following documents are incorporated by reference into the indicated parts of this Annual Report on Form 10-K: None

PARTS I AND II OF THIS ANNUAL REPORT ON FORM 10-K (THE "REPORT") CONTAIN FORWARD LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. ACCORDINGLY, NO ASSURANCES CAN BE GIVEN THAT THE ACTUAL EVENTS AND RESULTS WILL NOT BE MATERIALLY DIFFERENT THAN THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS. SEE "ITEM 1. BUSINESS" FOR A DESCRIPTION OF VARIOUS FACTORS THAT COULD MATERIALLY AFFECT THE ABILITY OF THE PARTNERSHIP TO ACHIEVE THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS.

514

### PART I

#### ITEM 1. BUSINESS

Parker & Parsley 85-A, Ltd. (the "Partnership") is a limited partnership organized in 1985 under the laws of the State of Texas. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA"). Pioneer USA is a wholly-owned subsidiary of Pioneer Natural Resources Company ("Pioneer"). As of March 8, 2001, the Partnership had 9,613 limited partnership interests outstanding.

The Partnership does not have any employees of its own. Pioneer USA employs 701 persons, many of whom dedicated a part of their time to the conduct of the Partnership's business during the period for which this Report is filed. Pioneer USA is responsible for all management functions.

The Partnership engages in oil and gas development and production and is not involved in any industry segment other than oil and gas. The Partnership's production is geographically concentrated in West Texas.

The principal markets during 2000 for the oil produced by the Partnership were refineries and oil transmission companies that have facilities near the Partnership's oil producing properties. During 2000, Pioneer USA marketed the



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Partnership's gas to a variety of purchasers. Of the Partnership's total oil and gas revenues for 2000, approximately 57% was attributable to sales made to Plains Marketing, L.P. Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on its ability to sell its oil, natural gas liquids ("NGLs") and gas production.

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

Oil and gas production operations are subject to various types of regulations by local, state and federal agencies. The Partnership's operations are also subject to state conservation laws and regulations, including the establishment of maximum rates of production from wells and the regulation of spacing, plugging and abandonment of wells. Each state generally imposes a production or severance tax with respect to production and sale of oil and gas within their respective jurisdictions. Noncompliance with the laws and regulations may subject the Partnership to penalties, damages or other liabilities and compliance may increase the cost of the Partnership's operations.

The oil and gas business is also subject to environmental hazards such as oil spills, gas leaks and ruptures and discharges of toxic substances or gases that could expose the Partnership to substantial liability due to pollution and other environmental damages. Although the Partnership believes that its business operations do not impair environmental quality and that its costs of complying with any

2

515

applicable environmental regulations are not currently significant, the Partnership cannot predict what, if any, effect these environmental regulations may have on its current or future operations.

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

No material part of the Partnership's business is seasonal and the Partnership conducts no foreign operations.

### ITEM 2. PROPERTIES

The Partnership's properties consist of leasehold interests in properties on which oil and gas wells are located. Such property interests are often subject to landowner royalties, overriding royalties and other oil and gas leasehold interests.

Fractional working interests in developmental oil and gas prospects located primarily in the Spraberry Trend Area of West Texas were acquired by the Partnership, resulting in the Partnership's participation in the drilling of 25

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

productive oil and gas wells. At December 31, 2000, 21 wells were producing with four wells sold during 1996.

For information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities for the years then ended, see Note 7 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" below. Such reserves have been evaluated by Williamson Petroleum Consultants, Inc., an independent petroleum consultant.

### ITEM 3. LEGAL PROCEEDINGS

The Partnership from time to time is a party to various legal proceedings incidental to its business involving claims in oil and gas leases or interests, other claims for damages in amounts not in excess of 10% of its current assets and other matters, none of which Pioneer USA believes to be material to the Partnership.

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

There were no matters submitted to a vote of the partners during the fourth quarter 2000.

3

516

## PART II

### ITEM 5. MARKET FOR LIMITED PARTNERSHIP INTERESTS AND LIMITED PARTNERSHIP DISTRIBUTIONS

At March 8, 2001, the Partnership had 9,613 outstanding limited partnership interests held of record by 820 subscribers. There is no established public trading market for the limited partnership interests. Under the limited partnership agreement, Pioneer USA has made certain commitments to purchase partnership interests at a computed value.

Revenues which, in the sole judgement of the managing general partner, are not required to meet the Partnership's obligations are distributed to the partners at least quarterly in accordance with the limited partnership agreement. During the years ended December 31, 2000 and 1999, distributions of \$372,121 and \$161,988 respectively, were made to the limited partners.

### ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth selected financial data for the years ended December 31:

	2000	1999	1998	1 997
	-----	-----	-----	-----
Operating results:				
-----				
Oil and gas sales	\$ 757,929	\$ 526,325	\$ 371,098	\$ 548,786
	=====	=====	=====	=====
Impairment of oil and				

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

gas properties	\$ --	\$ --	\$ 22,031	\$ 270,187
	=====	=====	=====	=====
Gain on litigation settlement, net	\$ --	\$ --	\$ --	\$ --
	=====	=====	=====	=====
Net income (loss)	\$ 379,203	\$ 178,927	\$ (274,769)	\$ (158,804)
	=====	=====	=====	=====
Allocation of net income (loss):				
Managing general partner	\$ 3,792	\$ 1,789	\$ (2,747)	\$ (1,588)
	=====	=====	=====	=====
Limited partners	\$ 375,411	\$ 177,138	\$ (272,022)	\$ (157,216)
	=====	=====	=====	=====
Limited partners' net income (loss) per limited partnership interest	\$ 39.05	\$ 18.43	\$ (28.30)	\$ (16.35)
	=====	=====	=====	=====
Limited partners' cash distributions per limited partnership interest	\$ 38.71	\$ 16.85	\$ 9.62	\$ 25.26
	=====	=====	=====	=====
At year end:				
-----				
Identifiable assets	\$ 703,647	\$ 702,600	\$ 684,133	\$ 1,059,494
	=====	=====	=====	=====
-----				

(a) Including litigation settlement per limited partnership interest of \$3.37 in 1996.

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

Results of operations

2000 compared to 1999

The Partnership's oil and gas revenues increased 44% to \$757,929 for 2000 as compared to \$526,325 in 1999. The increase in revenues resulted from higher average prices received, offset by a decline in production from 1999 to 2000. In 2000, 16,975 barrels of oil, 10,483 barrels of natural gas liquids ("NGLs") and 41,549 mcf of gas were sold, or 34,383 barrel of oil equivalents ("BOEs"). In 1999, 17,451 barrels of oil, 13,795 barrels of NGLs and 55,226 mcf of gas were sold, or 40,450 BOEs. Due to the decline characteristics of the Partnership's oil and gas properties, management expects a certain amount of decline in production in the future until the Partnership's economically recoverable

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

reserves are fully depleted.

The average price received per barrel of oil increased \$12.27, or 72%, from \$17.11 in 1999 to \$29.38 in 2000. The average price received per barrel of NGLs increased \$4.49, or 46%, from \$9.71 in 1999 to \$14.20 in 2000. The average price received per mcf of gas increased 56% from \$1.70 in 1999 to \$2.66 in 2000. The market price received for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received in 2000.

Total costs and expenses increased in 2000 to \$386,863 as compared to \$350,830 in 1999, an increase of \$36,033, or 10%. The increase was primarily due to increases in production costs and general and administrative expenses ("G&A"), offset by a decline in depletion.

Production costs were \$331,978 in 2000 and \$284,086 in 1999, resulting in an increase of \$47,892, or 17%. The increase was primarily due to additional well maintenance costs incurred to stimulate well production and higher production taxes associated with higher oil and gas prices.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 44% from \$15,790 in 1999 to \$22,738 in 2000 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$19,018 in 2000 and \$9,794 in 1999 for G&A incurred on behalf of the Partnership. The remaining G&A was paid directly by the Partnership. The managing general partner determines the allocated expenses based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Depletion was \$32,147 in 2000 as compared to \$50,954 in 1999, representing a decrease of \$18,807, or 37%. This decrease was primarily due to a 17,541 barrels of oil increase in proved reserves during 2000 as a result of higher commodity prices.

1999 compared to 1998

5

518

The Partnership's 1999 oil and gas revenues increased 42% to \$526,325 from \$371,098 in 1998. The increase in revenues resulted from higher average prices received and an increase in production from 1998 to 1999. In 1999, 17,451 barrels of oil, 13,795 barrels of NGLs and 55,226 mcf of gas were sold, or 40,450 BOEs. In 1998, 18,178 barrels of oil, 9,630 barrels of NGLs and 43,021 mcf of gas were sold, or 34,978 BOEs.

The average price received per barrel of oil increased \$3.84, or 29%, from \$13.27 in 1998 to \$17.11 in 1999. The average price received per barrel of NGLs increased \$3.20, or 49%, from \$6.51 in 1998 to \$9.71 in 1999. The average price received per mcf of gas increased 9% from \$1.56 in 1998 to \$1.70 in 1999.

Total costs and expenses decreased in 1999 to \$350,830 as compared to \$649,476 in 1998, a decrease of \$298,646, or 46%. The decrease was primarily due to declines in depletion, the impairment of oil and gas properties and production costs, offset by an increase in G&A.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Production costs were \$284,086 in 1999 and \$304,333 in 1998, resulting in a decrease of \$20,247, or 7%. The decrease was the combination of declines in well maintenance costs and ad valorem taxes, offset by an increase in production taxes due to an increase in oil and gas revenues.

During this period, G&A increased 42% from \$11,133 in 1998 to \$15,790 in 1999 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$9,794 in 1999 and \$8,231 in 1998 for G&A incurred on behalf of the Partnership.

In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the managing general partner reviews the Partnership's oil and gas properties for impairment whenever events or circumstances indicate a decline in the recoverability of the carrying value of the Partnership's assets may have occurred. As a result of the review and evaluation of its long-lived assets for impairment, the Partnership recognized a non-cash charge of \$22,031 related to its oil and gas properties during 1998.

Depletion was \$50,954 in 1999 compared to \$311,979 in 1998. This represented a decrease of \$261,025, or 84%. This decrease was primarily due to an increase in proved reserves of 182,664 barrels of oil during 1999 as a result of higher commodity prices and a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 1998.

### Petroleum industry

The petroleum industry has been characterized by volatile oil, NGL and natural gas commodity prices and relatively stable supplier costs during the three years ended December 31, 2000. During 1998, weather patterns, regional economic recessions and political matters combined to cause worldwide oil supplies to exceed demand resulting in a substantial decline in oil prices. Also during 1998, but to a lesser extent, market prices for natural gas declined. During 1999 and 2000, the Organization of Petroleum Exporting Countries ("OPEC") and certain other crude oil exporting nations announced reductions in their planned export volumes. Those announcements, together with the enactment of the announced reductions in export volumes, had a positive impact on world oil prices, as have overall natural gas supply and demand fundamentals on North American natural gas

prices. Although the favorable commodity price environment and stable field service cost environment is expected to continue during 2001, there is no assurance that commodity prices will not return to a less favorable level or that field service costs will not escalate in the future, both of which could negatively impact the Partnership's future results of operations and cash distributions.

### Liquidity and capital resources

#### Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$172,932 during the year ended December 31, 2000 from 1999. This increase was due to an increase in oil and gas sales receipts of \$234,104, offset by increases in production costs paid of \$47,892, G&A expenses paid of \$6,948 and working capital of \$6,332. The increase in oil and gas receipts resulted from the increase in commodity prices

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

during 2000 which contributed an additional \$331,444 to oil and gas receipts, offset by \$97,340 resulting from the decline in production during 2000. The increase in production costs was primarily due to increased production taxes associated with higher oil and gas prices and well maintenance costs incurred to stimulate well production. The increase in G&A was primarily due to higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues.

### Net Cash Used in Investing Activities

The Partnership's investing activities during 2000 and 1999 were related to expenditures for equipment upgrades on various oil and gas properties.

Proceeds from asset dispositions of \$2,454 and \$279 were recognized in 2000 and 1999, respectively. Proceeds during 2000 of \$2,205 were from salvage income received on one fully depleted well and \$249 from equipment credits received on an active property. Proceeds during 1999 of \$279 were from equipment credits received on active properties.

### Net Cash Used in Financing Activities

In 2000, cash distributions to the partners were \$375,880, of which \$3,759 was distributed to the managing general partner and \$372,121 to the limited partners. In 1999, cash distributions to the partners were \$163,624, of which \$1,636 was distributed to the managing general partner and \$161,988 to the limited partners.

7

520

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

### INDEX TO FINANCIAL STATEMENTS

	Page
Financial Statements of Parker & Parsley 85-A, Ltd:	
Independent Auditors' Report.....	9
Balance Sheets as of December 31, 2000 and 1999.....	10
Statements of Operations for the Years Ended December 31, 2000, 1999 and 1998.....	11
Statements of Partners' Capital for the Years Ended December 31, 2000, 1999 and 1998.....	12
Statements of Cash Flows for the Years Ended December 31, 2000, 1999 and 1998.....	13
Notes to Financial Statements.....	14

8

521

### INDEPENDENT AUDITORS' REPORT

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The Partners  
Parker & Parsley 85-A, Ltd.  
(A Texas Limited Partnership):

We have audited the balance sheets of Parker & Parsley 85-A, Ltd. as of December 31, 2000 and 1999, and the related statements of income, partners' capital and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parker & Parsley 85-A, Ltd. as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Dallas, Texas  
March 9, 2001

9

522

PARKER & PARSLEY 85-A, LTD.  
(A Texas Limited Partnership)

BALANCE SHEETS  
December 31

	2000	1999
	-----	-----
ASSETS		
-----		

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Current assets:		
Cash	\$ 72,868	\$ 73,810
Accounts receivable - oil and gas sales	103,810	72,517
	-----	-----
Total current assets	176,678	146,327
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	7,398,954	7,396,111
Accumulated depletion	(6,871,985)	(6,839,838)
	-----	-----
Net oil and gas properties	526,969	556,273
	-----	-----
	\$ 703,647	\$ 702,600
	=====	=====
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable - affiliate	\$ 11,211	\$ 13,487
Partners' capital:		
Managing general partner	6,936	6,903
Limited partners (9,613 interests)	685,500	682,210
	-----	-----
	692,436	689,113
	\$ 703,647	\$ 702,600
	=====	=====

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



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

STATEMENTS OF OPERATIONS  
For the years ended December 31

	2000 -----	1999 -----	1998 -----
Revenues:			
Oil and gas	\$ 757,929	\$ 526,325	\$ 371,098
Interest	5,932	3,432	3,609
Gain on disposition of assets	2,205	-	-
	-----	-----	-----
	766,066	529,757	374,707
	-----	-----	-----
Costs and expenses:			
Oil and gas production	331,978	284,086	304,333
General and administrative	22,738	15,790	11,133
Impairment of oil and gas properties	-	-	22,031
Depletion	32,147	50,954	311,979
	-----	-----	-----
	386,863	350,830	649,476
	-----	-----	-----
Net income (loss)	\$ 379,203 =====	\$ 178,927 =====	\$ (274,769) =====
Allocation of net income (loss):			
Managing general partner	\$ 3,792 =====	\$ 1,789 =====	\$ (2,747) =====
Limited partners	\$ 375,411 =====	\$ 177,138 =====	\$ (272,022) =====
Net income (loss) per limited partnership interest	\$ 39.05 =====	\$ 18.43 =====	\$ (28.30) =====

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

PARKER & PARSLEY 85-A, LTD.  
(A Texas Limited Partnership)

## STATEMENTS OF PARTNERS' CAPITAL

	Managing general partner	Limited partners	Total
	-----	-----	-----
Partners' capital at January 1, 1998	\$ 10,430	\$1,031,517	\$1,041,947
Distributions	(933)	(92,435)	(93,368)
Net loss	(2,747)	(272,022)	(274,769)
	-----	-----	-----
Partners' capital at December 31, 1998	6,750	667,060	673,810
Distributions	(1,636)	(161,988)	(163,624)
Net income	1,789	177,138	178,927
	-----	-----	-----
Partners' capital at December 31, 1999	6,903	682,210	689,113
Distributions	(3,759)	(372,121)	(375,880)
Net income	3,792	375,411	379,203
	-----	-----	-----
Partners' capital at December 31, 2000	\$ 6,936	\$ 685,500	\$ 692,436
	=====	=====	=====

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

12

525

PARKER & PARSLEY 85-A, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF CASH FLOWS  
For the years ended December 31

	2000	1999	1998
	-----	-----	-----
Cash flows from operating activities:			
Net income (loss)	\$ 379,203	\$ 178,927	\$ (274,769)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Impairment of oil and gas properties	--	--	22,031
Depletion	32,147	50,954	311,979
Gain on disposition of assets	(2,205)	--	--
Changes in assets and liabilities:			
Accounts receivable	(31,293)	(30,401)	24,699
Accounts payable	(2,276)	3,164	(7,224)
	-----	-----	-----
Net cash provided by operating activities	375,576	202,644	76,716
	-----	-----	-----
Cash flows from investing activities:			
Additions to oil and gas properties	(3,092)	(6,987)	(12,611)
Proceeds from asset dispositions	2,454	279	323
	-----	-----	-----
Net cash used in investing activities	(638)	(6,708)	(12,288)
	-----	-----	-----
Cash flows used in financing activities:			
Cash distributions to partners	(375,880)	(163,624)	(93,368)
	-----	-----	-----
Net increase (decrease) in cash	(942)	32,312	(28,940)
Cash at beginning of year	73,810	41,498	70,438
	-----	-----	-----
Cash at end of year	\$ 72,868	\$ 73,810	\$ 41,498
	=====	=====	=====

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

13

526

PARKER & PARSLEY 85-A, LTD.  
(A Texas Limited Partnership)

NOTES TO FINANCIAL STATEMENTS  
December 31, 2000, 1999 and 1998

NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS

Parker & Parsley 85-A, Ltd. (the "Partnership") is a limited partnership organized in 1985 under the laws of the State of Texas. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA").

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Oil and gas properties - The Partnership utilizes the successful efforts method of accounting for its oil and gas properties and equipment. Under this method, all costs associated with productive wells and nonproductive development wells are capitalized while nonproductive exploration costs are expensed. Capitalized costs relating to proved properties are depleted using the unit-of-production method on a property-by-property basis based on proved oil (dominant mineral) reserves as evaluated by independent petroleum consultants. The carrying amounts of properties sold or otherwise disposed of and the related allowances for depletion are eliminated from the accounts and any gain or loss is included in results of operations.

Impairment of long-lived assets - In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the Partnership reviews its long-lived assets to be held and used on an individual property basis, including oil and gas properties accounted for under the successful efforts method of accounting, whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. An impairment loss is indicated if the sum of the expected future cash flows is

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

less than the carrying amount of the assets. In this circumstance, the Partnership recognizes an impairment loss for the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset.

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

Net income (loss) per limited partnership interest - The net income (loss) per limited partnership interest is calculated by using the number of outstanding limited partnership interests.

14

527

Income taxes - A Federal income tax provision has not been included in the financial statements as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

Statements of cash flows - For purposes of reporting cash flows, cash includes depository accounts held by banks.

General and administrative expenses - General and administrative expenses are allocated, in part, to the Partnership by the managing general partner. Allocated expenses are determined by the managing general partner based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Reclassifications - Certain reclassifications may have been made to the 1999 and 1998 financial statements to conform to the 2000 financial statement presentations.

Environmental - The Partnership is subject to extensive federal, state and local environmental laws and regulations. These laws, which are constantly changing, regulate the discharge of materials into the environment and may require the Partnership to remove or mitigate the environmental effects of the disposal or release of petroleum or chemical substances at various sites. Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Liabilities for expenditures of a noncapital nature are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated. Such liabilities are generally undiscounted unless the timing of cash payments for the liability or component are fixed or reliably determinable. No such liabilities have been accrued as of December 31, 2000.

Revenue recognition - The Partnership uses the entitlements method of accounting for oil, natural gas liquids ("NGLs") and natural gas revenues.

### NOTE 3. IMPAIRMENT OF LONG-LIVED ASSETS

In accordance with SFAS 121, the Partnership reviews its proved oil and gas properties for impairment whenever events and circumstances indicate a decline in the recoverability of the carrying value of the Partnership's oil and

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

gas properties. The Partnership has estimated the expected future cash flows of its oil and gas properties as of December 31, 2000, 1999 and 1998, based on proved reserves, and compared such estimated future cash flows to the respective carrying amount of the oil and gas properties to determine if the carrying amounts were likely to be recoverable. For those proved oil and gas properties for which the carrying amount exceeded the estimated future cash flows, an impairment was determined to exist; therefore, the Partnership adjusted the carrying amount of those oil and gas properties to their fair value as determined by discounting their expected future cash flows at a discount rate commensurate with the risks involved in the industry. As a result, the Partnership recognized a non-cash impairment provision of \$22,031 related to its proved oil and gas properties during 1998.

### NOTE 4. INCOME TAXES

15

528

The financial statement basis of the Partnership's net assets and liabilities was \$500,887 less than the tax basis at December 31, 2000.

The following is a reconciliation of net income (loss) per statements of operations with the net income per Federal income tax returns for the years ended December 31:

	2000 -----	1999 -----	1998 -----
Net income (loss) per statements of operations	\$ 379,203	\$ 178,927	\$ (274,769)
Depletion and depreciation provisions for tax reporting purposes less than amounts for financial reporting purposes	26,488	45,239	307,564
Impairment of oil and gas properties for financial reporting purposes	-	-	22,031
Other, net	(713)	(817)	1,515
	-----	-----	-----
Net income per Federal income tax returns	\$ 404,978 =====	\$ 223,349 =====	\$ 56,341 =====

### NOTE 5. OIL AND GAS PRODUCING ACTIVITIES

The following is a summary of the costs incurred, whether capitalized or expensed, related to the Partnership's oil and gas producing activities for the years ended December 31:

	2000 -----	1999 -----	1998 -----
Development costs	\$ 3,092 =====	\$ 6,987 =====	\$ 12,611 =====

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Capitalized oil and gas properties consist of the following:

	2000 -----	1999 -----
Proved properties:		
Property acquisition costs	\$ 488,509	\$ 488,509
Completed wells and equipment	6,910,445	6,907,602
	-----	-----
Accumulated depletion	7,398,954 (6,871,985)	7,396,111 (6,839,838)
	-----	-----
Net oil and gas properties	\$ 526,969 =====	\$ 556,273 =====

16

529

### NOTE 6. RELATED PARTY TRANSACTIONS

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

	2000 -----	1999 -----	1998 -----
Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$ 157,269	\$ 148,638	\$ 144,020
Reimbursement of general and administrative expenses	\$ 19,018	\$ 9,794	\$ 8,231

The Partnership participates in oil and gas activities through an income tax partnership (the "Program") pursuant to the Program agreement. In addition, Pioneer USA and the Partnership are parties to the Program agreement.

The costs and revenues of the Program are allocated to Pioneer USA and the Partnership as follows:

	Pioneer USA (1) -----	Partnership -----
--	--------------------------	----------------------

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Revenues:		
Proceeds from disposition of depreciable properties	9.09091%	90.90909%
All other revenues	24.242425%	75.757575%
Costs and expenses:		
Lease acquisition costs, drilling and completion costs	9.09091%	90.90909%
Operating costs, direct costs and general and administrative expenses	24.242425%	75.757575%

- (1) Excludes Pioneer USA's 1% general partner ownership which is allocated at the Partnership level and 187 limited partner interests owned by Pioneer USA.

### NOTE 7. OIL AND GAS INFORMATION (UNAUDITED)

The following table presents information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities during the years then ended. All of the Partnership's reserves are proved developed and located within the United States. The Partnership's reserves are based on an evaluation prepared by Williamson Petroleum Consultants, Inc., an independent petroleum consultant, using criteria established by the Securities and Exchange Commission.

17

530

	Oil and NGLs (bbls)	Gas (mcf)
	-----	-----
Net proved reserves at January 1, 1998	318,665	423,423
Revisions	(154,837)	(135,041)
Production	(27,808)	(43,021)
	-----	-----
Net proved reserves at December 31, 1998	136,020	245,361
Revisions	304,597	520,701
Production	(31,246)	(55,226)
	-----	-----
Net proved reserves at December 31, 1999	409,371	710,836
Revisions	430	(151,364)
Production	(27,458)	(41,549)
	-----	-----
Net proved reserves at December 31, 2000	382,343	517,923
	=====	=====



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

As of December 31, 2000, the estimated present value of future net revenues of proved reserves, calculated using December 31, 2000 prices of \$26.64 per barrel of oil, \$13.51 per barrel of NGLs and \$7.67 per mcf of gas, discounted at 10% was approximately \$2,812,000 and undiscounted was \$5,248,000.

Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves. The Partnership emphasizes that reserve estimates are inherently imprecise and, accordingly, the estimates are expected to change as future information becomes available.

### Disclosures about Oil & Gas Producing Activities

#### Standardized Measure of Discounted Future Net Cash Flows

The standardized measure of discounted future net cash flows is computed by applying year-end prices of oil and gas (with consideration of price changes only to the extent provided by contractual arrangements) to the estimated future production of proved oil and gas reserves less estimated future expenditures (based on year-end costs) to be incurred in developing and producing the proved reserves, discounted using a rate of 10% per year to reflect the estimated timing of the future cash flows. A Federal income tax provision has not been calculated as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

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

18

531

	For the years ended December 31,		
	2000	1999	1998
	(in thousands)		
Oil and gas producing activities:			
Future cash inflows	\$ 12,368	\$ 10,131	\$ 1,487
Future production costs	(7,120)	(6,033)	(1,155)
	5,248	4,098	332
10% annual discount factor	(2,436)	(1,879)	(102)
	\$ 2,812	\$ 2,219	\$ 230
Standardized measure of discounted future net cash flows	\$ 2,812	\$ 2,219	\$ 230

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	For the years ended December 31,		
	2000	1999	1998
	(in, thousands)		
<b>Oil and Gas Producing Activities:</b>			
Oil and gas sales, net of production costs	\$ (426)	\$ (242)	\$ (67)
Net changes in prices and production costs	1,007	705	(709)
Revisions of previous quantity estimates	(150)	2,101	(195)
Accretion of discount	222	22	114
Changes in production rates, timing and other	(60)	(597)	(52)
Change in present value of future net revenues	593	1,989	(909)
Balance, beginning of year	2,219	230	1,139
Balance, end of year	\$ 2,812	\$ 2,219	\$ 230

NOTE 8. MAJOR CUSTOMERS

The following table reflects the major customers of the Partnership's oil and gas sales (a major customer is defined as a customer whose sales exceed 10% of total sales) during the years ended December 31:

	2000	1999	1998
Plains Marketing, L.P.	57%	49%	-
NGTS LLC	9%	10%	3%
Genesis Crude Oil, L.P.	-	-	60%
Western Gas Resources, Inc.	3%	7%	19%

At December 31, 2000, the amount receivable from Plains Marketing, L.P. was \$36,131, which is included in the caption "Accounts receivable - oil and gas sales" in the accompanying Balance Sheet.

Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on the ability of the Partnership to sell its oil, NGLs and gas production.

NOTE 9. PARTNERSHIP AGREEMENT

The following is a brief summary of the more significant provisions of the limited partnership agreement:

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Managing general partner - The managing general partner of the Partnership is Pioneer USA. Pioneer USA has the power and authority to manage, control and administer all Partnership affairs. As managing general partner and operator of the Partnership's properties, all production expenses are incurred by Pioneer USA and billed to the Partnership. The majority of the Partnership's oil and gas revenues are received directly by the Partnership, however, a portion of the oil and gas revenue is initially received by Pioneer USA prior to being paid to the Partnership. Under the limited partnership agreement, the managing general partner pays 1% of the Partnership's acquisition, drilling and completion costs and 1% of its operating and

19

532

general and administrative expenses. In return, it is allocated 1% of the Partnership's revenues.

Limited partner liability - The maximum amount of liability of any limited partner is the total contributions of such partner plus his share of any undistributed profits.

Initial capital contributions - The limited partners entered into subscription agreements for aggregate capital contributions of \$9,613,000. Pioneer USA is required to contribute amounts equal to 1% of initial Partnership capital less commission and offering expenses allocated to the limited partners and to contribute amounts necessary to pay costs and expenses allocated to it under the partnership agreement to the extent its share of revenues does not cover such costs.

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

None.

20

533

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE PARTNERSHIP

The Partnership does not have any officers or directors. Under the limited partnership agreement, the Partnership's managing general partner, Pioneer USA, is granted the exclusive right and full authority to manage, control and administer the Partnership's business.

Set forth below are the names, ages and positions of the directors and executive officers of Pioneer USA. Directors of Pioneer USA are elected to serve until the next annual meeting of stockholders or until their successors are elected and qualified.

Name	Age at December 31, 2000	Position
------	--------------------------------	----------

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

-----	-----	-----
Scott D. Sheffield	48	President
Timothy L. Dove	44	Executive Vice President, Chief Financial Officer and Director
Dennis E. Fagerstone	51	Executive Vice President and Director
Mark L. Withrow	53	Executive Vice President, General Counsel and Director
Danny Kellum	46	Executive Vice President - Domestic Operations and Director
Rich Dealy	34	Vice President and Chief Accounting Officer

Scott D. Sheffield. Mr. Sheffield is a graduate of The University of Texas with a B.S. in Petroleum Engineering. Since August 1997, he has served as President, Chief Executive Officer and a director of Pioneer and President of Pioneer USA. Mr. Sheffield assumed the position of Chairman of the Board of Pioneer in August 1999. He served as a director of Pioneer USA from August 1997 until his resignation from the board in June 1999. Mr. Sheffield was the President and a director of Parker & Parsley Petroleum Company ("Parker & Parsley") from May 1990 until August 1997 and was the Chairman of the Board and Chief Executive Officer of Parker & Parsley from October 1990 until August 1997. He was the sole director of Parker & Parsley from May 1990 until October 1990. Mr. Sheffield joined Parker & Parsley Development Company ("PPDC"), a predecessor of Parker & Parsley, as a petroleum engineer in 1979. He served as Vice President - Engineering of PPDC from September 1981 until April 1985 when he was elected President and a director. In March 1989, Mr. Sheffield was elected Chairman of the Board and Chief Executive Officer of PPDC. Before joining PPDC's predecessor, Mr. Sheffield was employed as a production and reservoir engineer for Amoco Production Company.

Timothy L. Dove. Mr. Dove earned a B.S. in Mechanical Engineering from Massachusetts

Institute of Technology in 1979 and received his M.B.A. in 1981 from the University of Chicago. He became Executive Vice President - Business Development of Pioneer and Pioneer USA in August 1997 and was also appointed a director of Pioneer USA in August 1997. Mr. Dove assumed the position of Chief Financial Officer of Pioneer and Pioneer USA effective February 1, 2000. Mr. Dove joined Parker & Parsley in May 1994 as Vice President - International and was promoted to Senior Vice President - Business Development in October 1996, in which position he served until August 1997. Prior to joining Parker & Parsley, Mr. Dove was employed with Diamond Shamrock Corp., and its successor, Maxus Energy Corp, in various capacities in international exploration and production, marketing, refining and marketing and planning and development.

Dennis E. Fagerstone. Mr. Fagerstone, a graduate of the Colorado School of Mines with a B.S. in Petroleum Engineering, became an Executive Vice

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

President of Pioneer and Pioneer USA in August 1997. He was also appointed a director of Pioneer USA in August 1997. He served as Executive Vice President and Chief Operating Officer of MESA Inc. ("Mesa") from March 1, 1997 until August 1997. From October 1996 to February 1997, Mr. Fagerstone served as Senior Vice President and Chief Operating Officer of Mesa and from May 1991 to October 1996, he served as Vice President - Exploration and Production of Mesa. From June 1988 to May 1991, Mr. Fagerstone served as Vice President - Operations of Mesa.

Mark L. Withrow. Mr. Withrow, a graduate of Abilene Christian University with a B. S. in Accounting and Texas Tech University with a Juris Doctorate degree, became Executive Vice President, General Counsel and Secretary of Pioneer and Pioneer USA in August 1997. He was also appointed a director of Pioneer USA in August 1997. Mr. Withrow was Vice President - General Counsel of Parker & Parsley from January 1991, when he joined Parker & Parsley, to January 1995, when he was appointed Senior Vice President - General Counsel. He was Parker & Parsley's Secretary from August 1992 until August 1997. Prior to joining Parker & Parsley, Mr. Withrow was the managing partner of the law firm of Turpin, Smith, Dyer, Saxe & MacDonald, Midland, Texas.

Danny Kellum. Mr. Kellum, who received a Bachelor of Science degree in Petroleum Engineering from Texas Tech University in 1979, was elected Executive Vice President - Domestic Operations of Pioneer and Pioneer USA on May 18, 2000 and Director of Pioneer USA on February 1, 2000. From January 2000 until May 2000, Mr. Kellum served as Vice President - Domestic Operations of Pioneer and Pioneer USA. Mr. Kellum served as Vice President Permian Division of Pioneer and Pioneer USA from April 1998 until December 1999. From 1989 until 1994 he served as Spraberry District Manager and as Vice President of the Spraberry and Permian Division for Parker & Parsley until August of 1997. Mr. Kellum joined Parker & Parsley as an operations engineer in 1981 after a brief career with Mobil Oil Corporation.

Rich Dealy. Mr. Dealy is a graduate of Eastern New Mexico University with a B.B.A. in Accounting and Finance and is a Certified Public Accountant. He became Vice President and Chief Accounting Officer of Pioneer and Pioneer USA in February 1998. Mr. Dealy served as Controller of Pioneer USA from August 1997 to February 1998. He served as Controller of Parker & Parsley from August 1995 to August 1997. Mr. Dealy joined Parker & Parsley as an Accounting Manager in July, 1992. He was previously employed with KPMG Peat Marwick as an Audit Senior, in charge of Parker & Parsley's audit.

22

535

### ITEM 11. EXECUTIVE COMPENSATION

The Partnership does not have any directors or officers. Management of the Partnership is performed by Pioneer USA, the managing general partner. The Partnership participates in oil and gas activities through an income tax partnership (the "Program") pursuant to the Program agreement. Under the Program agreement, Pioneer USA pays approximately 10% of the Program's acquisition, drilling and completion costs and approximately 25% of its operating and general and administrative expenses. In return, Pioneer USA is allocated approximately 25% of the Program's revenues.

The Partnership does not directly pay any salaries of the executive officers of Pioneer USA, but does pay a portion of Pioneer USA's general and administrative expenses of which these salaries are a part.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

See Notes 6 and 9 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" for information regarding fees and reimbursements paid to the managing general partner by the Partnership.

### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

#### (a) Beneficial owners of more than five percent

The Partnership is not aware of any person who beneficially owns 5% or more of the outstanding limited partnership interests of the Partnership. Pioneer USA owned 187 limited partner interests at January 1, 2001.

#### (b) Security ownership of management

The Partnership does not have any officers or directors. The managing general partner of the Partnership, Pioneer USA, has the exclusive right and full authority to manage, control and administer the Partnership's business. Under the limited partnership agreement, limited partners holding a majority of the outstanding limited partnership interests have the right to take certain actions, including the removal of the managing general partner or any other general partner. The Partnership is not aware of any current arrangement or activity which may lead to such removal. The Partnership is not aware of any officer or director of Pioneer USA who beneficially owns limited partnership interests in the Partnership.

23

536

### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

#### Transactions with the managing general partner

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

	2000	1999	1998
Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$ 157,269	\$ 148,638	\$144,020
Reimbursement of general and administrative expenses	\$ 19,018	\$ 9,794	\$ 8,231

Under the limited partnership agreement, the managing general partner pays 1% of the Partnership's acquisition, drilling and completion costs and 1% of its operating and general and administrative expenses. In return, it is allocated 1% of the Partnership's revenues. Also, see Notes 6 and 9 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data", regarding the Partnership's participation with the managing general partner in oil and gas activities of the Partnership.

PART IV

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

(a) 1. Financial statements

The following are filed as part of this Report:

Independent Auditors' Report

Balance sheets as of December 31, 2000 and 1999

Statements of operations for the years ended December 31, 2000,  
1999 and 1998

Statements of partners' capital for the years ended December 31,  
2000, 1999 and 1998

Statements of cash flows for the years ended December 31, 2000,  
1999 and 1998

Notes to financial statements

2. Financial statement schedules

All financial statement schedules have been omitted since the  
required information is in the financial statements or notes thereto,  
or is not applicable nor required.

(b) Reports on Form 8-K

None.

(c) Exhibits

The exhibits listed on the accompanying index to exhibits are filed or  
incorporated by reference as part of this Report.

S I G N A T U R E S

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, thereunto duly authorized.

PARKER & PARSLEY 85-A, LTD.

Dated: March 27, 2001

By: Pioneer Natural Resources USA, Inc.  
Managing General Partner

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

By: /s/ Scott D. Sheffield  
 -----  
 Scott D. Sheffield, President

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

/s/ Scott D. Sheffield ----- Scott D. Sheffield	President of Pioneer USA	March 27, 2001
/s/ Timothy L. Dove ----- Timothy L. Dove	Executive Vice President, Chief Financial Officer and Director of Pioneer USA	March 27, 2001
/s/ Dennis E. Fagerstone ----- Dennis E. Fagerstone	Executive Vice President and Director of Pioneer USA	March 27, 2001
/s/ Mark L. Withrow ----- Mark L. Withrow	Executive Vice President, General Counsel and Director of Pioneer USA	March 27, 2001
/s/ Danny Kellum ----- Danny Kellum	Executive Vice President - Domestic Operations and Director of Pioneer USA	March 27, 2001
/s/ Rich Dealy ----- Rich Dealy	Vice President and Chief Accounting Officer of Pioneer USA	March 27, 2001

PARKER & PARSLEY 85-A, LTD.

INDEX TO EXHIBITS

The following documents are incorporated by reference in response to Item 14(c):

Exhibit No. -----	Description -----	Page ----
3(a)	Amended and Restated Certificate of	-



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Limited Partnership of Parker & Parsley  
85-A, Ltd. incorporated by reference to  
Exhibit A of the Partnership's Registration  
Statement on Form S-1 (Registration No.  
2-99079) (hereinafter called the Partnership's  
Registration Statement)

4 (b)	Agreement of Limited Partnership of Parker & Parsley 85-A, Ltd. incorporated by reference to an Exhibit of the Partnership's Registration Statement	-
4 (c)	Form of Subscription Agreement and Power of Attorney incorporated by reference to an Exhibit of the Partnership's Registration Statement	-
4 (d)	Specimen Certificate of Limited Partnership Interest incorporated by reference to an Exhibit of the Partnership's Registration Statement	-

27

540

PARKER & PARSLEY 85-A, LTD.

SELECTED FINANCIAL DATA

The following selected financial data for the Partnership should be read in connection with Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements included in the attached supplemental information.

	Six months ended June 30,		Years ended December 31,		
	2001	2000	2000	1999	1998
Operating results:					
Oil and gas sales	\$ 382,756	\$ 353,329	\$ 757,929	\$ 526,325	\$ 371,098
Impairment of oil and gas properties	\$ --	\$ --	\$ --	\$ --	\$ 22,031

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Gain on litigation settlement, net	\$ --	\$ --	\$ --	\$ --	\$ --
Net income (loss)	\$ 171,287	\$ 160,691	\$ 379,203	\$ 178,927	\$ (274,769)
Allocation of net income (loss):					
Managing general partner	\$ 1,713	\$ 1,607	\$ 3,792	\$ 1,789	\$ (2,747)
Limited partners	\$ 169,574	\$ 159,084	\$ 375,411	\$ 177,138	\$ (272,022)
Limited partners' net income (loss) per limited partnership interest	\$ 17.64	\$ 16.55	\$ 39.05	\$ 18.43	\$ (28.30)
Limited partners' cash distributions per limited partnership interest	\$ 13.70	\$ 18.36	\$ 38.71	\$ 16.85	\$ 9.62
As of period ended:					
Total assets	\$ 748,902	\$ 689,507	\$ 703,647	\$ 702,600	\$ 684,133

-----  
(a) Including litigation settlement per limited partnership interest of \$3.37 in 1996.

541

PIONEER NATURAL RESOURCES COMPANY  
PIONEER NATURAL RESOURCES USA, INC.  
5205 NORTH O'CONNOR BLVD., SUITE 1400  
IRVING, TEXAS 75039

SUPPLEMENTAL INFORMATION

OF

PARKER & PARSLEY 85-B, LTD., A TEXAS LIMITED PARTNERSHIP

TO

PROXY STATEMENT/PROSPECTUS DATED , 2001

-----  
THE DATE OF THIS SUPPLEMENT IS , 2001  
-----

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

This document contains important information specific to Parker & Parsley 85-B, Ltd. and supplements the proxy statement/prospectus dated , 2001, of Pioneer Natural Resources Company and Pioneer Natural Resources USA, Inc., by which Pioneer USA is soliciting proxies to be voted at a special meeting of limited partners of the partnership. The purpose of the special meeting is for you to vote upon the merger of the partnership with and into Pioneer USA that, if completed, will result in your receiving common stock of Pioneer Natural Resources Company for your partnership interests.

This document contains the following information concerning Parker & Parsley 85-B, Ltd.:

- o A table containing:
  - the aggregate initial investment by the limited partners
  - the aggregate historical limited partner distributions through July 31, 2001
  - the merger value attributable to partnership interests of limited partners, excluding Pioneer USA
  - the merger value per \$1,000 limited partner investment
  - the merger value per \$1,000 limited partner investment as a multiple of distributions for the past four quarterly distributions including the distribution in July 2001
  - the book value per \$1,000 limited partner investment as of June 30, 2001 and as of December 31, 2000
  - the going concern value per \$1,000 limited partner investment
  - the liquidation value per \$1,000 limited partner investment
  - the ordinary tax loss per \$1,000 limited partner investment in year of initial investment
- o Information about:
  - the legal opinion for the limited partners
  - the term of the partnership
- o The partnership's quarterly report on Form 10-Q, including management's discussion and analysis of financial condition and results of operations, for the six months ended June 30, 2001
- o The partnership's annual report on Form 10-K, including management's discussion and analysis of financial condition and results of operations, for the year ended December 31, 2000
- o Selected historical financial data for the partnership for the six months ended June 30, 2001 and 2000 and the five years ended December 31, 2000

542

PARKER & PARSLEY 85-B LTD.

SUPPLEMENTAL INFORMATION TABLE

Aggregate Initial Investment by the Limited Partners (a)	\$
Aggregate Historical Limited Partner Distributions through July 31, 2001 (a)	\$
Merger Value Attributable to Partnership Interests of Limited Partners, Excluding Pioneer USA (a), (b)	\$
Merger Value per \$1,000 Limited Partner Investment (b), (c)	\$
Merger Value per \$1,000 Limited Partner Investment as a Multiple of Distributions for the past four quarterly distributions including the distribution in July 2001 (b), (c)	
Book Value per \$1,000 Limited Partner Investment:	
-- as of June 30, 2001 (c)	\$
-- as of December 31, 2000 (c)	\$
Going Concern Value per \$1,000 Limited Partner Investment (c), (d)	\$
Liquidation Value per \$1,000 Limited Partner Investment (c), (e)	\$
Ordinary Tax Loss per \$1,000 Limited Partner Investment in Year of Initial Investment (c), (f)	\$

-----

(a) Stated in thousands.

(b) The merger value for the partnership is equal to the sum of the present value of estimated future net revenues from the partnership's estimated oil and gas reserves and its net working capital, in each case as of March 31, 2001, less its pro rata share, based on its reserve value, of the estimated expenses and fees of the mergers of all of the partnerships and less the cash distribution on July 13, 2001, by the partnership to its partners.

(c) Interests in some partnerships were sold in units at prices other than \$1,000. We have presented this information based on a \$1,000 initial investment for ease of use and comparison among partnerships. You should not assume that the amount shown per \$1,000 investment is the same as the value or amount attributable to a single unit investment.

(d) The going concern value for the partnership is based upon: (1) the sum of (A) the estimated net cash flow from the sale of the partnership's reserves during a 10-year operating period and (B) the estimated residual value from the sale of the partnership's remaining reserves at the end of the operating period, in each case using the same pricing and discount rate as

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

in the merger value calculation, less (2) (A) partnership level general and administrative expenses, and (B) the cash distribution on July 13, 2001 by the partnership to its partners.

- (e) The liquidation value for the partnership is based upon the sale of the partnership's reserves at the reserve value, less (1) liquidation expenses which are estimated to be the sum of (A) the partnership's pro rata share of the merger expenses and fees described in footnote (b) above and (B) 3% of the partnership's reserve value, and (2) the cash distribution on July 13, 2001 by the partnership to its partners. The liquidation expenses represent estimated costs to retain an investment banker or broker to sell the assets of the partnership and the legal and other closing costs associated with such transaction, including the wind-down costs of the partnership.
- (f) Your ability to use your distributive share of the partnership's loss to offset your other income may have been subject to certain limitations at your level as a partner, and you may therefore wish to consult your tax advisor to determine the additional value, if any, actually realized by you in your particular circumstances.

### INFORMATION ABOUT THE LEGAL OPINION FOR THE LIMITED PARTNERS

The partnership agreement for the partnership requires that special legal counsel render an opinion on behalf of the limited partners to Pioneer USA that (1) neither the grant nor the exercise of the right to approve the merger of the partnership by its limited partners will adversely affect the federal income tax classification of the partnership or any of its limited partners; and (2) neither the grant nor exercise of such right will result in the loss of any limited partner's limited liability. In addition, the counsel designated to render the opinion must be counsel other than counsel to Pioneer USA or the partnership. Both the designated counsel and the legal opinion must be approved by the limited partners. Pioneer USA has retained \_\_\_\_\_ of Dallas, Texas for the purpose of rendering this legal opinion on behalf of the limited partners to Pioneer USA. The merger proposals include an approval of that counsel and the form of its opinion. A copy of the opinion is attached as an exhibit to the merger proposals.

### INFORMATION ABOUT THE TERM OF THE PARTNERSHIP

The term of the partnership is until December 31, 2035, unless the partnership is earlier terminated in accordance with the applicable provisions of its partnership agreement.

-2-

543

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, 2001

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Commission File No. 2 -99079B

PARKER & PARSLEY 85-B, LTD.  
(Exact name of Registrant as specified in its charter)

Texas	75-2075492
-----	-----
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

5205 N. O'Connor Blvd., Suite 1400, Irving, Texas	75039
-----	-----
(Address of principal executive offices)	(Zip code)

Registrant's Telephone Number, including area code : (972) 444-9001

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 / x / No / /

544

PARKER & PARSLEY 85-B, LTD.

TABLE OF CONTENTS

	Page
Part I. Financial Information	
Item 1. Financial Statements	
Balance Sheets as of June 30, 2001 and December 31, 2000.....	3
Statements of Operations for the three and six months ended June 30, 2001 and 2000.....	4
Statement of Partners' Capital for the six months ended June 30, 2001.....	5

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	Statements of Cash Flows for the six months ended June 30, 2001 and 2000.....	6
	Notes to Financial Statements.....	7
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations.....	7

### Part II. Other Information

Item 6.	Exhibits and Reports on Form 8-K.....	11
	Signatures.....	12

2

545

### PARKER & PARSLEY 85-B, LTD. (A Texas Limited Partnership)

#### Part I. Financial Information

#### Item 1. Financial Statements

##### BALANCE SHEETS

	June 30, 2001	December 31, 2000
	----- (Unaudited)	-----
ASSETS		
Current assets:		
Cash	\$ 154,190	\$ 80,718
Accounts receivable - oil and gas sales	73,028	84,740
	-----	-----
Total current assets	227,218	165,458
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	5,318,689	5,317,256
Accumulated depletion	(4,558,726)	(4,526,767)
	-----	-----
Net oil and gas properties	759,963	790,489
	-----	-----
	\$ 987,181	\$ 955,947
	=====	=====
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable - affiliate	\$ 15,556	\$ 10,515
Partners' capital:		
Managing general partner	10,067	9,805

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Limited partners (7,988 interests)	961,558	935,627
	-----	-----
	971,625	945,432
	-----	-----
	\$ 987,181	\$ 955,947
	=====	=====

The financial information included as of June 30, 2001 has been prepared by the managing general partner without audit by independent public accountants.

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

3

546

PARKER & PARSLEY 85-B, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF OPERATIONS  
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2001	2000	2001	2000
	-----	-----	-----	-----
Revenues:				
Oil and gas	\$ 144,439	\$ 140,791	\$ 323,533	\$ 276,113
Interest	1,125	1,335	2,407	2,322
	-----	-----	-----	-----
	145,564	142,126	325,940	278,435
	-----	-----	-----	-----
Costs and expenses:				
Oil and gas production	71,567	79,043	132,743	136,410
General and administrative	4,333	4,223	9,706	8,283
Depletion	17,339	14,055	31,959	27,918
	-----	-----	-----	-----
	93,239	97,321	174,408	172,611
	-----	-----	-----	-----
Net income	\$ 52,325	\$ 44,805	\$ 151,532	\$ 105,824
	=====	=====	=====	=====
Allocation of net income:				
Managing general partner	\$ 523	\$ 448	\$ 1,515	\$ 1,058
	=====	=====	=====	=====
Limited partners	\$ 51,802	\$ 44,357	\$ 150,017	\$ 104,766
	=====	=====	=====	=====
Net income per limited partnership interest	\$ 6.48	\$ 5.56	\$ 18.78	\$ 13.12
	=====	=====	=====	=====



The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

4

547

PARKER & PARSLEY 85-B, LTD.  
(A Texas Limited Partnership)

STATEMENT OF PARTNERS' CAPITAL  
(Unaudited)

	Managing general partner -----	Limited partners -----	Total -----
Balance at January 1, 2001	\$ 9,805	\$ 935,627	\$ 945,432
Distributions	(1,253)	(124,086)	(125,339)
Net income	1,515 -----	150,017 -----	151,532 -----
Balance at June 30, 2001	\$ 10,067 =====	\$ 961,558 =====	\$ 971,625 =====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

5

548

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

PARKER & PARSLEY 85-B, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF CASH FLOWS  
(Unaudited)

	Six months ended June 30,	
	2001	2000
Cash flows from operating activities:		
Net income	\$ 151,532	\$ 105,824
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion	31,959	27,918
Changes in assets and liabilities:		
Accounts receivable	11,712	(9,996)
Accounts payable	5,041	5,318
Net cash provided by operating activities	200,244	129,064
Cash flows from investing activities:		
Additions to oil and gas properties	(1,433)	(2,708)
Proceeds from asset dispositions	-	6,412
Net cash provided by (used in) investing activities	(1,433)	3,704
Cash flows used in financing activities:		
Cash distributions to partners	(125,339)	(137,064)
Net increase (decrease) in cash	73,472	(4,296)
Cash at beginning of period	80,718	74,959
Cash at end of period	\$ 154,190	\$ 70,663

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

PARKER & PARSLEY 85-B, LTD.  
(A Texas Limited Partnership)

NOTES TO FINANCIAL STATEMENTS  
June 30, 2001

# Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

(Unaudited)

## Note 1. Organization and nature of operations

Parker & Parsley 85-B, Ltd. (the "Partnership") is a limited partnership organized in 1985 under the laws of the State of Texas.

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

## Note 2. Basis of presentation

In the opinion of management, the unaudited financial statements of the Partnership as of June 30, 2001 and for the three and six months ended June 30, 2001 and 2000 include all adjustments and accruals consisting only of normal recurring accrual adjustments which are necessary for a fair presentation of the results for the interim period. These interim results of operations are not necessarily indicative of results for a full year. Certain reclassifications may have been made to the June 30, 2000 financial statements to conform to the June 30, 2001 financial statement presentations.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in this Form 10-Q pursuant to the rules and regulations of the Securities and Exchange Commission. The financial statements should be read in conjunction with the financial statements and the notes thereto contained in the Partnership's Report on Form 10-K for the year ended December 31, 2000, as filed with the Securities and Exchange Commission, a copy of which is available upon request by writing to Rich Dealy, Vice President and Chief Accounting Officer, 5205 North O'Connor Boulevard, Suite 1400, Irving, Texas 75039-3746.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (1)

### Results of Operations

Six months ended June 30, 2001 compared with six months ended June 30, 2000

### Revenues:

The Partnership's oil and gas revenues increased 17% to \$323,533 for the six months ended June 30, 2001 as compared to \$276,113 for the same period in 2000. The increase in revenues resulted from higher average prices received for gas and NGLs, offset by a slight decline in production and lower average prices

7

550

received for oil. For the six months ended June 30, 2001, 6,896 barrels of oil, 2,960 barrels of natural gas liquids ("NGLs") and 16,032 mcf of gas were sold, or 12,528 barrel of oil equivalents ("BOEs"). For the six months ended June 30, 2000, 6,942 barrels of oil, 3,123 barrels of NGLs and 14,832 mcf of gas were sold, or 12,537 BOEs.

The average price received per barrel of oil decreased \$.63, or 2%, from \$28.58 for the six months ended June 30, 2000 to \$27.95 for the same period in 2001. The average price received per barrel of NGLs increased \$2.56, or 18%, from

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

\$14.29 during the six months ended June 30, 2000 to \$16.85 for the same period in 2001. The average price received per mcf of gas increased 126% from \$2.23 during the six months ended June 30, 2000 to \$5.05 for the same period in 2001. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received during the six months ended June 30, 2001.

### Costs and Expenses:

Total costs and expenses increased to \$174,408 for the six months ended June 30, 2001 as compared to \$172,611 for the same period in 2000, an increase of \$1,797, or 1%. This increase was due to increases in depletion and general and administrative expenses ("G&A"), offset by a decrease in production costs.

Production costs were \$132,743 for the six months ended June 30, 2001 and \$136,410 for the same period in 2000, a decrease of \$3,667, or 3%. The decrease was primarily due to lower well maintenance costs, offset by an increase in workover expense incurred to stimulate well production.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 17% from \$8,283 for the six months ended June 30, 2000 to \$9,706 for the same period in 2001, primarily due to an increase in audit and tax fees and a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues.

Depletion was \$31,959 for the six months ended June 30, 2001 as compared to \$27,918 for the same period in 2000, an increase of \$4,041, or 14%. This increase was primarily due to a reduction in proved reserves due to lower commodity prices during the period ended June 30, 2001 as compared to the same period in 2000.

Three months ended June 30, 2001 compared with three months ended June 30, 2000

### Revenues:

The Partnership's oil and gas revenues increased 3% to \$144,439 for the three months ended June 30, 2001 as compared to \$140,791 for the same period in 2000. The increase in revenues resulted from higher average prices received for gas and NGLs, offset by a decrease in production and lower average prices received for oil. For the three months ended June 30, 2001, 3,236 barrels of oil, 1,626 barrels of NGLs and 7,667 mcf of gas were sold, or 6,140 BOEs. For the three

months ended June 30, 2000, 3,454 barrels of oil, 1,618 barrels of NGLs and 7,403 mcf of gas were sold, or 6,306 BOEs.

The average price received per barrel of oil decreased \$1.58, or 6%, from \$28.52 for the three months ended June 30, 2000 to \$26.94 for the same period in 2001. The average price received per barrel of NGLs increased \$.95, or 7%, from \$14.18 during the three months ended June 30, 2000 to \$15.13 for the same period in 2001. The average price received per mcf of gas increased 63% from \$2.61 during the three months ended June 30, 2000 to \$4.26 for the same period in 2001.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

### Costs and Expenses:

Total costs and expenses decreased to \$93,239 for the three months ended June 30, 2001 as compared to \$97,321 for the same period in 2000, a decrease of \$4,082, or 4%. This decrease was due to a decrease in production costs, offset by increases in depletion and G&A.

Production costs were \$71,567 for the three months ended June 30, 2001 and \$79,043 for the same period in 2000, a decrease of \$7,476, or 9%. The decrease was primarily due to lower well maintenance costs, offset by an increase in workover expenses incurred to stimulate well production.

During this period, G&A increased 3% from \$4,223 for the three months ended June 30, 2000 to \$4,333 for the same period in 2001, primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues.

Depletion was \$17,339 for the three months ended June 30, 2001 as compared to \$14,055 for the same period in 2000, an increase of \$3,284, or 23%. This increase was primarily due to a reduction in proved reserves due to lower commodity prices during the period ended June 30, 2001 as compared to the same period in 2000.

### Liquidity and Capital Resources

#### Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$71,180 during the six months ended June 30, 2001 from the same period ended June 30, 2000. This increase was due to an increase of \$47,505 in oil and gas sales receipts and reductions in working capital of \$21,431 and production costs of \$3,667, offset by an increase in G&A expenses of \$1,423. The increase in oil and gas receipts resulted from the increase in gas and NGL prices of \$49,771 and \$6,054 resulting from an increase in gas production during 2001, offset by \$4,032 resulting from the decline in oil and NGL production and a \$4,288 decline resulting from lower oil prices during 2001 as compared to the same period in 2000. The decrease in production costs was due to lower well maintenance costs, offset by an increase in workover expenses incurred to stimulate well production. The increase in G&A was primarily due to an increase in audit and tax fees and a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues.

9

552

#### Net Cash Provided by (Used in) Investing Activities

The Partnership's investing activities for the six months ended June 30, 2001 and 2000 included expenditures related to equipment upgrades on active properties.

Proceeds from asset dispositions of \$6,412 were received during the six months ended June 30, 2000 from equipment credits received on active properties.

#### Net Cash Used in Financing Activities

For the six months ended June 30, 2001, cash distributions to the partners were \$125,339, of which \$1,253 was distributed to the managing general partner and

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

\$124,086 to the limited partners. For the same period ended June 30, 2000, cash distributions to the partners were \$137,064, of which \$1,371 was distributed to the managing general partner and \$135,693 to the limited partners.

For the three months ended June 30, 2001, no distributions were made by the partnership to its partners. Subsequent to June 30, 2001 the cash distribution that otherwise would have been mailed to partners in late June was made to holders of record as of July 9, 2001 and was mailed on July 13, 2001. For further information, see "Proposal to acquire partnerships" below.

### Proposal to acquire partnerships

On June 29, 2001, Pioneer Natural Resources Company ("Pioneer") filed with the Securities and Exchange Commission Amendment No. 1 to the Form S-4 Registration Statement (File No. 333-59094) (the "preliminary proxy statement/prospectus"), which proposes an agreement and plan of merger among Pioneer, Pioneer Natural Resources USA, Inc. ("Pioneer USA"), a wholly-owned subsidiary of Pioneer, and 46 Parker & Parsley limited partnerships. Each partnership that approves the agreement and plan of merger and the other related merger proposals will merge with and into Pioneer USA upon the closing of the transactions described in the preliminary proxy statement/prospectus, and the partnership interests of each such partnership will be converted into the right to receive Pioneer common stock. The Partnership is one of the 46 Parker & Parsley limited partnerships that will be asked to approve the agreement and plan of merger. The preliminary proxy statement/prospectus is non-binding and is subject to, among other things, consideration of offers from third parties to purchase any partnership or its assets and the majority approval of the limited partnership interests in each partnership.

Pioneer USA will solicit proxies from limited partners to approve the mergers only when the proxy statement/prospectus is final and declared effective. No solicitation will be made using preliminary materials. Nonetheless, copies of the preliminary proxy statement/prospectus may be obtained without charge upon request from Pioneer Natural Resources Company, 5205 North O'Connor Blvd., Suite 1400, Irving, Texas 75039, Attention: Investor Relations.

The limited partners are urged to read the proxy statement/prospectus of Pioneer filed with the Securities and Exchange Commission, when it is finalized, because it contains important information about the proposed mergers, including information about the direct and indirect interests of Pioneer USA and Pioneer in the mergers. The limited partners may also obtain the preliminary and (when

10

553

filed) final proxy statement/prospectus and other relevant documents relating to the proposed mergers free through the internet web site that the Securities and Exchange Commission maintains at [www.sec.gov](http://www.sec.gov).

-----

- (1) "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" contains forward looking statements that involve risks and uncertainties. Accordingly, no assurances can be given that the actual events and results will not be materially different than the anticipated results described in the forward looking statements.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Part II. Other Information

Item 6. Exhibits and Reports on Form 8-K

- (a) Exhibits - none
- (b) Reports on Form 8-K - none

11

554

PARKER & PARSLEY 85-B, LTD.  
(A Texas Limited Partnership)

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 thereunto duly authorized.

PARKER & PARSLEY 85-B, LTD.

By: Pioneer Natural Resources USA, Inc.,  
Managing General Partner

Dated: August 7, 2001

By: /s/ Rich Dealy

-----  
Rich Dealy, Vice President and  
Chief Accounting Officer

12

555

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

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d)  
of the Securities Exchange Act of 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000

COMMISSION FILE NO. 2-99079B

PARKER & PARSLEY 85-B, LTD.  
(Exact name of Registrant as specified in its charter)

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

TEXAS

75-2075492

-----  
(State or other jurisdiction of  
incorporation or organization)

-----  
(I.R.S. Employer  
Identification Number)

1400 WILLIAMS SQUARE WEST, 5205 N. O'CONNOR BLVD., IRVING, TEXAS

75039

-----  
(Address of principal executive offices)

-----  
(Zip code)

Registrant's Telephone Number, including area code : (972) 444-9001

Securities registered pursuant to Section 12(b) of the Act: NONE  
Securities registered pursuant to Section 12(g) of the Act:  
LIMITED PARTNERSHIP INTERESTS (\$1,000 PER UNIT)

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

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

No market currently exists for the limited partnership interests of the Registrant. Based on the original purchase price, the aggregate market value of limited partnership interests owned by non-affiliates of the Registrant is \$7,930,000.

As of March 8, 2001, the number of outstanding limited partnership interests was 7,988.

The following documents are incorporated by reference into the indicated parts of this Annual Report on Form 10-K: None

PARTS I AND II OF THIS ANNUAL REPORT ON FORM 10-K (THE "REPORT") CONTAIN FORWARD LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. ACCORDINGLY, NO ASSURANCES CAN BE GIVEN THAT THE ACTUAL EVENTS AND RESULTS WILL NOT BE MATERIALLY DIFFERENT THAN THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS. SEE "ITEM 1. BUSINESS" FOR A DESCRIPTION OF VARIOUS FACTORS THAT COULD MATERIALLY AFFECT THE ABILITY OF THE PARTNERSHIP TO ACHIEVE THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS.

556

PART I

ITEM 1. BUSINESS

Parker & Parsley 85-B, Ltd. (the "Partnership") is a limited partnership organized in 1985 under the laws of the State of Texas. The Partnership's



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA"). Pioneer USA is a wholly-owned subsidiary of Pioneer Natural Resources Company ("Pioneer"). As of March 8, 2001, the Partnership had 7,988 limited partnership interests outstanding.

The Partnership does not have any employees of its own. Pioneer USA employs 701 persons, many of whom dedicated a part of their time to the conduct of the Partnership's business during the period for which this Report is filed. Pioneer USA supplies all management functions.

The Partnership engages in oil and gas development and production and is not involved in any industry segment other than oil and gas. The Partnership's production is geographically concentrated in West Texas.

The principal markets during 2000 for the oil produced by the Partnership were refineries and oil transmission companies that have facilities near the Partnership's oil producing properties. During 2000, Pioneer USA marketed the Partnership's gas to a variety of purchasers. Of the Partnership's total oil and gas revenues for 2000, approximately 48%, 20% and 10% were attributable to sales made to Mobil Oil Corporation, Plains Marketing, L.P. and NGTS LLC, respectively. Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on its ability to sell its oil, natural gas liquids ("NGLs") and gas production.

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

Oil and gas production operations are subject to various types of regulations by local, state and federal agencies. The Partnership's operations are also subject to state conservation laws and regulations, including the establishment of maximum rates of production from wells and the regulation of spacing, plugging and abandonment of wells. Each state generally imposes a production or severance tax with respect to production and sale of oil and gas within their respective jurisdictions. Noncompliance with the laws and regulations may subject the Partnership to penalties, damages or other liabilities and compliance may increase the cost of the Partnership's operations. The oil and gas business is also subject to environmental hazards such as oil spills, gas leaks and ruptures and discharges of toxic substances or gases that could expose the Partnership to substantial

liability due to pollution and other environmental damages. Although the Partnership believes that its business operations do not impair environmental quality and that its costs of complying with any applicable environmental regulations are not currently significant, the Partnership cannot predict what, if any, effect these environmental regulations may have on its current or future operations.

Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions,

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves.

No material part of the Partnership's business is seasonal and the Partnership conducts no foreign operations.

### ITEM 2. PROPERTIES

The Partnership's properties consist of leasehold interests in properties on which oil and gas wells are located. Such property interests are often subject to landowner royalties, overriding royalties and other oil and gas leasehold interests.

Fractional working interests in developmental oil and gas prospects located primarily in the Spraberry Trend Area of West Texas were acquired by the Partnership, resulting in the Partnership's participation in the drilling of 22 productive oil and gas wells. One well was converted to a saltwater disposal well during 1987 and four wells have been plugged and abandoned. At December 31, 2000, the Partnership had 17 producing wells.

For information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998, and changes in such quantities for the years then ended, see Note 7 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" below. Such reserves have been evaluated by Williamson Petroleum Consultants, Inc., an independent petroleum consultant.

### ITEM 3. LEGAL PROCEEDINGS

The Partnership from time to time is a party to various legal proceedings incidental to its business involving claims in oil and gas leases or interests, other claims for damages in amounts not in excess of 10% of its current assets and other matters, none of which Pioneer USA believes to be material to the Partnership.

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

There were no matters submitted to a vote of the partners during the fourth quarter of 2000.

## PART II

### ITEM 5. MARKET FOR LIMITED PARTNERSHIP INTERESTS AND LIMITED PARTNERSHIP DISTRIBUTIONS

At March 8, 2001, the Partnership had 7,988 outstanding limited partnership interests held of record by 717 subscribers. There is no established public trading market for the limited partnership interests. Under the limited partnership agreement, Pioneer USA has made certain commitments to purchase partnership interests at a computed value.

Revenues which, in the sole judgement of the managing general partner, are not required to meet the Partnership's obligations are distributed to the partners at least quarterly in accordance with the limited partnership agreement. During

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

the years ended December 31, 2000 and 1999, distributions of \$309,279 and \$115,631, respectively, were made to the limited partners.

### ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth selected financial data for the years ended December 31:

	2000 -----	1999 -----	1998 -----	1997 -----	1996 -----
Operating results:					
Oil and gas sales	\$ 619,365 =====	\$ 387,551 =====	\$ 341,048 =====	\$ 538,813 =====	\$ 616,863 =====
Impairment of oil and gas properties	\$ 10,050 =====	\$ 95,253 =====	\$ 52,922 =====	\$ 324,374 =====	\$ - =====
Gain on litigation settlement, net	\$ - =====	\$ - =====	\$ - =====	\$ - =====	\$ 62,948 =====
Net income (loss)	\$ 277,323 =====	\$ (14,097) =====	\$ (117,257) =====	\$ (177,091) =====	\$ 286,574 =====
Allocation of net income (loss):					
Managing general partner	\$ 2,773 =====	\$ (141) =====	\$ (1,172) =====	\$ (1,771) =====	\$ 2,866 =====
Limited partners	\$ 274,550 =====	\$ (13,956) =====	\$ (116,085) =====	\$ (175,320) =====	\$ 283,708 =====
Limited partners' net income (loss) per limited partnership interest	\$ 34.37 =====	\$ (1.75) =====	\$ (14.53) =====	\$ (21.95) =====	\$ 35.52 =====
Limited partners' cash distributions per limited partnership interest	\$ 38.72 =====	\$ 14.48 =====	\$ 17.29 =====	\$ 33.72 =====	\$ 42.90 (a) =====
At year end:					
Identifiable assets	\$ 955,947 =====	\$ 992,521 =====	\$1,122,069 =====	\$1,386,758 =====	\$1,831,497 =====

(a) Including litigation settlement per limited partnership interest of \$7.80 in 1996.

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

## Results of operations

## 2000 compared to 1999

The Partnership's oil and gas revenues increased 60% to \$619,365 for 2000 as compared to \$387,551 in 1999. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 2000, 14,002 barrels of oil, 6,807 barrels of natural gas liquids ("NGLs") and 30,909 mcf of gas were sold, or 25,961 barrel of oil equivalents ("BOEs"). In 1999, 14,280 barrels of oil, 7,130 barrels of NGLs and 33,467 mcf of gas were sold, or 26,988 BOEs. Due to the decline characteristics of the Partnership's oil and gas properties, management expects a certain amount of decline in production in the future until the Partnership's economically recoverable reserves are fully depleted.

The average price received per barrel of oil increased \$11.95, or 66%, from \$18.07 in 1999 to \$30.02 in 2000. The average price received per barrel of NGLs increased \$5.86, or 58%, from \$10.10 in 1999 to \$15.96 in 2000. The average price received per mcf of gas increased 70% from \$1.72 in 1999 to \$2.92 in 2000. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received in 2000.

Total costs and expenses decreased in 2000 to \$347,682 as compared to \$404,907 in 1999, a decrease of \$57,225, or 14%. The decrease was primarily due to declines in the impairment of oil and gas properties and depletion, offset by increases in production costs and general and administrative expenses ("G&A").

Production costs were \$264,543 in 2000 and \$207,744 in 1999, resulting in an increase of \$56,799, or 27%. The increase was primarily due to additional well maintenance costs incurred to stimulate well production and higher production taxes associated with higher oil and gas prices.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 60% from \$11,626 in 1999 to \$18,581 in 2000 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$15,555 in 2000 and \$6,624 in 1999 for G&A incurred on behalf of the Partnership. The remaining G&A was paid directly by the Partnership. The managing general partner determines the allocated expenses based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the managing general partner reviews the Partnership's oil and gas properties for impairment whenever events or circumstances indicate a decline in the recoverability of the carrying value of the Partnership's assets may have occurred. As a result of the review and evaluation of its long-lived assets for impairment, the Partnership recognized

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

non-cash charges of \$10,050 and \$95,253 related to its oil and gas properties during 2000 and 1999, respectively.

5

560

Depletion was \$54,508 in 2000 as compared to \$90,284 in 1999, representing a decrease of \$35,776, or 40%. This decrease was primarily due to a 17,204 barrels of oil increase in proved reserves during 2000 as a result of higher commodity prices and a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 1999.

1999 compared to 1998

The Partnership's 1999 oil and gas revenues increased 14% to \$387,551 from \$341,048 in 1998. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 1999, 14,280 barrels of oil, 7,130 barrels of NGLs and 33,467 mcf of gas were sold, or 26,988 BOEs. In 1998, 16,204 barrels of oil, 8,599 barrels of NGLs and 41,501 mcf of gas were sold, or 31,720 BOEs.

The average price received per barrel of oil increased \$4.77, or 36%, from \$13.30 in 1998 to \$18.07 in 1999. The average price received per barrel of NGLs increased \$3.15, or 45%, from \$6.95 in 1998 to \$10.10 in 1999. The average price received per mcf of gas increased 9% from \$1.58 in 1998 to \$1.72 in 1999.

Total costs and expenses decreased in 1999 to \$404,907 as compared to \$462,704 in 1998, a decrease of \$57,797, or 12%. The decrease was primarily due to declines in production costs and depletion, offset by increases in the impairment of oil and gas properties and G&A.

Production costs were \$207,744 in 1999 and \$269,093 in 1998, resulting in a \$61,349 decrease, or 23%. The decrease was attributable to less well maintenance costs and ad valorem taxes.

During this period, G&A increased, in aggregate, 14% from \$10,231 in 1998 to \$11,626 in 1999 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$6,624 in 1999 and \$7,884 in 1998 for G&A incurred on behalf of the Partnership.

The Partnership recognized non-cash SFAS 121 charges of \$95,253 and \$52,922 related to its oil and gas properties during 1999 and 1998, respectively.

Depletion was \$90,284 in 1999 compared to \$130,458 in 1998. This represented a decrease of \$40,174, or 31%. This decrease was the result of an increase in proved reserves of 117,564 barrels of oil during 1999 as a result of higher commodity prices, a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 1998 and a decline in oil production of 1,924 barrels for the period ended December 31, 1999 compared to the same period in 1998.

Petroleum industry

The petroleum industry has been characterized by volatile oil, NGL and natural gas commodity prices and relatively stable supplier costs during the three years ended December 31, 2000. During 1998, weather patterns, regional economic recessions and political matters combined to cause worldwide oil supplies to exceed demand resulting in a substantial decline in oil prices. Also during

1998, but

6

561

to a lesser extent, market prices for natural gas declined. During 1999 and 2000, the Organization of Petroleum Exporting Countries ("OPEC") and certain other crude oil exporting nations announced reductions in their planned export volumes. Those announcements, together with the enactment of the announced reductions in export volumes, had a positive impact on world oil prices, as have overall natural gas supply and demand fundamentals on North American natural gas prices. Although the favorable commodity price environment and stable field service cost environment is expected to continue during 2001, there is no assurance that commodity prices will not return to a less favorable level or that field service costs will not escalate in the future, both of which could negatively impact the Partnership's future results of operations and cash distributions.

Liquidity and capital resources

Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$163,858 during the year ended December 31, 2000 from 1999. This increase was due to an increase in oil and gas sales receipts of \$234,195, offset by increases in production costs paid of \$56,799, G&A expenses paid of \$6,955 and working capital of \$6,583. The increase in oil and gas receipts resulted from the increase in commodity prices during 2000 which contributed an additional \$255,175 to oil and gas receipts, offset by a decrease of \$20,980 resulting from the decline in production during 2000. The increase in production costs was primarily due to increased production taxes associated with higher oil and gas prices and well maintenance costs incurred to stimulate well production. The increase in G&A was primarily due to higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues.

Net Cash Provided by (Used in) Investing Activities

The Partnership's principal investing activities during 2000 and 1999 were for expenditures related to oil and gas equipment upgrades on active properties.

Proceeds from disposition of assets of \$6,412 and \$134 during 2000 and 1999, respectively, were from equipment credits received on active wells.

Net Cash Used in Financing Activities

In 2000, cash distributions to the partners were \$312,403, of which \$3,124 was distributed to the managing general partner and \$309,279 to the limited partners. In 1999, cash distributions to the partners were \$116,799, of which \$1,168 was distributed to the managing general partner and \$115,631 to the limited partners.

7

562

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

INDEX TO FINANCIAL STATEMENTS

	Page
	----
Financial Statements of Parker & Parsley 85-B, Ltd:	
Independent Auditors' Report.....	9
Balance Sheets as of December 31, 2000 and 1999.....	10
Statements of Operations for the Years Ended December 31, 2000, 1999 and 1998.....	11
Statements of Partners' Capital for the Years Ended December 31, 2000, 1999 and 1998.....	12
Statements of Cash Flows for the Years Ended December 31, 2000, 1999 and 1998.....	13
Notes to Financial Statements.....	14

INDEPENDENT AUDITORS' REPORT

The Partners  
Parker & Parsley 85-B, Ltd.  
(A Texas Limited Partnership):

We have audited the balance sheets of Parker & Parsley 85-B, Ltd. as of December 31, 2000 and 1999, and the related statements of operations, partners' capital and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parker & Parsley 85-B, Ltd. as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Dallas, Texas

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

March 9, 2001

9

564

PARKER & PARSLEY 85-B, LTD.  
(A Texas Limited Partnership)

BALANCE SHEETS  
December 31

	2000	1999
	-----	-----
ASSETS		
Current assets:		
Cash	\$ 80,718	\$ 74,959
Accounts receivable - oil and gas sales	84,740	59,750
	-----	-----
Total current assets	165,458	134,709
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	5,317,256	5,320,021
Accumulated depletion	(4,526,767)	(4,462,209)
	-----	-----
Net oil and gas properties	790,489	857,812
	-----	-----
	\$ 955,947	\$ 992,521
	=====	=====
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable - affiliate	\$ 10,515	\$ 12,009
Partners' capital:		
Managing general partner	9,805	10,156
Limited partners (7,988 interests)	935,627	970,356
	-----	-----
	945,432	980,512
	-----	-----
	\$ 955,947	\$ 992,521
	=====	=====



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

10

565

The accompanying notes are an integral part of these financial statements.  
 PARKER & PARSLEY 85-B, LTD.  
 (A Texas Limited Partnership)

STATEMENTS OF OPERATIONS  
 For the years ended December 31

	2000	1999	1998
	-----	-----	-----
Revenues:			
Oil and gas	\$ 619,365	\$ 387,551	\$ 341,048
Interest	5,640	3,259	4,399
	-----	-----	-----
	625,005	390,810	345,447
	-----	-----	-----
Costs and expenses:			
Oil and gas production	264,543	207,744	269,093
General and administrative	18,581	11,626	10,231
Impairment of oil and gas properties	10,050	95,253	52,922
Depletion	54,508	90,284	130,458
	-----	-----	-----
	347,682	404,907	462,704
	-----	-----	-----
Net income (loss)	\$ 277,323	\$ (14,097)	\$ (117,257)
	=====	=====	=====
Allocation of net income (loss):			
Managing general partner	\$ 2,773	\$ (141)	\$ (1,172)
	=====	=====	=====
Limited partners	\$ 274,550	\$ (13,956)	\$ (116,085)
	=====	=====	=====
Net income (loss) per limited partnership interest	\$ 34.37	\$ (1.75)	\$ (14.53)
	=====	=====	=====

11

566

The accompanying notes are an integral part of these financial statements.  
 PARKER & PARSLEY 85-B, LTD.  
 (A Texas Limited Partnership)

STATEMENTS OF PARTNERS' CAPITAL

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	Managing general partner	Limited partners	Total
	-----	-----	-----
Partners' capital at January 1, 1998	\$ 14,031	\$1,354,156	\$1,368,187
Distributions	(1,394)	(138,128)	(139,522)
Net loss	(1,172)	(116,085)	(117,257)
	-----	-----	-----
Partners' capital at December 31, 1998	11,465	1,099,943	1,111,408
Distributions	(1,168)	(115,631)	(116,799)
Net loss	(141)	(13,956)	(14,097)
	-----	-----	-----
Partners' capital at December 31, 1999	10,156	970,356	980,512
Distributions	(3,124)	(309,279)	(312,403)
Net income	2,773	274,550	277,323
	-----	-----	-----
Partners' capital at December 31, 2000	\$ 9,805	\$ 935,627	\$ 945,432
	=====	=====	=====

12

567

The accompanying notes are an integral part of these financial statements.  
 PARKER & PARSLEY 85-B, LTD.  
 (A Texas Limited Partnership)

STATEMENTS OF CASH FLOWS  
 For the years ended December 31

	2000	1999	1998
	-----	-----	-----
Cash flows from operating activities:			
Net income (loss)	\$ 277,323	\$ (14,097)	\$ (117,257)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Impairment of oil and gas properties	10,050	95,253	52,922
Depletion	54,508	90,284	130,458
Changes in assets and liabilities:			
Accounts receivable	(24,990)	(21,249)	46,814
Accounts payable	(1,494)	1,348	(7,910)
	-----	-----	-----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Net cash provided by operating activities	315,397	151,539	105,027
	-----	-----	-----
Cash flows from investing activities:			
Additions to oil and gas equipment	(3,647)	(7,285)	(7,947)
Proceeds from disposition of assets	6,412	134	--
	-----	-----	-----
Net cash provided by (used in) investing activities	2,765	(7,151)	(7,947)
	-----	-----	-----
Cash flows used in financing activities:			
Cash distributions to partners	(312,403)	(116,799)	(139,522)
	-----	-----	-----
Net increase (decrease) in cash	5,759	27,589	(42,442)
Cash at beginning of year	74,959	47,370	89,812
	-----	-----	-----
Cash at end of year	\$ 80,718	\$ 74,959	\$ 47,370
	=====	=====	=====

13

568

The accompanying notes are an integral part of these financial statements.  
PARKER & PARSLEY 85-B, LTD.  
(A Texas Limited Partnership)

NOTES TO FINANCIAL STATEMENTS  
December 31, 2000, 1999 and 1998

NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS

Parker & Parsley 85-B, Ltd. (the "Partnership") is a limited partnership organized in 1985 under the laws of the State of Texas. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA").

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Oil and gas properties - The Partnership utilizes the successful efforts method of accounting for its oil and gas properties and equipment. Under this method, all costs associated with productive wells and nonproductive development wells are capitalized while nonproductive exploration costs are expensed. Capitalized costs relating to proved properties are depleted using the unit-of-production method on a property-by-property basis based on proved oil (dominant mineral) reserves as evaluated by independent petroleum consultants. The carrying amounts of properties sold or otherwise disposed of and the related allowances for depletion are eliminated from the accounts and any gain or loss is included in results of operations.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Impairment of long-lived assets - In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the Partnership reviews its long-lived assets to be held and used on an individual property basis, including oil and gas properties accounted for under the successful efforts method of accounting, whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. An impairment loss is indicated if the sum of the expected future cash flows is less than the carrying amount of the assets. In this circumstance, the Partnership recognizes an impairment loss for the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset.

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

Net income (loss) per limited partnership interest - The net income (loss) per limited partnership interest is calculated by using the number of outstanding limited partnership interests.

Income taxes - A Federal income tax provision has not been included in the financial statements as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

14

569

Statements of cash flows - For purposes of reporting cash flows, cash includes depository accounts held by banks.

General and administrative expenses - General and administrative expenses are allocated in part to the Partnership by the managing general partner. Allocated expenses are determined by the managing general partner based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Reclassifications - Certain reclassifications may have been made to the 1999 and 1998 financial statements to conform to the 2000 financial statement presentations.

Environmental - The Partnership is subject to extensive federal, state and local environmental laws and regulations. These laws, which are constantly changing, regulate the discharge of materials into the environment and may require the Partnership to remove or mitigate the environmental effects of the disposal or release of petroleum or chemical substances at various sites. Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Liabilities for expenditures of a noncapital nature are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated. Such liabilities are generally undiscounted unless the timing of cash payments for the liability or component are fixed or reliably determinable. No such liabilities have been accrued as of December 31, 2000.

Revenue recognition - The Partnership uses the entitlements method of accounting for oil, natural gas liquids ("NGLs") and natural gas revenues.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

### NOTE 3. IMPAIRMENT OF LONG-LIVED ASSETS

In accordance with SFAS 121, the Partnership reviews its proved oil and gas properties for impairment whenever events and circumstances indicate a decline in the recoverability of the carrying value of the Partnership's oil and gas properties. The Partnership has estimated the expected future cash flows of its oil and gas properties as of December 31, 2000, 1999 and 1998, based on proved reserves, and compared such estimated future cash flows to the respective carrying amount of the oil and gas properties to determine if the carrying amounts were likely to be recoverable. For those proved oil and gas properties for which the carrying amount exceeded the estimated future cash flows, an impairment was determined to exist; therefore, the Partnership adjusted the carrying amount of those oil and gas properties to their fair value as determined by discounting their expected future cash flows at a discount rate commensurate with the risks involved in the industry. As a result, the Partnership recognized non-cash impairment provisions of \$10,050, \$95,253 and \$52,922 related to its proved oil and gas properties during 2000, 1999 and 1998, respectively.

15

570

### NOTE 4. INCOME TAXES

The financial statement basis of the Partnership's net assets and liabilities was \$89,078 greater than the tax basis at December 31, 2000.

The following is a reconciliation of net income (loss) per statements of operations with the net income per Federal income tax returns for the years ended December 31:

	2000	1999	1998
	-----	-----	-----
Net income (loss) per statements of operations	\$ 277,323	\$ (14,097)	\$ (117,25)
Depletion and depreciation provisions for tax reporting purposes less than amounts for financial reporting purposes	50,022	86,267	127,80
Impairment of oil and gas properties for financial reporting purposes	10,050	95,253	52,92
Other, net	5,557	(1,887)	2,20
	-----	-----	-----
Net income per Federal income tax returns	\$ 342,952	\$ 165,536	\$ 65,67
	=====	=====	=====

### NOTE 5. OIL AND GAS PRODUCING ACTIVITIES

The following is a summary of the costs incurred, whether capitalized or expensed, related to the Partnership's oil and gas producing activities for the years ended December 31:

	2000	1999	1998
	-----	-----	-----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Development costs	\$ 3,647	\$ 7,285	\$ 7,947
	=====	=====	=====

Capitalized oil and gas properties consist of the following:

	2000	1999
	-----	-----
Proved properties:		
Property acquisition costs	\$ 292,864	\$ 292,864
Completed wells and equipment	5,024,392	5,027,157
	-----	-----
Accumulated depletion	5,317,256 (4,526,767)	5,320,021 (4,462,209)
	-----	-----
Net oil and gas properties	\$ 790,489	\$ 857,812
	=====	=====

16

571

NOTE 6. RELATED PARTY TRANSACTIONS

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

	2000	1999	1998
	-----	-----	-----
Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$105,647	\$ 97,004	\$111,206
Reimbursement of general and administrative expenses	\$ 15,555	\$ 6,624	\$ 7,884

The Partnership participates in oil and gas activities through an income tax partnership (the "Program") pursuant to the Program agreement. In addition, Pioneer USA and the Partnership are parties to the Program agreement.

The costs and revenues of the Program are allocated to Pioneer USA and

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

the Partnership as follows:

	Pioneer USA (1)	Partnership
	-----	-----
Revenues:		
Proceeds from disposition of depreciable properties	9.09091%	90.90909%
All other revenues	24.242425%	75.757575%
Costs and expenses:		
Lease acquisition costs, drilling and completion costs	9.09091%	90.90909%
Operating costs, direct costs and general and administrative expenses	24.242425%	75.757575%

(1) Excludes Pioneer USA's 1% general partner ownership which is allocated at the Partnership level and 58 limited partner interests owned by Pioneer USA.

NOTE 7. OIL AND GAS INFORMATION (UNAUDITED)

The following table presents information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities during the years then ended. All of the Partnership's reserves are proved developed and located within the United States. The Partnership's reserves are based on an evaluation prepared by Williamson Petroleum Consultants, Inc., an independent petroleum consultant, using criteria established by the Securities and Exchange Commission.

17

572

	Oil and NGLs (bbls)	Gas (mcf)
	-----	-----
Net proved reserves at January 1, 1998	333,208	531,982
Revisions	(139,875)	(179,491)
Production	(24,803)	(41,501)
	-----	-----
Net proved reserves at December 31, 1998	168,530	310,990
Revisions	177,510	247,011
Production	(21,410)	(33,467)
	-----	-----
Net proved reserves at December 31, 1999	324,630	524,534
Revisions	634	(33,966)
Production	(20,809)	(30,909)
	-----	-----

591

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Net proved reserves at December 31, 2000	304,455 =====	459,659 =====
--	------------------	------------------

As of December 31, 2000, the estimated present value of future net revenues of proved reserves, calculated using December 31, 2000 prices of \$26.64 per barrel of oil, \$13.43 per barrel of NGLs and \$7.87 per mcf of gas, discounted at 10% was approximately \$2,332,000 and undiscounted was \$4,536,000.

Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves. The Partnership emphasizes that reserve estimates are inherently imprecise and, accordingly, the estimates are expected to change as future information becomes available.

### Disclosures about Oil & Gas Producing Activities

#### Standardized Measure of Discounted Future Net Cash Flows

The standardized measure of discounted future net cash flows is computed by applying year-end prices of oil and gas (with consideration of price changes only to the extent provided by contractual arrangements) to the estimated future production of proved oil and gas reserves less estimated future expenditures (based on year-end costs) to be incurred in developing and producing the proved reserves, discounted using a rate of 10% per year to reflect the estimated timing of the future cash flows. A Federal income tax provision has not been calculated as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

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

18

573

	For the years ended December 31,		
	2000	1999	1998
	(in thousands)		
Oil and gas producing activities:			
Future cash inflows	\$ 10,394	\$ 8,008	\$ 1,850
Future production costs	(5,858)	(4,882)	(1,499)
	-----	-----	-----
	4,536	3,126	351
10% annual discount factor	(2,204)	(1,410)	(95)



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	-----	-----	-----
Standardized measure of discounted future net cash flows	\$ 2,332	\$ 1,716	\$ 256
	=====	=====	=====

For the years ended December 31,

	2000	1999	1998
	-----	-----	-----
	(in thousands)		
Oil and Gas Producing Activities:			
Oil and gas sales, net of production costs	\$ (355)	\$ (180)	\$ (72)
Net changes in prices and production costs	1,003	954	(923)
Revisions of previous quantity estimates	(33)	1,209	(154)
Accretion of discount	172	25	133
Changes in production rates, timing and other	(171)	(548)	(54)
	-----	-----	-----
Change in present value of future net revenues	616	1,460	(1,070)
	-----	-----	-----
Balance, beginning of year	1,716	256	1,326
	-----	-----	-----
Balance, end of year	\$ 2,332	\$ 1,716	\$ 256
	=====	=====	=====

NOTE 8. MAJOR CUSTOMERS

The following table reflects the major customers of the Partnership's oil and gas sales (a major customer is defined as a customer whose sales exceed 10% of total sales) during the years ended December 31:

	2000	1999	1998
	-----	-----	-----
Mobil Oil Corporation	48%	51%	45%
Plains Marketing, L.P.	20%	16%	-
NGTS LLC	10%	7%	1%
Western Gas Resources, Inc.	4%	6%	29%
Genesis Crude Oil, L.P.	-	-	18%

At December 31, 2000, the amounts receivable from Mobil Oil Corporation, Plains Marketing, L.P. and NGTS LLC were \$23,621, \$7,883 and \$1,228, respectively, which are included in the caption "Accounts receivable - oil and gas sales" in the accompanying Balance Sheet.

Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on the ability of the Partnership to sell its oil, NGLs and gas production.

NOTE 9. PARTNERSHIP AGREEMENT

The following is a brief summary of the more significant provisions of

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

the limited partnership agreement:

Managing general partner - The managing general partner of the Partnership is Pioneer USA. Pioneer USA has the power and authority to manage, control and administer all Partnership affairs. As managing general partner and operator of the Partnership's properties, all production expenses are incurred by Pioneer USA and billed to the Partnership. The majority of the Partnership's oil and gas revenues are received directly by the Partnership, however, a portion of the oil and gas revenue is initially received by Pioneer USA prior to being paid to the Partnership. Under the limited partnership agreement, the managing general partner pays 1% of the Partnership's acquisition, drilling and completion costs and 1% of its operating and general and administrative expenses. In return, it is allocated 1% of the Partnership's revenues.

19

574

Limited partner liability - The maximum amount of liability of any limited partner is the total contributions of such partner plus his share of any undistributed profits.

Initial capital contributions - The limited partners entered into subscription agreements for aggregate capital contributions of \$7,988,000. Pioneer USA is required to contribute amounts equal to 1% of initial Partnership capital less commission and offering expenses allocated to the limited partners and to contribute amounts necessary to pay costs and expenses allocated to it under the Partnership agreement to the extent its share of revenues does not cover such costs.

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

None.

20

575

## PART III

### ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE PARTNERSHIP

The Partnership does not have any officers or directors. Under the limited partnership agreement, the Partnership's managing general partner, Pioneer USA, is granted the exclusive right and full authority to manage, control and administer the Partnership's business.

Set forth below are the names, ages and positions of the directors and executive officers of Pioneer USA. Directors of Pioneer USA are elected to serve until the next annual meeting of stockholders or until their successors are elected and qualified.

Age at  
December 31,

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Name -----	2000 ----	Position -----
Scott D. Sheffield	48	President
Timothy L. Dove	44	Executive Vice President, Chief Financial Officer and Director
Dennis E. Fagerstone	51	Executive Vice President and Director
Mark L. Withrow	53	Executive Vice President, General Counsel and Director
Danny Kellum	46	Executive Vice President - Domestic Operations and Director
Rich Dealy	34	Vice President and Chief Accounting Officer

Scott D. Sheffield. Mr. Sheffield is a graduate of The University of Texas with a B.S. in Petroleum Engineering. Since August 1997, he has served as President, Chief Executive Officer and a director of Pioneer and President of Pioneer USA. Mr. Sheffield assumed the position of Chairman of the Board of Pioneer in August 1999. He served as a director of Pioneer USA from August 1997 until his resignation from the board in June 1999. Mr. Sheffield was the President and a director of Parker & Parsley Petroleum Company ("Parker & Parsley") from May 1990 until August 1997 and was the Chairman of the Board and Chief Executive Officer of Parker & Parsley from October 1990 until August 1997. He was the sole director of Parker & Parsley from May 1990 until October 1990. Mr. Sheffield joined Parker & Parsley Development Company ("PPDC"), a predecessor of Parker & Parsley, as a petroleum engineer in 1979. He served as Vice President - Engineering of PPDC from September 1981 until April 1985 when he was elected President and a director. In March 1989, Mr. Sheffield was elected Chairman of the Board and Chief Executive Officer of PPDC. Before joining PPDC's predecessor, Mr. Sheffield was employed as a production and reservoir engineer for Amoco Production Company.

21

576

Timothy L. Dove. Mr. Dove earned a B.S. in Mechanical Engineering from Massachusetts Institute of Technology in 1979 and received his M.B.A. in 1981 from the University of Chicago. He became Executive Vice President - Business Development of Pioneer and Pioneer USA in August 1997 and was also appointed a director of Pioneer USA in August 1997. Mr. Dove assumed the position of Chief Financial Officer of Pioneer and Pioneer USA effective February 1, 2000. Mr. Dove joined Parker & Parsley in May 1994 as Vice President - International and was promoted to Senior Vice President - Business Development in October 1996, in which position he served until August 1997. Prior to joining Parker & Parsley, Mr. Dove was employed with Diamond Shamrock Corp., and its successor, Maxus Energy Corp, in various capacities in international exploration and production, marketing, refining and marketing and planning and development.

Dennis E. Fagerstone. Mr. Fagerstone, a graduate of the Colorado School of Mines with a B.S. in Petroleum Engineering, became an Executive Vice President of Pioneer and Pioneer USA in August 1997. He was also appointed a director of Pioneer USA in August 1997. He served as Executive Vice President

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

and Chief Operating Officer of MESA Inc. ("Mesa") from March 1, 1997 until August 1997. From October 1996 to February 1997, Mr. Fagerstone served as Senior Vice President and Chief Operating Officer of Mesa and from May 1991 to October 1996, he served as Vice President - Exploration and Production of Mesa. From June 1988 to May 1991, Mr. Fagerstone served as Vice President - Operations of Mesa.

Mark L. Withrow. Mr. Withrow, a graduate of Abilene Christian University with a B. S. in Accounting and Texas Tech University with a Juris Doctorate degree, became Executive Vice President, General Counsel and Secretary of Pioneer and Pioneer USA in August 1997. He was also appointed a director of Pioneer USA in August 1997. Mr. Withrow was Vice President - General Counsel of Parker & Parsley from January 1991, when he joined Parker & Parsley, to January 1995, when he was appointed Senior Vice President - General Counsel. He was Parker & Parsley's Secretary from August 1992 until August 1997. Prior to joining Parker & Parsley, Mr. Withrow was the managing partner of the law firm of Turpin, Smith, Dyer, Saxe & MacDonald, Midland, Texas.

Danny Kellum. Mr. Kellum, who received a Bachelor of Science degree in Petroleum Engineering from Texas Tech University in 1979, was elected Executive Vice President - Domestic Operations of Pioneer and Pioneer USA on May 18, 2000 and Director of Pioneer USA on February 1, 2000. From January 2000 until May 2000, Mr. Kellum served as Vice President - Domestic Operations of Pioneer and Pioneer USA. Mr. Kellum served as Vice President Permian Division of Pioneer and Pioneer USA from April 1998 until December 1999. From 1989 until 1994 he served as Spraberry District Manager and as Vice President of the Spraberry and Permian Division for Parker & Parsley until August of 1997. Mr. Kellum joined Parker & Parsley as an operations engineer in 1981 after a brief career with Mobil Oil Corporation.

Rich Dealy. Mr. Dealy is a graduate of Eastern New Mexico University with a B.B.A. in Accounting and Finance and is a Certified Public Accountant. He became Vice President and Chief Accounting Officer of Pioneer and Pioneer USA in February 1998. Mr. Dealy served as Controller of Pioneer USA from August 1997 to February 1998. He served as Controller of Parker & Parsley from August 1995 to August 1997. Mr. Dealy joined Parker & Parsley as an Accounting Manager in July, 1992. He was previously employed with KPMG Peat Marwick as an Audit Senior, in charge of Parker & Parsley's audit.

### ITEM 11. EXECUTIVE COMPENSATION

The Partnership does not have any directors or officers. Management of the Partnership is performed by Pioneer USA, the managing general partner. The Partnership participates in oil and gas activities through an income tax partnership (the "Program") pursuant to the Program agreement. Under the Program agreement, Pioneer USA pays 10% of the Program's acquisition, drilling and completion costs and 25% of its operating and general and administrative expenses. In return, Pioneer USA is allocated 25% of the Program's revenues.

The Partnership does not directly pay any salaries of the executive officers of Pioneer USA, but does pay a portion of Pioneer USA's general and administrative expenses of which these salaries are a part.

See Notes 6 and 9 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" for information regarding fees and

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

reimbursements paid to the managing general partner by the Partnership.

### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

#### (a) Beneficial owners of more than five percent

The Partnership is not aware of any person who beneficially owns 5% or more of the outstanding limited partnership interests of the Partnership. Pioneer USA owned 58 limited partner interests at January 1, 2001.

#### (b) Security ownership of management

The Partnership does not have any officers or directors. The managing general partner of the Partnership, Pioneer USA, has the exclusive right and full authority to manage, control and administer the Partnership's business. Under the limited partnership agreement, limited partners holding a majority of the outstanding limited partnership interests have the right to take certain actions, including the removal of the managing general partner or any other general partner. The Partnership is not aware of any current arrangement or activity which may lead to such removal. The Partnership is not aware of any officer or director of Pioneer USA who beneficially owns limited partnership interests in the Partnership.

23

578

### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Transactions with the managing general partner

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

	2000	1999	1998
	-----	-----	-----
Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$ 105,647	\$ 97,004	\$111,206
Reimbursement of general and administrative expenses	\$ 15,555	\$ 6,624	\$ 7,884

Under the limited partnership agreement, the managing general partner pays 1% of the Partnership's acquisition, drilling and completion costs and 1% of its operating and general and administrative expenses. In return, it is allocated 1% of the Partnership's revenues. Also, see Notes 6 and 9 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data", regarding the Partnership's participation with the managing general partner in oil and gas activities of the Program.

PART IV

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

(a) 1. Financial statements

The following are filed as part of this Report:

Independent Auditors' Report

Balance sheets as of December 31, 2000 and 1999

Statements of operations for the years ended December 31, 2000,  
1999 and 1998

Statements of partners' capital for the years ended December 31,  
2000, 1999 and 1998

Statements of cash flows for the years ended December 31, 2000,  
1999 and 1998

Notes to financial statements

2. Financial statement schedules

All financial statement schedules have been omitted since the  
required information is in the financial statements or notes  
thereto, or is not applicable nor required.

(b) Reports on Form 8-K

None.

(c) Exhibits

The exhibits listed on the accompanying index to exhibits are filed or  
incorporated by reference as part of this Report.

S I G N A T U R E S

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, thereunto duly authorized.

PARKER & PARSLEY 85-B, LTD.

Dated: March 27, 2001

By: Pioneer Natural Resources USA, Inc.  
Managing General Partner

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

By: /s/ Scott D. Sheffield

-----  
 Scott D. Sheffield, President

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

/s/ Scott D. Sheffield ----- Scott D. Sheffield	President of Pioneer USA	March 27, 2001
/s/ Timothy L. Dove ----- Timothy L. Dove	Executive Vice President, Chief Financial Officer and Director of Pioneer USA	March 27, 2001
/s/ Dennis E. Fagerstone ----- Dennis E. Fagerstone	Executive Vice President and Director of Pioneer USA	March 27, 2001
/s/ Mark L. Withrow ----- Mark L. Withrow	Executive Vice President, General Counsel and Director of Pioneer USA	March 27, 2001
/s/ Danny Kellum ----- Danny Kellum	Executive Vice President - Domestic Operations and Director of Pioneer USA	March 27, 2001
/s/ Rich Dealy ----- Rich Dealy	Vice President and Chief Accounting Officer of Pioneer USA	March 27, 2001

PARKER & PARSLEY 85-B, LTD.

INDEX TO EXHIBITS

The following documents are incorporated by reference in response to Item 14(c):

Exhibit No. -----	Description -----	Page -----
----------------------	----------------------	---------------

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

3 (a)	Amended and Restated Certificate of Limited Partnership of Parker & Parsley 85-B, Ltd. incorporated by reference to Exhibit A of the Partnership's Registration Statement on Form S-1 (Registration No. 2-99079) (hereinafter called the Partnership's Registration Statement)	-
4 (a)	Agreement of Limited Partnership of Parker & Parsley 85-B, Ltd. incorporated by reference to an Exhibit of the Partnership's Registration Statement	-
4 (b)	Form of Subscription Agreement and Power of Attorney incorporated by reference to an Exhibit of the Partnership's Registration Statement	-
4 (c)	Specimen Certificate of Limited Partnership Interest incorporated by reference to an Exhibit of the Partnership's Registration Statement	-

27

582

PARKER & PARSLEY 85-B, LTD.

SELECTED FINANCIAL DATA

The following selected financial data for the Partnership should be read in connection with Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements included in the attached supplemental information.

	Six months ended June 30,		Years ended December 31,		
	2001	2000	2000	1999	1998
Operating results:					
Oil and gas sales	\$ 323,533	\$ 276,113	\$ 619,365	\$ 387,551	\$ 341,048
	=====	=====	=====	=====	=====
Impairment of oil and gas properties	\$ --	\$ --	\$ 10,050	\$ 95,253	\$ 52,922
	=====	=====	=====	=====	=====



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Gain on litigation settlement, net	\$ --	\$ --	\$ --	\$ --	\$ --
Net income (loss)	\$ 151,532	\$ 105,824	\$ 277,323	\$ (14,097)	\$ (117,257)
Allocation of net income (loss):					
Managing general partner	\$ 1,515	\$ 1,058	\$ 2,773	\$ (141)	\$ (1,172)
Limited partners	\$ 150,017	\$ 104,766	\$ 274,550	\$ (13,956)	\$ (116,085)
Limited partners' net income (loss) per limited partnership interest	\$ 18.78	\$ 13.12	\$ 34.37	\$ (1.75)	\$ (14.53)
Limited partners' cash distributions per limited partnership interest	\$ 15.53	\$ 16.99	\$ 38.72	\$ 14.48	\$ 17.29
As of period ended:					
Total assets	\$ 987,181	\$ 966,599	\$ 955,947	\$ 992,521	\$1,122,069

-----  
(a) Including litigation settlement per limited partnership interest of \$7.80 in 1996.

583

PIONEER NATURAL RESOURCES COMPANY  
PIONEER NATURAL RESOURCES USA, INC.  
5205 NORTH O'CONNOR BLVD., SUITE 1400  
IRVING, TEXAS 75039

SUPPLEMENTAL INFORMATION

OF

PARKER & PARSLEY PRIVATE INVESTMENT 85-A, LTD., A TEXAS LIMITED PARTNERSHIP

TO

PROXY STATEMENT/PROSPECTUS DATED , 2001

-----  
THE DATE OF THIS SUPPLEMENT IS , 2001  
-----

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

This document contains important information specific to Parker & Parsley Private Investment 85-A, Ltd. and supplements the proxy statement/prospectus dated , 2001, of Pioneer Natural Resources Company and Pioneer Natural Resources USA, Inc., by which Pioneer USA is soliciting proxies to be voted at a special meeting of limited partners of the partnership. The purpose of the special meeting is for you to vote upon the merger of the partnership with and into Pioneer USA that, if completed, will result in your receiving common stock of Pioneer Natural Resources Company for your partnership interests.

This document contains the following information concerning Parker & Parsley Private Investment 85-A, Ltd.:

- o A table containing:
  - the aggregate initial investment by the limited partners
  - the aggregate historical limited partner distributions through July 31, 2001
  - the merger value attributable to partnership interests of limited partners, excluding Pioneer USA
  - the merger value per \$1,000 limited partner investment
  - the merger value per \$1,000 limited partner investment as a multiple of distributions for the past four quarterly distributions including the distribution in July 2001
  
  - the book value per \$1,000 limited partner investment as of June 30, 2001 and as of December 31, 2000
  
  - the going concern value per \$1,000 limited partner investment
  - the liquidation value per \$1,000 limited partner investment
  - the ordinary tax loss per \$1,000 limited partner investment in year of initial investment
- o Information about:
  - the legal opinion for the limited partners
  - the term of the partnership
- o The partnership's financial statements, including management's discussion and analysis of financial condition and results of operations, for the six months ended June 30, 2001
- o The partnership's financial statements, including management's discussion and analysis of financial condition and results of operations, for the year ended December 31, 2000
- o Selected historical financial data for the partnership for the six months ended June 30, 2001 and 2000 and the five years ended December 31, 2000

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

-1-

584

PARKER & PARSLEY PRIVATE INVESTMENT 85-A, LTD.

SUPPLEMENTAL INFORMATION TABLE

Aggregate Initial Investment by the Limited Partners (a)	\$
Aggregate Historical Limited Partner Distributions through July 31, 2001 (a)	\$
Merger Value Attributable to Partnership Interests of Limited Partners, Excluding Pioneer USA (a), (b)	\$
Merger Value per \$1,000 Limited Partner Investment (b), (c)	\$
Merger Value per \$1,000 Limited Partner Investment as a Multiple of Distributions for the past four quarterly distributions including the distribution in July 2001 (b), (c)	
Book Value per \$1,000 Limited Partner Investment:	
-- as of June 30, 2001 (c)	\$
-- as of December 31, 2000 (c)	\$
Going Concern Value per \$1,000 Limited Partner Investment (c), (d)	\$
Liquidation Value per \$1,000 Limited Partner Investment (c), (e)	\$
Ordinary Tax Loss per \$1,000 Limited Partner Investment in Year of Initial Investment (c), (f)	\$

-----

(a) Stated in thousands.

(b) The merger value for the partnership is equal to the sum of the present value of estimated future net revenues from the partnership's estimated oil and gas reserves and its net working capital, in each case as of March 31, 2001, less its pro rata share, based on its reserve value, of the estimated expenses and fees of the mergers of all of the partnerships and less the cash distribution on July 13, 2001, by the partnership to its partners.

(c) Interests in some partnerships were sold in units at prices other than \$1,000. We have presented this information based on a \$1,000 initial investment for ease of use and comparison among partnerships. You should not assume that the amount shown per \$1,000 investment is the same as the value or amount attributable to a single unit investment.

(d) The going concern value for the partnership is based upon: (1) the sum of (A) the estimated net cash flow from the sale of the partnership's reserves during a 10-year operating period and (B) the estimated residual value from the sale of the partnership's remaining reserves at the end of the operating period, in each case using the same pricing and discount rate as in the merger value calculation, less (2) (A) partnership level general and

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

administrative expenses, and (B) the cash distribution on July 13, 2001 by the partnership to its partners.

- (e) The liquidation value for the partnership is based upon the sale of the partnership's reserves at the reserve value, less (1) liquidation expenses which are estimated to be the sum of (A) the partnership's pro rata share of the merger expenses and fees described in footnote (b) above and (B) 3% of the partnership's reserve value, and (2) the cash distribution on July 13, 2001 by the partnership to its partners. The liquidation expenses represent estimated costs to retain an investment banker or broker to sell the assets of the partnership and the legal and other closing costs associated with such transaction, including the wind-down costs of the partnership.
- (f) Your ability to use your distributive share of the partnership's loss to offset your other income may have been subject to certain limitations at your level as a partner, and you may therefore wish to consult your tax advisor to determine the additional value, if any, actually realized by you in your particular circumstances.

### INFORMATION ABOUT THE LEGAL OPINION FOR THE LIMITED PARTNERS

The partnership agreement for the partnership requires that special legal counsel render an opinion on behalf of the limited partners to Pioneer USA that (1) neither the grant nor the exercise of the right to approve the merger of the partnership by its limited partners will adversely affect the federal income tax classification of the partnership or any of its limited partners; and (2) neither the grant nor exercise of such right will result in the loss of any limited partner's limited liability. In addition, the counsel designated to render the opinion must be counsel other than counsel to Pioneer USA or the partnership. Both the designated counsel and the legal opinion must be approved by the limited partners. Pioneer USA has retained \_\_\_\_\_ of Dallas, Texas for the purpose of rendering this legal opinion on behalf of the limited partners to Pioneer USA. The merger proposals include an approval of that counsel and the form of its opinion. A copy of the opinion is attached as an exhibit to the merger proposals.

### INFORMATION ABOUT THE TERM OF THE PARTNERSHIP

The term of the partnership is until December 31, 2035, unless the partnership is earlier terminated in accordance with the applicable provisions of its partnership agreement.

-2-

585

PARKER & PARSLEY PRIVATE INVESTMENT 85-A, LTD.

(A Texas Limited Partnership)

### FINANCIAL STATEMENTS

June 30, 2001 and December 31, 2000

(Unaudited)

586

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

PARKER & PARSLEY PRIVATE INVESTMENT 85-A, LTD.  
(A Texas Limited Partnership)

BALANCE SHEETS

	June 30, 2001	December 31, 2000
	----- (Unaudited)	-----
ASSETS		
Current assets:		
Cash	\$ 157,592	\$ 74,084
Accounts receivable - oil and gas sales	42,165	68,251
	-----	-----
Total current assets	199,757	142,335
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	3,399,009	3,399,009
Accumulated depletion	(2,797,219)	(2,780,814)
	-----	-----
Net oil and gas properties	601,790	618,195
	-----	-----
	\$ 801,547	\$ 760,530
	=====	=====
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable - affiliate	\$ 12,433	\$ 5,818
Partners' capital:		
Managing general partner	10,301	9,957
Limited partners (125 interests)	778,813	744,755
	-----	-----
	789,114	754,712
	-----	-----
	\$ 801,547	\$ 760,530
	=====	=====

The financial information included as of June 30, 2001 has been prepared by the managing general partner without audit by independent public accountants.

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

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

PARKER & PARSLEY PRIVATE INVESTMENT 85-A, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF OPERATIONS  
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2001	2000	2001	2000
Revenues:				
Oil and gas	\$ 101,279	\$ 118,958	\$ 224,605	\$ 237,006
Interest	1,097	1,577	2,232	2,653
Gain on disposition of assets	-	9,798	-	33,459
	-----	-----	-----	-----
	102,376	130,333	226,837	273,118
	-----	-----	-----	-----
Costs and expenses:				
Oil and gas production	38,172	44,521	76,985	83,393
General and administrative	2,025	2,379	4,492	4,740
Depletion	8,596	9,101	16,405	19,958
Abandoned property	-	184	-	7,039
	-----	-----	-----	-----
	48,793	56,185	97,882	115,130
	-----	-----	-----	-----
Net income	\$ 53,583	\$ 74,148	\$ 128,955	\$ 157,988
	=====	=====	=====	=====
Allocation of net income:				
Managing general partner	\$ 536	\$ 742	\$ 1,290	\$ 1,580
	=====	=====	=====	=====
Limited partners	\$ 53,047	\$ 73,406	\$ 127,665	\$ 156,408
	=====	=====	=====	=====
Net income per limited partnership interest	\$ 424.38	\$ 587.24	\$1,021.32	\$1,251.26
	=====	=====	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

PARKER & PARSLEY PRIVATE INVESTMENT 85-A, LTD.  
(A Texas Limited Partnership)

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

STATEMENT OF PARTNERS' CAPITAL  
(Unaudited)

	Managing general partner -----	Limited partners -----	Total -----
Balance at January 1, 2001	\$ 9,957	\$ 744,755	\$ 754,712
Distributions	(946)	(93,607)	(94,553)
Net income	1,290 -----	127,665 -----	128,955 -----
Balance at June 30, 2001	\$ 10,301 =====	\$ 778,813 =====	\$ 789,114 =====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

4

589

PARKER & PARSLEY PRIVATE INVESTMENT 85-A, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF CASH FLOWS  
(Unaudited)

	Six months ended June 30, -----	
	2001 -----	2000 -----
Cash flows from operating activities:		
Net income	\$ 128,955	\$ 157,988
Adjustments to reconcile net income to net cash provided by operating activities:		

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Depletion	16,405	19,958
Gain on disposition of assets	-	(33,459)
Changes in assets and liabilities:		
Accounts receivable	26,086	(11,974)
Accounts payable	6,615	4,610
	-----	-----
Net cash provided by operating activities	178,061	137,123
	-----	-----
Cash flows from investing activities:		
Additions to oil and gas properties	-	(1,947)
Proceeds from disposition of assets	-	42,294
	-----	-----
Net cash provided by investing activities	-	40,347
	-----	-----
Cash flows used in financing activities:		
Cash distributions to partners	(94,553)	(181,526)
	-----	-----
Net increase (decrease) in cash	83,508	(4,056)
Cash at beginning of period	74,084	79,497
	-----	-----
Cash at end of period	\$ 157,592	\$ 75,441
	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

5

590

PARKER & PARSLEY PRIVATE INVESTMENT 85-A, LTD.  
(A Texas Limited Partnership)

NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Unaudited)

Note 1. Organization and nature of operations

Parker & Parsley Private Investment 85-A, Ltd. (the "Partnership") is a limited partnership organized in 1985 under the laws of the State of Texas.

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

Note 2. Basis of presentation

In the opinion of management, the unaudited financial statements of the Partnership as of June 30, 2001 and for the three and six months ended June 30, 2001 and 2000 include all adjustments and accruals consisting only of normal recurring accrual adjustments which are necessary for a fair presentation of the results for the interim period. These interim results are not necessarily indicative of results for a full year. Certain reclassifications may have been made to the June 30, 2000 financial statements to conform to the June 30, 2001



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

financial statement presentations.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in these interim financial statements. The financial statements should be read in conjunction with the financial statements and the notes thereto contained in the Partnership's report for the year ended December 31, 2000, a copy of which is available upon request by writing to Rich Dealy, Vice President and Chief Accounting Officer, 5205 North O'Connor Boulevard, Suite 1400, Irving, Texas 75039-3746.

Management's Discussion and Analysis of Financial Condition  
and Results of Operations (1)

Results of Operations

Six months ended June 30, 2001 compared with six months ended June 30, 2000

Revenues:

The Partnership's oil and gas revenues decreased 5% to \$224,605 for the six months ended June 30, 2001 as compared to \$237,006 for the same period in 2000. The decrease in revenues resulted from a decrease in production and lower

6

591

average prices received for oil, offset by higher average prices received for NGLs and gas. For the six months ended June 30, 2001, 5,787 barrels of oil, 1,864 barrels of natural gas liquids ("NGLs") and 7,461 mcf of gas were sold, or 8,895 barrel of oil equivalents ("BOEs"). For the six months ended June 30, 2000, 6,332 barrels of oil, 2,722 barrels of NGLs and 10,079 mcf of gas were sold, or 10,734 BOEs.

The average price per barrel of oil decreased \$.44, or 2%, from \$28.37 for the six months ended June 30, 2000 to \$27.93 for the same period in 2001. The average price received per barrel of NGLs increased \$1.58, or 11%, from \$13.98 during the six months ended June 30, 2000 to \$15.56 for the same period in 2001. The average price received per mcf of gas increased 137% from \$1.92 during the six months ended June 30, 2000 to \$4.55 for the same period in 2001. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received during the six months ended June 30, 2001.

Gain on disposition of assets of \$33,459 was recognized during the six months ended June 30, 2000 from equipment credits on one well plugged and abandoned in the current period. Expenses incurred to plug and abandon this well were \$7,039 for the six months ended June 30, 2000.

Costs and Expenses:

Total costs and expenses decreased to \$97,882 for the six months ended June 30, 2001 as compared to \$115,130 for the same period in 2000, a decrease of \$17,248, or 15%. This decrease was due to declines in abandoned property costs, production costs, depletion and general and administrative expenses ("G&A").

Production costs were \$76,985 for the six months ended June 30, 2001 and \$83,393

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

for the same period in 2000, resulting in a \$6,408, or 8%, decrease. The decrease was primarily the result of less workover costs.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A decreased 5%, from \$4,740 for the six months ended June 30, 2000 to \$4,492 for the same period in 2001, primarily due to a lower allocation of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of decreased oil and gas revenues.

Depletion was \$16,405 for the six months ended June 30, 2001 as compared to \$19,958 for the same period in 2000, a decrease of \$3,553, or 18%. This decrease was the result of a decline in oil production of 545 barrels for the six months ended June 30, 2001 as compared to the same period in 2000.

7

592

Three months ended June 30, 2001 compared with three months ended June 30, 2000

### Revenues:

The Partnership's oil and gas revenues decreased 15% to \$101,279 for the three months ended June 30, 2001 as compared to \$118,958 for the same period in 2000. The decrease in revenues resulted from a decrease in production and declines in average prices received for oil and NGLs, offset by higher average prices received for gas. For the three months ended June 30, 2001, 2,952 barrels of oil, 852 barrels of NGLs and 2,954 mcf of gas were sold, or 4,296 BOEs. For the three months ended June 30, 2000, 2,940 barrels of oil, 1,426 barrels of NGLs and 5,021 mcf of gas were sold, or 5,203 BOEs.

The average price received per barrel of oil decreased \$2.37, or 8%, from \$29.53 for the three months ended June 30, 2000 to \$27.16 for the three months ended June 30, 2001. The average price received per barrel of NGLs decreased \$1.05, or 7%, from \$14.59 during the three months ended June 30, 2000 to \$13.54 for the same period in 2001. The average price received per mcf of gas increased 43% to \$3.23 during the three months ended June 30, 2001 from \$2.26 during the same period in 2000.

A gain on disposition of assets of \$9,798 was recognized during the three months ended June 30, 2000 from equipment credits on one well plugged and abandoned in the current period. Expenses incurred to plug and abandon this well were \$184 for the three months ended June 30, 2000.

### Costs and Expenses:

Total costs and expenses decreased to \$48,793 for the three months ended June 30, 2001 as compared to \$56,185 for the same period in 2000, a decrease of \$7,392, or 13%. This decrease was due to declines in production cost, depletion, G&A and abandoned property costs.

Production costs were \$38,172 for the three months ended June 30, 2001 and \$44,521 for the same period in 2000 resulting in a \$6,349 decrease, or 14%. The decrease was due to lower workover costs.

During this period, G&A decreased 15%, from \$2,379 for the three months ended June 30, 2000 to \$2,025 for the same period in 2001, primarily due to a lower allocation of the managing general partner's G&A being allocated (limited to 3%

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

of oil and gas revenues) as a result of decreased oil and gas revenues and a decline in audit and tax fees.

Depletion was \$8,596 for the three months ended June 30, 2001 as compared to \$9,101 for the same period in 2000, a decrease of \$505, or 6%.

8

593

### Liquidity and Capital Resources

#### Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$40,938 during the six months ended June 30, 2001 from the same period ended June 30, 2000. This increase was due to a reduction in working capital of \$40,065 and declines in production costs of \$6,408, G&A expenses of \$248 and abandoned property costs of \$7,039, offset by a decline in oil and gas receipts of \$12,822. The decline in oil and gas receipts resulted from a decline in production of \$40,493 during 2001 as compared to the same period in 2000 and \$2,784 due to lower average prices received for oil, offset by an increase in gas and NGL prices during 2001 which contributed an additional \$30,455 to oil and gas receipts. The decrease in production costs was primarily due to lower workover costs. The decrease in G&A was primarily due to a lower percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of decreased oil and gas revenues.

#### Net Cash Provided by Investing Activities

The Partnership's principal investing activities during the six months ended June 30, 2000 were related to expenditures for equipment upgrades on various oil and gas properties.

Proceeds from disposition of assets of \$42,294 were received during the six months ended June 30, 2000. The proceeds were primarily from equipment credits on one well plugged and abandoned during 2000.

#### Net Cash Used in Financing Activities

For the six months ended June 30, 2001, cash distributions to the partners were \$94,553, of which \$946 was distributed to the managing general partner and \$93,607 to the limited partners. For the same period ended June 30, 2000, cash distributions to the partners were \$181,526, of which \$1,815 was distributed to the managing general partner and \$179,711 to the limited partners.

For the three months ended June 30, 2001, no distributions were made by the partnership to its partners. Subsequent to June 30, 2001 the cash distribution that otherwise would have been mailed to partners in late June was made to holders of record as of July 9, 2001 and was mailed on July 13, 2001. For further information, see "Proposal to acquire partnerships" below.

#### Proposal to acquire partnerships

On June 29, 2001, Pioneer Natural Resources Company ("Pioneer") filed with the Securities and Exchange Commission Amendment No. 1 to the Form S-4 Registration Statement (File No. 333- 59094) (the "preliminary proxy statement/prospectus"),

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

which proposes an agreement and plan of merger among Pioneer, Pioneer Natural Resources USA, Inc. ("Pioneer USA"), a wholly-owned subsidiary of Pioneer, and 46 Parker & Parsley limited partnerships. Each partnership that approves the agreement and plan of merger and the other related merger proposals will merge with and into Pioneer USA upon the closing of the transactions described in the preliminary proxy statement/prospectus, and the partnership interests of each such partnership will be converted into the right to receive Pioneer common

9

594

stock. The Partnership is one of the 46 Parker & Parsley limited partnerships that will be asked to approve the agreement and plan of merger. The preliminary proxy statement/prospectus is non-binding and is subject to, among other things, consideration of offers from third parties to purchase any partnership or its assets and the majority approval of the limited partnership interests in each partnership.

Pioneer USA will solicit proxies from limited partners to approve the mergers only when the proxy statement/prospectus is final and declared effective. No solicitation will be made using preliminary materials. Nonetheless, copies of the preliminary proxy statement/prospectus may be obtained without charge upon request from Pioneer Natural Resources Company, 5205 North O'Connor Blvd., Suite 1400, Irving, Texas 75039, Attention: Investor Relations.

The limited partners are urged to read the proxy statement/prospectus of Pioneer filed with the Securities and Exchange Commission, when it is finalized, because it contains important information about the proposed mergers, including information about the direct and indirect interests of Pioneer USA and Pioneer in the mergers. The limited partners may also obtain the preliminary and (when filed) final proxy statement/prospectus and other relevant documents relating to the proposed mergers free through the internet web site that the Securities and Exchange Commission maintains at [www.sec.gov](http://www.sec.gov).

-----

- (1) "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" contains forward looking statements that involve risks and uncertainties. Accordingly, no assurances can be given that the actual events and results will not be materially different than the anticipated results described in the forward looking statements.

10

595

PARKER & PARSLEY PRIVATE INVESTMENT 85-A, LTD.  
(A Texas Limited Partnership)

FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITORS' REPORT

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

December 31, 2000 and 1999

596

INDEPENDENT AUDITORS' REPORT

The Partners  
Parker & Parsley Private Investment 85-A, Ltd.  
(A Texas Limited Partnership):

We have audited the balance sheets of Parker & Parsley Private Investment 85-A, Ltd. as of December 31, 2000 and 1999, and the related statements of operations, partners' capital and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parker & Parsley Private Investment 85-A, Ltd. as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Dallas, Texas  
March 9, 2001

2

597

PARKER & PARSLEY PRIVATE INVESTMENT 85-A, LTD.  
(A Texas Limited Partnership)

BALANCE SHEETS  
December 31

ASSETS

-----

Current assets:

Cash  
Accounts receivable - oil and gas sales

Total current assets

Oil and gas properties - at cost, based on the  
successful efforts accounting method  
Accumulated depletion

Net oil and gas properties

LIABILITIES AND PARTNERS' CAPITAL

-----

Current liabilities:

Accounts payable - affiliate

Partners' capital:

Managing general partner  
Limited partners (125 interests)

# Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

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

3

598

PARKER & PARSLEY PRIVATE INVESTMENT 85-A, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF OPERATIONS  
For the years ended December 31

	2000	1999	1998
	-----	-----	-----
<b>Revenues:</b>			
Oil and gas	\$ 502,432	\$ 342,760	\$ 269,068
Interest	6,051	3,587	3,856
Gain on disposition of assets	33,459	--	--
	-----	-----	-----
	541,942	346,347	272,924
	-----	-----	-----
<b>Costs and expenses:</b>			
Oil and gas production	164,183	157,138	173,592
General and administrative	10,049	6,855	6,018
Impairment of oil and gas properties	61,942	--	130,873
Depletion	35,049	65,329	131,389
Abandoned property	7,038	--	--
	-----	-----	-----
	278,261	229,322	441,872
	-----	-----	-----
<b>Net income (loss)</b>	<b>\$ 263,681</b>	<b>\$ 117,025</b>	<b>\$ (168,948)</b>
	=====	=====	=====
<b>Allocation of net income (loss):</b>			
Managing general partner	\$ 2,637	\$ 1,170	\$ (1,689)
	=====	=====	=====
Limited partners	\$ 261,044	\$ 115,855	\$ (167,259)
	=====	=====	=====
<b>Net income (loss) per limited partnership interest</b>	<b>\$2,088.35</b>	<b>\$ 926.84</b>	<b>\$ (1,338.07)</b>
	=====	=====	=====

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

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

4

599

PARKER & PARSLEY PRIVATE INVESTMENT 85-A, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF PARTNERS' CAPITAL

	Managing general partner -----	L p -----
Partners' capital at January 1, 1998	\$ 13,952	\$
Distributions	(1,142)	
Net loss	(1,689)	
	-----	---
Partners' capital at December 31, 1998	11,121	
Distributions	(1,491)	
Net income	1,170	
	-----	---
Partners' capital at December 31, 1999	10,800	
Distributions	(3,480)	
Net income	2,637	
	-----	---
Partners' capital at December 31, 2000	\$ 9,957	\$
	=====	====

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



PARKER & PARSLEY PRIVATE INVESTMENT 85-A, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF CASH FLOWS  
For the years ended December 31

	2000	
	-----	-----
Cash flows from operating activities:		
Net income (loss)	\$ 263,681	\$
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Impairment of oil and gas properties	61,942	
Depletion	35,049	
Gain on disposition of assets	(33,459)	
Changes in assets and liabilities:		
Accounts receivable	(22,295)	
Accounts payable	(2,342)	
	-----	-----
Net cash provided by operating activities	302,576	
	-----	-----
Cash flows used in investing activities:		
Additions to oil and gas properties	(1,948)	
Proceeds from disposition of assets	41,969	
	-----	-----
Net cash provided (used by) investing activities	40,021	
	-----	-----
Cash flows used in financing activities:		
Cash distributions to partners	(348,010)	
	-----	-----
Net increase (decrease) in cash	(5,413)	
Cash at beginning of year	79,497	
	-----	-----
Cash at end of year	\$ 74,084	\$
	=====	=====

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

PARKER & PARSLEY PRIVATE INVESTMENT 85-A, LTD.  
(A Texas Limited Partnership)

NOTES TO FINANCIAL STATEMENTS  
December 31, 2000, 1999 and 1998

NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS

Parker & Parsley Private Investment 85-A, Ltd. (the "Partnership") is a limited partnership organized in 1985 under the laws of the State of Texas. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA").

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Oil and gas properties - The Partnership utilizes the successful efforts method of accounting for its oil and gas properties and equipment. Under this method, all costs associated with productive wells and nonproductive development wells are capitalized while nonproductive exploration costs are expensed. Capitalized costs relating to proved properties are depleted using the unit-of-production method on a property-by-property basis based on proved oil (dominant mineral) reserves as determined evaluated by independent petroleum consultants. The carrying amounts of properties sold or otherwise disposed of and the related allowances for depletion are eliminated from the accounts and any gain or loss is included in results of operations.

Impairment of long-lived assets - In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the Partnership reviews its long-lived assets to be held and used on an individual property basis, including oil and gas properties accounted for under the successful efforts method of accounting, whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. An impairment loss is indicated if the sum of the expected future cash flows is less than the carrying amount of the assets. In this circumstance, the Partnership recognizes an impairment loss for the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset.

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

Net income (loss) per limited partnership interest - The net income (loss) per limited partnership interest is calculated by using the number of outstanding limited partnership interests.

Income taxes - A Federal income tax provision has not been included in the financial statements as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

Statements of cash flows - For purposes of reporting cash flows, cash includes depository accounts held by banks.

General and administrative expenses - General and administrative expenses are allocated in part to the Partnership by the managing general partner. Allocated expenses are determined by the managing general partner based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Reclassifications - Certain reclassifications may have been made to the 1999 and 1998 financial statements to conform to the 2000 financial statement presentations.

Environmental - The Partnership is subject to extensive federal, state and local environmental laws and regulations. These laws, which are constantly changing, regulate the discharge of materials into the environment and may require the Partnership to remove or mitigate the environmental effects of the disposal or release of petroleum or chemical substances at various sites. Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Liabilities for expenditures of a noncapital nature are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated. Such liabilities are generally undiscounted unless the timing of cash payments for the liability or component are fixed or reliably determinable. No such liabilities have been accrued as of December 31, 2000.

Revenue recognition - The Partnership uses the entitlements method of accounting for oil, natural gas liquids ("NGLs") and natural gas revenues.

NOTE 3. IMPAIRMENT OF LONG-LIVED ASSETS

In accordance with SFAS 121, the Partnership reviews its proved oil and gas properties for impairment whenever events and circumstances indicate a decline in the recoverability of the carrying value of the Partnership's oil and gas properties. The Partnership has estimated the expected future cash flows of its oil and gas properties as of December 31, 2000, 1999 and 1998, based on proved reserves, and compared such estimated future cash flows to the respective carrying amount of the oil and gas properties to determine if the carrying amounts were likely to be recoverable. For those proved oil and gas properties for which the carrying amount exceeded the estimated future cash flows, an impairment was determined to exist; therefore, the Partnership adjusted the carrying amount of those oil and gas properties to their fair value as determined by discounting their expected future cash flows at a discount rate commensurate with the risks involved in the industry. As a result, the Partnership recognized non-cash impairment provisions of \$61,942 and \$130,873 related to its

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

603

proved oil and gas properties during 2000 and 1998, respectively.

NOTE 4. INCOME TAXES

The financial statement basis of the Partnership's net assets and liabilities was \$5,983 less than the tax basis at December 31, 2000.

The following is a reconciliation of net income (loss) per statements of operations with the net income per Federal income tax returns for the years ended December 31:

	2000	
	-----	-----
Net income (loss) per statements of operations	\$ 263,681	\$
Depletion and depreciation provisions for tax reporting purposes less than amounts for financial reporting purposes	32,046	
Impairment of oil and gas properties for financial reporting purposes	61,942	
Other, net	(7,404)	
	-----	-----
Net income per Federal income tax returns	\$ 350,265	\$
	=====	=====

NOTE 5. OIL AND GAS PRODUCING ACTIVITIES

The following is a summary of the costs incurred, whether capitalized or expensed, related to the Partnership's oil and gas producing activities for the years ended December 31:

	2000	
	-----	-----
Development costs	\$ 1,948	\$
	=====	=====

Capitalized oil and gas properties consist of the following:

Proved properties:		
Property acquisition costs		\$
Completed wells and equipment		-----

Accumulated depletion

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Net oil and gas properties

\$  
===

9

604

NOTE 6. RELATED PARTY TRANSACTIONS

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

	2000	
	-----	-----
Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$ 66,336	\$
Reimbursement of general and administrative expenses	\$ 8,067	\$

The Partnership participates in oil and gas activities through an income tax partnership (the "Program") pursuant to the Program agreement. Pioneer USA and the Partnership are parties to the Program agreement.

The costs and revenues of the Program are allocated to Pioneer USA and the Partnership as follows:

	Pioneer U
	-----
Revenues:	
Proceeds from disposition of depreciable properties	9.090
All other revenues	24.242
Costs and expenses:	
Lease acquisition costs, drilling and completion costs and all other costs	9.090
Operating costs, direct costs and general and administrative expenses	24.242

(1) Excludes Pioneer USA's 1% general partner ownership which is allocated at the Partnership level.

NOTE 7. OIL AND GAS INFORMATION (UNAUDITED)

The following table presents information relating to the Partnership's

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities during the years then ended. All of the Partnership's reserves are proved developed and located within the United States. The Partnership's reserves are based on an evaluation prepared by Williamson Petroleum Consultants, Inc., an independent petroleum consultant, using criteria established by the Securities and Exchange Commission.

10

605

	Oil and NGLs (bbls)
Net proved reserves at January 1, 1998	271,658
Revisions	(91,942)
Production	(21,200)
Net proved reserves at December 31, 1998	158,516
Revisions	180,472
Production	(20,664)
Net proved reserves at December 31, 1999	318,324
Revisions	27,943
Production	(17,619)
Net proved reserves at December 31, 2000	328,648

As of December 31, 2000, the estimated present value of future net revenues of proved reserves, calculated using December 31, 2000 prices of \$26.64 per barrel of oil, \$13.00 per barrel of NGLs and \$7.43 per mcf of gas, discounted at 10% was approximately \$2,408,000 and undiscounted was \$5,247,000.

Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves. The Partnership emphasizes that reserve estimates are inherently imprecise and, accordingly, the estimates are expected to change as future information becomes available.

Disclosures about Oil & Gas Producing Activities

Standardized Measure of Discounted Future Net Cash Flows

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The standardized measure of discounted future net cash flows is computed by applying year-end prices of oil and gas (with consideration of price changes only to the extent provided by contractual arrangements) to the estimated future production of proved oil and gas reserves less estimated future expenditures (based on year-end costs) to be incurred in developing and producing the proved reserves, discounted using a rate of 10% per year to reflect the estimated timing of the future cash flows. A Federal income tax provision has not been calculated as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

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

	For the years ended	
	2000	1999
Oil and gas producing activities:		(i)
Future cash inflows	\$ 10,071	\$
Future production costs	(4,824)	-----
	-----	-----
	5,247	
10% annual discount factor	(2,839)	-----
	-----	-----
Standardized measure of discounted future net cash flows	\$ 2,408	\$
	=====	=====

	For the years ended	
	2000	1999
Oil and Gas Producing Activities:		(i)
Oil and gas sales, net of production costs	\$ (338)	\$
Net changes in prices and production costs	820	
Revisions of previous quantity estimates	130	
Accretion of discount	182	
Changes in production rates, timing and other	(204)	-----
	-----	-----
Change in present value of future net revenues	590	-----
	-----	-----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Balance, beginning of year	1,818	-----
Balance, end of year	\$ 2,408	\$ =====

NOTE 8. MAJOR CUSTOMERS

The following table reflects the major customers of the Partnership's oil and gas sales (a major customer is defined as a customer whose sales exceed 10% of total sales) during the years ended December 31:

	2000
	-----
Plains Marketing, L.P.	64%
Genesis Crude Oil, L.P.	-
Western Gas Resources, Inc.	3%

At December 31, 2000, the amount receivable from Plains Marketing, L.P. was \$27,002 which is included in the caption "Accounts receivable - oil and gas sales" in the accompanying Balance Sheet.

Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on the ability of the Partnership to sell its oil, NGLs and gas production.

NOTE 9. PARTNERSHIP AGREEMENT

The following is a brief summary of the more significant provisions of the limited partnership agreement:

Managing general partner - The managing general partner of the Partnership is Pioneer USA. Pioneer USA has the power and authority to manage, control and administer all Partnership affairs. As managing general partner and operator of the Partnership's properties, all production expenses are incurred by Pioneer USA and billed to the Partnership. The majority of the Partnership's oil and gas revenues are received directly by the Partnership, however, a portion

of the oil and gas revenue is initially received by Pioneer USA prior to being paid to the Partnership. Under the limited partnership agreement, the managing general partner pays 1% of the Partnership's acquisition, drilling and completion costs and 1% of its operating and general and administrative expenses. In return, it is allocated 1% of the Partnership's revenues.

Limited partner liability - The maximum amount of liability of any limited partner is the total contributions of such partner plus his share of any undistributed profits.



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Initial capital contributions - The limited partners entered into subscription agreements for aggregate capital contributions of \$5,000,000. Pioneer USA was required to contribute amounts equal to 1% of initial Partnership capital less commission and organization and offering costs allocated to the limited partners and to contribute amounts necessary to pay costs and expenses allocated to it under the Partnership agreement to the extent its share of revenues does not cover such costs.

13

608

### PARKER & PARSLEY PRIVATE INVESTMENT 85-A, LTD. (A TEXAS LIMITED PARTNERSHIP)

THIS REPORT CONTAINS FORWARD LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. ACCORDINGLY, NO ASSURANCES CAN BE GIVEN THAT THE ACTUAL EVENTS AND RESULTS WILL NOT BE MATERIALLY DIFFERENT THAN THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS.

#### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

##### Results of operations

##### 2000 compared to 1999

The Partnership's oil and gas revenues increased 47% to \$502,432 for 2000 as compared to \$342,760 in 1999. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 2000, 11,945 barrels of oil, 5,674 barrels of natural gas liquids ("NGLs") and 20,905 mcf of gas were sold, or 21,103 barrel of oil equivalents ("BOEs"). In 1999, 14,568 barrels of oil, 6,096 barrels of NGLs and 23,218 mcf of gas were sold, or 24,534 BOEs. Due to the decline characteristics of the Partnership's oil and gas properties, management expects a certain amount of decline in production in the future until the Partnership's economically recoverable reserves are fully depleted.

The average price received per barrel of oil increased \$13.28, or 79%, from \$16.91 in 1999 to \$30.19 in 2000. The average price received per barrel of NGLs increased \$5.27, or 53%, from \$9.95 in 1999 to \$15.22 in 2000. The average price received per mcf of gas increased 72% from \$1.54 in 1999 to \$2.65 in 2000. The market price for oil and gas has been extremely volatile in the past decade, and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received in 2000.

Gain on disposition of assets recognized during 2000 of \$33,459 was due to equipment credits received on two wells plugged and abandoned during the current year. Abandoned property costs of \$7,038 incurred in 2000 related to the abandonment of these two wells.

Total costs and expenses increased in 2000 to \$278,261 as compared to \$229,322 in 1999, an increase of \$48,939, or 21%. The increase was primarily due to the

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

impairment of oil and gas properties and increases in production costs, abandoned property costs and general and administrative expenses ("G&A"), offset by a decline in depletion.

Production costs were \$164,183 in 2000 and \$157,138 in 1999, resulting in a \$7,045 increase, or 4%. The increase was primarily due to higher production taxes associated with higher oil and gas prices and workover costs incurred to stimulate well production, offset by a decline in well maintenance costs.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 47% from \$6,855 in 1999 to \$10,049 in 2000, primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 2% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$8,067 in 2000 and \$3,581 in 1999 for G&A incurred on behalf of the Partnership. The remaining G&A was paid directly by the Partnership. The managing general partner determines the allocated expenses based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the managing general partner reviews the Partnership's oil and gas properties for impairment whenever events or circumstances indicate a decline in the recoverability of the carrying value of the Partnership's assets may have occurred. As a result of the review and evaluation of its long-lived assets for impairment, the Partnership recognized a non-cash charge of \$61,942 related to its oil and gas properties during 2000.

609

Depletion was \$35,049 in 2000 as compared to \$65,329 in 1999, representing a decrease of \$30,280, or 46%. This decrease was primarily due to a 20,767 barrels of oil increase in proved reserves during 2000 as a result of higher commodity prices and a decline in oil production of 2,623 barrels for the period ended December 31, 2000 compared to the same period in 1999.

1999 compared to 1998

The Partnership's 1999 oil and gas revenues increased 27% to \$342,760 from \$269,068 in 1998. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 1999, 14,568 barrels of oil, 6,096 barrels of NGLs and 23,218 mcf of gas were sold, or 24,534 BOEs. In 1998, 14,874 barrels of oil, 6,326 barrels of NGLs and 22,343 mcf of gas were sold, or 24,924 BOEs.

The average price received per barrel of oil increased \$3.71, or 28%, from \$13.20 in 1998 to \$16.91 in 1999. The average price received per barrel of NGLs increased \$3.46, or 53%, from \$6.49 in 1998 to \$9.95 in 1999. The average price received per mcf of gas increased 9% from \$1.41 in 1998 to \$1.54 in 1999.

Total costs and expenses decreased in 1999 to \$229,322 as compared to \$441,872 in 1998, a decrease of \$212,550, or 48%. The decrease was primarily due to declines in the impairment of oil and gas properties, depletion and production costs, offset by an increase in G&A.

Production costs were \$157,138 in 1999 and \$173,592 in 1998, resulting in a

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

\$16,454 decrease, or 9%. The decrease was due to declines in well maintenance costs and ad valorem taxes.

During this period, G&A increased 14% from \$6,018 in 1998 to \$6,855 in 1999 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 2% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$3,581 in 1999 and \$4,294 in 1998 for G&A incurred on behalf of the Partnership.

The Partnership recognized a non-cash SFAS 121 charge of \$130,873 related to its oil and gas properties during 1998.

Depletion was \$65,329 in 1999 compared to \$131,389 in 1998, representing a decrease of \$66,060, or 50%. This decrease was the result of an increase in proved reserves of 120,513 barrels of oil during 1999 due to higher commodity prices and a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 1998.

### Petroleum industry

The petroleum industry has been characterized by volatile oil, NGL and natural gas commodity prices and relatively stable supplier costs during the three years ended December 31, 2000. During 1998, weather patterns, regional economic recessions and political matters combined to cause worldwide oil supplies to exceed demand resulting in a substantial decline in oil prices. Also during 1998, but to a lesser extent, market prices for natural gas declined. During 1999 and 2000, the Organization of Petroleum Exporting Countries ("OPEC") and certain other crude oil exporting nations announced reductions in their planned export volumes. Those announcements, together with the enactment of the announced reductions in export volumes, had a positive impact on world oil prices, as have overall natural gas supply and demand fundamentals on North American natural gas prices. Although the favorable commodity price environment and stable field service cost environment is expected to continue during 2001, there is no assurance that commodity prices will not return to a less favorable level or that field service costs will not escalate in the future, both of which could negatively impact the Partnership's future results of operations and cash distributions.

610

### Liquidity and capital resources

#### Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$126,496 during the year ended December 31, 2000 from 1999. This increase was due to an increase in oil and gas sales receipts of \$162,136, offset by increases in production costs paid of \$7,045, G&A expenses paid of \$3,194, abandoned property costs paid of \$7,038 and working capital of \$18,363. The increase in oil and gas receipts resulted from the increase in commodity prices during 2000 which contributed an additional \$253,878 to oil and gas receipts, offset by \$91,742 resulting from the decline in production during 2000. The increase in production costs was primarily due to increased production taxes associated with higher oil and gas prices and workover costs incurred to stimulate well production, offset by a decline in well maintenance costs. The increase in G&A was primarily due to higher percentage of the managing general partner's G&A being allocated (limited to 2% of oil and gas revenues) as a result of increased oil and gas revenues.

#### Net Cash Provided by (Used in) Investing Activities

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The Partnership's principal investing activities during 2000 and 1999 included expenditures related to equipment upgrades on several oil and gas properties.

Proceeds from disposition of assets during 2000 of \$41,969 were related to \$33,459 salvage income received on two wells plugged and abandoned during the current year and \$8,510 from equipment credits received on one active well.

### Net Cash Used in Financing Activities

In 2000, cash distributions to the partners were \$348,010, of which \$3,480 was distributed to the managing general partner and \$344,530 to the limited partners. In 1999, cash distributions to the partners were \$149,074, of which \$1,491 was distributed to the managing general partner and \$147,583 to the limited partners.

611

### PARKER & PARSLEY PRIVATE INVESTMENT 85-A, LTD.

#### SELECTED FINANCIAL DATA

The following selected financial data for the Partnership should be read in connection with Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements included in the attached supplemental information.

	Six months ended June 30,		Years ended December 31,		
	2001	2000	2000	1999	1998
Operating results:					
Oil and gas sales	\$ 224,605	\$ 237,006	\$ 502,432	\$ 342,760	\$ 269,068
Impairment of oil and gas properties	\$ --	\$ --	\$ 61,942	\$ --	\$ 130,873
Gain on litigation settlement, net	\$ --	\$ --	\$ --	\$ --	\$ --
Net income (loss)	\$ 128,955	\$ 157,988	\$ 263,681	\$ 117,025	\$ (168,948)
Allocation of net income (loss):					

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Managing general partner	\$ 1,290	\$ 1,580	\$ 2,637	\$ 1,170	\$ (1,689)
Limited partners	\$ 127,665	\$ 156,408	\$ 261,044	\$ 115,855	\$ (167,259)
Limited partners' net income (loss) per limited partnership interest	\$ 1,021.32	\$ 1,251.26	\$ 2,088.35	\$ 926.84	\$ (1,338.07)
Limited partners' cash distributions per limited partnership interest	\$ 746.86	\$ 1,437.69	\$ 2,756.24	\$ 1,180.66	\$ 903.86
As of period ended:					
Total assets	\$ 801,547	\$ 828,273	\$ 760,530	\$ 847,201	\$ 877,828

612

PIONEER NATURAL RESOURCES COMPANY  
PIONEER NATURAL RESOURCES USA, INC.  
5205 NORTH O'CONNOR BLVD., SUITE 1400  
IRVING, TEXAS 75039

SUPPLEMENTAL INFORMATION

OF

PARKER & PARSLEY SELECTED 85 PRIVATE INVESTMENT, LTD.,  
A TEXAS LIMITED PARTNERSHIP

TO

PROXY STATEMENT/PROSPECTUS DATED , 2001

-----

THE DATE OF THIS SUPPLEMENT IS , 2001

-----

This document contains important information specific to Parker & Parsley Selected 85 Private Investment, Ltd. and supplements the proxy statement/prospectus dated , 2001, of Pioneer Natural Resources Company and Pioneer Natural Resources USA, Inc., by which Pioneer USA is soliciting proxies to be voted at a special meeting of limited partners of the partnership. The purpose of the special meeting is for you to vote upon the merger of the partnership with and into Pioneer USA that, if completed, will result in your receiving common stock of Pioneer Natural Resources Company for your partnership interests.

This document contains the following information concerning Parker & Parsley Private Selected 85 Private Investment, Ltd.:

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

- o A table containing:
  - the aggregate initial investment by the limited partners
  - the aggregate historical limited partner distributions through July 31, 2001
  - the merger value attributable to partnership interests of limited partners, excluding Pioneer USA
  - the merger value per \$1,000 limited partner investment
  - the merger value per \$1,000 limited partner investment as a multiple of distributions for the past four quarterly distributions including the distribution in July 2001
  
  - the book value per \$1,000 limited partner investment as of June 30, 2001 and as of December 31, 2000
  
  - the going concern value per \$1,000 limited partner investment
  - the liquidation value per \$1,000 limited partner investment
  - the ordinary tax loss per \$1,000 limited partner investment in year of initial investment
  
- o Information about:
  - the legal opinion for the limited partners
  - the term of the partnership
  
- o The partnership's financial statements, including management's discussion and analysis of financial condition and results of operations, for the six months ended June 30, 2001
  
- o The partnership's financial statements, including management's discussion and analysis of financial condition and results of operations, for the year ended December 31, 2000
  
- o Selected historical financial data for the partnership for the six months ended June 30, 2001 and 2000 and the five years ended December 31, 2000

-1-

613

PARKER & PARSLEY SELECTED 85 PRIVATE INVESTMENT, LTD.

SUPPLEMENTAL INFORMATION TABLE

Aggregate Initial Investment by the Limited Partners (a)

\$

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Aggregate Historical Limited Partner Distributions through July 31, 2001 (a)	\$
Merger Value Attributable to Partnership Interests of Limited Partners, Excluding Pioneer USA (a), (b)	\$
Merger Value per \$1,000 Limited Partner Investment (b), (c)	\$
Merger Value per \$1,000 Limited Partner Investment as a Multiple of Distributions for the past four quarterly distributions including the distribution in July 2001 (b), (c)	
Book Value per \$1,000 Limited Partner Investment:	
-- as of June 30, 2001 (c)	\$
-- as of December 31, 2000 (c)	\$
Going Concern Value per \$1,000 Limited Partner Investment (c), (d)	\$
Liquidation Value per \$1,000 Limited Partner Investment (c), (e)	\$
Ordinary Tax Loss per \$1,000 Limited Partner Investment in Year of Initial Investment (c), (f)	\$

-----

(a) Stated in thousands.

(b) The merger value for the partnership is equal to the sum of the present value of estimated future net revenues from the partnership's estimated oil and gas reserves and its net working capital, in each case as of March 31, 2001, less its pro rata share, based on its reserve value, of the estimated expenses and fees of the mergers of all of the partnerships and less the cash distribution on July 13, 2001, by the partnership to its partners.

(c) Interests in some partnerships were sold in units at prices other than \$1,000. We have presented this information based on a \$1,000 initial investment for ease of use and comparison among partnerships. You should not assume that the amount shown per \$1,000 investment is the same as the value or amount attributable to a single unit investment.

(d) The going concern value for the partnership is based upon: (1) the sum of (A) the estimated net cash flow from the sale of the partnership's reserves during a 10-year operating period and (B) the estimated residual value from the sale of the partnership's remaining reserves at the end of the operating period, in each case using the same pricing and discount rate as in the merger value calculation, less (2) (A) partnership level general and administrative expenses, and (B) the cash distribution on July 13, 2001 by the partnership to its partners.

(e) The liquidation value for the partnership is based upon the sale of the partnership's reserves at the reserve value, less (1) liquidation expenses which are estimated to be the sum of (A) the partnership's pro rata share of the merger expenses and fees described in footnote (b) above and (B) 3% of the partnership's reserve value, and (2) the cash distribution on July 13, 2001 by the partnership to its partners. The liquidation expenses represent estimated costs to retain an investment banker or broker to sell the assets of the partnership and the legal and other closing costs

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

associated with such transaction, including the wind-down costs of the partnership.

- (f) Your ability to use your distributive share of the partnership's loss to offset your other income may have been subject to certain limitations at your level as a partner, and you may therefore wish to consult your tax advisor to determine the additional value, if any, actually realized by you in your particular circumstances.

### INFORMATION ABOUT THE LEGAL OPINION FOR THE LIMITED PARTNERS

The partnership agreement for the partnership requires that special legal counsel render an opinion on behalf of the limited partners to Pioneer USA that (1) neither the grant nor the exercise of the right to approve the merger of the partnership by its limited partners will adversely affect the federal income tax classification of the partnership or any of its limited partners; and (2) neither the grant nor exercise of such right will result in the loss of any limited partner's limited liability. In addition, the counsel designated to render the opinion must be counsel other than counsel to Pioneer USA or the partnership. Both the designated counsel and the legal opinion must be approved by the limited partners. Pioneer USA has retained \_\_\_\_\_ of Dallas, Texas for the purpose of rendering this legal opinion on behalf of the limited partners to Pioneer USA. The merger proposals include an approval of that counsel and the form of its opinion. A copy of the opinion is attached as an exhibit to the merger proposals.

### INFORMATION ABOUT THE TERM OF THE PARTNERSHIP

The term of the partnership is until December 31, 2035, unless the partnership is earlier terminated in accordance with the applicable provisions of its partnership agreement.

-2-

614

PARKER & PARSLEY SELECTED 85 PRIVATE INVESTMENT, LTD.

(A Texas Limited Partnership)

### FINANCIAL STATEMENTS

June 30, 2001 and December 31, 2000

(Unaudited)

615

PARKER & PARSLEY SELECTED 85 PRIVATE INVESTMENT, LTD.

(A Texas Limited Partnership)

### BALANCE SHEETS



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	June 30, 2001	December 31, 2000
	----- (Unaudited)	-----
ASSETS		
Current assets:		
Cash	\$ 116,008	\$ 32,773
Accounts receivable - oil and gas sales	59,116	78,218
	-----	-----
Total current assets	175,124	110,991
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	3,864,140	3,864,140
Accumulated depletion	(3,456,228)	(3,441,568)
	-----	-----
Net oil and gas properties	407,912	422,572
	-----	-----
	\$ 583,036	\$ 533,563
	=====	=====
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable - affiliate	\$ 11,773	\$ 6,722
Partners' capital:		
Managing general partner	8,336	7,892
Limited partners (117 interests)	562,927	518,949
	-----	-----
	571,263	526,841
	-----	-----
	\$ 583,036	\$ 533,563
	=====	=====

The financial information included as of June 30, 2001 has been prepared by the managing general partner without audit by independent public accountants.

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

PARKER & PARSLEY SELECTED 85 PRIVATE INVESTMENT, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF OPERATIONS  
(Unaudited)

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	Three months ended June 30,		Six months ended June 30,	
	2001	2000	2001	2000
Revenues:				
Oil and gas	\$ 120,409	\$ 106,941	\$ 249,386	\$ 196,468
Interest	768	881	1,548	1,473
Gain on disposition of assets	-	-	2,574	-
	-----	-----	-----	-----
	121,177	107,822	253,508	197,941
	-----	-----	-----	-----
Costs and expenses:				
Oil and gas production	50,842	42,099	101,173	82,419
General and administrative	2,409	2,138	4,988	3,929
Depletion	7,874	8,685	14,660	16,778
	-----	-----	-----	-----
	61,125	52,922	120,821	103,126
	-----	-----	-----	-----
Net income	\$ 60,052	\$ 54,900	\$ 132,687	\$ 94,815
	=====	=====	=====	=====
Allocation of net income:				
Managing general partner	\$ 601	\$ 549	\$ 1,327	\$ 948
	=====	=====	=====	=====
Limited partners	\$ 59,451	\$ 54,351	\$ 131,360	\$ 93,867
	=====	=====	=====	=====
Net income per limited partnership interest	\$ 508.13	\$ 464.54	\$1,122.74	\$ 802.28
	=====	=====	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

PARKER & PARSLEY SELECTED 85 PRIVATE INVESTMENT, LTD.  
(A Texas Limited Partnership)

STATEMENT OF PARTNERS' CAPITAL  
(Unaudited)

Managing general partner	Limited partners	Total
-----	-----	-----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Balance at January 1, 2001	\$ 7,892	\$ 518,949	\$ 526,841
Distributions	(883)	(87,382)	(88,265)
Net income	1,327	131,360	132,687
	-----	-----	-----
Balance at June 30, 2001	\$ 8,336	\$ 562,927	\$ 571,263
	=====	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

4

618

PARKER & PARSLEY SELECTED 85 PRIVATE INVESTMENT, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF CASH FLOWS  
(Unaudited)

	Six months ended June 30,	
	2001	2000
	-----	-----
Cash flows from operating activities:		
Net income	\$ 132,687	\$ 94,815
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion	14,660	16,778
Gain on disposition of assets	(2,574)	-
Changes in assets and liabilities:		
Accounts receivable	19,102	(11,456)
Accounts payable	5,051	3,106
	-----	-----
Net cash provided by operating activities	168,926	103,243
	-----	-----
Cash flows from investing activities:		
Additions to oil and gas properties	-	(885)
Proceeds from disposition of assets	2,574	-
	-----	-----
Net cash provided by (used in) investing activities	2,574	(885)

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Cash flows used in financing activities:		
Cash distributions to partners	(88,265)	(98,809)
Net increase in cash	83,235	3,549
Cash at beginning of period	32,773	39,610
Cash at end of period	\$ 116,008	\$ 43,159

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

5

619

PARKER & PARSLEY SELECTED 85 PRIVATE INVESTMENT, LTD.  
(A Texas Limited Partnership)

NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Unaudited)

Note 1. Organization and nature of operations

Parker & Parsley Selected 85 Private Investment, Ltd. (the "Partnership") is a limited partnership organized in 1985 under the laws of the State of Texas.

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

Note 2. Basis of presentation

In the opinion of management, the unaudited financial statements of the Partnership as of June 30, 2001 and for the three and six months ended June 30, 2001 and 2000 include all adjustments and accruals consisting only of normal recurring accrual adjustments which are necessary for a fair presentation of the results for the interim period. These interim results are not necessarily indicative of results for a full year. Certain reclassifications may have been made to the June 30, 2000 financial statements to conform to the June 30, 2001 financial statement presentations.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in these interim financial statements. The financial statements should be read in conjunction with the financial statements and the notes thereto contained in the Partnership's report for the year ended December 31, 2000, a copy of which is available upon request by writing to Rich Dealy, Vice President and Chief Accounting Officer, 5205 North O'Connor Boulevard, Suite 1400, Irving, Texas 75039-3746.

Management's Discussion and Analysis of Financial Condition  
and Results of Operations (1)

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

### Results of Operations

Six months ended June 30, 2001 compared with six months ended June 30, 2000

#### Revenues:

The Partnership's oil and gas revenues increased 27% to \$249,386 for the six months ended June 30, 2001 as compared to \$196,468 for the same period in 2000. The increase in revenues resulted from higher average prices received and an increase in production. For the six months ended June 30, 2001, 5,370 barrels of

6

620

oil, 2,580 barrels of natural gas liquids ("NGLs") and 12,602 mcf of gas were sold, or 10,050 barrel of oil equivalents ("BOEs"). For the six months ended June 30, 2000, 4,791 barrels of oil, 2,883 barrels of NGLs and 11,058 mcf of gas were sold, or 9,517 BOEs.

The average price received per barrel of oil increased \$.31, or 1%, from \$27.61 for the six months ended June 30, 2000 to \$27.92 for the same period in 2001. The average price received per barrel of NGLs increased \$2.11, or 15%, from \$14.13 during the six months ended June 30, 2000 to \$16.24 for the same period in 2001. The average price received per mcf of gas increased 116% from \$2.12 during the six months ended June 30, 2000 to \$4.57 for the same period in 2001. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received during the six months ended June 30, 2001.

#### Costs and Expenses:

Total costs and expenses increased to \$120,821 for the six months ended June 30, 2001 as compared to \$103,126 for the same period in 2000, an increase of \$17,695 or 17%. This increase was due to higher production costs and general and administrative expenses ("G&A"), offset by a decline in depletion.

Production costs were \$101,173 for the six months ended June 30, 2001 and \$82,419 for the same period in 2000 resulting in an \$18,754 increase, or 23%. This increase was the result of additional well maintenance costs incurred to stimulate well production and higher production taxes due to higher oil and gas prices.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 27%, from \$3,929 for the six months ended June 30, 2000 to \$4,988 for the same period in 2001, primarily due to a higher allocation of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues and increases in audit and tax fees.

Depletion was \$14,660 for the six months ended June 30, 2001 as compared to \$16,778 for the same period in 2000, a decrease of \$2,118, or 13%. This decrease was the result of a positive revision to proved reserves on significant wells during the period ended June 30, 2001, offset by an increase in oil production of 579 barrels for the six months ended June 30, 2001 as compared to the same period in 2000.

Three months ended June 30, 2001 compared with three months ended June 30, 2000

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

### Revenues:

The Partnership's oil and gas revenues increased 13% to \$120,409 for the three months ended June 30, 2001 as compared to \$106,941 for the same period in 2000. The increase in revenues resulted from higher average prices received for gas

7

621

and an increase in production, offset by lower average prices received for oil and NGLs. For the three months ended June 30, 2001, 2,829 barrels of oil, 1,389 barrels of NGLs and 6,018 mcf of gas were sold, or 5,221 BOEs. For the three months ended June 30, 2000, 2,521 barrels of oil, 1,528 barrels of NGLs and 5,665 mcf of gas were sold, or 4,993 BOEs.

The average price received per barrel of oil decreased \$.31, or 1%, from \$27.86 for the three months ended June 30, 2000 to \$27.55 for the three months ended June 30, 2001. The average price received per barrel of NGLs decreased \$.12, or 1%, from \$14.69 during the three months ended June 30, 2000 to \$14.57 for the same period in 2001. The average price received per mcf of gas increased 46% to \$3.69 during the three months ended June 30, 2001 from \$2.52 during the same period in 2000.

### Costs and Expenses:

Total costs and expenses increased to \$61,125 for the three months ended June 30, 2001 as compared to \$52,922 for the same period in 2000, an increase of \$8,203, or 16%. This increase was due to higher production costs and G&A, offset by a decline in depletion.

Production costs were \$50,842 for the three months ended June 30, 2001 and \$42,099 for the same period in 2000 resulting in an \$8,743, or 21%, increase. The increase was due to additional well maintenance costs incurred to stimulate well production and higher production taxes due to higher oil and gas prices.

During this period, G&A increased 13%, from \$2,138 for the three months ended June 30, 2000 to \$2,409 for the same period in 2001, primarily due to a higher allocation of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues.

Depletion was \$7,874 for the three months ended June 30, 2001 as compared to \$8,685 for the same period in 2000, a decrease of \$811, or 9%. This decrease was the result of a positive revision to proved reserves on significant wells during the period ended June 30, 2001, offset by an increase in oil production of 308 barrels for the three months ended June 30, 2001 as compared to the same period in 2000.

### Liquidity and Capital Resources

#### Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$65,683 during the six months ended June 30, 2001 from the same period ended June 30, 2000. This increase was due to an increase in oil and gas sales receipts of \$52,993 and a reduction in working capital of \$32,503, offset by increases in production costs of \$18,754 and G&A expenses of \$1,059. The increase in oil and gas receipts resulted from the increase in commodity prices during 2001 which contributed an

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

additional \$34,695 to oil and gas receipts and \$18,298 resulting from an increase in production during 2001 as compared to the same period in 2000. The increase in production costs was primarily due to increased production taxes

8

622

associated with higher oil and gas prices and additional well maintenance costs incurred to stimulate well production. The increase in G&A was primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues.

### Net Cash Provided by (Used in) Investing Activities

The Partnership's principal investing activities during the six months ended June 30, 2000 were for expenditures related to equipment upgrades on various oil and gas properties.

Proceeds from disposition of assets of \$2,574 received during the six months ended June 30, 2001 were due to equipment credits received on one fully depleted well.

### Net Cash Used in Financing Activities

For the six months ended June 30, 2001, cash distributions to the partners were \$88,265, of which \$883 was distributed to the managing general partner and \$87,382 to the limited partners. For the same period ended June 30, 2000, cash distributions to the partners were \$98,809, of which \$988 was distributed to the managing general partner and \$97,821 to the limited partners.

For the three months ended June 30, 2001, no distributions were made by the partnership to its partners. Subsequent to June 30, 2001 the cash distribution that otherwise would have been mailed to partners in late June was made to holders of record as of July 9, 2001 and was mailed on July 13, 2001. For further information, see "Proposal to acquire partnerships" below.

### Proposal to acquire partnerships

On June 29, 2001, Pioneer Natural Resources Company ("Pioneer") filed with the Securities and Exchange Commission Amendment No. 1 to the Form S-4 Registration Statement (File No. 333- 59094) (the "preliminary proxy statement/prospectus"), which proposes an agreement and plan of merger among Pioneer, Pioneer Natural Resources USA, Inc. ("Pioneer USA"), a wholly-owned subsidiary of Pioneer, and 46 Parker & Parsley limited partnerships. Each partnership that approves the agreement and plan of merger and the other related merger proposals will merge with and into Pioneer USA upon the closing of the transactions described in the preliminary proxy statement/prospectus, and the partnership interests of each such partnership will be converted into the right to receive Pioneer common stock. The Partnership is one of the 46 Parker & Parsley limited partnerships that will be asked to approve the agreement and plan of merger. The preliminary proxy statement/prospectus is non-binding and is subject to, among other things, consideration of offers from third parties to purchase any partnership or its assets and the majority approval of the limited partnership interests in each partnership.

Pioneer USA will solicit proxies from limited partners to approve the mergers only when the proxy statement/prospectus is final and declared effective. No

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

solicitation will be made using preliminary materials. Nonetheless, copies of the preliminary proxy statement/prospectus may be obtained without charge upon request from Pioneer Natural Resources Company, 5205 North O'Connor Blvd., Suite 1400, Irving, Texas 75039, Attention: Investor Relations.

9

623

The limited partners are urged to read the proxy statement/prospectus of Pioneer filed with the Securities and Exchange Commission, when it is finalized, because it contains important information about the proposed mergers, including information about the direct and indirect interests of Pioneer USA and Pioneer in the mergers. The limited partners may also obtain the preliminary and (when filed) final proxy statement/prospectus and other relevant documents relating to the proposed mergers free through the internet web site that the Securities and Exchange Commission maintains at [www.sec.gov](http://www.sec.gov).

-----

- (1) "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" contains forward looking statements that involve risks and uncertainties. Accordingly, no assurances can be given that the actual events and results will not be materially different than the anticipated results described in the forward looking statements.

10

624

PARKER & PARSLEY SELECTED 85 PRIVATE INVESTMENT, LTD.  
(A Texas Limited Partnership)

FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITORS' REPORT

December 31, 2000 and 1999

625

INDEPENDENT AUDITORS' REPORT

The Partners  
Parker & Parsley Selected 85 Private Investment, Ltd.  
(A Texas Limited Partnership):



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

We have audited the balance sheets of Parker & Parsley Selected 85 Private Investment, Ltd. as of December 31, 2000 and 1999, and the related statements of operations, partners' capital and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parker & Parsley Selected 85 Private Investment, Ltd. as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Dallas, Texas  
March 9, 2001

2

626

PARKER & PARSLEY SELECTED 85 PRIVATE INVESTMENT, LTD.  
(A Texas Limited Partnership)

BALANCE SHEETS  
December 31

	2000	1999
	-----	-----
ASSETS		
Current assets:		
Cash	\$ 32,773	\$ 39,610
Accounts receivable - oil and gas sales	78,218	45,630
	-----	-----
Total current assets	110,991	85,240
	-----	-----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Oil and gas properties - at cost, based on the successful efforts accounting method	3,864,140	3,859,832
Accumulated depletion	(3,441,568)	(3,408,713)
	-----	-----
Net oil and gas properties	422,572	451,119
	-----	-----
	\$ 533,563	\$ 536,359
	=====	=====

LIABILITIES AND PARTNERS' CAPITAL

Current liabilities:		
Accounts payable - affiliate	\$ 6,722	\$ 8,178
Partners' capital:		
Managing general partner	7,892	7,905
Limited partners (117 interests)	518,949	520,276
	-----	-----
	526,841	528,181
	\$ 533,563	\$ 536,359
	=====	=====

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

PARKER & PARSLEY SELECTED 85 PRIVATE INVESTMENT, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF OPERATIONS  
For the years ended December 31

	2000	1999	1998
	-----	-----	-----
Revenues:			
Oil and gas	\$ 441,200	\$ 252,399	\$ 206,099
Interest	3,585	1,728	2,200
	-----	-----	-----
	444,785	254,127	208,299
	-----	-----	-----
Costs and expenses:			

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Oil and gas production	184,074	153,832	153,789
General and administrative	8,824	5,048	4,122
Impairment of oil and gas properties	-	-	92,133
Depletion	31,732	33,899	118,737
	-----	-----	-----
	224,630	192,779	368,781
	-----	-----	-----
Net income (loss)	\$ 220,155	\$ 61,348	\$ (160,482)
	-----	-----	-----
Allocation of net income (loss):			
Managing general partner	\$ 2,202	\$ 613	\$ (1,605)
	=====	=====	=====
Limited partners	\$ 217,953	\$ 60,735	\$ (158,877)
	=====	=====	=====
Net income (loss) per limited partnership interest	\$1,862.85	\$ 519.10	\$ (1,357.92)
	=====	=====	=====

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

PARKER & PARSLEY SELECTED 85 PRIVATE INVESTMENT, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF PARTNERS' CAPITAL

	Managing general partner	Limited partners	Total
	-----	-----	-----
Partners' capital at January 1, 1998	\$ 10,253	\$ 752,707	\$ 762,960
Distributions	(756)	(74,884)	(75,640)
Net loss	(1,605)	(158,877)	(160,482)
	-----	-----	-----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Partners' capital at December 31, 1998	7,892	518,946	526,838
Distributions	(600)	(59,405)	(60,005)
Net income	613	60,735	61,348
	-----	-----	-----
Partners' capital at December 31, 1999	7,905	520,276	528,181
Distributions	(2,215)	(219,280)	(221,495)
Net income	2,202	217,953	220,155
	-----	-----	-----
Partners' capital at December 31, 2000	\$ 7,892	\$ 518,949	\$ 526,841
	=====	=====	=====

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

5

629

PARKER & PARSLEY SELECTED 85 PRIVATE INVESTMENT, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF CASH FLOWS  
For the years ended December 31

	2000	1999	1998
	-----	-----	-----
Cash flows from operating activities:			
Net income (loss)	\$ 220,155	\$ 61,348	\$ (160,482)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Impairment of oil and gas properties	-	-	92,133
Depletion	31,732	33,899	118,737
Changes in assets and liabilities:			
Accounts receivable	(32,588)	(22,369)	20,237
Accounts payable	(1,456)	2,063	(3,647)
	-----	-----	-----
Net cash provided by operating activities	217,843	74,941	66,978
	-----	-----	-----
Cash flows from investing activities:			
Additions to oil and gas properties	(3,185)	(3,269)	(4,417)
Proceeds from asset dispositions	-	-	3,057

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Net cash used in investing activities	(3,185)	(3,269)	(1,360)
Cash flows used in financing activities:			
Cash distributions to partners	(221,495)	(60,005)	(75,640)
Net increase (decrease) in cash	(6,837)	11,667	(10,022)
Cash at beginning of year	39,610	27,943	37,965
Cash at end of year	\$ 32,773	\$ 39,610	\$ 27,943

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

6

630

PARKER & PARSLEY SELECTED 85 PRIVATE INVESTMENT, LTD.  
(A Texas Limited Partnership)

NOTES TO FINANCIAL STATEMENTS  
December 31, 2000, 1999 and 1998

NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS

Parker & Parsley Selected 85 Private Investment, Ltd. (the "Partnership") is a limited partnership organized in 1985 under the laws of the State of Texas. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA").

The Partnership engages oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Oil and gas properties - The Partnership utilizes the successful efforts method of accounting for its oil and gas properties and equipment. Under this method, all costs associated with productive wells and nonproductive development wells are capitalized while nonproductive exploration costs are expensed. Capitalized costs relating to proved properties are depleted using the unit-of-production method on a property-by-property basis based on proved oil (dominant mineral) reserves as evaluated by independent petroleum consultants. The carrying amounts of properties sold or otherwise disposed of and the related allowances for depletion are eliminated from the accounts and any gain or loss is included in results of operations.

Impairment of long-lived assets - In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Partnership reviews its long-lived assets to be held and used on an individual property basis, including oil and gas properties accounted for under the successful efforts method of accounting, whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. An impairment loss is indicated if the sum of the expected future cash flows is less than the carrying amount of the assets. In this circumstance, the Partnership recognizes an impairment loss for the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset.

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

Net income (loss) per limited partnership interest - The net income (loss) per limited partnership interest is calculated by using the number of outstanding limited partnership interests.

Income taxes - A Federal income tax provision has not been included in the financial statements as the income of the Partnership is included in the individual Federal income tax returns of the

7

631

respective partners.

Statements of cash flows - For purposes of reporting cash flows, cash includes depository accounts held by banks.

General and administrative expenses - General and administrative expenses are allocated in part to the Partnership by the managing general partner. Allocated expenses are determined by the managing general partner based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Reclassifications - Certain reclassifications may have been made to the 1999 and 1998 financial statements to conform to the 2000 financial statement presentations.

Environmental - The Partnership is subject to extensive federal, state and local environmental laws and regulations. These laws, which are constantly changing, regulate the discharge of materials into the environment and may require the Partnership to remove or mitigate the environmental effects of the disposal or release of petroleum or chemical substances at various sites. Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Liabilities for expenditures of a noncapital nature are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated. Such liabilities are generally undiscounted unless the timing of cash payments for the liability or component are fixed or reliably determinable. No such liabilities have been accrued as of December 31, 2000.

Revenue recognition - The Partnership uses the entitlements method of accounting for oil, natural gas liquids ("NGLs") and natural gas revenues.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

### NOTE 3. IMPAIRMENT OF LONG-LIVED ASSETS

In accordance with SFAS 121, the Partnership reviews its proved oil and gas properties for impairment whenever events and circumstances indicate a decline in the recoverability of the carrying value of the Partnership's oil and gas properties. The Partnership has estimated the expected future cash flows of its oil and gas properties as of December 31, 2000, 1999 and 1998, based on proved reserves, and compared such estimated future cash flows to the respective carrying amount of the oil and gas properties to determine if the carrying amounts were likely to be recoverable. For those proved oil and gas properties for which the carrying amount exceeded the estimated future cash flows, an impairment was determined to exist; therefore, the Partnership adjusted the carrying amount of those oil and gas properties to their fair value as determined by discounting their expected future cash flows at a discount rate commensurate with the risks involved in the industry. As a result, the Partnership recognized a non-cash impairment provision of \$92,133 related to its proved oil and gas properties during 1998.

8

632

### NOTE 4. INCOME TAXES

The financial statement basis of the Partnership's net assets and liabilities was \$152,466 less than the tax basis at December 31, 2000.

The following is a reconciliation of net income (loss) per statements of operations with the net income per Federal income tax returns for the years ended December 31:

	2000 -----	1999 -----	1998 -----
Net income (loss) per statements of operations	\$ 220,155	\$ 61,348	\$ (160,482)
Depletion and depreciation provisions for tax reporting purposes less than amounts for financial reporting purposes	28,649	30,978	116,164
Impairment of oil and gas properties for financial reporting purposes	-	-	92,133
Salvage income	-	-	2,904
Other, net	(493)	(727)	859
Net income per Federal income tax returns	\$ 248,311 =====	\$ 91,599 =====	\$ 51,578 =====

### NOTE 5. OIL AND GAS PRODUCING ACTIVITIES

The following is a summary of the costs incurred, whether capitalized or expensed, related to the Partnership's oil and gas producing activities for the years ended December 31:

2000	1999	1998
------	------	------

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	-----	-----	-----
Development costs	\$ 3,185	\$ 3,269	\$ 4,417
	=====	=====	=====

Capitalized oil and gas properties consist of the following:

	2000	1999
	-----	-----
Proved properties:		
Property acquisition costs	\$ 141,791	\$ 141,791
Completed wells and equipment	3,722,349	3,718,041
	-----	-----
	3,864,140	3,859,832
Accumulated depletion	(3,441,568)	(3,408,713)
	-----	-----
Net oil and gas properties	\$ 422,572	\$ 451,119
	=====	=====

9

633

NOTE 6. RELATED PARTY TRANSACTIONS

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

	2000	1999	1998
	-----	-----	-----
Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$ 66,669	\$ 78,823	\$ 77,025
Reimbursement of general and administrative expenses	\$ 6,888	\$ 1,886	\$ 2,442

The Partnership participates in oil and gas activities through an income tax partnership (the "Program") pursuant to the Program agreement. Pioneer USA and the Partnership are parties to the Program agreement.

The costs and revenues of the Program are allocated to the Partnership and



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Pioneer USA as follows:

	Pioneer USA (1)	Partnership
<b>Revenues:</b>		
Proceeds from disposition of depreciable properties	9.09091%	90.90909%
All other revenues	24.242425%	75.757575%
<b>Costs and expenses:</b>		
Lease acquisition costs, drilling and completion costs and all other costs	9.09091%	90.90909%
Operating costs, direct costs and general and administrative expenses	24.242425%	75.757575%

(1) Excludes Pioneer USA's 1% general partner ownership which is allocated at the Partnership level.

### NOTE 7. OIL AND GAS INFORMATION (UNAUDITED)

The following table presents information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities during the years then ended. All of the Partnership's reserves are proved developed and located within the United States. The Partnership's reserves are based on an evaluation prepared by Williamson Petroleum Consultants, Inc., an independent petroleum consultant, using criteria established by the Securities and Exchange Commission.

10

634

	Oil and NGLs (bbls)	Gas (mcf)
Net proved reserves at January 1, 1998	186,210	271,087
Revisions	(76,968)	(74,549)
Production	(15,439)	(25,328)
	-----	-----
Net proved reserves at December 31, 1998	93,803	171,210
Revisions	121,880	243,365
Production	(14,598)	(27,627)
	-----	-----
Net proved reserves at December 31, 1999	201,085	386,948

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Revisions	46,612	21,005
Production	(15,698)	(22,987)
	-----	-----
 Net proved reserves at December 31, 2000	 231,999	 384,966
	=====	=====

As of December 31, 2000, the estimated present value of future net revenues of proved reserves, calculated using December 31, 2000 prices of \$26.63 per barrel of oil, \$13.32 per barrel of NGLs and \$7.55 per mcf of gas, discounted at 10% was approximately \$1,829,000 and undiscounted was approximately \$3,687,000.

Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves. The Partnership emphasizes that reserve estimates are inherently imprecise and, accordingly, the estimates are expected to change as future information becomes available.

### Disclosures about Oil & Gas Producing Activities

#### Standardized Measure of Discounted Future Net Cash Flows

The standardized measure of discounted future net cash flows is computed by applying year-end prices of oil and gas (with consideration of price changes only to the extent provided by contractual arrangements) to the estimated future production of proved oil and gas reserves less estimated future expenditures (based on year-end costs) to be incurred in developing and producing the proved reserves, discounted using a rate of 10% per year to reflect the estimated timing of the future cash flows. A Federal income tax provision has not been calculated as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

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

	For the years ended December 31,		
	2000	1999	1998
	(in thousands)		
Oil and gas producing activities:			
Future cash inflows	\$ 7,746	\$ 4,941	\$ 1,023
Future production costs	(4,059)	(2,870)	(797)
	-----	-----	-----
	3,687	2,071	226
10% annual discount factor	(1,858)	(980)	(69)

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	-----	-----	-----
Standardized measure of discounted future net cash flows	\$ 1,829	\$ 1,091	\$ 157
	=====	=====	=====

11

635

	For the years ended December 31,		
	-----	-----	-----
	2000	1999	1998
	-----	-----	-----
	(in thousands)		
Oil and Gas Producing Activities:			
Oil and gas sales, net of production costs	\$ (257)	\$ (98)	\$ (53)
Net changes in prices and production costs	658	492	(426)
Revisions of previous quantity estimates	328	882	(98)
Accretion of discount	109	16	70
Changes in production rates, timing and other	(100)	(358)	(32)
	-----	-----	-----
Change in present value of future net revenues	738	934	(539)
	-----	-----	-----
Balance, beginning of year	1,091	157	696
	-----	-----	-----
Balance, end of year	\$ 1,829	\$ 1,091	\$ 157
	=====	=====	=====

NOTE 8. MAJOR CUSTOMERS

The following table reflects the major customers of the Partnership's oil and gas sales (a major customer is defined as a customer whose sales exceed 10% of total sales) during the years ended December 31:

	-----	-----	-----
	2000	1999	1998
	-----	-----	-----
Plains Marketing, L.P.	57%	49%	-
Koch Midstream Services Company	9%	11%	-
NGTS LLC	9%	10%	-
Western Gas Resources, Inc.	4%	10%	34%
Genesis Crude Oil, L.P.	-	-	52%

At December 31, 2000, the amount receivable from Plains Marketing, L.P. was \$26,039, which is included in the caption "Accounts receivable - oil and gas sales" in the accompanying Balance Sheet.

Pioneer USA is of the opinion that the loss of any one purchaser would not

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

have an adverse effect on the ability of the Partnership to sell its oil, NGLs and gas production.

### NOTE 9. PARTNERSHIP AGREEMENT

The following is a brief summary of the more significant provisions of the limited partnership agreement:

Managing general partner - The managing general partner of the Partnership is Pioneer USA. Pioneer USA has the power and authority to manage, control and administer all Partnership affairs. As managing general partner and operator of the Partnership's properties, all production expenses are incurred by Pioneer USA and billed to the Partnership. The majority of the Partnership's oil and gas revenues are received directly by the Partnership, however, a portion of the oil and gas revenue is initially received by Pioneer USA prior to being paid to the

12

636

Partnership. Under the limited partnership agreement, the managing general partner pays 1% of the Partnership's acquisition, drilling and completion costs and 1% of its operating and general and administrative expenses. In return, it is allocated 1% of the Partnership's revenues.

Limited partner liability - The maximum amount of liability of any limited partner is the total contributions of such partner plus his share of any undistributed profits.

Initial capital contributions - The limited partners entered into subscription agreements for aggregate capital contributions of \$4,690,000. Pioneer USA was required to contribute amounts equal to 1% of initial Partnership capital less commission and organization and offering costs allocated to the limited partners and to contribute amounts necessary to pay costs and expenses allocated to it under the Partnership agreement to the extent its share of revenues does not cover such costs.

13

637

PARKER & PARSLEY SELECTED 85 PRIVATE INVESTMENT, LTD.  
(A TEXAS LIMITED PARTNERSHIP)

THIS REPORT CONTAINS FORWARD LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. ACCORDINGLY, NO ASSURANCES CAN BE GIVEN THAT THE ACTUAL EVENTS AND RESULTS WILL NOT BE MATERIALLY DIFFERENT THAN THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of operations

2000 compared to 1999

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The Partnership's oil and gas revenues increased 75% to \$441,200 for 2000 as compared to \$252,399 in 1999. The increase in revenues resulted from higher average prices received and a slight increase in production. In 2000, 9,509 barrels of oil, 6,189 barrels of natural gas liquids ("NGLs") and 22,987 mcf of gas were sold, or 19,529 barrel of oil equivalents ("BOEs"). In 1999, 7,828 barrels of oil, 6,770 barrels of NGLs and 27,627 mcf of gas were sold, or 19,203 BOEs. Due to the decline characteristics of the Partnership's oil and gas properties, management expects a certain amount of decline in production in the future until the Partnership's economically recoverable reserves are fully depleted.

The average price received per barrel of oil increased \$12.32, or 71%, from \$17.27 in 1999 to \$29.59 in 2000. The average price received per barrel of NGLs increased \$5.03, or 48%, from \$10.49 in 1999 to \$15.52 in 2000. The average price received per mcf of gas increased 66% from \$1.67 in 1999 to \$2.77 in 2000. The market price for oil and gas has been extremely volatile in the past decade, and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received in 2000.

Total costs and expenses increased in 2000 to \$224,630 as compared to \$192,779 in 1999, an increase of \$31,851, or 17%. The increase was primarily due to increases in production costs and general and administrative expenses ("G&A"), offset by a decline in depletion.

Production costs were \$184,074 in 2000 and \$153,832 in 1999, resulting in a \$30,242 increase, or 20%. The increase was primarily due to higher production taxes associated with higher oil and gas prices and workover costs incurred to stimulate well production, offset by a decline in well maintenance costs.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 75% from \$5,048 in 1999 to \$8,824 in 2000, primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 2% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$6,888 in 2000 and \$1,886 in 1999 for G&A incurred on behalf of the Partnership. The remaining G&A was paid directly by the Partnership. The managing general partner determines the allocated expenses based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Depletion was \$31,732 in 2000 as compared to \$33,899 in 1999, representing a decrease of \$2,167, or 6%. This decrease was primarily due to a 28,956 barrels of oil increase in proved reserves during 2000 as a result of higher commodity prices, offset by an increase in oil production of 1,681 barrels for the period ended December 31, 2000 compared to the same period in 1999.

638

1999 compared to 1998

The Partnership's 1999 oil and gas revenues increased 22% to \$252,399 from \$206,099 in 1998. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 1999, 7,828 barrels of oil, 6,770 barrels of NGLs and 27,627 mcf of gas were sold, or 19,203 BOEs. In 1998, 9,075 barrels of oil, 6,364 barrels of NGLs and 25,328 mcf of gas were sold, or 19,660 BOEs.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The average price received per barrel of oil increased \$3.83, or 28%, from \$13.44 in 1998 to \$17.27 in 1999. The average price received per barrel of NGLs increased \$3.50, or 50%, from \$6.99 in 1998 to \$10.49 in 1999. The average price received per mcf of gas increased 7% from \$1.56 in 1998 to \$1.67 in 1999.

Total costs and expenses decreased in 1999 to \$192,779 as compared to \$368,781 in 1998, a decrease of \$176,002, or 48%. The decrease was primarily due to declines in the impairment of oil and gas properties and depletion, offset by increases in G&A and production costs.

Production costs were \$153,832 in 1999 and \$153,789 in 1998, resulting in a \$43 increase. The increase was due to increases in production taxes due to increased oil and gas revenues and additional well maintenance costs incurred to stimulate well production, offset by a decline in ad valorem taxes.

During this period, G&A increased 22% from \$4,122 in 1998 to \$5,048 in 1999 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 2% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$1,886 in 1999 and \$2,442 in 1998 for G&A incurred on behalf of the Partnership.

In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the managing general partner reviews the Partnership's oil and gas properties for impairment whenever events or circumstances indicate a decline in the recoverability of the carrying value of the Partnership's assets may have occurred. As a result of the review and evaluation of its long-lived assets for impairment, the Partnership recognized a non-cash charge of \$92,133 related to its oil and gas properties during 1998.

Depletion was \$33,899 in 1999 compared to \$118,737 in 1998, representing a decrease of \$84,838, or 71%. This decrease was the result of a combination of factors that included an increase in proved reserves of 65,798 barrels of oil during 1999 as a result of higher commodity prices, a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 1998 and a decline in oil production of 1,247 barrels for the period ended December 31, 1999 compared to the same period in 1998.

### Petroleum industry

The petroleum industry has been characterized by volatile oil, NGL and natural gas commodity prices and relatively stable supplier costs during the three years ended December 31, 2000. During 1998, weather patterns, regional economic recessions and political matters combined to cause worldwide oil supplies to exceed demand resulting in a substantial decline in oil prices. Also during 1998, but to a lesser extent, market prices for natural gas declined. During 1999 and 2000, the Organization of Petroleum Exporting Countries ("OPEC") and certain other crude oil exporting nations announced reductions in their planned export volumes. Those announcements, together with the enactment of the announced reductions in export volumes, had a positive impact on world oil prices, as have overall natural gas supply and demand fundamentals on North American natural gas prices. Although the favorable commodity price environment and stable field service cost environment is expected to continue during 2001, there is no assurance that commodity prices will not return to a less favorable level or that field service costs will not escalate in the future, both of which could negatively impact the Partnership's future results of operations and cash distributions.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

### Liquidity and capital resources

#### Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$142,902 during the year ended December 31, 2000 from 1999. This increase was due to an increase in oil and gas sales receipts of \$190,658, offset by increases in production costs paid of \$30,242, G&A expenses paid of \$3,776 and working capital of \$13,738. The increase in oil and gas receipts resulted from the increase in commodity prices during 2000 which contributed an additional \$162,805 to oil and gas receipts and an increase of \$27,853 resulting from the increase in production during 2000. The increase in production costs was primarily due to increased production taxes associated with higher oil and gas prices and workover costs incurred to stimulate well production, offset by a decline in well maintenance costs.. The increase in G&A was primarily due to higher percentage of the managing general partner's G&A being allocated (limited to 2% of oil and gas revenues) as a result of increased oil and gas revenues.

#### Net Cash Used in Investing Activities

The Partnership's principal investing activities during 2000 and 1999 included expenditures related to equipment upgrades on various oil and gas properties.

#### Net Cash Used in Financing Activities

In 2000, cash distributions to the partners were \$221,495, of which \$2,215 was distributed to the managing general partner and \$219,280 to the limited partners. In 1999, cash distributions to the partners were \$60,005, of which \$600 was distributed to the managing general partner and \$59,405 to the limited partners.

640

PARKER & PARSLEY SELECTED 85 PRIVATE INVESTMENT, LTD.

#### SELECTED FINANCIAL DATA

The following selected financial data for the Partnership should be read in connection with Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements included in the attached supplemental information.

Six months ended June 30,		Years ended Dece		
2001	2000	2000	1999	1998
-----	-----	-----	-----	-----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Operating results:					
Oil and gas sales	\$ 249,386	\$ 196,468	\$ 441,200	\$ 252,399	\$ 206,099
	=====	=====	=====	=====	=====
Impairment of oil and gas properties	\$ --	\$ --	\$ --	\$ --	\$ 92,133
	=====	=====	=====	=====	=====
Gain on litigation settlement, net	\$ --	\$ --	\$ --	\$ --	\$ --
	=====	=====	=====	=====	=====
Net income (loss)	\$ 132,687	\$ 94,815	\$ 220,155	\$ 61,348	\$ (160,482)
	=====	=====	=====	=====	=====
Allocation of net income (loss):					
Managing general partner	\$ 1,327	\$ 948	\$ 2,202	\$ 613	\$ (1,605)
	=====	=====	=====	=====	=====
Limited partners	\$ 131,360	\$ 93,867	\$ 217,953	\$ 60,735	\$ (158,877)
	=====	=====	=====	=====	=====
Limited partners' net income (loss) per limited partnership interest	\$ 1,122.74	\$ 802.28	\$ 1,862.85	\$ 519.10	\$ (1,357.92)
	=====	=====	=====	=====	=====
Limited partners' cash distributions per limited partnership interest	\$ 746.85	\$ 836.08	\$ 1,874.19	\$ 507.74	\$ 640.03
	=====	=====	=====	=====	=====
As of period ended:					
Total assets	\$ 583,036	\$ 535,471	\$ 533,563	\$ 536,359	\$ 532,953
	=====	=====	=====	=====	=====

-----

(a) Including litigation settlement per limited partnership interest of \$234.94 in 1996.

641

PIONEER NATURAL RESOURCES COMPANY  
PIONEER NATURAL RESOURCES USA, INC.  
5205 NORTH O'CONNOR BLVD., SUITE 1400  
IRVING, TEXAS 75039

SUPPLEMENTAL INFORMATION

OF

PARKER & PARSLEY 86-A, LTD., A TEXAS LIMITED PARTNERSHIP

TO



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

PROXY STATEMENT/PROSPECTUS DATED \_\_\_\_\_, 2001

-----  
THE DATE OF THIS SUPPLEMENT IS \_\_\_\_\_, 2001  
-----

This document contains important information specific to Parker & Parsley 86-A, Ltd. and supplements the proxy statement/prospectus dated \_\_\_\_\_, 2001, of Pioneer Natural Resources Company and Pioneer Natural Resources USA, Inc., by which Pioneer USA is soliciting proxies to be voted at a special meeting of limited partners of the partnership. The purpose of the special meeting is for you to vote upon the merger of the partnership with and into Pioneer USA that, if completed, will result in your receiving common stock of Pioneer Natural Resources Company for your partnership interests.

This document contains the following information concerning Parker & Parsley 86-A, Ltd.:

- o A table containing:
  - the aggregate initial investment by the limited partners
  - the aggregate historical limited partner distributions through July 31, 2001
  - the merger value attributable to partnership interests of limited partners, excluding Pioneer USA
  - the merger value per \$1,000 limited partner investment
  - the merger value per \$1,000 limited partner investment as a multiple of distributions for the past four quarterly distributions including the distribution in July 2001
  - the book value per \$1,000 limited partner investment as of June 30, 2001 and as of December 31, 2000
  - the going concern value per \$1,000 limited partner investment
  - the liquidation value per \$1,000 limited partner investment
  - the ordinary tax loss per \$1,000 limited partner investment in year of initial investment
- o Information about:
  - the legal opinion for the limited partners
  - the term of the partnership
- o The partnership's quarterly report on Form 10-Q, including management's discussion and analysis of financial condition and results of operations, for the six months ended June 30, 2001
- o The partnership's annual report on Form 10-K, including management's

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

discussion and analysis of financial condition and results of operations, for the year ended December 31, 2000

- o Selected historical financial data for the partnership for the six months ended June 30, 2001 and 2000 and the five years ended December 31, 2000

-1-

642

PARKER & PARSLEY 86-A, LTD.

### SUPPLEMENTAL INFORMATION TABLE

Aggregate Initial Investment by the Limited Partners (a)	\$
Aggregate Historical Limited Partner Distributions through July 31, 2001 (a)	\$
Merger Value Attributable to Partnership Interests of Limited Partners, Excluding Pioneer USA (a), (b)	\$
Merger Value per \$1,000 Limited Partner Investment (b), (c)	\$
Merger Value per \$1,000 Limited Partner Investment as a Multiple of Distributions for the past four quarterly distributions including the distribution in July 2001 (b), (c)	
Book Value per \$1,000 Limited Partner Investment:	
-- as of June 30, 2001 (c)	\$
-- as of December 31, 2000 (c)	\$
Going Concern Value per \$1,000 Limited Partner Investment (c), (d)	\$
Liquidation Value per \$1,000 Limited Partner Investment (c), (e)	\$
Ordinary Tax Loss per \$1,000 Limited Partner Investment in Year of Initial Investment (c), (f)	\$

-----

(a) Stated in thousands.

(b) The merger value for the partnership is equal to the sum of the present value of estimated future net revenues from the partnership's estimated oil and gas reserves and its net working capital, in each case as of March 31, 2001, less its pro rata share, based on its reserve value, of the estimated expenses and fees of the mergers of all of the partnerships and less the cash distribution on July 13, 2001, by the partnership to its partners.

(c) Interests in some partnerships were sold in units at prices other than \$1,000. We have presented this information based on a \$1,000 initial investment for ease of use and comparison among partnerships. You should

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

not assume that the amount shown per \$1,000 investment is the same as the value or amount attributable to a single unit investment.

- (d) The going concern value for the partnership is based upon: (1) the sum of (A) the estimated net cash flow from the sale of the partnership's reserves during a 10-year operating period and (B) the estimated residual value from the sale of the partnership's remaining reserves at the end of the operating period, in each case using the same pricing and discount rate as in the merger value calculation, less (2) (A) partnership level general and administrative expenses, and (B) the cash distribution on July 13, 2001 by the partnership to its partners.
- (e) The liquidation value for the partnership is based upon the sale of the partnership's reserves at the reserve value, less (1) liquidation expenses which are estimated to be the sum of (A) the partnership's pro rata share of the merger expenses and fees described in footnote (b) above and (B) 3% of the partnership's reserve value, and (2) the cash distribution on July 13, 2001 by the partnership to its partners. The liquidation expenses represent estimated costs to retain an investment banker or broker to sell the assets of the partnership and the legal and other closing costs associated with such transaction, including the wind-down costs of the partnership.
- (f) Your ability to use your distributive share of the partnership's loss to offset your other income may have been subject to certain limitations at your level as a partner, and you may therefore wish to consult your tax advisor to determine the additional value, if any, actually realized by you in your particular circumstances.

### INFORMATION ABOUT THE LEGAL OPINION FOR THE LIMITED PARTNERS

The partnership agreement for the partnership requires that special legal counsel render an opinion on behalf of the limited partners to Pioneer USA that (1) neither the grant nor the exercise of the right to approve the merger of the partnership by its limited partners will adversely affect the federal income tax classification of the partnership or any of its limited partners; and (2) neither the grant nor exercise of such right will result in the loss of any limited partner's limited liability. In addition, the counsel designated to render the opinion must be counsel other than counsel to Pioneer USA or the partnership. Both the designated counsel and the legal opinion must be approved by the limited partners. Pioneer USA has retained \_\_\_\_\_ of Dallas, Texas for the purpose of rendering this legal opinion on behalf of the limited partners to Pioneer USA. The merger proposals include an approval of that counsel and the form of its opinion. A copy of the opinion is attached as an exhibit to the merger proposals.

### INFORMATION ABOUT THE TERM OF THE PARTNERSHIP

The term of the partnership is until December 31, 2036, unless the partnership is earlier terminated in accordance with the applicable provisions of its partnership agreement.

-2-

643

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

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

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, 2001

Commission File No. 33-3353A

PARKER & PARSLEY 86-A, LTD.  
(Exact name of Registrant as specified in its charter)

Texas	75-2124884
-----	-----
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
5205 N. O'Connor Blvd., Suite 1400, Irving, Texas	75039
-----	-----
(Address of principal executive offices)	(Zip code)

Registrant's Telephone Number, including area code : (972) 444-9001

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 / x / No / /

644

PARKER & PARSLEY 86-A, LTD.

TABLE OF CONTENTS

Page

Part I. Financial Information

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Item 1.	Financial Statements	
	Balance Sheets as of June 30, 2001 and December 31, 2000.....	3
	Statements of Operations for the three and six months ended June 30, 2001 and 2000.....	4
	Statement of Partners' Capital for the six months ended June 30, 2001.....	5
	Statements of Cash Flows for the six months ended June 30, 2001 and 2000.....	6
	Notes to Financial Statements.....	7
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations.....	7
Part II. Other Information		
Item 6.	Exhibits and Reports on Form 8-K.....	11
	Signatures.....	12

2

645

PARKER & PARSLEY 86-A, LTD.  
(A Texas Limited Partnership)

Part I. Financial Information

Item 1. Financial Statements

BALANCE SHEETS

	June 30, 2001	December 31, 2000
	----- (Unaudited)	-----
ASSETS		
Current assets:		
Cash	\$ 72,545	\$ 46,169
Accounts receivable - oil and gas sales	108,397	150,881
	-----	-----
Total current assets	180,942	197,050
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	7,132,242	7,132,242
Accumulated depletion	(6,734,886)	(6,721,529)

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Net oil and gas properties	----- 397,356 -----	----- 410,713 -----
	\$ 578,298 =====	\$ 607,763 =====

LIABILITIES AND PARTNERS' CAPITAL

Current liabilities:

Accounts payable - affiliate	\$ 20,057	\$ 12,398
------------------------------	-----------	-----------

Partners' capital:

Managing general partner	4,275	4,647
Limited partners (10,131 interests)	553,966	590,718
	----- 558,241 -----	----- 595,365 -----
	\$ 578,298 =====	\$ 607,763 =====

The financial information included as of June 30, 2001 has been prepared by the managing general partner without audit by independent public accountants.

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

PARKER & PARSLEY 86-A, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF OPERATIONS  
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2001	2000	2001	2000
	-----	-----	-----	-----
Revenues:				
Oil and gas	\$ 190,561	\$ 196,767	\$ 410,079	\$ 393,746
Interest	782	1,681	2,598	2,821
Gain on disposition of assets	-	18,734	-	28,971
	----- 191,343 -----	----- 217,182 -----	----- 412,677 -----	----- 425,538 -----
Costs and expenses:				
Oil and gas production	133,669	86,961	234,808	176,913
General and administrative	5,717	5,903	9,966	11,812

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Depletion	6,758	6,831	13,357	13,894
	-----	-----	-----	-----
	146,144	99,695	258,131	202,619
	-----	-----	-----	-----
Net income	\$ 45,199	\$ 117,487	\$ 154,546	\$ 222,919
	=====	=====	=====	=====
Allocation of net income:				
Managing general partner	\$ 452	\$ 1,175	\$ 1,545	\$ 2,229
	=====	=====	=====	=====
Limited partners	\$ 44,747	\$ 116,312	\$ 153,001	\$ 220,690
	=====	=====	=====	=====
Net income per limited partnership interest	\$ 4.41	\$ 11.48	\$ 15.10	\$ 21.78
	=====	=====	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

4

647

PARKER & PARSLEY 86-A, LTD.  
(A Texas Limited Partnership)

STATEMENT OF PARTNERS' CAPITAL  
(Unaudited)

	Managing general partner	Limited partners	Total
	-----	-----	-----
Balance at January 1, 2001	\$ 4,647	\$ 590,718	\$ 595,365
Distributions	(1,917)	(189,753)	(191,670)
Net income	1,545	153,001	154,546
	-----	-----	-----
Balance at June 30, 2001	\$ 4,275	\$ 553,966	\$ 558,241
	=====	=====	=====

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

5

648

PARKER & PARSLEY 86-A, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF CASH FLOWS  
(Unaudited)

	Six months ended June 30,	
	2001	2000
Cash flows from operating activities:		
Net income	\$ 154,546	\$ 222,919
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion	13,357	13,894
Gain on disposition of assets	-	(28,971)
Changes in assets and liabilities:		
Accounts receivable	42,484	(39,907)
Accounts payable	7,659	4,860
Net cash provided by operating activities	218,046	172,795
Cash flows from investing activities:		
Additions to oil and gas properties	-	(5,250)
Proceeds from asset dispositions	-	28,971
Net cash provided by investing activities	-	23,721
Cash flows used in financing activities:		
Cash distributions to partners	(191,670)	(205,060)
Net increase (decrease) in cash	26,376	(8,544)
Cash at beginning of period	46,169	76,838
Cash at end of period	\$ 72,545	\$ 68,294

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

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

6

649

PARKER & PARSLEY 86-A, LTD.  
(A Texas Limited Partnership)

NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Unaudited)

### Note 1. Organization and nature of operations

Parker & Parsley 86-A, Ltd. (the "Partnership") is a limited partnership organized in 1986 under the laws of the State of Texas.

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

### Note 2. Basis of presentation

In the opinion of management, the unaudited financial statements of the Partnership as of June 30, 2001 and for the three and six months ended June 30, 2001 and 2000 include all adjustments and accruals consisting only of normal recurring accrual adjustments which are necessary for a fair presentation of the results for the interim period. These interim results are not necessarily indicative of results for a full year. Certain reclassifications may have been made to the June 30, 2000 financial statements to conform to the June 30, 2001 financial statement presentations.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in this Form 10-Q pursuant to the rules and regulations of the Securities and Exchange Commission. The financial statements should be read in conjunction with the financial statements and the notes thereto contained in the Partnership's Report on Form 10-K for the year ended December 31, 2000, as filed with the Securities and Exchange Commission, a copy of which is available upon request by writing to Rich Dealy, Vice President and Chief Accounting Officer, 5205 North O'Connor Boulevard, Suite 1400, Irving, Texas 75039-3746.

### Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (1)

#### Results of Operations

Six months ended June 30, 2001 compared with six months ended June 30, 2000

#### Revenues:

The Partnership's oil and gas revenues increased 4% to \$410,079 for the six months ended June 30, 2001 as compared to \$393,746 for the same period in 2000. The increase in revenues resulted from higher average prices received, offset by a decrease in production. For the six months ended June 30, 2001, 8,359 barrels of oil, 4,940 barrels of natural gas liquids ("NGLs") and 20,166 mcf of gas were

7

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

650

sold, or 16,660 barrel of oil equivalents ("BOEs"). For the six months ended June 30, 2000, 9,168 barrels of oil, 6,254 barrels of NGLs and 26,019 mcf of gas were sold, or 19,759 BOEs.

The average price received per barrel of oil increased slightly from \$27.71 for the six months ended June 30, 2000 to \$27.73 for the same period in 2001. The average price received per barrel of NGLs increased \$2.56, or 18%, from \$14.19 during the six months ended June 30, 2000 to \$16.75 for the same period in 2001. The average price received per mcf of gas increased 142% from \$1.96 during the six months ended June 30, 2000 to \$4.74 for the same period in 2001. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received during the six months ended June 30, 2001.

A gain on disposition of assets of \$28,971 was recognized during the six months ended June 30, 2000 resulting from equipment credits received on two fully depleted wells.

### Costs and Expenses:

Total costs and expenses increased to \$258,131 for the six months ended June 30, 2001 as compared to \$202,619 for the same period in 2000, an increase of \$55,512, or 27%. This increase was due to an increase in production costs, offset by declines in general and administrative expenses ("G&A") and depletion.

Production costs were \$234,808 for the six months ended June 30, 2001 and \$176,913 for the same period in 2000 resulting in a \$57,895 increase, or 33%. This increase was primarily due to additional well maintenance and workover costs incurred to stimulate well production.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A decreased 16% from \$11,812 for the six months ended June 30, 2000 to \$9,966 for the same period in 2001. The decrease is primarily attributable to a decline in audit and tax fees.

Depletion was \$13,357 for the six months ended June 30, 2001 as compared to \$13,894 for the same period in 2000, a decrease of \$537, or 4%. This decrease was primarily due to a decline in oil production of 809 barrels for the six months ended June 30, 2001 as compared to the same period in 2000.

Three months ended June 30, 2001 compared with three months ended June 30, 2000

### Revenues:

The Partnership's oil and gas revenues decreased 3% to \$190,561 for the three months ended June 30, 2001 as compared to \$196,767 for the same period in 2000. The decrease in revenues resulted from a decrease in production and lower average prices received for oil, offset by higher average prices received for gas and NGLs. For the three months ended June 30, 2001, 4,389 barrels of oil, 2,558 barrels of NGLs and 9,290 mcf of gas were sold, or 8,495 BOEs. For the

651

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

three months ended June 30, 2000, 4,548 barrels of oil, 2,908 barrels of NGLs and 11,558 mcf of gas were sold, or 9,382 BOEs.

The average price received per barrel of oil decreased \$.67, or 2%, from \$27.97 for the three months ended June 30, 2000 to \$27.30 for the same period in 2001. The average price received per barrel of NGLs increased \$.27, or 2%, from \$14.53 during the three months ended June 30, 2000 to \$14.80 for the same period in 2001. The average price received per mcf of gas increased 50% from \$2.36 during the three months ended June 30, 2000 to \$3.54 for the same period in 2001.

Gain on disposition of assets of \$18,734 was recognized during the three months ended June 30, 2000 resulting from equipment credits received on two fully depleted wells.

### Costs and Expenses:

Total costs and expenses increased to \$146,144 for the three months ended June 30, 2001 as compared to \$99,695 for the same period in 2000, an increase of \$46,449, or 47%. This increase was due to an increase in production costs, offset by declines in G&A and depletion.

Production costs were \$133,669 for the three months ended June 30, 2001 and \$86,961 for the same period in 2000 resulting in a \$46,708 increase, or 54%. This increase was primarily due to additional well maintenance and workover costs incurred to stimulate well production.

During this period, G&A decreased 3% from \$5,903 for the three months ended June 30, 2000 to \$5,717 for the same period in 2001. The decrease is primarily attributable to a decline in audit and tax fees.

Depletion was \$6,758 for the three months ended June 30, 2001 as compared to \$6,831 for the same period in 2000, a decrease of \$73, or 1%. This decrease was primarily due to a decline in oil production of 159 barrels for the three months ended June 30, 2001 as compared to the same period in 2000.

### Liquidity and Capital Resources

#### Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$45,251 during the six months ended June 30, 2001 from the same period ended June 30, 2000. This increase was due to an increase of \$16,110 in oil and gas sales receipts and reductions of \$85,190 in working capital and \$1,846 in G&A expenses, offset by an increase of \$57,895 in production costs. The increase in oil and gas receipts resulted from the increase in commodity prices during 2001 which contributed an additional \$88,287 to oil and gas receipts, offset by \$72,177 resulting from the decline in production during 2001 as compared to the same period in 2000. The increase in production costs was primarily due to additional well maintenance and workover costs incurred to stimulate well production. The decrease in G&A was primarily due to a decline in audit and tax fees.

#### Net Cash Provided by Investing Activities

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The Partnership's principal investing activities for the six months ended June 30, 2000 included expenditures related to equipment upgrades on active properties.

Proceeds from asset dispositions of \$28,971 received during the six months ended June 30, 2000 were due to equipment credits received on two fully depleted wells.

### Net Cash Used in Financing Activities

For the six months ended June 30, 2001, cash distributions to the partners were \$191,670, of which \$1,917 was distributed to the managing general partner and \$189,753 to the limited partners. For the same period ended June 30, 2000, cash distributions to the partners were \$205,060, of which \$2,051 was distributed to the managing general partner and \$203,009 to the limited partners.

For the three months ended June 30, 2001, no distributions were made by the partnership to its partners. Subsequent to June 30, 2001 the cash distribution that otherwise would have been mailed to partners in late June was made to holders of record as of July 9, 2001 and was mailed on July 13, 2001. For further information, see "Proposal to acquire partnerships" below.

### Proposal to acquire partnerships

On June 29, 2001, Pioneer Natural Resources Company ("Pioneer") filed with the Securities and Exchange Commission Amendment No. 1 to the Form S-4 Registration Statement (File No. 333-59094) (the "preliminary proxy statement/prospectus"), which proposes an agreement and plan of merger among Pioneer, Pioneer Natural Resources USA, Inc. ("Pioneer USA"), a wholly-owned subsidiary of Pioneer, and 46 Parker & Parsley limited partnerships. Each partnership that approves the agreement and plan of merger and the other related merger proposals will merge with and into Pioneer USA upon the closing of the transactions described in the preliminary proxy statement/prospectus, and the partnership interests of each such partnership will be converted into the right to receive Pioneer common stock. The Partnership is one of the 46 Parker & Parsley limited partnerships that will be asked to approve the agreement and plan of merger. The preliminary proxy statement/prospectus is non-binding and is subject to, among other things, consideration of offers from third parties to purchase any partnership or its assets and the majority approval of the limited partnership interests in each partnership.

Pioneer USA will solicit proxies from limited partners to approve the mergers only when the proxy statement/prospectus is final and declared effective. No solicitation will be made using preliminary materials. Nonetheless, copies of the preliminary proxy statement/prospectus may be obtained without charge upon request from Pioneer Natural Resources Company, 5205 North O'Connor Blvd., Suite 1400, Irving, Texas 75039, Attention: Investor Relations.

The limited partners are urged to read the proxy statement/prospectus of Pioneer filed with the Securities and Exchange Commission, when it is finalized, because it contains important information about the proposed mergers, including information about the direct and indirect interests of Pioneer USA and Pioneer in the mergers. The limited partners may also obtain the preliminary and (when filed) final proxy statement/prospectus and other relevant documents relating to

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

the proposed mergers free through the internet web site that the Securities and Exchange Commission maintains at www.sec.gov.

-----

- (1) "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" contains forward looking statements that involve risks and uncertainties. Accordingly, no assurances can be given that the actual events and results will not be materially different than the anticipated results described in the forward looking statements.

Part II. Other Information

Item 6. Exhibits and Reports on Form 8-K

- (a) Exhibits - none  
(b) Reports on Form 8-K - none

11

654

PARKER & PARSLEY 86-A, LTD.  
(A Texas Limited Partnership)

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 thereunto duly authorized.

PARKER & PARSLEY 86-A, LTD.

By: Pioneer Natural Resources USA, Inc.  
Managing General Partner

Dated: August 6, 2001

By: /s/ Rich Dealy

-----  
Rich Dealy, Vice President and  
Chief Accounting Officer

12

655

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

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d)  
of the Securities Exchange Act of 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000

COMMISSION FILE NO. 33-3353-A

PARKER & PARSLEY 86-A, LTD.  
(Exact name of Registrant as specified in its charter)

TEXAS

-----  
(State or other jurisdiction of  
incorporation or organization)

1400 WILLIAMS SQUARE WEST, 5205 N. O'CONNOR BLVD., IRVING, TEXAS

-----  
(Address of principal executive offices)

Registrant's Telephone Number, including area code : (972) 444-9001

Securities registered pursuant to Section 12(b) of the Act: NONE  
Securities registered pursuant to Section 12(g) of the Act:  
LIMITED PARTNERSHIP INTERESTS (\$1,000 PER UNIT)  
-----

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

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

No market currently exists for the limited partnership interests of the Registrant. Based on the original purchase price, the aggregate market value of limited partnership interests owned by non-affiliates of the Registrant is \$10,096,000.

As of March 8, 2001, the number of outstanding limited  
partnership interests was 10,131.

The following documents are incorporated by reference into the indicated parts of this Annual Report on Form 10-K: None  
PARTS I AND II OF THIS ANNUAL REPORT ON FORM 10-K (THE "REPORT") CONTAIN FORWARD LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. ACCORDINGLY, NO ASSURANCES CAN BE GIVEN THAT THE ACTUAL EVENTS AND RESULTS WILL NOT BE

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

MATERIALLY DIFFERENT THAN THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS. SEE "ITEM 1. BUSINESS" FOR A DESCRIPTION OF VARIOUS FACTORS THAT COULD MATERIALLY AFFECT THE ABILITY OF THE PARTNERSHIP TO ACHIEVE THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS.

656

### PART I

#### ITEM 1. BUSINESS

Parker & Parsley 86-A, Ltd. (the "Partnership") is a limited partnership organized in 1986 under the laws of the State of Texas. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA"). Pioneer USA is a wholly-owned subsidiary of Pioneer Natural Resources Company ("Pioneer"). As of March 8, 2001, the Partnership had 10,131 limited partnership interests outstanding.

The Partnership does not have any employees of its own. Pioneer USA employs 701 persons, many of whom dedicated a part of their time to the conduct of the Partnership's business during the period for which this Report is filed. Pioneer USA supplies all management functions.

The Partnership engages in oil and gas development and production and is not involved in any industry segment other than oil and gas. The Partnership's production is geographically concentrated in West Texas.

The principal markets during 2000 for the oil produced by the Partnership were refineries and oil transmission companies that have facilities near the Partnership's oil producing properties. During 2000, Pioneer USA marketed the Partnership's gas to a variety of purchasers. Of the Partnership's total oil and gas revenues for 2000 approximately 51% was attributable to sales made to Plains Marketing, L.P. Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on its ability to sell its oil, natural gas liquids ("NGLs") and gas production.

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

Oil and gas production operations are subject to various types of regulations by local, state and federal agencies. The Partnership's operations are also subject to state conservation laws and regulations, including the establishment of maximum rates of production from wells and the regulation of spacing, plugging and abandonment of wells. Each state generally imposes a production or severance tax with respect to production and sale of oil and gas within their respective jurisdictions. Noncompliance with the laws and regulations may subject the Partnership to penalties, damages or other liabilities and compliance may increase the cost of the Partnership's operations.

The oil and gas business is also subject to environmental hazards such as oil spills, gas leaks and ruptures and discharges of toxic substances or gases that could expose the Partnership to substantial

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

liability due to pollution and other environmental damages. Although the Partnership believes that its business operations do not impair environmental quality and that its costs of complying with any applicable environmental regulations are not currently significant, the Partnership cannot predict what, if any, effect these environmental regulations may have on its current or future operations.

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

No material part of the Partnership's business is seasonal and the Partnership conducts no foreign operations.

### ITEM 2. PROPERTIES

The Partnership's properties consist of leasehold interests in properties on which oil and gas wells are located. Such property interests are often subject to landowner royalties, overriding royalties and other oil and gas leasehold interests.

Fractional working interests in developmental oil and gas prospects located primarily in the Spraberry Trend area of West Texas were acquired by the Partnership, resulting in the Partnership's participation in the drilling of 32 oil and gas wells. Five wells were sold and one well was abandoned. At December 31, 2000, 26 wells were producing.

For information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities for the years then ended, see Note 7 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" below. Such reserves have been evaluated by Williamson Petroleum Consultants, Inc., an independent petroleum consultant.

### ITEM 3. LEGAL PROCEEDINGS

The Partnership from time to time is a party to various legal proceedings incidental to its business involving claims in oil and gas leases or interests, other claims for damages in amounts not in excess of 10% of its current assets and other matters, none of which Pioneer USA believes to be material to the Partnership.

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

There were no matters submitted to a vote of the partners during the fourth quarter of 2000.

## PART II

### ITEM 5. MARKET FOR LIMITED PARTNERSHIP INTERESTS AND LIMITED PARTNERSHIP DISTRIBUTIONS

At March 8, 2001, the Partnership had 10,131 outstanding limited partnership interests held of record by 962 subscribers. There is no established public trading market for the limited partnership interests. Under the limited partnership agreement, Pioneer USA has made certain commitments to purchase



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

partnership interests at a computed value.

Revenues which, in the sole judgement of the managing general partner, are not required to meet the Partnership's obligations are distributed to the partners at least quarterly in accordance with the limited partnership agreement. During the years ended December 31, 2000 and 1999, distributions of \$462,584 and \$154,204, respectively, were made to the limited partners.

### ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth selected financial data for the years ended December 31:

	2000	1999	1998	1997
Operating results:				
Oil and gas sales	\$ 881,177	\$ 555,781	\$ 415,842	\$ 605,964
Gain on litigation settlement, net	\$ -	\$ -	\$ -	\$ -
Impairment of oil and gas properties	\$ 12,800	\$ 28,052	\$ 23,593	\$ 496,887
Net income (loss)	\$ 487,574	\$ 96,423	\$ (248,515)	\$ (467,727)
Allocation of net income (loss):				
Managing general partner	\$ 4,876	\$ 964	\$ (2,485)	\$ (4,677)
Limited partners	\$ 482,698	\$ 95,459	\$ (246,030)	\$ (463,050)
Limited partners' net income (loss) per limited partnership interest	\$ 47.65	\$ 9.42	\$ (24.28)	\$ (45.71)
Limited partners' cash distributions per limited partnership interest	\$ 45.66	\$ 15.22	\$ 9.42	\$ 27.44
At year end:				
Identifiable assets	\$ 607,763	\$ 594,270	\$ 646,224	\$ 1,000,424

(a) Including litigation settlement per limited partnership interest of \$28.41 in 1996.

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

## Results of operations

## 2000 compared to 1999

The Partnership's oil and gas revenues increased 59% to \$881,177 for 2000 as compared to \$555,781 in 1999. The increase in revenues resulted from higher average prices received, offset by a decrease in production. In 2000, 18,760 barrels of oil, 13,025 barrels of natural gas liquids ("NGLs") and 56,549 mcf of gas were sold, or 41,210 barrel of oil equivalents ("BOEs"). In 1999, 18,743 barrels of oil, 14,483 barrels of NGLs and 62,354 mcf of gas were sold, or 43,618 BOEs. Due to the decline characteristics of the Partnership's oil and gas properties, management expects a certain amount of decline in production in the future until the Partnership's economically recoverable reserves are fully depleted.

The average price received per barrel of oil increased \$11.87, or 70%, from \$17.00 in 1999 to \$28.87 in 2000. The average price received per barrel of NGLs increased \$5.31, or 55%, from \$9.63 in 1999 to \$14.94 in 2000. The average price received per mcf of gas increased 63% from \$1.57 in 1999 to \$2.56 in 2000. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received in 2000.

Gain on disposition of assets of \$31,944 was recognized during 2000 resulting from equipment credits on two fully depleted wells.

Total costs and expenses decreased in 2000 to \$432,464 as compared to \$463,135 in 1999, a decrease of \$30,671, or 7%. The decrease was due to declines in depletion and the impairment of oil and gas properties, offset by increases in production costs and general and administrative expense ("G&A").

Production costs were \$364,985 in 2000 and \$341,430 in 1999, resulting in an increase of \$23,555, or 7%. The increase was primarily due to higher production taxes associated with higher oil and gas prices, offset by a slight decline in well maintenance costs.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 73% from \$16,673 in 1999 to \$28,772 in 2000 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$24,184 in 2000 and \$9,436 in 1999 for G&A incurred on behalf of the Partnership. The remaining G&A was paid directly by the Partnership. The managing general partner determines the allocated expenses based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the managing general partner reviews the Partnership's oil and gas properties for impairment whenever events or

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

circumstances indicate a decline in the recoverability of the carrying value of

5

660

the Partnership's assets may have occurred. As a result of the review and evaluation of its long-lived assets for impairment, the Partnership recognized non-cash charges of \$12,800 and \$28,052 related to its oil and gas properties during 2000 and 1999, respectively.

Depletion was \$25,907 in 2000 as compared to \$76,980 in 1999, representing a decrease of \$51,073, or 66%. This decrease was primarily due to a 40,953 barrels of oil increase in proved reserves during 2000 as a result of higher commodity prices and a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 1999.

1999 compared to 1998

The Partnership's 1999 oil and gas revenues increased 34% to \$555,781 from \$415,842 in 1998. The increase in revenues resulted from higher average prices received and an increase in production from 1998 to 1999. In 1999, 18,743 barrels of oil, 14,483 barrels of NGLs and 62,354 mcf of gas were sold, or 43,618 BOEs. In 1998, 20,308 barrels of oil, 11,164 barrels of NGLs and 49,805 mcf of gas were sold, or 39,773 BOEs.

The average price received per barrel of oil increased \$3.68, or 28%, from \$13.32 in 1998 to \$17.00 in 1999. The average price received per barrel of NGLs increased \$3.10, or 47%, from \$6.53 in 1998 to \$9.63 in 1999. The average price received per mcf of gas increased 8% from \$1.46 in 1998 to \$1.57 in 1999.

Total costs and expenses decreased in 1999 to \$463,135 as compared to \$669,121 in 1998, a decrease of \$205,986, or 31%. The decrease was due to declines in depletion and production costs, offset by increases in the impairment of oil and gas properties and G&A.

Production costs were \$341,430 in 1999 and \$372,460 in 1998, resulting in a \$31,030 decrease, or 8%. The decrease was due to declines in workover costs, well maintenance costs and ad valorem taxes, offset by an increase in production taxes due to an increase in oil and gas revenues.

During this period, G&A increased 34% from \$12,476 in 1998 to \$16,673 in 1999 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$9,436 in 1999 and \$9,062 in 1998 for G&A incurred on behalf of the Partnership.

The Partnership recognized non-cash SFAS 121 charges of \$28,052 and \$23,593 related to its oil and gas properties during 1999 and 1998, respectively.

Depletion was \$76,980 in 1999 compared to \$260,592 in 1998. This represented a decrease of \$183,612, or 70%. This decrease was the result of an increase in proved reserves of 148,893 barrels of oil during 1999 due to higher commodity prices and a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 1998.

6

661

Petroleum industry

The petroleum industry has been characterized by volatile oil, NGL and natural gas commodity prices and relatively stable supplier costs during the three years

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

ended December 31, 2000. During 1998, weather patterns, regional economic recessions and political matters combined to cause worldwide oil supplies to exceed demand resulting in a substantial decline in oil prices. Also during 1998, but to a lesser extent, market prices for natural gas declined. During 1999 and 2000, the Organization of Petroleum Exporting Countries ("OPEC") and certain other crude oil exporting nations announced reductions in their planned export volumes. Those announcements, together with the enactment of the announced reductions in export volumes, had a positive impact on world oil prices, as have overall natural gas supply and demand fundamentals on North American natural gas prices. Although the favorable commodity price environment and stable field service cost environment is expected to continue during 2001, there is no assurance that commodity prices will not return to a less favorable level or that field service costs will not escalate in the future, both of which could negatively impact the Partnership's future results of operations and cash distributions.

### Liquidity and capital resources

#### Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$229,299 during the year ended December 31, 2000 from 1999. This increase was due to an increase in oil and gas sales receipts of \$328,536, offset by increases in production costs paid of \$23,555, G&A expenses paid of \$12,099 and working capital of \$63,583. The increase in oil and gas receipts resulted from the increase in commodity prices during 2000 which contributed an additional \$364,711 to oil and gas receipts, offset by a decrease of \$36,175 resulting from a decrease in production during 2000. The increase in production costs was primarily due to increased production taxes associated with higher oil and gas prices, offset by a slight decline in well maintenance costs. The increase in G&A was primarily due to higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues.

#### Net Cash Provided by (Used in) Investing Activities

The Partnership's principal investing activities during 2000 and 1999 were for expenditures related to oil and gas equipment upgrades on active properties.

Proceeds from asset dispositions of \$31,944 received during 2000 were due to equipment credits received on two fully depleted wells. Proceeds of \$120 were recognized in 1999 primarily from equipment credits received on active properties.

#### Net Cash Used in Financing Activities

In 2000, cash distributions to the partners were \$467,257, of which \$4,673 was distributed to the managing general partner and \$462,584 to the limited partners. In 1999, cash distributions to the partners were \$155,762, of which \$1,558 was distributed to the managing general partner and \$154,204 to the limited partners.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Financial Statements of Parker & Parsley 86-A, Ltd:

Independent Auditors' Report.....

Balance Sheets as of December 31, 2000 and 1999.....

Statements of Operations for the Years Ended December 31,  
2000, 1999 and 1998.....

Statements of Partners' Capital for the Years Ended  
December 31, 2000, 1999 and 1998.....

Statements of Cash Flows for the Years Ended December 31,  
2000, 1999 and 1998.....

Notes to Financial Statements.....

INDEPENDENT AUDITORS' REPORT

The Partners  
Parker & Parsley 86-A, Ltd.  
(A Texas Limited Partnership):

We have audited the balance sheets of Parker & Parsley 86-A, Ltd. as of December 31, 2000 and 1999, and the related statements of operations, partners' capital and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parker & Parsley 86-A, Ltd. as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Dallas, Texas  
March 9, 2001

PARKER & PARSLEY 86-A, LTD.  
(A Texas Limited Partnership)

BALANCE SHEETS  
December 31

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	2000
ASSETS -----	
Current assets:	
Cash	\$ 46,169
Accounts receivable - oil and gas sales	150,881
	-----
Total current assets	197,050
	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	7,132,242
Accumulated depletion	(6,721,529)
	-----
Net oil and gas properties	410,713
	-----
	\$ 607,763
	=====
LIABILITIES AND PARTNERS' CAPITAL -----	
Current liabilities:	
Accounts payable - affiliate	\$ 12,398
Partners' capital:	
Managing general partner	4,647
Limited partners (10,131 interests)	590,718
	-----
	595,365
	-----
	\$ 607,763
	=====

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

10

665

PARKER & PARSLEY 86-A, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF OPERATIONS  
For the years ended December 31

2000	1999
------	------

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Revenues:		
Oil and gas	\$ 881,177	\$ 555,781
Interest	6,917	3,777
Gain on disposition of assets	31,944	-
	-----	-----
	920,038	559,558
	-----	-----
Costs and expenses:		
Oil and gas production	364,985	341,430
General and administrative	28,772	16,673
Depletion	25,907	76,980
Impairment of oil and gas properties	12,800	28,052
	-----	-----
	432,464	463,135
	-----	-----
Net income (loss)	\$ 487,574	\$ 96,423
	=====	=====
Allocation of net income (loss):		
Managing general partner	\$ 4,876	\$ 964
	=====	=====
Limited partners	\$ 482,698	\$ 95,459
	=====	=====
Net income (loss) per limited partnership interest	\$ 47.65	\$ 9.42
	=====	=====

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

11

666

PARKER & PARSLEY 86-A, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF PARTNERS' CAPITAL

	Managing general partner	Limited partners
	-----	-----
Partners' capital at January 1, 1998	\$ 8,487	\$ 970,792
Distributions	(964)	(95,413)
Net loss	(2,485)	(246,030)
	-----	-----
Partners' capital at December 31, 1998	5,038	629,349
Distributions	(1,558)	(154,204)

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Net income	964	95,459
	-----	-----
Partners' capital at December 31, 1999	4,444	570,604
Distributions	(4,673)	(462,584)
Net income	4,876	482,698
	-----	-----
Partners' capital at December 31, 2000	\$ 4,647	\$ 590,718
	=====	=====

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

12

667

PARKER & PARSLEY 86-A, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF CASH FLOWS  
For the years ended December 31

	2000	1999
	-----	-----
Cash flows from operating activities:		
Net income (loss)	\$ 487,574	\$ 96,423
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Impairment of oil and gas properties	12,800	28,052
Depletion	25,907	76,980
Gain on disposition of assets	(31,944)	-
Changes in assets and liabilities:		
Accounts receivable	(76,338)	(26,964)
Accounts payable	(6,824)	7,385
	-----	-----
Net cash provided by operating activities	411,175	181,876
	-----	-----
Cash flows from investing activities:		
Additions to oil and gas properties	(6,531)	(7,619)
Proceeds from asset dispositions	31,944	120
	-----	-----
Net cash provided by (used in) investing activities	25,413	(7,499)
	-----	-----
Cash flows used in financing activities:		
Cash distributions to partners	(467,257)	(155,762)
	-----	-----
Net increase (decrease) in cash	(30,669)	18,615
Cash at beginning of year	76,838	58,223
	-----	-----



# Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Cash at end of year	\$ 46,169	\$ 76,838
	=====	=====

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

13

668

PARKER & PARSLEY 86-A, LTD.  
(A Texas Limited Partnership)

NOTES TO FINANCIAL STATEMENTS  
December 31, 2000, 1999 and 1998

## NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS

Parker & Parsley 86-A, Ltd. (the "Partnership") is a limited partnership organized in 1986 under the laws of the State of Texas. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA").

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

## NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Oil and gas properties - The Partnership utilizes the successful efforts method of accounting for its oil and gas properties and equipment. Under this method, all costs associated with productive wells and nonproductive development wells are capitalized while nonproductive exploration costs are expensed. Capitalized costs relating to proved properties are depleted using the unit-of-production method on a property-by-property basis based on proved oil (dominant mineral) reserves as evaluated by independent petroleum consultants. The carrying amounts of properties sold or otherwise disposed of and the related allowances for depletion are eliminated from the accounts and any gain or loss is included in results of operations.

Impairment of long-lived assets - In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the Partnership reviews its long-lived assets to be held and used on an individual property basis, including oil and gas properties accounted for under the successful efforts method of accounting, whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. An impairment loss is indicated if the sum of the expected future cash flows is less than the carrying amount of the assets. In this circumstance, the Partnership recognizes an impairment loss for the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset.

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

Net income (loss) per limited partnership interest - The net income (loss) per limited partnership interest is calculated by using the number of

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

outstanding limited partnership interests.

Income taxes - A Federal income tax provision has not been included in the financial statements as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

14

669

Statements of cash flows - For purposes of reporting cash flows, cash includes depository accounts held by banks.

General and administrative expenses - General and administrative expenses are allocated in part to the Partnership by the managing general partner. Allocated expenses are determined by the managing general partner based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Reclassifications - Certain reclassifications may have been made to the 1999 and 1998 financial statements to conform to the 2000 financial statement presentations.

Environmental - The Partnership is subject to extensive federal, state and local environmental laws and regulations. These laws, which are constantly changing, regulate the discharge of materials into the environment and may require the Partnership to remove or mitigate the environmental effects of the disposal or release of petroleum or chemical substances at various sites. Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Liabilities for expenditures of a noncapital nature are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated. Such liabilities are generally undiscounted unless the timing of cash payments for the liability or component are fixed or reliably determinable. No such liabilities have been accrued as of December 31, 2000.

Revenue recognition - The Partnership uses the entitlements method of accounting for oil, natural gas liquids ("NGLs") and natural gas revenues.

### NOTE 3. IMPAIRMENT OF LONG-LIVED ASSETS

In accordance with SFAS 121, the Partnership reviews its proved oil and gas properties for impairment whenever events and circumstances indicate a decline in the recoverability of the carrying value of the Partnership's oil and gas properties. The Partnership has estimated the expected future cash flows of its oil and gas properties as of December 31, 2000, 1999 and 1998, based on proved reserves, and compared such estimated future cash flows to the respective carrying amount of the oil and gas properties to determine if the carrying amounts were likely to be recoverable. For those proved oil and gas properties for which the carrying amount exceeded the estimated future cash flows, an impairment was determined to exist; therefore, the Partnership adjusted the carrying amount of those oil and gas properties to their fair value as determined by discounting their expected future cash flows at a discount rate commensurate with the risks involved in the industry. As a result, the Partnership recognized non-cash impairment provisions of \$12,800, \$28,052 and \$23,593 related to its proved oil and gas properties during 2000, 1999 and 1998, respectively.

### NOTE 4. INCOME TAXES

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The financial statement basis of the Partnership's net assets and liabilities was \$695,197 less

15

670

than the tax basis at December 31, 2000.

The following is a reconciliation of net income (loss) per statements of operations with the net income per Federal income tax returns for the years ended December 31:

	2000	1999
Net income (loss) per statements of operations	\$ 487,574	\$ 96,423
Depletion and depreciation provisions for tax reporting purposes less than amounts for financial reporting purposes	16,131	66,147
Impairment of oil and gas properties for financial reporting purposes	12,800	28,052
Timing difference	67,848	-
Other, net	(1,032)	(1,773)
	-----	-----
Net income per Federal income tax returns	\$ 583,321	\$ 188,849
	=====	=====

### NOTE 5. OIL AND GAS PRODUCING ACTIVITIES

The following is a summary of the costs incurred, whether capitalized or expensed, related to the Partnership's oil and gas producing activities for the years ended December 31:

	2000	1999
Development costs	\$ 6,531	\$ 7,619
	=====	=====

Capitalized oil and gas properties consist of the following:

	2000
Proved properties:	
Property acquisition costs	\$ 264,211
Completed wells and equipment	6,868,031
	-----
	7,132,242
Accumulated depletion	(6,721,529)
	=====

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Net oil and gas properties \$ 410,713  
=====

16

671

NOTE 6. RELATED PARTY TRANSACTIONS

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

	2000	1999
Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$ 167,350	\$ 167,820
Reimbursement of general and administrative expenses	\$ 24,184	\$ 9,436

The Partnership participates in oil and gas activities through an income tax partnership (the "Program") pursuant to the Program agreement. In addition, Pioneer USA and the Partnership are parties to the Program agreement.

The costs and revenues of the Program are allocated to Pioneer USA and the Partnership as follows:

	Pioneer USA (1)
<b>Revenues:</b>	
Proceeds from disposition of depreciable properties	9.09091%
All other revenues	24.242425%
<b>Costs and expenses:</b>	
Lease acquisition costs, drilling and completion costs and all other costs	9.09091%
Operating costs, direct costs and general and administrative expenses	24.242425%

- (1) Excludes Pioneer USA's 1% general partner ownership which is allocated at the Partnership level and 35 limited partner interests owned by Pioneer USA.

NOTE 7. OIL AND GAS INFORMATION (UNAUDITED)

The following table presents information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities during the years then ended. All of the Partnership's reserves are proved developed and located within the United States. The Partnership's reserves are based on an evaluation prepared by Williamson

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Petroleum Consultants, Inc., an independent petroleum consultant, using criteria established by the Securities and Exchange Commission.

17

672

	Oil and NGLs (bbls)
Net proved reserves at January 1, 1998	315,662
Revisions	(123,571)
Production	(31,472)
Net proved reserves at December 31, 1998	160,619
Revisions	273,095
Production	(33,226)
Net proved reserves at December 31, 1999	400,488
Revisions	83,992
Production	(31,785)
Net proved reserves at December 31, 2000	452,695

As of December 31, 2000, the estimated present value of future net revenues of proved reserves, calculated using December 31, 2000 prices of \$26.64 per barrel of oil, \$12.60 per barrel of NGLs and \$7.15 per mcf of gas, discounted at 10% was approximately \$3,610,000 and undiscounted was \$7,252,000.

Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves. The Partnership emphasizes that reserve estimates are inherently imprecise and, accordingly, the estimates are expected to change as future information becomes available.

### Disclosures about Oil & Gas Producing Activities

#### Standardized Measure of Discounted Future Net Cash Flows

The standardized measure of discounted future net cash flows is computed by applying year-end prices of oil and gas (with consideration of price changes only to the extent provided by contractual arrangements) to the estimated future production of proved oil and gas reserves less estimated future expenditures (based on year-end costs) to be incurred in developing and producing the proved reserves, discounted using a rate of 10% per year to reflect the estimated timing of the future cash flows. A Federal income tax provision has not been calculated as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

Discounted future cash flow estimates like those shown below are not intended to represent estimates of the fair value of oil and gas properties. Estimates of fair value should also consider anticipated future oil and gas

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

prices, interest rates, changes in development and production costs and risks associated with future production. Because of these and other considerations, any estimate of fair value is necessarily subjective and imprecise.

18

673

	For the years ended Dec	
	2000	1999
	(in thousands)	
Oil and gas producing activities:		
Future cash inflows	\$ 15,459	\$ 9,741
Future production costs	(8,207)	(5,896)
	7,252	3,845
10% annual discount factor	(3,642)	(1,727)
	Standardized measure of discounted future net cash flows	\$ 2,118
	\$ 3,610	\$ 2,118
	=====	=====

	For the years ended Dec	
	2000	1999
	(in thousands)	
Oil and Gas Producing Activities:		
Oil and gas sales, net of production costs	\$ (516)	\$ (214)
Net changes in prices and production costs	1,408	829
Revisions of previous quantity estimates	753	1,942
Accretion of discount	212	24
Changes in production rates, timing and other	(365)	(704)
	Change in present value of future net revenues	1,877
	1,492	1,877
	Balance, beginning of year	241
	2,118	241
	Balance, end of year	\$ 2,118
	\$ 3,610	\$ 2,118
	=====	=====

NOTE 8. MAJOR CUSTOMERS

The following table reflects the major customers of the Partnership's oil and gas sales (a major customer is defined as a customer whose sales exceed 10% of total sales) during the years ended December 31:

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	2000 -----	1999 -----
Plains Marketing, L.P.	51%	48%
Genesis Crude Oil, L.P.	-	-
Western Gas Resources, Inc.	7%	9%

At December 31, 2000, the amount receivable from Plains Marketing, L.P. was \$31,479, which is included in the caption "Accounts receivable - oil and gas sales" in the accompanying Balance Sheet.

Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on the ability of the Partnership to sell its oil, NGLs and gas production.

19

674

### NOTE 9. PARTNERSHIP AGREEMENT

The following is a brief summary of the more significant provisions of the limited partnership agreement:

Managing general partner - The managing general partner of the Partnership is Pioneer USA. Pioneer USA has the power and authority to manage, control and administer all Partnership affairs. As managing general partner and operator of the Partnership's properties, all production expenses are incurred by Pioneer USA and billed to the Partnership. The majority of the Partnership's oil and gas revenues are received directly by the Partnership, however, a portion of the oil and gas revenue is initially received by Pioneer USA prior to being paid to the Partnership. Under the limited partnership agreement, the managing general partner pays 1% of the Partnership's acquisition, drilling and completion costs and 1% of its operating and general and administrative expenses. In return, it is allocated 1% of the Partnership's revenues.

Limited partner liability - The maximum amount of liability of any limited partner is the total contributions of such partner plus his share of any undistributed profits.

Initial capital contributions - The limited partners entered into subscription agreements for aggregate capital contributions of \$10,131,000. Pioneer USA is required to contribute amounts equal to 1% of initial Partnership capital less commission and offering expenses allocated to the limited partners and to contribute amounts necessary to pay costs and expenses allocated to it under the Partnership agreement to the extent its share of revenues does not cover such costs.

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

None.

20

675

## PART III

### ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE PARTNERSHIP

The Partnership does not have any officers or directors. Under the limited

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

partnership agreement, the Partnership's managing general partner, Pioneer USA, is granted the exclusive right and full authority to manage, control and administer the Partnership's business.

Set forth below are the names, ages and positions of the directors and executive officers of Pioneer USA. Directors of Pioneer USA are elected to serve until the next annual meeting of stockholders or until their successors are elected and qualified.

Name ----	Age at December 31, 2000 ----	Position -----
Scott D. Sheffield	48	President
Timothy L. Dove	45	Executive Vice President, Chief Financial Officer and Director
Dennis E. Fagerstone	51	Executive Vice President and Director
Mark L. Withrow	53	Executive Vice President, General Counsel and Director
Danny Kellum	46	Executive Vice President - Director of Operations and Director
Rich Dealy	34	Vice President and Chief Accounting Officer

Scott D. Sheffield. Mr. Sheffield is a graduate of The University of Texas with a B.S. in Petroleum Engineering. Since August 1997, he has served as President, Chief Executive Officer and a director of Pioneer and President of Pioneer USA. Mr. Sheffield assumed the position of Chairman of the Board of Pioneer in August 1999. He served as a director of Pioneer USA from August 1997 until his resignation from the board in June 1999. Mr. Sheffield was the President and a director of Parker & Parsley Petroleum Company ("Parker & Parsley") from May 1990 until August 1997 and was the Chairman of the Board and Chief Executive Officer of Parker & Parsley from October 1990 until August 1997. He was the sole director of Parker & Parsley from May 1990 until October 1990. Mr. Sheffield joined Parker & Parsley Development Company ("PPDC"), a predecessor of Parker & Parsley, as a petroleum engineer in 1979. He served as Vice President - Engineering of PPDC from September 1981 until April 1985 when he was elected President and a director. In March 1989, Mr. Sheffield was elected Chairman of the Board and Chief Executive Officer of PPDC. Before joining PPDC's predecessor, Mr. Sheffield was employed as a production and reservoir engineer for Amoco Production Company.

Timothy L. Dove. Mr. Dove earned a B.S. in Mechanical Engineering from Massachusetts

Institute of Technology in 1979 and received his M.B.A. in 1981 from the University of Chicago. He became Executive Vice President - Business Development of Pioneer and Pioneer USA in August 1997 and was also appointed a director of Pioneer USA in August 1997. Mr. Dove assumed the position of Chief Financial Officer of Pioneer and Pioneer USA effective February 1, 2000. Mr. Dove joined



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Parker & Parsley in May 1994 as Vice President - International and was promoted to Senior Vice President - Business Development in October 1996, in which position he served until August 1997. Prior to joining Parker & Parsley, Mr. Dove was employed with Diamond Shamrock Corp., and its successor, Maxus Energy Corp, in various capacities in international exploration and production, marketing, refining and marketing and planning and development.

Dennis E. Fagerstone. Mr. Fagerstone, a graduate of the Colorado School of Mines with a B.S. in Petroleum Engineering, became an Executive Vice President of Pioneer and Pioneer USA in August 1997. He was also appointed a director of Pioneer USA in August 1997. He served as Executive Vice President and Chief Operating Officer of MESA Inc. ("Mesa") from March 1, 1997 until August 1997. From October 1996 to February 1997, Mr. Fagerstone served as Senior Vice President and Chief Operating Officer of Mesa and from May 1991 to October 1996, he served as Vice President - Exploration and Production of Mesa. From June 1988 to May 1991, Mr. Fagerstone served as Vice President - Operations of Mesa.

Mark L. Withrow. Mr. Withrow, a graduate of Abilene Christian University with a B. S. in Accounting and Texas Tech University with a Juris Doctorate degree, became Executive Vice President, General Counsel and Secretary of Pioneer and Pioneer USA in August 1997. He was also appointed a director of Pioneer USA in August 1997. Mr. Withrow was Vice President - General Counsel of Parker & Parsley from January 1991, when he joined Parker & Parsley, to January 1995, when he was appointed Senior Vice President - General Counsel. He was Parker & Parsley's Secretary from August 1992 until August 1997. Prior to joining Parker & Parsley, Mr. Withrow was the managing partner of the law firm of Turpin, Smith, Dyer, Saxe & MacDonald, Midland, Texas.

Danny Kellum. Mr. Kellum, who received a Bachelor of Science degree in Petroleum Engineering from Texas Tech University in 1979, was elected Executive Vice President - Domestic Operations of Pioneer and Pioneer USA on May 18, 2000 and Director of Pioneer USA on February 1, 2000. From January 2000 until May 2000, Mr. Kellum served as Vice President - Domestic Operations of Pioneer and Pioneer USA. Mr. Kellum served as Vice President Permian Division of Pioneer and Pioneer USA from April 1998 until December 1999. From 1989 until 1994 he served as Spraberry District Manager and as Vice President of the Spraberry and Permian Division for Parker & Parsley until August of 1997. Mr. Kellum joined Parker & Parsley as an operations engineer in 1981 after a brief career with Mobil Oil Corporation.

Rich Dealy. Mr. Dealy is a graduate of Eastern New Mexico University with a B.B.A. in Accounting and Finance and is a Certified Public Accountant. He became Vice President and Chief Accounting Officer of Pioneer and Pioneer USA in February 1998. Mr. Dealy served as Controller of Pioneer USA from August 1997 to February 1998. He served as Controller of Parker & Parsley from August 1995 to August 1997. Mr. Dealy joined Parker & Parsley as an Accounting Manager in July, 1992. He was previously employed with KPMG Peat Marwick as an Audit Senior, in charge of Parker & Parsley's audit.

22

677

### ITEM 11. EXECUTIVE COMPENSATION

The Partnership does not have any directors or officers. Management of the Partnership is performed by Pioneer USA, the managing general partner. The Partnership participates in oil and gas activities through an income tax partnership (the "Program") pursuant to the Program agreement. Under the Program agreement, Pioneer USA pays approximately 10% of the Program's acquisition, drilling and completion costs and approximately 25% of its operating and general and administrative expenses. In return, Pioneer USA is allocated approximately

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

25% of the Program's revenues.

The Partnership does not directly pay any salaries of the executive officers of Pioneer USA, but does pay a portion of Pioneer USA's general and administrative expenses of which these salaries are a part.

See Notes 6 and 9 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" for information regarding fees and reimbursements paid to the managing general partner by the Partnership.

### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

#### (a) Beneficial owners of more than five percent

The Partnership is not aware of any person who beneficially owns 5% or more of the outstanding limited partnership interests of the Partnership. Pioneer USA owned 35 limited partner interests at January 1, 2001.

#### (b) Security ownership of management

The Partnership does not have any officers or directors. The managing general partner of the Partnership, Pioneer USA, has the exclusive right and full authority to manage, control and administer the Partnership's business. Under the limited partnership agreement, limited partners holding a majority of the outstanding limited partnership interests have the right to take certain actions, including the removal of the managing general partner or any other general partner. The Partnership is not aware of any current arrangement or activity which may lead to such removal. The Partnership is not aware of any officer or director of Pioneer USA who beneficially owns limited partnership interests in the Partnership.

23

678

### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Transactions with the managing general partner

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

	2000	1999
	-----	-----
Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$ 167,350	\$ 167,820
Reimbursement of general and administrative expenses	\$ 24,184	\$ 9,436

Under the limited partnership agreement, the managing general partner pays 1% of the Partnership's acquisition, drilling and completion costs and 1% of its operating and general and administrative expenses. In return, it is allocated 1% of the Partnership's revenues. Also, see Notes 6 and 9 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data", regarding the Partnership's participation with the managing general partner in oil and gas activities of the Program.

PART IV

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

(a) 1. Financial statements

The following are filed as part of this Report:

Independent Auditors' Report

Balance sheets as of December 31, 2000 and 1999

Statements of operations for the years ended December 31,  
2000, 1999 and 1998

Statements of partners' capital for the years ended  
December 31, 2000, 1999 and 1998

Statements of cash flows for the years ended December 31,  
2000, 1999 and 1998

Notes to financial statements

2. Financial statement schedules

All financial statement schedules have been omitted since the  
required information is in the financial statements or notes  
thereto, or is not applicable nor required.

(b) Reports on Form 8-K

None.

(c) Exhibits

The exhibits listed on the accompanying index to exhibits are filed or  
incorporated by reference as part of this Report.

S I G N A T U R E S

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, thereunto duly authorized.

PARKER & PARSLEY 86-A, LTD.

Dated: March 28, 2001

By: Pioneer Natural Resources USA, Inc.  
Managing General Partner

By: /s/ Scott D. Sheffield  
-----  
Scott D. Sheffield, President

Pursuant to the requirements of the Securities Exchange Act of 1934,

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

/s/ Scott D. Sheffield ----- Scott D. Sheffield	President of Pioneer USA	Ma
/s/ Timothy L. Dove ----- Timothy L. Dove	Executive Vice President, Chief Financial Officer and Director of Pioneer USA	Ma
/s/ Dennis E. Fagerstone ----- Dennis E. Fagerstone	Executive Vice President and Director of Pioneer USA	Ma
/s/ Mark L. Withrow ----- Mark L. Withrow	Executive Vice President, General Counsel and Director of Pioneer USA	Ma
/s/ Danny Kellum ----- Danny Kellum	Executive Vice President - Domestic Operations and Director of Pioneer USA	Ma
/s/ Rich Dealy ----- Rich Dealy	Vice President and Chief Accounting Officer of Pioneer USA	Ma

26

681

PARKER & PARSLEY 86-A, LTD.

INDEX TO EXHIBITS

The following documents are incorporated by reference in response to Item 14(c):

Exhibit No. -----	Description -----
3(a)	Amended and Restated Certificate of Limited Partnership of Parker & Parsley 86-A, Ltd. incorporated by reference to Exhibit 3a of the Partnership's Registration Statement on Form S-1 (Registration No. 33-3353) (hereinafter called the Partnership's Registration Statement)
4(a)	Form of Agreement of Limited Partnership of Parker & Parsley 86-A, Ltd. incorporated by reference to Exhibit A of Amendment No. 1 of the Partnership's Registration Statement
4(b)	Form of Subscription Agreement incorporated by reference to Exhibit C of Amendment No. 1 of the Partnership's Registration Statement

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

- 4(b) Power of Attorney incorporated by reference to an Exhibit of the Partnership's Registration Statement
- 4(c) Specimen Certificate of Limited Partnership Interest incorporated by reference to Exhibit 4c of the Partnership's Registration Statement
- 10(b) Development Program Agreement incorporated by reference to Exhibit B of Amendment No. 1 of the Partnership's Registration Statement

27

682

PARKER & PARSLEY 86-A, LTD.

SELECTED FINANCIAL DATA

The following selected financial data for the Partnership should be read in connection with Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements included in the attached supplemental information.

	Six months ended June 30,		Years ended De		
	2001	2000	2000	1999	1998
Operating results:					
Oil and gas sales	\$ 410,079	\$ 393,746	\$ 881,177	\$ 555,781	\$ 415,
Gain on litigation settlement, net	\$ --	\$ --	\$ --	\$ --	\$
Impairment of oil and gas properties	\$ --	\$ --	\$ 12,800	\$ 28,052	\$ 23,
Net income (loss)	\$ 154,546	\$ 222,919	\$ 487,574	\$ 96,423	\$ (248,
Allocation of net income (loss):					
Managing general partner	\$ 1,545	\$ 2,229	\$ 4,876	\$ 964	\$ (2,
Limited partners	\$ 153,001	\$ 220,690	\$ 482,698	\$ 95,459	\$ (246,

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Limited partners' net income (loss) per limited partnership interest	\$ 15.10 =====	\$ 21.78 =====	\$ 47.65 =====	\$ 9.42 =====	\$ (24) =====
Limited partners' cash distributions per limited partnership interest	\$ 18.73 =====	\$ 20.04 =====	\$ 45.66 =====	\$ 15.22 =====	\$ 9 =====
As of period ended: Total assets	\$ 578,298 =====	\$ 616,989 =====	\$ 607,763 =====	\$ 594,270 =====	\$ 646, =====

-----  
(a) Including litigation settlement per limited partnership interest of \$28.41 in 1996.

683

PIONEER NATURAL RESOURCES COMPANY  
PIONEER NATURAL RESOURCES USA, INC.  
5205 NORTH O'CONNOR BLVD., SUITE 1400  
IRVING, TEXAS 75039

SUPPLEMENTAL INFORMATION

OF

PARKER & PARSLEY 86-B, LTD., A TEXAS LIMITED PARTNERSHIP

TO

PROXY STATEMENT/PROSPECTUS DATED , 2001

-----

THE DATE OF THIS SUPPLEMENT IS , 2001

-----

This document contains important information specific to Parker & Parsley 86-B, Ltd. and supplements the proxy statement/prospectus dated , 2001, of Pioneer Natural Resources Company and Pioneer Natural Resources USA, Inc., by which Pioneer USA is soliciting proxies to be voted at a special meeting of limited partners of the partnership. The purpose of the special meeting is for you to vote upon the merger of the partnership with and into Pioneer USA that, if completed, will result in your receiving common stock of Pioneer Natural Resources Company for your partnership interests.

This document contains the following information concerning Parker & Parsley 86-B, Ltd.:

o A table containing:

-- the aggregate initial investment by the limited partners

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

- the aggregate historical limited partner distributions through July 31, 2001
- the merger value attributable to partnership interests of limited partners, excluding Pioneer USA
- the merger value per \$1,000 limited partner investment
- the merger value per \$1,000 limited partner investment as a multiple of distributions for the past four quarterly distributions including the distribution in July 2001
  
- the book value per \$1,000 limited partner investment as of June 30, 2001 and as of December 31, 2000
  
- the going concern value per \$1,000 limited partner investment
- the liquidation value per \$1,000 limited partner investment
- the ordinary tax loss per \$1,000 limited partner investment in year of initial investment
  
- o Information about:
  - the legal opinion for the limited partners
  - the term of the partnership
  
- o The partnership's quarterly report on Form 10-Q, including management's discussion and analysis of financial condition and results of operations, for the six months ended June 30, 2001
  
- o The partnership's annual report on Form 10-K, including management's discussion and analysis of financial condition and results of operations, for the year ended December 31, 2000
  
- o Selected historical financial data for the partnership for the six months ended June 30, 2001 and 2000 and the five years ended December 31, 2000

-1-

684

PARKER & PARSLEY 86-B, LTD.

SUPPLEMENTAL INFORMATION TABLE

Aggregate Initial Investment by the Limited Partners (a)	\$
Aggregate Historical Limited Partner Distributions through July 31, 2001 (a)	\$

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Merger Value Attributable to Partnership Interests of Limited Partners, Excluding Pioneer USA (a), (b)	\$
Merger Value per \$1,000 Limited Partner Investment (b), (c)	\$
Merger Value per \$1,000 Limited Partner Investment as a Multiple of Distributions for the past four quarterly distributions including the distribution in July 2001 (b), (c)	
Book Value per \$1,000 Limited Partner Investment:	
-- as of June 30, 2001 (c)	\$
-- as of December 31, 2000 (c)	\$
Going Concern Value per \$1,000 Limited Partner Investment (c), (d)	\$
Liquidation Value per \$1,000 Limited Partner Investment (c), (e)	\$
Ordinary Tax Loss per \$1,000 Limited Partner Investment in Year of Initial Investment (c), (f)	\$

-----

(a) Stated in thousands.

(b) The merger value for the partnership is equal to the sum of the present value of estimated future net revenues from the partnership's estimated oil and gas reserves and its net working capital, in each case as of March 31, 2001, less its pro rata share, based on its reserve value, of the estimated expenses and fees of the mergers of all of the partnerships and less the cash distribution on July 13, 2001, by the partnership to its partners.

(c) Interests in some partnerships were sold in units at prices other than \$1,000. We have presented this information based on a \$1,000 initial investment for ease of use and comparison among partnerships. You should not assume that the amount shown per \$1,000 investment is the same as the value or amount attributable to a single unit investment.

(d) The going concern value for the partnership is based upon: (1) the sum of (A) the estimated net cash flow from the sale of the partnership's reserves during a 10-year operating period and (B) the estimated residual value from the sale of the partnership's remaining reserves at the end of the operating period, in each case using the same pricing and discount rate as in the merger value calculation, less (2) (A) partnership level general and administrative expenses, and (B) the cash distribution on July 13, 2001 by the partnership to its partners.

(e) The liquidation value for the partnership is based upon the sale of the partnership's reserves at the reserve value, less (1) liquidation expenses which are estimated to be the sum of (A) the partnership's pro rata share of the merger expenses and fees described in footnote (b) above and (B) 3% of the partnership's reserve value, and (2) the cash distribution on July 13, 2001 by the partnership to its partners. The liquidation expenses represent estimated costs to retain an investment banker or broker to sell the assets of the partnership and the legal and other closing costs associated with such transaction, including the wind-down costs of the partnership.



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

(f) Your ability to use your distributive share of the partnership's loss to offset your other income may have been subject to certain limitations at your level as a partner, and you may therefore wish to consult your tax advisor to determine the additional value, if any, actually realized by you in your particular circumstances.

INFORMATION ABOUT THE LEGAL OPINION FOR THE LIMITED PARTNERS

The partnership agreement for the partnership requires that special legal counsel render an opinion on behalf of the limited partners to Pioneer USA that (1) neither the grant nor the exercise of the right to approve the merger of the partnership by its limited partners will adversely affect the federal income tax classification of the partnership or any of its limited partners; and (2) neither the grant nor exercise of such right will result in the loss of any limited partner's limited liability. In addition, the counsel designated to render the opinion must be counsel other than counsel to Pioneer USA or the partnership. Both the designated counsel and the legal opinion must be approved by the limited partners. Pioneer USA has retained \_\_\_\_\_ of Dallas, Texas for the purpose of rendering this legal opinion on behalf of the limited partners to Pioneer USA. The merger proposals include an approval of that counsel and the form of its opinion. A copy of the opinion is attached as an exhibit to the merger proposals.

INFORMATION ABOUT THE TERM OF THE PARTNERSHIP

The term of the partnership is until December 31, 2036, unless the partnership is earlier terminated in accordance with the applicable provisions of its partnership agreement.

-2-

685

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, 2001

Commission File No. 33-3353B

PARKER & PARSLEY 86-B, LTD.  
(Exact name of Registrant as specified in its charter)

Texas

75-2140235

-----  
(State or other jurisdiction of  
incorporation or organization)

-----  
(I.R.S. Employer  
Identification Number)

5205 N. O'Connor Blvd., Suite 1400, Irving, Texas  
-----

75039  
-----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

(Address of principal executive offices)

(Zip code)

Registrant's Telephone Number, including area code : (972) 444-9001

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 / x / No / /

686

PARKER & PARSLEY 86-B, LTD.

TABLE OF CONTENTS

	Page
Part I. Financial Information	
Item 1. Financial Statements	
Balance Sheets as of June 30, 2001 and December 31, 2000.....	3
Statements of Operations for the three and six months ended June 30, 2001 and 2000.....	4
Statement of Partners' Capital for the six months ended June 30, 2001.....	5
Statements of Cash Flows for the six months ended June 30, 2001 and 2000.....	6
Notes to Financial Statements.....	7
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.....	7
Part II. Other Information	
Item 6. Exhibits and Reports on Form 8-K.....	11

687

PARKER & PARSLEY 86-B, LTD.  
(A Texas Limited Partnership)

## Part I. Financial Information

## Item 1. Financial Statements

## BALANCE SHEETS

	June 30, 2001	December 31, 2000
	----- (Unaudited)	-----
ASSETS		
Current assets:		
Cash	\$ 445,146	\$ 220,466
Accounts receivable - oil and gas sales	197,873	260,049
	-----	-----
Total current assets	643,019	480,515
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	11,812,935	11,805,173
Accumulated depletion	(10,091,305)	(10,032,733)
	-----	-----
Net oil and gas properties	1,721,630	1,772,440
	-----	-----
	\$ 2,364,649	\$ 2,252,955
	=====	=====
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable - affiliate	\$ 29,355	\$ 15,305
Partners' capital:		
Managing general partner	22,076	21,100
Limited partners (17,208 interests)	2,313,218	2,216,550
	-----	-----
	2,335,294	2,237,650
	-----	-----
	\$ 2,364,649	\$ 2,252,955
	=====	=====

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The financial information included as of June 30, 2001 has been prepared by the managing general partner without audit by independent public accountants.

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

3

688

PARKER & PARSLEY 86-B, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF OPERATIONS  
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2001	2000	2001	2000
Revenues:				
Oil and gas	\$ 409,078	\$ 392,916	\$ 847,551	\$ 795,048
Interest	3,245	4,323	6,906	7,395
Gain on disposition of assets	-	831	-	2,250
	-----	-----	-----	-----
	412,323	398,070	854,457	804,693
	-----	-----	-----	-----
Costs and expenses:				
Oil and gas production	185,876	170,553	354,327	339,664
General and administrative	12,273	11,787	25,427	23,851
Depletion	28,886	23,496	58,572	57,494
	-----	-----	-----	-----
	227,035	205,836	438,326	421,009
	-----	-----	-----	-----
Net income	\$ 185,288	\$ 192,234	\$ 416,131	\$ 383,684
	=====	=====	=====	=====
Allocation of net income:				
Managing general partner	\$ 1,853	\$ 1,922	\$ 4,161	\$ 3,837
	=====	=====	=====	=====
Limited partners	\$ 183,435	\$ 190,312	\$ 411,970	\$ 379,847
	=====	=====	=====	=====
Net income per limited partnership interest	\$ 10.66	\$ 11.06	\$ 23.94	\$ 22.07
	=====	=====	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

4

689

PARKER & PARSLEY 86-B, LTD.  
(A Texas Limited Partnership)

STATEMENT OF PARTNERS' CAPITAL  
(Unaudited)

	Managing general partner -----	Limited partners -----	Total -----
Balance at January 1, 2001	\$ 21,100	\$2,216,550	\$2,237,650
Distributions	(3,185)	(315,302)	(318,487)
Net income	4,161	411,970	416,131
	-----	-----	-----
Balance at June 30, 2001	\$ 22,076 =====	\$2,313,218 =====	\$2,335,294 =====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

5

690

PARKER & PARSLEY 86-B, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF CASH FLOWS  
(Unaudited)

Six months ended June 30,	
----- 2001	----- 2000
-----	-----

Cash flows from operating activities:

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Net income	\$ 416,131	\$ 383,684
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion	58,572	57,494
Gain on disposition of assets	-	(2,250)
Changes in assets and liabilities:		
Accounts receivable	62,176	(28,686)
Accounts payable	14,050	17,359
	-----	-----
Net cash provided by operating activities	550,929	427,601
	-----	-----
Cash flows from investing activities:		
Additions to oil and gas properties	(7,762)	(17,471)
Proceeds from asset dispositions	-	4,846
	-----	-----
Net cash used in investing activities	(7,762)	(12,625)
	-----	-----
Cash flows used in financing activities:		
Cash distributions to partners	(318,487)	(408,087)
	-----	-----
Net increase in cash	224,680	6,889
Cash at beginning of period	220,466	206,408
	-----	-----
Cash at end of period	\$ 445,146	\$ 213,297
	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

6

691

PARKER & PARSLEY 86-B, LTD.  
(A Texas Limited Partnership)

NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Unaudited)

Note 1. Organization and nature of operations

Parker & Parsley 86-B, Ltd. (the "Partnership") is a limited partnership organized in 1986 under the laws of the State of Texas.

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

Note 2. Basis of presentation

In the opinion of management, the unaudited financial statements of the Partnership as of June 30, 2001 and for the three and six months ended June 30, 2001 and 2000 include all adjustments and accruals consisting only of normal recurring accrual adjustments which are necessary for a fair presentation of the results for the interim period. These interim results are not necessarily

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

indicative of results for a full year. Certain reclassifications may have been made to the June 30, 2000 financial statements to conform to the June 30, 2001 financial statement presentations.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in this Form 10-Q pursuant to the rules and regulations of the Securities and Exchange Commission. The financial statements should be read in conjunction with the financial statements and the notes thereto contained in the Partnership's Report on Form 10-K for the year ended December 31, 2000, as filed with the Securities and Exchange Commission, a copy of which is available upon request by writing to Rich Dealy, Vice President and Chief Accounting Officer, 5205 North O'Connor Boulevard, Suite 1400, Irving, Texas 75039-3746.

### Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (1)

#### Results of Operations

Six months ended June 30, 2001 compared with six months ended June 30, 2000

#### Revenues:

The Partnership's oil and gas revenues increased 7% to \$847,551 for the six months ended June 30, 2001 as compared to \$795,048 for the same period in 2000. The increase in revenues resulted from higher average prices received, offset by a decrease in production. For the six months ended June 30, 2001, 18,401 barrels of oil, 7,150 barrels of natural gas liquids ("NGLs") and 43,243 mcf of gas were

7

692

sold, or 32,758 barrel of oil equivalents ("BOEs"). For the six months ended June 30, 2000, 20,591 barrels of oil, 10,406 barrels of NGLs and 41,035 mcf of gas were sold, or 37,836 BOEs.

The average price received per barrel of oil increased \$.31, or 1%, from \$27.57 for the six months ended June 30, 2000 to \$27.88 for the same period in 2001. The average price received per barrel of NGLs increased \$3.05, or 23%, from \$13.43 during the six months ended June 30, 2000 to \$16.48 for the same period in 2001. The average price received per mcf of gas increased 135% from \$2.13 for the six months ended June 30, 2000 to \$5.01 for the same period in 2001. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received during the six months ended June 30, 2001.

A gain on disposition of assets of \$2,250 was received during the six months ended June 30, 2000 due to equipment credits received on one fully depleted well.

#### Costs and Expenses:

Total costs and expenses increased to \$438,326 for the six months ended June 30, 2001 as compared to \$421,009 for the same period in 2000, an increase of \$17,317, or 4%. This increase was due to increases in production costs, general and administrative expenses ("G&A") and depletion.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Production costs were \$354,327 for the six months ended June 30, 2001 and \$339,664 for the same period in 2000, resulting in a \$14,663 increase, or 4%. The increase was primarily due to additional well maintenance costs incurred to stimulate well production and higher production taxes associated with higher oil and gas prices.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 7%, from \$23,851 for the six months ended June 30, 2000 to \$25,427 for the same period in 2001, primarily due to an increase in audit and tax fees.

Depletion was \$58,572 for the six months ended June 30, 2001 as compared to \$57,494 for the same period in 2000, an increase of \$1,078, or 2%. This increase was due to a reduction in proved reserves during the period ended June 30, 2001 due to lower commodity prices, offset by a reduction in the Partnership's net depletable basis from charges taken in accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121") during the fourth quarter of 2000 and a decline in oil production of 2,190 barrels for the six months ended June 30, 2001 as compared to the same period in 2000.

Three months ended June 30, 2001 compared with three months ended June 30, 2000

### Revenues:

The Partnership's oil and gas revenues increased 4% to \$409,078 for the three months ended June 30, 2001 as compared to \$392,916 for the same period in 2000.

8

693

The increase in revenues resulted from higher average prices received for gas and NGLs, offset by a decrease in production and lower average prices received for oil. For the three months ended June 30, 2001, 9,425 barrels of oil, 4,390 barrels of NGLs and 23,194 mcf of gas were sold, or 17,681 BOEs. For the three months ended June 30, 2000, 9,770 barrels of oil, 5,347 barrels of NGLs and 20,600 mcf of gas were sold, or 18,550 BOEs.

The average price received per barrel of oil decreased \$.68, or 2%, from \$27.55 for the three months ended June 30, 2000 to \$26.87 for the same period in 2001. The average price received per barrel of NGLs increased \$1.31, or 10%, from \$13.48 during the three months ended June 30, 2000 to \$14.79 for the same period in 2001. The average price received per mcf of gas increased 56% from \$2.51 during the three months ended June 30, 2000 to \$3.92 for the same period in 2001.

A gain on disposition of assets of \$831 was received during the three months ended June 30, 2000 due to equipment credits received on one fully depleted well.

### Costs and Expenses:

Total costs and expenses increased to \$227,035 for the three months ended June 30, 2001 as compared to \$205,836 for the same period in 2000, an increase of \$21,199, or 10%. This increase was due to increases in production costs, depletion and G&A.



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Production costs were \$185,876 for the three months ended June 30, 2001 and \$170,553 for the same period in 2000 resulting in a \$15,323 increase, or 9%. The increase was primarily due to additional well maintenance costs incurred to stimulate well production.

During this period, G&A increased 4%, from \$11,787 for the three months ended June 30, 2000 to \$12,273 for the same period in 2001, primarily due to a higher allocation of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues.

Depletion was \$28,886 for the three months ended June 30, 2001 as compared to \$23,496 for the same period in 2000, an increase of \$5,390, or 23%. This increase was due to a reduction in proved reserves during the period ended June 30, 2001 due to lower commodity prices, offset by a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 2000 and a decline in oil production of 345 barrels for the three months ended June 30, 2001 as compared to the same period in 2000.

### Liquidity and Capital Resources

#### Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$123,328 during the six months ended June 30, 2001 from the same period ended June 30, 2000. This increase was primarily attributable to an increase of \$52,014 in oil and gas sale receipts and reductions in working capital of \$87,553, offset by increases in production costs of \$14,663 and G&A expenses of \$1,576. The increase in oil and gas receipts resulted from the increase in commodity prices during 2001 which contributed an additional \$155,662 to oil and gas receipts, offset by \$103,648 resulting from the decline in production during 2001 as compared to the

9

694

same period in 2000. The increase in production costs was primarily due to additional well maintenance costs incurred to stimulate well production and increased production taxes associated with higher oil and gas prices. The increase in G&A was primarily due to an increase in audit and tax fees.

#### Net Cash Used in Investing Activities

The Partnership's investing activities during the six months ended June 30, 2001 and 2000 were related to expenditures for upgrades of oil and gas equipment on active properties.

Proceeds from disposition of assets of \$4,846 recognized during the six months ended June 30, 2000 consisted of \$2,250 from equipment credits on one fully depleted well and \$2,596 from equipment credits on an active property.

#### Net Cash Used in Financing Activities

For the six months ended June 30, 2001, cash distributions to the partners were \$318,487, of which \$3,185 was distributed to the managing general partner and \$315,302 to the limited partners. For the same period ended June 30, 2000, cash distributions to the partners were \$408,087, of which \$4,081 was distributed to the managing general partner and \$404,006 to the limited partners.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

For the three months ended June 30, 2001, no distributions were made by the partnership to its partners. Subsequent to June 30, 2001 the cash distribution that otherwise would have been mailed to partners in late June was made to holders of record as of July 9, 2001 and was mailed on July 13, 2001. For further information, see "Proposal to acquire partnerships" below.

### Proposal to acquire partnerships

On June 29, 2001, Pioneer Natural Resources Company ("Pioneer") filed with the Securities and Exchange Commission Amendment No. 1 to the Form S-4 Registration Statement (File No. 333-59094) (the "preliminary proxy statement/prospectus"), which proposes an agreement and plan of merger among Pioneer, Pioneer Natural Resources USA, Inc. ("Pioneer USA"), a wholly-owned subsidiary of Pioneer, and 46 Parker & Parsley limited partnerships. Each partnership that approves the agreement and plan of merger and the other related merger proposals will merge with and into Pioneer USA upon the closing of the transactions described in the preliminary proxy statement/prospectus, and the partnership interests of each such partnership will be converted into the right to receive Pioneer common stock. The Partnership is one of the 46 Parker & Parsley limited partnerships that will be asked to approve the agreement and plan of merger. The preliminary proxy statement/prospectus is non-binding and is subject to, among other things, consideration of offers from third parties to purchase any partnership or its assets and the majority approval of the limited partnership interests in each partnership.

Pioneer USA will solicit proxies from limited partners to approve the mergers only when the proxy statement/prospectus is final and declared effective. No solicitation will be made using preliminary materials. Nonetheless, copies of the preliminary proxy statement/prospectus may be obtained without charge upon request from Pioneer Natural Resources Company, 5205 North O'Connor Blvd., Suite 1400, Irving, Texas 75039, Attention: Investor Relations.

10

695

The limited partners are urged to read the proxy statement/prospectus of Pioneer filed with the Securities and Exchange Commission, when it is finalized, because it contains important information about the proposed mergers, including information about the direct and indirect interests of Pioneer USA and Pioneer in the mergers. The limited partners may also obtain the preliminary and (when filed) final proxy statement/prospectus and other relevant documents relating to the proposed mergers free through the internet web site that the Securities and Exchange Commission maintains at [www.sec.gov](http://www.sec.gov).

-----

- (1) "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" contains forward looking statements that involve risks and uncertainties. Accordingly, no assurances can be given that the actual events and results will not be materially different than the anticipated results described in the forward looking statements.

### Part II. Other Information

Item 6. Exhibits and Reports on Form 8-K

- (a) Exhibits - none

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

(b) Reports on Form 8-K - none

11

696

PARKER & PARSLEY 86-B, LTD.  
(A Texas Limited Partnership)

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 thereunto duly authorized.

PARKER & PARSLEY 86-B, LTD.

By: Pioneer Natural Resources USA, Inc.  
Managing General Partner

Dated: August 7, 2001

By: /s/ Rich Dealy

-----  
Rich Dealy, Vice President and  
Chief Accounting Officer

12

697

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

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d)  
of the Securities Exchange Act of 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000

COMMISSION FILE NO. 33-3353B

PARKER & PARSLEY 86-B, LTD.  
(Exact name of Registrant as specified in its charter)

TEXAS

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

(State or other jurisdiction of  
incorporation or organization)

1400 WILLIAMS SQUARE WEST, 5205 N. O'CONNOR BLVD., IRVING, TEXAS

(Address of principal executive offices)

Registrant's Telephone Number, including area code : (972) 444-9001

Securities registered pursuant to Section 12(b) of the Act: NONE

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

LIMITED PARTNERSHIP INTERESTS (\$1,000 PER UNIT)

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

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

No market currently exists for the limited partnership interests of the Registrant. Based on the original purchase price, the aggregate market value of limited partnership interests owned by non-affiliates of the Registrant is \$17,080,000.

As of March 8, 2001, the number of outstanding limited partnership interests was 17,208.

The following documents are incorporated by reference into the indicated parts of this Annual Report on Form 10-K: None  
PARTS I AND II OF THIS ANNUAL REPORT ON FORM 10-K (THE "REPORT") CONTAIN FORWARD LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. ACCORDINGLY, NO ASSURANCES CAN BE GIVEN THAT THE ACTUAL EVENTS AND RESULTS WILL NOT BE MATERIALLY DIFFERENT THAN THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS. SEE "ITEM 1. BUSINESS" FOR A DESCRIPTION OF VARIOUS FACTORS THAT COULD MATERIALLY AFFECT THE ABILITY OF THE PARTNERSHIP TO ACHIEVE THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS.

698

PART I

ITEM 1. BUSINESS

Parker & Parsley 86-B, Ltd. (the "Partnership") is a limited partnership organized in 1986 under the laws of the State of Texas. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA"). Pioneer USA is a wholly-owned subsidiary of Pioneer Natural Resources Company ("Pioneer"). As of March 8, 2001, the Partnership had 17,208 limited partnership interests outstanding.

The Partnership does not have any employees of its own. Pioneer USA employs 701 persons, many of whom dedicated a part of their time to the conduct of the Partnership's business during the period for which this Report is filed. Pioneer

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

USA supplies all management functions.

The Partnership engages in oil and gas development and production and is not involved in any industry segment other than oil and gas. The Partnership's production is geographically concentrated in West Texas.

The principal markets during 2000 for the oil produced by the Partnership were refineries and oil transmission companies that have facilities near the Partnership's oil producing properties. During 2000, Pioneer USA marketed the Partnership's gas to a variety of purchasers, none of which accounted for 10% or more of the Partnership's oil and gas revenues. Of the Partnership's total oil and gas revenues for 2000, approximately 36% and 16% were attributable to sales made to Plains Marketing, L.P. and Mobil Oil Corporation, respectively. Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on its ability to sell its oil, natural gas liquids ("NGLs") and gas production.

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

Oil and gas production operations are subject to various types of regulations by local, state and federal agencies. The Partnership's operations are also subject to state conservation laws and regulations, including the establishment of maximum rates of production from wells and the regulation of spacing, plugging and abandonment of wells. Each state generally imposes a production or severance tax with respect to production and sale of oil and gas within their respective jurisdictions. Noncompliance with the laws and regulations may subject the Partnership to penalties, damages or other liabilities and compliance may increase the cost of the Partnership's operations.

The oil and gas business is also subject to environmental hazards such as oil spills, gas leaks and ruptures and discharges of toxic substances or gases that could expose the Partnership to substantial

2

699

liability due to pollution and other environmental damages. Although the Partnership believes that its business operations do not impair environmental quality and that its costs of complying with any applicable environmental regulations are not currently significant, the Partnership cannot predict what, if any, effect these environmental regulations may have on its current or future operations.

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

No material part of the Partnership's business is seasonal and the Partnership conducts no foreign operations.

### ITEM 2. PROPERTIES

The Partnership's properties consist of leasehold interests in properties on

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

which oil and gas wells are located. Such property interests are often subject to landowner royalties, overriding royalties and other oil and gas leasehold interests.

Fractional working interests in developmental oil and gas prospects located primarily in the Spraberry Trend area of West Texas were acquired by the Partnership, resulting in the Partnership's participation in the drilling of 56 oil and gas wells. At December 31, 2000, 43 wells were producing. Nine wells and interests in two abandoned wells were sold and two wells were plugged and abandoned.

For information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998, and changes in such quantities for the years then ended, see Note 7 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" below. Such reserves have been evaluated by Williamson Petroleum Consultants, Inc., an independent petroleum consultant.

### ITEM 3. LEGAL PROCEEDINGS

The Partnership from time to time is a party to various legal proceedings incidental to its business involving claims in oil and gas leases or interests, other claims for damages in amounts not in excess of 10% of its current assets and other matters, none of which Pioneer USA believes to be material to the Partnership.

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

There were no matters submitted to a vote of the partners during the fourth quarter of 2000.

3

700

## PART II

### ITEM 5. MARKET FOR LIMITED PARTNERSHIP INTERESTS AND LIMITED PARTNERSHIP DISTRIBUTIONS

At March 8, 2001, the Partnership had 17,208 outstanding limited partnership interests held of record by 1,409 subscribers. There is no established public trading market for the limited partnership interests. Under the limited partnership agreement, Pioneer USA has made certain commitments to purchase partnership interests at a computed value.

Revenues which, in the sole judgement of the managing general partner, are not required to meet the Partnership's obligations are distributed to the partners at least quarterly in accordance with the limited partnership agreement. During the years ended December 31, 2000 and 1999, distributions of \$923,558 and \$357,887, respectively, were made to the limited partners.

### ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth selected financial data for the years ended December 31:

	2000	1999	1998	1997
--	------	------	------	------

Operating results:

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

-----				
Oil and gas sales	\$ 1,756,242	\$ 1,056,533	\$ 928,899	\$ 1,369,807
	=====	=====	=====	=====
Gain on litigation settlement, net	\$ -	\$ -	\$ -	\$ -
	=====	=====	=====	=====
Impairment of oil and gas properties	\$ 13,279	\$ -	\$ 509,585	\$ 561,432
	=====	=====	=====	=====
Net income (loss)	\$ 933,292	\$ 246,008	\$ (807,041)	\$ (158,796)
	=====	=====	=====	=====
Allocation of net income (loss):				
Managing general partner	\$ 9,333	\$ 2,460	\$ (8,070)	\$ (1,587)
	=====	=====	=====	=====
Limited partners	\$ 923,959	\$ 243,548	\$ (798,971)	\$ (157,209)
	=====	=====	=====	=====
Limited partners' net income (loss) per limited partnership interest	\$ 53.69	\$ 14.15	\$ (46.43)	\$ (9.14)
	=====	=====	=====	=====
Limited partners' cash distributions per limited partnership interest	\$ 53.67	\$ 20.80	\$ 18.70	\$ 46.77
	=====	=====	=====	=====
At year end:				
-----				
Identifiable assets	\$ 2,252,955	\$ 2,266,438	\$ 2,363,955	\$ 3,520,172
	=====	=====	=====	=====
-----				

(a) Including litigation settlement per limited partnership interest of \$32.55 in 1996.

4

701

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

Results of operations

2000 compared to 1999

The Partnership's oil and gas revenues increased 66% to \$1,756,242 for 2000 as compared to \$1,056,533 in 1999. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 2000, 41,276 barrels of oil, 21,061 barrels of natural gas liquids ("NGLs") and 79,859 mcf of gas were sold, or 75,647 barrel of oil equivalents ("BOEs"). In 1999, 40,490 barrels of oil, 22,642 barrels of NGLs and 86,726 mcf of gas were sold, or 77,586 BOEs. Due to the decline characteristics of the Partnership's oil and gas properties, management expects a certain amount of decline in production in the

711

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

future until the Partnership's economically recoverable reserves are fully depleted.

The average price received per barrel of oil increased \$12.27, or 71%, from \$17.18 in 1999 to \$29.45 in 2000. The average price received per barrel of NGLs increased \$5.61, or 60%, from \$9.39 in 1999 to \$15.00 in 2000. The average price received per mcf of gas increased 65% from \$1.71 in 1999 to \$2.82 in 2000. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received in 2000.

A gain on disposition of assets of \$21,074 was received during 2000 due to the sale of equipment on one plugged and abandoned well. Abandoned property costs of \$12,161 were also incurred during 2000 to plug and abandon this well.

Total costs and expenses increased in 2000 to \$861,600 as compared to \$821,102 in 1999, an increase of \$40,498, or 5%. The increase was due to increases in production costs, general and administrative expenses ("G&A"), the impairment of oil and gas properties and abandoned property costs, offset by a decline in depletion.

Production costs were \$670,780 in 2000 and \$611,991 in 1999, resulting in an increase of \$58,789, or 10%. This increase was primarily due to higher production taxes associated with higher oil and gas prices and additional well maintenance costs incurred to stimulate well production.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 66% from \$31,696 in 1999 to \$52,687 in 2000 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$44,975 in 2000 and \$19,909 in 1999 for G&A incurred on behalf of the Partnership. The remaining G&A was paid directly by the Partnership. The managing general partner determines the allocated expenses based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated

5

702

to reflect changes in Pioneer USA's overall business activities.

In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the managing general partner reviews the Partnership's oil and gas properties for impairment whenever events or circumstances indicate a decline in the recoverability of the carrying value of the Partnership's assets may have occurred. As a result of the review and evaluation of its long-lived assets for impairment, the Partnership recognized a non-cash charge of \$13,279 related to its oil and gas properties during 2000.

Depletion was \$112,693 in 2000 as compared to \$177,415 in 1999, representing a decrease of \$64,722, or 36%. This decrease was primarily due to a 65,045 barrels of oil increase in proved reserves during 2000 as a result of higher commodity prices.

1999 compared to 1998

The Partnership's 1999 oil and gas revenues increased 14% to \$1,056,533 from



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

\$928,899 in 1998. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 1999, 40,490 barrels of oil, 22,642 barrels of NGLs and 86,726 mcf of gas were sold, or 77,586 BOEs. In 1998, 47,107 barrels of oil, 23,292 barrels of NGLs and 97,715 mcf of gas were sold, or 86,685 BOEs.

The average price received per barrel of oil increased \$4.10, or 31%, from \$13.08 in 1998 to \$17.18 in 1999. The average price received per barrel of NGLs increased \$2.59, or 38%, from \$6.80 in 1998 to \$9.39 in 1999. The average price received per mcf of gas increased 8% from \$1.58 in 1998 to \$1.71 in 1999.

A gain on disposition of assets of \$6,371 was recognized during 1998 from the sale of equipment on one well plugged and abandoned during 1998. Abandoned property costs of \$20,389 were also incurred during 1998 to plug and abandon this well.

Total costs and expenses decreased in 1999 to \$821,102 as compared to \$1,755,278 in 1998, a decrease of \$934,176, or 53%. The decrease was due to declines in the impairment of oil and gas properties, depletion, production costs and abandoned property costs, offset by an increase in G&A.

Production costs were \$611,991 in 1999 and \$662,691 in 1998, resulting in a \$50,700 decrease, or 8%. This decrease was due to lower well maintenance costs and ad valorem taxes, offset by an increase in workover costs incurred to stimulate well production.

During this period, G&A increased 14% from \$27,867 in 1998 to \$31,696 in 1999 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$19,909 in 1999 and \$21,984 in 1998 for G&A incurred on behalf of the Partnership.

The Partnership recognized a non-cash SFAS 121 charge of \$509,585 related to its oil and gas properties during 1998.

6

703

Depletion was \$177,415 in 1999 compared to \$534,746 in 1998. This represented a decrease of \$357,331, or 67%. This decrease was the result of a combination of factors that included an increase in proved reserves of 343,529 barrels of oil during 1999 as a result of higher commodity prices, a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 1998 and a decline in oil production of 6,617 barrels for the period ended December 31, 1999 compared to the same period in 1998.

### Petroleum industry

The petroleum industry has been characterized by volatile oil, NGL and natural gas commodity prices and relatively stable supplier costs during the three years ended December 31, 2000. During 1998, weather patterns, regional economic recessions and political matters combined to cause worldwide oil supplies to exceed demand resulting in a substantial decline in oil prices. Also during 1998, but to a lesser extent, market prices for natural gas declined. During 1999 and 2000, the Organization of Petroleum Exporting Countries ("OPEC") and certain other crude oil exporting nations announced reductions in their planned export volumes. Those announcements, together with the enactment of the announced reductions in export volumes, had a positive impact on world oil prices, as have overall natural gas supply and demand fundamentals on North American natural gas prices. Although the favorable commodity price environment and stable field service cost environment is expected to continue during 2001,

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

there is no assurance that commodity prices will not return to a less favorable level or that field service costs will not escalate in the future, both of which could negatively impact the Partnership's future results of operations and cash distributions.

Liquidity and capital resources

Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$561,909 during the year ended December 31, 2000 from 1999. This increase was due to an increase in oil and gas sales receipts of \$706,708, offset by increases in production costs paid of \$58,789, G&A expenses paid of \$20,991, abandoned costs paid of \$12,161 and working capital of \$52,858. The increase in oil and gas receipts resulted from the increase in commodity prices during 2000 which contributed an additional \$726,611 to oil and gas receipts, offset by \$19,903 resulting from the decline in production during 2000. The increase in production costs was primarily due to increased production taxes associated with higher oil and gas prices and well maintenance costs incurred to stimulate well production. The increase in G&A was primarily due to higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues.

Net Cash Provided by (Used in) Investing Activities

The Partnership's investing activities during 2000 and 1999 were related to expenditures for oil and gas equipment upgrades on active properties.

Proceeds from disposition of assets of \$23,670 was recognized during 2000. The gain was comprised of \$21,074 received from the sale of equipment on one well plugged and abandoned during the current period and \$2,596 from equipment credits received on one active well. Proceeds of \$8,980 in 1999 were from equipment credits received on active properties.

Net Cash Used in Financing Activities

In 2000, cash distributions to the partners were \$932,887, of which \$9,329 was distributed to the managing general partner and \$923,558 to the limited partners. In 1999, cash distributions to the partners were \$361,502, of which \$3,615 was distributed to the managing general partner and \$357,887 to the limited partners.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO FINANCIAL STATEMENTS

Financial Statements of Parker & Parsley 86-B, Ltd:

Independent Auditors' Report.....	.....
Balance Sheets as of December 31, 2000 and 1999.....	.....
Statements of Operations for the Years Ended December 31,	
2000, 1999 and 1998.....	.....

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Statements of Partners' Capital for the Years Ended

December 31, 2000, 1999 and 1998.....

Statements of Cash Flows for the Years Ended December 31,

2000, 1999 and 1998.....

Notes to Financial Statements.....

INDEPENDENT AUDITORS' REPORT

The Partners

Parker & Parsley 86-B, Ltd.

(A Texas Limited Partnership):

We have audited the balance sheets of Parker & Parsley 86-B, Ltd. as of December 31, 2000 and 1999, and the related statements of operations, partners' capital and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parker & Parsley 86-B, Ltd. as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Dallas, Texas

March 9, 2001

PARKER & PARSLEY 86-B, LTD.  
(A Texas Limited Partnership)

BALANCE SHEETS  
December 31

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

ASSETS		
-----		
Current assets:		
Cash		\$ 220,466
Accounts receivable - oil and gas sales		260,049
		-----
Total current assets		480,515
		-----
Oil and gas properties - at cost, based on the successful efforts accounting method		11,805,173
Accumulated depletion		(10,032,733)
		-----
Net oil and gas properties		1,772,440
		-----
		\$ 2,252,955
		=====
 LIABILITIES AND PARTNERS' CAPITAL		
-----		
Current liabilities:		
Accounts payable - affiliate		\$ 15,305
 Partners' capital:		
Managing general partner		21,100
Limited partners (17,208 interests)		2,216,550
		-----
		2,237,650
		-----
		\$ 2,252,955
		=====

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

11

708

PARKER & PARSLEY 86-B, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF OPERATIONS  
For the years ended December 31

	2000	1999
	-----	-----
Revenues:		
Oil and gas	\$ 1,756,242	\$ 1,056,533
Interest	17,576	10,577
Gain on disposition of assets	21,074	-

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	-----	-----
	1,794,892	1,067,110
	-----	-----
Costs and expenses:		
Oil and gas production	670,780	611,991
General and administrative	52,687	31,696
Impairment of oil and gas properties	13,279	-
Depletion	112,693	177,415
Abandoned property	12,161	-
	-----	-----
	861,600	821,102
	-----	-----
Net income (loss)	\$ 933,292	\$ 246,008
	=====	=====
Allocation of net income (loss):		
Managing general partner	\$ 9,333	\$ 2,460
	=====	=====
Limited partners	\$ 923,959	\$ 243,548
	=====	=====
Net income (loss) per limited partnership interest	\$ 53.69	\$ 14.15
	=====	=====

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

12

709

PARKER & PARSLEY 86-B, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF PARTNERS' CAPITAL

	Managing general partner	Limited partners
	-----	-----
Partners' capital at January 1, 1998	\$ 33,572	\$ 3,451,264
Distributions	(3,251)	(321,805)
Net loss	(8,070)	(798,971)
	-----	-----
Partners' capital at December 31, 1998	22,251	2,330,488
Distributions	(3,615)	(357,887)
Net income	2,460	243,548
	-----	-----
Partners' capital at December 31, 1999	21,096	2,216,149

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Distributions	(9,329)	(923,558)
Net income	9,333	923,959
	-----	-----
Partners' capital at December 31, 2000	\$ 21,100	\$ 2,216,550
	=====	=====

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

13

710

PARKER & PARSLEY 86-B, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF CASH FLOWS  
For the years ended December 31

	2000	1999
	-----	-----
Cash flows from operating activities:		
Net income (loss)	\$ 933,292	\$ 246,008
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Impairment of oil and gas properties	13,279	-
Depletion	112,693	177,415
Gain on disposition of assets	(21,074)	-
Changes in assets and liabilities:		
Accounts receivable	(80,309)	(59,316)
Accounts payable	(13,888)	17,977
	-----	-----
Net cash provided by operating activities	943,993	382,084
	-----	-----
Cash flows from investing activities:		
Additions to oil and gas properties	(20,718)	(8,474)
Proceeds from disposition of assets	23,670	8,980
	-----	-----
Net cash provided by (used in) investing activities	2,952	506
	-----	-----
Cash flows used in financing activities:		
Cash distributions to partners	(932,887)	(361,502)
	-----	-----
Net increase (decrease) in cash	14,058	21,088
Cash at beginning of year	206,408	185,320
	-----	-----
Cash at end of year	\$ 220,466	\$ 206,408
	=====	=====

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

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

14

711

PARKER & PARSLEY 86-B, LTD.  
(A Texas Limited Partnership)

NOTES TO FINANCIAL STATEMENTS  
December 31, 2000, 1999 and 1998

### NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS

Parker & Parsley 86-B, Ltd. (the "Partnership") is a limited partnership organized in 1986 under the laws of the State of Texas. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA").

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Oil and gas properties - The Partnership utilizes the successful efforts method of accounting for its oil and gas properties and equipment. Under this method, all costs associated with productive wells and nonproductive development wells are capitalized while nonproductive exploration costs are expensed. Capitalized costs relating to proved properties are depleted using the unit-of-production method on a property-by-property basis based on proved oil (dominant mineral) reserves as evaluated by independent petroleum consultants. The carrying amounts of properties sold or otherwise disposed of and the related allowances for depletion are eliminated from the accounts and any gain or loss is included in results of operations.

Impairment of long-lived assets - In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the Partnership reviews its long-lived assets to be held and used on an individual property basis, including oil and gas properties accounted for under the successful efforts method of accounting, whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. An impairment loss is indicated if the sum of the expected future cash flows is less than the carrying amount of the assets. In this circumstance, the Partnership recognizes an impairment loss for the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset.

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

Net income (loss) per limited partnership interest - The net income (loss) per limited partnership interest is calculated by using the number of outstanding limited partnership interests.

Income taxes - A Federal income tax provision has not been included in the financial statements as the income of the Partnership is included in the individual Federal income tax returns of the

respective partners.

Statements of cash flows - For purposes of reporting cash flows, cash includes depository accounts held by banks.

General and administrative expenses - General and administrative expenses are allocated in part to the Partnership by the managing general partner. Allocated expenses are determined by the managing general partner based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Reclassifications - Certain reclassifications may have been made to the 1999 and 1998 financial statements to conform to the 2000 financial statement presentations.

Environmental - The Partnership is subject to extensive federal, state and local environmental laws and regulations. These laws, which are constantly changing, regulate the discharge of materials into the environment and may require the Partnership to remove or mitigate the environmental effects of the disposal or release of petroleum or chemical substances at various sites. Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Liabilities for expenditures of a noncapital nature are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated. Such liabilities are generally undiscounted unless the timing of cash payments for the liability or component are fixed or reliably determinable. No such liabilities have been accrued as of December 31, 2000.

Revenue recognition - The Partnership uses the entitlements method of accounting for oil, natural gas liquids ("NGLs") and natural gas revenues.

NOTE 3. IMPAIRMENT OF LONG-LIVED ASSETS

In accordance with SFAS 121, the Partnership reviews its proved oil and gas properties for impairment whenever events and circumstances indicate a decline in the recoverability of the carrying value of the Partnership's oil and gas properties. The Partnership has estimated the expected future cash flows of its oil and gas properties as of December 31, 2000, 1999 and 1998, based on proved reserves, and compared such estimated future cash flows to the respective carrying amount of the oil and gas properties to determine if the carrying amounts were likely to be recoverable. For those proved oil and gas properties for which the carrying amount exceeded the estimated future cash flows, an impairment was determined to exist; therefore, the Partnership adjusted the carrying amount of those oil and gas properties to their fair value as determined by discounting their expected future cash flows at a discount rate commensurate with the risks involved in the industry. As a result, the Partnership recognized non-cash impairment provisions of \$13,279 and \$509,585 related to its proved oil and gas properties during 2000 and 1998, respectively.

NOTE 4. INCOME TAXES

The financial statement basis of the Partnership's net assets and



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

liabilities was \$38,785 greater than the tax basis at December 31, 2000.

The following is a reconciliation of net income (loss) per statements of operations with the net income per Federal income tax returns for the years ended December 31:

	2000	1999
Net income (loss) per statements of operations	\$ 933,292	\$ 246,008
Depletion and depreciation provisions for tax reporting purposes less than amounts for financial reporting purposes	104,139	168,298
Impairment of oil and gas properties for financial reporting purposes	13,279	-
Intangible development costs capitalized for financial reporting purposes and expensed for tax reporting purposes	(13,305)	-
Other, net	(142)	11,789
	-----	-----
Net income per Federal income tax returns	\$ 1,037,263	\$ 426,095
	=====	=====

### NOTE 5. OIL AND GAS PRODUCING ACTIVITIES

The following is a summary of the costs incurred, whether capitalized or expensed, related to the Partnership's oil and gas producing activities for the years ended December 31:

	2000	1999
Development costs	\$ 20,718	\$ 8,474
	=====	=====

Capitalized oil and gas properties consist of the following:

	2000
Proved properties:	
Property acquisition costs	\$ 439,613
Completed wells and equipment	11,365,560
	-----
Accumulated depletion	11,805,173
	(10,032,733)
	-----
Net oil and gas properties	\$ 1,772,440
	=====

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

### NOTE 6. RELATED PARTY TRANSACTIONS

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

	2000	1999
Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$ 298,127	\$ 298,479
Reimbursement of general and administrative expenses	\$ 44,975	\$ 19,909

The Partnership participates in oil and gas activities through an income tax partnership (the "Program") pursuant to the Program agreement. In addition, Pioneer USA and the Partnership are parties to the Program agreement.

The costs and revenues of the Program are allocated to Pioneer USA and the Partnership as follows:

	Pioneer USA (1)
Revenues:	
Proceeds from disposition of depreciable properties	9.09091%
All other revenues	24.242425%
Costs and expenses:	
Lease acquisition costs, drilling and completion costs and all other costs	9.09091%
Operating costs, direct costs and general and administrative expenses	24.242425%

- (1) Excludes Pioneer USA's 1% general partner ownership which is allocated at the Partnership level and 128 limited partner interests owned by Pioneer USA.

### NOTE 7. OIL AND GAS INFORMATION (UNAUDITED)

The following table presents information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities during the years then ended. All of the Partnership's reserves are proved developed and located within the United States. The Partnership's reserves are based on an evaluation prepared by Williamson Petroleum Consultants, Inc., an independent petroleum consultant, using criteria established by the Securities and Exchange Commission.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	Oil and NGLs (bbls)
	-----
Net proved reserves at January 1, 1998	940,047
Revisions	(401,595)
Production	(70,399)
	-----
Net proved reserves at December 31, 1998	468,053
Revisions	550,528
Production	(63,132)
	-----
Net proved reserves at December 31, 1999	955,449
Revisions	42,519
Production	(62,337)
	-----
Net proved reserves at December 31, 2000	935,631
	=====

As of December 31, 2000, the estimated present value of future net revenues of proved reserves, calculated using December 31, 2000 prices of \$26.64 per barrel of oil, \$13.61 per barrel of NGLs and \$7.82 per mcf of gas, discounted at 10% was approximately \$7,100,000 and undiscounted was \$14,263,000.

Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves. The Partnership emphasizes that reserve estimates are inherently imprecise and, accordingly, the estimates are expected to change as future information becomes available.

Disclosures about Oil & Gas Producing Activities

Standardized Measure of Discounted Future Net Cash Flows

The standardized measure of discounted future net cash flows is computed by applying year-end prices of oil and gas (with consideration of price changes only to the extent provided by contractual arrangements) to the estimated future production of proved oil and gas reserves less estimated future expenditures (based on year-end costs) to be incurred in developing and producing the proved reserves, discounted using a rate of 10% per year to reflect the estimated timing of the future cash flows. A Federal income tax provision has not been calculated as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

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

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

716

	For the years ended Dec	
	2000	1999
	(in thousands)	
Oil and gas producing activities:		
Future cash inflows	\$ 30,354	\$ 23,606
Future production costs	(16,091)	(13,697)
	-----	-----
	14,263	9,909
10% annual discount factor	(7,163)	(4,671)
	-----	-----
Standardized measure of discounted future net cash flows	\$ 7,100	\$ 5,238
	=====	=====

	For the years ended Dec	
	2000	1999
	(in thousands)	
Oil and Gas Producing Activities:		
Oil and gas sales, net of production costs	\$ (1,085)	\$ (445)
Net changes in prices and production costs	2,757	2,398
Revisions of previous quantity estimates	121	3,891
Accretion of discount	524	82
Changes in production rates, timing and other	(455)	(1,507)
	-----	-----
Change in present value of future net revenues	1,862	4,419
	-----	-----
Balance, beginning of year	5,238	819
	-----	-----
Balance, end of year	\$ 7,100	\$ 5,238
	=====	=====

NOTE 8. MAJOR CUSTOMERS

The following table reflects the major customers of the Partnership's oil and gas sales (a major customer is defined as a customer whose sales exceed 10% of total sales) during the years ended December 31:

	2000	1999
Plains Marketing, L.P.	36%	35%
Genesis Crude Oil, L.P.	-	-

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Western Gas Resources, Inc.	2%	4%
Mobil Oil Corporation	16%	15%
Texaco Trading & Transportation	4%	8%

At December 31, 2000, the amounts receivable from Plains Marketing, L.P. and Mobil Oil Corporation were \$54,631 and \$21,954, respectively, which are included in the caption "Accounts receivable - oil and gas sales" in the accompanying Balance Sheet.

Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on the ability of the Partnership to sell its oil, NGLs and gas production.

### NOTE 9. PARTNERSHIP AGREEMENT

The following is a brief summary of the more significant provisions of the limited partnership agreement:

Managing general partner - The managing general partner of the Partnership is Pioneer USA. Pioneer USA has the power and authority to manage, control and administer all Program and Partnership affairs. As managing general partner and operator of the Partnership's properties, all production expenses are incurred by Pioneer USA and billed to the Partnership. The majority of the Partnership's oil and gas revenues are received directly by the Partnership, however, a portion of the oil and gas revenue is initially received by Pioneer USA prior to being paid to the Partnership. Under the limited partnership agreement, the managing general partner pays 1% of the Partnership's acquisition, drilling and completion costs and 1% of its operating

20

717

and general and administrative expenses. In return, it is allocated 1% of the Partnership's revenues.

Limited partner liability - The maximum amount of liability of any limited partner is the total contributions of such partner plus his share of any undistributed profits.

Initial capital contributions - The limited partners entered into subscription agreements for aggregate capital contributions of \$17,208,000. Pioneer USA is required to contribute amounts equal to 1% of initial Partnership capital less commission and offering expenses allocated to the limited partners and to contribute amounts necessary to pay costs and expenses allocated to it under the Partnership agreement to the extent its share of revenues does not cover such costs.

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

None.

21

718

## PART III

### ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE PARTNERSHIP

The Partnership does not have any officers or directors. Under the limited

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

partnership agreement, the Partnership's managing general partner, Pioneer USA, is granted the exclusive right and full authority to manage, control and administer the Partnership's business.

Set forth below are the names, ages and positions of the directors and executive officers of Pioneer USA. Directors of Pioneer USA are elected to serve until the next annual meeting of stockholders or until their successors are elected and qualified.

Name -----	Age at December 31, 2000 ----	Position -----
Scott D. Sheffield	48	President
Timothy L. Dove	44	Executive Vice President, Chief Financial Officer and Director
Dennis E. Fagerstone	51	Executive Vice President and
Mark L. Withrow	53	Executive Vice President, General Counsel and Director
Danny Kellum	46	Executive Vice President - Director Operations and Director
Rich Dealy	34	Vice President and Chief Accounting Officer

Scott D. Sheffield. Mr. Sheffield is a graduate of The University of Texas with a B.S. in Petroleum Engineering. Since August 1997, he has served as President, Chief Executive Officer and a director of Pioneer and President of Pioneer USA. Mr. Sheffield assumed the position of Chairman of the Board of Pioneer in August 1999. He served as a director of Pioneer USA from August 1997 until his resignation from the board in June 1999. Mr. Sheffield was the President and a director of Parker & Parsley Petroleum Company ("Parker & Parsley") from May 1990 until August 1997 and was the Chairman of the Board and Chief Executive Officer of Parker & Parsley from October 1990 until August 1997. He was the sole director of Parker & Parsley from May 1990 until October 1990. Mr. Sheffield joined Parker & Parsley Development Company ("PPDC"), a predecessor of Parker & Parsley, as a petroleum engineer in 1979. He served as Vice President - Engineering of PPDC from September 1981 until April 1985 when he was elected President and a director. In March 1989, Mr. Sheffield was elected Chairman of the Board and Chief Executive Officer of PPDC. Before joining PPDC's predecessor, Mr. Sheffield was employed as a production and reservoir engineer for Amoco Production Company.

22

719

Timothy L. Dove. Mr. Dove earned a B.S. in Mechanical Engineering from Massachusetts Institute of Technology in 1979 and received his M.B.A. in 1981 from the University of Chicago. He became Executive Vice President - Business Development of Pioneer and Pioneer USA in August 1997 and was also appointed a director of Pioneer USA in August 1997. Mr. Dove assumed the position of Chief Financial Officer of Pioneer and Pioneer USA effective February 1, 2000. Mr. Dove joined Parker & Parsley in May 1994 as Vice President - International and was promoted to Senior Vice President - Business Development in October 1996, in

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

which position he served until August 1997. Prior to joining Parker & Parsley, Mr. Dove was employed with Diamond Shamrock Corp., and its successor, Maxus Energy Corp, in various capacities in international exploration and production, marketing, refining and marketing and planning and development.

Dennis E. Fagerstone. Mr. Fagerstone, a graduate of the Colorado School of Mines with a B.S. in Petroleum Engineering, became an Executive Vice President of Pioneer and Pioneer USA in August 1997. He was also appointed a director of Pioneer USA in August 1997. He served as Executive Vice President and Chief Operating Officer of MESA Inc. ("Mesa") from March 1, 1997 until August 1997. From October 1996 to February 1997, Mr. Fagerstone served as Senior Vice President and Chief Operating Officer of Mesa and from May 1991 to October 1996, he served as Vice President - Exploration and Production of Mesa. From June 1988 to May 1991, Mr. Fagerstone served as Vice President - Operations of Mesa.

Mark L. Withrow. Mr. Withrow, a graduate of Abilene Christian University with a B. S. in Accounting and Texas Tech University with a Juris Doctorate degree, became Executive Vice President, General Counsel and Secretary of Pioneer and Pioneer USA in August 1997. He was also appointed a director of Pioneer USA in August 1997. Mr. Withrow was Vice President - General Counsel of Parker & Parsley from January 1991, when he joined Parker & Parsley, to January 1995, when he was appointed Senior Vice President - General Counsel. He was Parker & Parsley's Secretary from August 1992 until August 1997. Prior to joining Parker & Parsley, Mr. Withrow was the managing partner of the law firm of Turpin, Smith, Dyer, Saxe & MacDonald, Midland, Texas.

Danny Kellum. Mr. Kellum, who received a Bachelor of Science degree in Petroleum Engineering from Texas Tech University in 1979, was elected Executive Vice President - Domestic Operations of Pioneer and Pioneer USA on May 18, 2000 and Director of Pioneer USA on February 1, 2000. From January 2000 until May 2000, Mr. Kellum served as Vice President - Domestic Operations of Pioneer and Pioneer USA. Mr. Kellum served as Vice President Permian Division of Pioneer and Pioneer USA from April 1998 until December 1999. From 1989 until 1994 he served as Spraberry District Manager and as Vice President of the Spraberry and Permian Division for Parker & Parsley until August of 1997. Mr. Kellum joined Parker & Parsley as an operations engineer in 1981 after a brief career with Mobil Oil Corporation.

Rich Dealy. Mr. Dealy is a graduate of Eastern New Mexico University with a B.B.A. in Accounting and Finance and is a Certified Public Accountant. He became Vice President and Chief Accounting Officer of Pioneer and Pioneer USA in February 1998. Mr. Dealy served as Controller of Pioneer USA from August 1997 to February 1998. He served as Controller of Parker & Parsley from August 1995 to August 1997. Mr. Dealy joined Parker & Parsley as an Accounting Manager in July, 1992. He was previously employed with KPMG Peat Marwick as an Audit Senior, in charge of Parker & Parsley's audit.

23

720

### ITEM 11. EXECUTIVE COMPENSATION

The Partnership does not have any directors or officers. Management of the Partnership is performed by Pioneer USA, the managing general partner. The Partnership participates in oil and gas activities through an income tax partnership (the "Program") pursuant to the Program agreement. Under the Program agreement, Pioneer USA pays approximately 10% of the Program's acquisition, drilling and completion costs and approximately 25% of its operating and general and administrative expenses. In return, Pioneer USA is allocated approximately 25% of the Program's revenues.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The Partnership does not directly pay any salaries of the executive officers of Pioneer USA, but does pay a portion of Pioneer USA's general and administrative expenses of which these salaries are a part.

See Note 6 and 9 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" for information regarding fees and reimbursements paid to the managing general partner by the Partnership.

### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

#### (a) Beneficial owners of more than five percent

The Partnership is not aware of any person who beneficially owns 5% or more of the outstanding limited partnership interests of the Partnership. Pioneer USA owned 128 limited partner interests at January 1, 2001.

#### (b) Security ownership of management

The Partnership does not have any officers or directors. The managing general partner of the Partnership, Pioneer USA, has the exclusive right and full authority to manage, control and administer the Partnership's business. Under the limited partnership agreement, limited partners holding a majority of the outstanding limited partnership interests have the right to take certain actions, including the removal of the managing general partner or any other general partner. The Partnership is not aware of any current arrangement or activity which may lead to such removal. The Partnership is not aware of any officer or director of Pioneer USA who beneficially owns limited partnership interests in the Partnership.

### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

#### Transactions with the managing general partner

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

	2000	1999
Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$ 298,127	\$ 298,479
Reimbursement of general and administrative expenses	\$ 44,975	\$ 19,909

Under the limited partnership agreement, the managing general partner pays 1% of the Partnership's acquisition, drilling and completion costs and 1% of its operating and general and administrative expenses. In return, it is allocated 1% of the Partnership's revenues. Also, see Notes 6 and 9 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data", regarding the Partnership's participation with the managing general partner in oil and gas activities of the Program.



722

PART IV

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

(a) 1. Financial statements

The following are filed as part of this Report:

Independent Auditors' Report

Balance sheets as of December 31, 2000 and 1999

Statements of operations for the years ended December 31, 2000, 1999 and 1998

Statements of partners' capital for the years ended December 31, 2000, 1999 and 1998

Statements of cash flows for the years ended December 31, 2000, 1999 and 1998

Notes to financial statements

2. Financial statement schedules

All financial statement schedules have been omitted since the required information is in the financial statements or notes thereto, or is not applicable nor required.

(b) Reports on Form 8-K

None.

(c) Exhibits

The exhibits listed on the accompanying index to exhibits are filed or incorporated by reference as part of this Report.

26

723

S I G N A T U R E S

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, thereunto duly authorized.

PARKER & PARSLEY 86-B, LTD.

Dated: March 29, 2001

By: Pioneer Natural Resources USA, Inc.  
Managing General Partner

By: /s/ Scott D. Sheffield  
-----  
Scott D. Sheffield, President

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

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

/s/ Scott D. Sheffield ----- Scott D. Sheffield	President of Pioneer USA	Ma
/s/ Timothy L. Dove ----- Timothy L. Dove	Executive Vice President, Chief Financial Officer and Director of Pioneer USA	Ma
/s/ Dennis E. Fagerstone ----- Dennis E. Fagerstone	Executive Vice President and Director of Pioneer USA	Ma
/s/ Mark L. Withrow ----- Mark L. Withrow	Executive Vice President, General Counsel and Director of Pioneer USA	Ma
/s/ Danny Kellum ----- Danny Kellum	Executive Vice President - Domestic Operations and Director of Pioneer USA	Ma
/s/ Rich Dealy ----- Rich Dealy	Vice President and Chief Accounting Officer of Pioneer USA	Ma

27

724

PARKER & PARSLEY 86-B, LTD.

INDEX TO EXHIBITS

The following documents are incorporated by reference in response to Item 14(c):

Exhibit No. -----	Description -----
3 (a)	Amended and Restated Certificate of Limited Partnership of Parker & Parsley 86-B, Ltd. incorporated by reference to Exhibit 3a of the Partnership's Registration Statement on Form S-1 (Registration No. 33-3353) (hereinafter called the Partnership's Registration Statement)
4 (a)	Form of Agreement of Limited Partnership of Parker & Parsley 86-B, Ltd. incorporated by reference to Exhibit A of Amendment No. 1 of the Partnership's Registration Statement
4 (b)	Form of Subscription Agreement incorporated by reference to Exhibit C of Amendment No. 1 of the Partnership's Registration Statement
4 (b)	Power of Attorney incorporated by reference to an Exhibit of the Partnership's Registration

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Statement

- 4(c) Specimen Certificate of Limited Partnership Interest incorporated by reference to Exhibit 4c of the Partnership's Registration Statement
- 10(b) Development Program Agreement incorporated by reference to Exhibit B of Amendment No. 1 of the Partnership's Registration Statement

28

725

PARKER & PARSLEY 86-B, LTD.

SELECTED FINANCIAL DATA

The following selected financial data for the Partnership should be read in connection with Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements included in the attached supplemental information.

	Six months ended June 30,		Years ended December 31,		
	2001	2000	2000	1999	1998
Operating results:					
Oil and gas sales	\$ 847,551	\$ 795,048	\$1,756,242	\$1,056,533	\$ 928,899
Gain on litigation settlement, net	\$ --	\$ --	\$ --	\$ --	\$ --
Impairment of oil and gas properties	\$ --	\$ --	\$ 13,279	\$ --	\$ 509,585
Net income (loss)	\$ 416,131	\$ 383,684	\$ 933,292	\$ 246,008	\$ (807,041)
Allocation of net income (loss):					
Managing general partner	\$ 4,161	\$ 3,837	\$ 9,333	\$ 2,460	\$ (8,070)
Limited partners	\$ 411,970	\$ 379,847	\$ 923,959	\$ 243,548	\$ (798,971)
Limited partners' net income (loss) per limited partnership interest	\$ 23.94	\$ 22.07	\$ 53.69	\$ 14.15	\$ (46.43)

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Limited partners' cash distributions per limited partnership interest	\$ 18.32	\$ 23.48	\$ 53.67	\$ 20.80	\$ 18.70
	=====	=====	=====	=====	=====
As of period ended:					
Total ended	\$2,364,649	\$2,259,394	\$2,252,955	\$2,266,438	\$2,363,955
	=====	=====	=====	=====	=====

-----

(a) Including litigation settlement per limited partnership interest of \$32.55 in 1996.

726

PIONEER NATURAL RESOURCES COMPANY  
PIONEER NATURAL RESOURCES USA, INC.  
5205 NORTH O'CONNOR BLVD., SUITE 1400  
IRVING, TEXAS 75039

SUPPLEMENTAL INFORMATION

OF

PARKER & PARSLEY 86-C, LTD., A TEXAS LIMITED PARTNERSHIP

TO

PROXY STATEMENT/PROSPECTUS DATED , 2001

-----

THE DATE OF THIS SUPPLEMENT IS , 2001

-----

This document contains important information specific to Parker & Parsley 86-C, Ltd. and supplements the proxy statement/prospectus dated , 2001, of Pioneer Natural Resources Company and Pioneer Natural Resources USA, Inc., by which Pioneer USA is soliciting proxies to be voted at a special meeting of limited partners of the partnership. The purpose of the special meeting is for you to vote upon the merger of the partnership with and into Pioneer USA that, if completed, will result in your receiving common stock of Pioneer Natural Resources Company for your partnership interests.

This document contains the following information concerning Parker & Parsley 86-C, Ltd.:

- o A table containing:
  - the aggregate initial investment by the limited partners
  - the aggregate historical limited partner distributions through July 31, 2001
  - the merger value attributable to partnership interests of limited

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

- partners, excluding Pioneer USA
- the merger value per \$1,000 limited partner investment
- the merger value per \$1,000 limited partner investment as a multiple of distributions for the past four quarterly distributions including the distribution in July 2001
- the book value per \$1,000 limited partner investment as of June 30, 2001 and as of December 31, 2000
- the going concern value per \$1,000 limited partner investment
- the liquidation value per \$1,000 limited partner investment
- the ordinary tax loss per \$1,000 limited partner investment in year of initial investment
- o Information about:
  - the legal opinion for the limited partners
  - the term of the partnership
- o The partnership's quarterly report on Form 10-Q, including management's discussion and analysis of financial condition and results of operations, for the six months ended June 30, 2001
- o The partnership's annual report on Form 10-K, including management's discussion and analysis of financial condition and results of operations, for the year ended December 31, 2000
- o Selected historical financial data for the partnership for the six months ended June 30, 2001 and 2000 and the five years ended December 31, 2000

-1-

727

PARKER & PARSLEY 86-C, LTD.

### SUPPLEMENTAL INFORMATION TABLE

Aggregate Initial Investment by the Limited Partners (a)	\$
Aggregate Historical Limited Partner Distributions through July 31, 2001 (a)	\$
Merger Value Attributable to Partnership Interests of Limited Partners, Excluding Pioneer USA (a), (b)	\$
Merger Value per \$1,000 Limited Partner Investment (b), (c)	\$
Merger Value per \$1,000 Limited Partner Investment as a Multiple of Distributions for the	

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

past four quarterly distributions including the distribution in July 2001(b), (c)

Book Value per \$1,000 Limited Partner Investment:

-- as of June 30, 2001(c)

-- as of December 31, 2000(c)

Going Concern Value per \$1,000 Limited Partner Investment(c), (d)

Liquidation Value per \$1,000 Limited Partner Investment(c), (e)

Ordinary Tax Loss per \$1,000 Limited Partner Investment in Year of Initial Investment(c), (f)

-----

- (a) Stated in thousands.
- (b) The merger value for the partnership is equal to the sum of the present value of estimated future net revenues from the partnership's estimated oil and gas reserves and its net working capital, in each case as of March 31, 2001, less its pro rata share, based on its reserve value, of the estimated expenses and fees of the mergers of all of the partnerships and less the cash distribution on July 13, 2001, by the partnership to its partners.
- (c) Interests in some partnerships were sold in units at prices other than \$1,000. We have presented this information based on a \$1,000 initial investment for ease of use and comparison among partnerships. You should not assume that the amount shown per \$1,000 investment is the same as the value or amount attributable to a single unit investment.
- (d) The going concern value for the partnership is based upon: (1) the sum of (A) the estimated net cash flow from the sale of the partnership's reserves during a 10-year operating period and (B) the estimated residual value from the sale of the partnership's remaining reserves at the end of the operating period, in each case using the same pricing and discount rate as in the merger value calculation, less (2) (A) partnership level general and administrative expenses, and (B) the cash distribution on July 13, 2001 by the partnership to its partners.
- (e) The liquidation value for the partnership is based upon the sale of the partnership's reserves at the reserve value, less (1) liquidation expenses which are estimated to be the sum of (A) the partnership's pro rata share of the merger expenses and fees described in footnote (b) above and (B) 3% of the partnership's reserve value, and (2) the cash distribution on July 13, 2001 by the partnership to its partners. The liquidation expenses represent estimated costs to retain an investment banker or broker to sell the assets of the partnership and the legal and other closing costs associated with such transaction, including the wind-down costs of the partnership.
- (f) Your ability to use your distributive share of the partnership's loss to offset your other income may have been subject to certain limitations at your level as a partner, and you may therefore wish to consult your tax advisor to determine the additional value, if any, actually realized by you in your particular circumstances.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

INFORMATION ABOUT THE LEGAL OPINION FOR THE LIMITED PARTNERS

The partnership agreement for the partnership requires that special legal counsel render an opinion on behalf of the limited partners to Pioneer USA that (1) neither the grant nor the exercise of the right to approve the merger of the partnership by its limited partners will adversely affect the federal income tax classification of the partnership or any of its limited partners; and (2) neither the grant nor exercise of such right will result in the loss of any limited partner's limited liability. In addition, the counsel designated to render the opinion must be counsel other than counsel to Pioneer USA or the partnership. Both the designated counsel and the legal opinion must be approved by the limited partners. Pioneer USA has retained \_\_\_\_\_ of Dallas, Texas for the purpose of rendering this legal opinion on behalf of the limited partners to Pioneer USA. The merger proposals include an approval of that counsel and the form of its opinion. A copy of the opinion is attached as an exhibit to the merger proposals.

INFORMATION ABOUT THE TERM OF THE PARTNERSHIP

The term of the partnership is until December 31, 2036, unless the partnership is earlier terminated in accordance with the applicable provisions of its partnership agreement.

-2-

728

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, 2001

Commission File No. 33-3353C

PARKER & PARSLEY 86-C, LTD.  
(Exact name of Registrant as specified in its charter)

Texas

75-2142283

-----  
(State or other jurisdiction of  
incorporation or organization)

-----  
(I.R.S. Employer  
Identification Number)

5205 N. O'Connor Blvd., Suite 1400, Irving, Texas

75039

-----  
(Address of principal executive offices)

-----  
(Zip code)

Registrant's Telephone Number, including area code : (972) 444-9001

Not applicable

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

(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 / x / No / /

729

PARKER & PARSLEY 86-C, LTD.

TABLE OF CONTENTS

	Page
Part I. Financial Information	
Item 1. Financial Statements	
Balance Sheets as of June 30, 2001 and December 31, 2000.....	3
Statements of Operations for the three and six months ended June 30, 2001 and 2000.....	4
Statement of Partners' Capital for the six months ended June 30, 2001.....	5
Statements of Cash Flows for the six months ended June 30, 2001 and 2000.....	6
Notes to Financial Statements.....	7
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.....	7
Part II. Other Information	
Item 6. Exhibits and Reports on Form 8-K.....	11
Signatures.....	12

730



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

PARKER & PARSLEY 86-C, LTD.  
(A Texas Limited Partnership)

Part I. Financial Information

Item 1. Financial Statements

BALANCE SHEETS

	June 30, 2001	December 31, 2000
	----- (Unaudited)	-----
ASSETS		
Current assets:		
Cash	\$ 441,080	\$ 161,347
Accounts receivable - oil and gas sales	213,975	296,462
	-----	-----
Total current assets	655,055	457,809
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	14,602,482	14,598,140
Accumulated depletion	(13,168,721)	(13,107,930)
	-----	-----
Net oil and gas properties	1,433,761	1,490,210
	-----	-----
	\$ 2,088,816	\$ 1,948,019
	=====	=====
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable - affiliate	\$ 43,231	\$ 30,112
Partners' capital:		
Managing general partner	19,148	17,871
Limited partners (19,317 interests)	2,026,437	1,900,036
	-----	-----
	2,045,585	1,917,907
	-----	-----
	\$ 2,088,816	\$ 1,948,019
	=====	=====

The financial information included as of June 30, 2001 been prepared by the managing general partner without audit by independent public accountants.

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

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

(A Texas Limited Partnership)

STATEMENTS OF OPERATIONS  
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2001	2000	2001	2000
Revenues:				
Oil and gas	\$ 422,897	\$ 439,126	\$ 955,101	\$ 856,273
Interest	3,190	3,246	6,452	5,700
	-----	-----	-----	-----
	426,087	442,372	961,553	861,973
	-----	-----	-----	-----
Costs and expenses:				
Oil and gas production	215,988	231,517	433,153	448,472
General and administrative	12,687	13,174	28,653	25,688
Depletion	29,568	36,749	60,791	79,906
	-----	-----	-----	-----
	258,243	281,440	522,597	554,066
	-----	-----	-----	-----
Net income	\$ 167,844	\$ 160,932	\$ 438,956	\$ 307,907
	=====	=====	=====	=====
Allocation of net income:				
Managing general partner	\$ 1,679	\$ 1,609	\$ 4,390	\$ 3,079
	=====	=====	=====	=====
Limited partners	\$ 166,165	\$ 159,323	\$ 434,566	\$ 304,828
	=====	=====	=====	=====
Net income per limited partnership interest	\$ 8.61	\$ 8.25	\$ 22.50	\$ 15.78
	=====	=====	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

PARKER & PARSLEY 86-C, LTD.  
(A Texas Limited Partnership)

STATEMENT OF PARTNERS' CAPITAL  
(Unaudited)

Managing

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	general partner -----	Limited partners -----	Total -----
Balance at January 1, 2001	\$ 17,871	\$1,900,036	\$1,917,907
Distributions	(3,113)	(308,165)	(311,278)
Net income	4,390	434,566	438,956
	-----	-----	-----
Balance at June 30, 2001	\$ 19,148 =====	\$2,026,437 =====	\$2,045,585 =====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

5

733

PARKER & PARSLEY 86-C, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF CASH FLOWS  
(Unaudited)

	Six months ended June 30,	
	2001 -----	2000 -----
Cash flows from operating activities:		
Net income	\$ 438,956	\$ 307,907
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion	60,791	79,906
Changes in assets and liabilities:		
Accounts receivable	82,487	(29,385)
Accounts payable	13,119	14,845
	-----	-----
Net cash provided by operating activities	595,353	373,273
	-----	-----
Cash flows from investing activities:		
Additions to oil and gas properties	(4,653)	(11,614)
Proceeds from asset dispositions	311	-
	-----	-----
Net cash used in investing activities	(4,342)	(11,614)
	-----	-----
Cash flows used in financing activities:		
Cash distributions to partners	(311,278)	(351,708)
	-----	-----

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Net increase in cash	279,733	9,951
Cash at beginning of period	161,347	142,687
	-----	-----
Cash at end of period	\$ 441,080	\$ 152,638
	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

6

734

PARKER & PARSLEY 86-C, LTD.  
(A Texas Limited Partnership)

NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Unaudited)

Note 1. Organization and nature of operations

Parker & Parsley 86-C, Ltd. (the "Partnership") is a limited partnership organized in 1986 under the laws of the State of Texas.

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

Note 2. Basis of presentation

In the opinion of management, the unaudited financial statements of the Partnership as of June 30, 2001 and for the three and six months ended June 30, 2001 and 2000 include all adjustments and accruals consisting only of normal recurring accrual adjustments which are necessary for a fair presentation of the results for the interim period. These interim results of operations are not necessarily indicative of results for a full year. Certain reclassifications may have been made to the June 30, 2000 financial statements to conform to the June 30, 2001 financial statement presentations.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in this Form 10-Q pursuant to the rules and regulations of the Securities and Exchange Commission. The financial statements should be read in conjunction with the financial statements and the notes thereto contained in the Partnership's Report on Form 10-K for the year ended December 31, 2000, as filed with the Securities and Exchange Commission, a copy of which is available upon request by writing to Rich Dealy, Vice President and Chief Accounting Officer, 5205 North O'Connor Boulevard, Suite 1400, Irving, Texas 75039-3746.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (1)

Results of Operations

Six months ended June 30, 2001 compared with six months ended June 30, 2000

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

### Revenues:

The Partnership's oil and gas revenues increased 12% to \$955,101 for the six months ended June 30, 2001 as compared to \$856,273 for the same period in 2000. The increase in revenues resulted from higher average prices received for gas and NGLs, offset by a decrease in production and lower average prices received for oil. For the six months ended June 30, 2001, 19,403 barrels of oil, 10,669

7

735

barrels of natural gas liquids ("NGLs") and 54,393 mcf of gas were sold, or 39,138 barrel of oil equivalents ("BOEs"). For the six months ended June 30, 2000, 21,638 barrels of oil, 12,002 barrels of NGLs and 45,739 mcf of gas were sold, or 41,263 BOEs.

The average price received per barrel of oil decreased \$.22, or 1%, from \$27.64 for the six months ended June 30, 2000 to \$27.42 for the same period in 2001. The average price received per barrel of NGLs increased \$2.26, or 16%, from \$13.72 during the six months ended June 30, 2000 to \$15.98 for the same period in 2001. The average price received per mcf of gas increased 126% from \$2.05 during the six months ended June 30, 2000 to \$4.64 for the same period in 2001. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received during the six months ended June 30, 2001.

### Costs and Expenses:

Total costs and expenses decreased to \$522,597 for the six months ended June 30, 2001 as compared to \$554,066 for the same period in 2000, a decrease of \$31,469, or 6%. This decrease was due to declines in depletion and production costs, offset by an increase in general and administrative expenses ("G&A").

Production costs were \$433,153 for the six months ended June 30, 2001 and \$448,472 for the same period in 2000 resulting in a \$15,319 decrease, or 3%. This decrease was due to lower well maintenance and workover costs.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 12% from \$25,688 for the six months ended June 30, 2000 to \$28,653 for the same period in 2001, primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues and an increase in audit and tax fees.

Depletion was \$60,791 for the six months ended June 30, 2001 as compared to \$79,906 for the same period in 2000, a decline of \$19,115, or 24%. This decrease was due to upward revisions in proved reserves on three significant wells during the period ended June 30, 2001 and a decrease in oil production of 2,235 barrels for the six months ended June 30, 2001 as compared to the same period in 2000.

Three months ended June 30, 2001 compared with three months ended June 30, 2000

### Revenues:

The Partnership's oil and gas revenues decreased 4% to \$422,897 for the three months ended June 30, 2001 as compared to \$439,126 for the same period in 2000.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The decrease in revenues resulted from a decrease in production and lower average prices received for oil, offset by higher average prices received for gas and NGLs. For the three months ended June 30, 2001, 9,459 barrels of oil, 5,538 barrels of NGLs and 25,535 mcf of gas were sold, or 19,253 BOEs. For the

8

736

three months ended June 30, 2000, 10,480 barrels of oil, 6,550 barrels of NGLs and 23,989 mcf of gas were sold, or 21,028 BOEs.

The average price received per barrel of oil decreased \$.86, or 3%, from \$27.72 for the three months ended June 30, 2000 to \$26.86 for the same period in 2001. The average price received per barrel of NGLs increased \$.24, or 2%, from \$13.79 during the three months ended June 30, 2000 to \$14.03 for the same period in 2001. The average price received per mcf of gas increased 47% from \$2.43 during the three months ended June 30, 2000 to \$3.57 for the same period in 2001.

### Costs and Expenses:

Total costs and expenses decreased to \$258,243 for the three months ended June 30, 2001 as compared to \$281,440 for the same period in 2000, a decrease of \$23,197, or 8%. This decrease was due to declines in production costs, depletion and G&A.

Production costs were \$215,988 for the three months ended June 30, 2001 and \$231,517 for the same period in 2000 resulting in a \$15,529 decrease, or 7%. This decrease was primarily due to lower workover and well maintenance costs.

During this period, G&A decreased 4% from \$13,174 for the three months ended June 30, 2000 to \$12,687 for the same period in 2001, primarily due to a decrease in audit and tax fees

Depletion was \$29,568 for the three months ended June 30, 2001 as compared to \$36,749 for the same period in 2000, a decrease of \$7,181, or 20%. This decrease was primarily due to upward revisions to proved reserves on three significant wells during the period ended June 30, 2001 and a decrease in oil production of 1,021 barrels for the three months ended June 30, 2001 as compared to the same period in 2000.

### Liquidity and Capital Resources

#### Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$222,080 during the six months ended June 30, 2001 from the same period ended June 30, 2000. This increase was due to an increase of \$99,580 in oil and gas receipts and reductions of \$110,146 in working capital and \$15,319 in production costs, offset by an increase in G&A expenses of \$2,965. The increase in oil and gas receipts resulted from the increase in gas and NGL prices of \$145,824 during 2001, offset by a decline of \$42,415 in production and a \$3,829 decline resulting from lower oil prices as compared to the same period in 2000. The decrease in production costs was primarily due to lower well maintenance and workover costs. The increase in G&A was primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues and an increase in audit and tax fees.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

### Net Cash Used in Investing Activities

The Partnership's investing activities during the six months ended June 30, 2001 and 2000 were related to expenditures for equipment upgrades on active properties.

9

737

Proceeds from disposition of assets of \$311 recognized during the six months ended June 30, 2001 were due to equipment credits received on an active property.

### Net Cash Used in Financing Activities

For the six months ended June 30, 2001, cash distributions to the partners were \$311,278, of which \$3,113 was distributed to the managing general partner and \$308,165 to the limited partners. For the same period ended June 30, 2000, cash distributions to the partners were \$351,708, of which \$3,517 was distributed to the managing general partner and \$348,191 to the limited partners.

For the three months ended June 30, 2001, no distributions were made by the partnership to its partners. Subsequent to June 30, 2001 the cash distribution that otherwise would have been mailed to partners in late June was made to holders of record as of July 9, 2001 and was mailed on July 13, 2001. For further information, see "Proposal to acquire partnerships" below.

### Proposal to acquire partnerships

On June 29, 2001, Pioneer Natural Resources Company ("Pioneer") filed with the Securities and Exchange Commission Amendment No. 1 to the Form S-4 Registration Statement (File No. 333-59094) (the "preliminary proxy statement/prospectus"), which proposes an agreement and plan of merger among Pioneer, Pioneer Natural Resources USA, Inc. ("Pioneer USA"), a wholly-owned subsidiary of Pioneer, and 46 Parker & Parsley limited partnerships. Each partnership that approves the agreement and plan of merger and the other related merger proposals will merge with and into Pioneer USA upon the closing of the transactions described in the preliminary proxy statement/prospectus, and the partnership interests of each such partnership will be converted into the right to receive Pioneer common stock. The Partnership is one of the 46 Parker & Parsley limited partnerships that will be asked to approve the agreement and plan of merger. The preliminary proxy statement/prospectus is non-binding and is subject to, among other things, consideration of offers from third parties to purchase any partnership or its assets and the majority approval of the limited partnership interests in each partnership.

Pioneer USA will solicit proxies from limited partners to approve the mergers only when the proxy statement/prospectus is final and declared effective. No solicitation will be made using preliminary materials. Nonetheless, copies of the preliminary proxy statement/prospectus may be obtained without charge upon request from Pioneer Natural Resources Company, 5205 North O'Connor Blvd., Suite 1400, Irving, Texas 75039, Attention: Investor Relations.

The limited partners are urged to read the proxy statement/prospectus of Pioneer filed with the Securities and Exchange Commission, when it is finalized, because it contains important information about the proposed mergers, including information about the direct and indirect interests of Pioneer USA and Pioneer in the mergers. The limited partners may also obtain the preliminary and (when filed) final proxy statement/prospectus and other relevant documents relating to

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

the proposed mergers free through the internet web site that the Securities and Exchange Commission maintains at [www.sec.gov](http://www.sec.gov).

10

738

-----

- (1) "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" contains forward looking statements that involve risks and uncertainties. Accordingly, no assurances can be given that the actual events and results will not be materially different than the anticipated results described in the forward looking statements.

Part II. Other Information

Item 6. Exhibits and Reports on Form 8-K

- (a) Exhibits - none  
(b) Reports on Form 8-K - none

11

739

PARKER & PARSLEY 86-C, LTD.  
(A Texas Limited Partnership)

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 thereunto duly authorized.

PARKER & PARSLEY 86-C, LTD.

By: Pioneer Natural Resources USA, Inc.  
Managing General Partner

Dated: August 8, 2001

By: /s/ Rich Dealy

-----  
Rich Dealy, Vice President and  
Chief Accounting Officer

12



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

740

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

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d)  
of the Securities Exchange Act of 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000

COMMISSION FILE NO. 33-3353C

PARKER & PARSLEY 86-C, LTD.

(Exact name of Registrant as specified in its charter)

TEXAS

75-2142283

-----  
(State or other jurisdiction of  
incorporation or organization)

-----  
(I.R.S. Employer  
Identification Number)

1400 WILLIAMS SQUARE WEST, 5205 N. O'CONNOR BLVD., IRVING, TEXAS

75039

-----  
(Address of principal executive offices)

-----  
(Zip code)

Registrant's Telephone Number, including area code : (972) 444-9001

Securities registered pursuant to Section 12(b) of the Act: NONE

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

LIMITED PARTNERSHIP INTERESTS (\$1,000 PER UNIT)  
-----

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

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

No market currently exists for the limited partnership interests of the Registrant. Based on the original purchase price, the aggregate market value of limited partnership interests owned by non-affiliates of the Registrant is \$19,257,000.

As of March 8, 2001, the number of outstanding limited partnership interests was 19,317.

The following documents are incorporated by reference into the indicated parts of this Annual Report on Form 10-K: None

PARTS I AND II OF THIS ANNUAL REPORT ON FORM 10-K (THE "REPORT") CONTAIN FORWARD

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. ACCORDINGLY, NO ASSURANCES CAN BE GIVEN THAT THE ACTUAL EVENTS AND RESULTS WILL NOT BE MATERIALLY DIFFERENT THAN THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS. SEE "ITEM 1. BUSINESS" FOR A DESCRIPTION OF VARIOUS FACTORS THAT COULD MATERIALLY AFFECT THE ABILITY OF THE PARTNERSHIP TO ACHIEVE THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS.

741

### PART I

#### ITEM 1. BUSINESS

Parker & Parsley 86-C, Ltd. (the "Partnership") is a limited partnership organized in 1986 under the laws of the State of Texas. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA"). Pioneer USA is a wholly-owned subsidiary of Pioneer Natural Resources Company ("Pioneer"). As of March 8, 2001, the Partnership had 19,317 limited partnership interests outstanding.

The Partnership does not have any employees of its own. Pioneer USA employs 701 persons, many of whom dedicated a part of their time to the conduct of the Partnership's business during the period for which this Report is filed. Pioneer USA is responsible for all management functions.

The Partnership engages in oil and gas development and production and is not involved in any industry segment other than oil and gas. The Partnership's production is geographically concentrated in West Texas.

The principal markets during 2000 for the oil produced by the Partnership were refineries and oil transmission companies that have facilities near the Partnership's oil producing properties. During 2000, Pioneer USA marketed the Partnership's gas to a variety of purchasers, none of which accounted for 10% or more of the Partnership's oil and gas revenues. Of the Partnership's total oil and gas revenues for 2000, approximately 37% and 15% were attributable to sales made to Plains Marketing, L.P. and TEPPCO Crude Oil LLC, respectively. Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on its ability to sell its oil, natural gas liquids ("NGLs") and gas production.

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

Oil and gas production operations are subject to various types of regulations by local, state and federal agencies. The Partnership's operations are also subject to state conservation laws and regulations, including the establishment of maximum rates of production from wells and the regulation of spacing, plugging and abandonment of wells. Each state generally imposes a production or severance tax with respect to production and sale of oil and gas within their respective jurisdictions. Noncompliance with the laws and regulations may subject the Partnership to penalties, damages or other liabilities and compliance may increase the cost of the Partnership's operations.

The oil and gas business is also subject to environmental hazards such as oil spills, gas leaks and ruptures and discharges of toxic substances or gases that could expose the Partnership to substantial

liability due to pollution and other environmental damages. Although the Partnership believes that its business operations do not impair environmental quality and that its costs of complying with any applicable environmental regulations are not currently significant, the Partnership cannot predict what, if any, effect these environmental regulations may have on its current or future operations.

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

No material part of the Partnership's business is seasonal and the Partnership conducts no foreign operations.

ITEM 2. PROPERTIES

The Partnership's properties consist of leasehold interests in properties on which oil and gas wells are located. Such property interests are often subject to landowner royalties, overriding royalties and other oil and gas leasehold interests.

Fractional working interests in developmental oil and gas prospects located primarily in the Spraberry Trend area of West Texas were acquired by the Partnership, resulting in the Partnership's participation in the drilling of 60 productive oil and gas wells. Four wells were sold and three wells were abandoned due to uneconomical operations. At December 31, 2000, 53 wells were producing.

For information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998, and changes in such quantities for the years then ended, see Note 7 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" below. Such reserves have been evaluated by Williamson Petroleum Consultants, Inc., an independent petroleum consultant.

ITEM 3. LEGAL PROCEEDINGS

The Partnership from time to time is a party to various legal proceedings incidental to its business involving claims in oil and gas leases or interests, other claims for damages in amounts not in excess of 10% of its current assets and other matters, none of which Pioneer USA believes to be material to the Partnership.

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

There were no matters submitted to a vote of the partners during the fourth quarter of 2000.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

PART II

ITEM 5. MARKET FOR LIMITED PARTNERSHIP INTERESTS AND LIMITED PARTNERSHIP DISTRIBUTIONS

At March 8, 2001, the Partnership had 19,317 outstanding limited partnership interests held of record by 1,332 subscribers. There is no established public trading market for the limited partnership interests. Under the limited partnership agreement, Pioneer USA has made certain commitments to purchase partnership interests at a computed value.

Revenues which, in the sole judgement of the managing general partner, are not required to meet the Partnership's obligations are distributed to the partners at least quarterly in accordance with the limited partnership agreement. During the years ended December 31, 2000 and 1999, distributions of \$821,264 and \$236,960, respectively, were made to the limited partners.

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth selected financial data for the years ended December 31:

	2000 -----	1999 -----	1998 -----	1997 -----	1996 -----
Operating results:					
Oil and gas sales	\$1,865,405 =====	\$1,067,096 =====	\$ 973,632 =====	\$1,484,170 =====	\$1,750,711 =====
Gain on litigation settlement, net	\$ - =====	\$ - =====	\$ - =====	\$ - =====	\$ 704,860 =====
Impairment of oil and gas properties	\$ - =====	\$ 26,652 =====	\$ 277,277 =====	\$ 895,701 =====	\$ 132,770 =====
Net income (loss)	\$ 828,383 =====	\$ 105,421 =====	\$ (423,942) =====	\$ (577,071) =====	\$1,142,500 =====
Allocation of net income (loss):					
Managing general partner	\$ 8,284 =====	\$ 1,054 =====	\$ (4,240) =====	\$ (5,770) =====	\$ 11,420 =====
Limited partners	\$ 820,099 =====	\$ 104,367 =====	\$ (419,702) =====	\$ (571,301) =====	\$1,131,080 =====
Limited partners' net income (loss) per limited partnership interest	\$ 42.45 =====	\$ 5.40 =====	\$ (21.73) =====	\$ (29.58) =====	\$ 58.50 =====
Limited partners' cash distributions per limited partnership					

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

interest	\$ 42.52 =====	\$ 12.27 =====	\$ 15.20 =====	\$ 37.84 =====	\$ 69.4 =====
At year end:					
-----					
Identifiable assets	\$1,948,019 =====	\$1,958,255 =====	\$2,071,111 =====	\$2,820,637 =====	\$4,193,44 =====
-----					

(a) Including litigation settlement per limited partnership interest of \$36.12 in 1996.

4

744

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

Results of operations

2000 compared to 1999

The Partnership's oil and gas revenues increased 75% to \$1,865,405 for 2000 as compared to \$1,067,096 in 1999. The increase in revenues resulted from higher average prices received, offset by a slight decline in production. In 2000, 41,783 barrels of oil, 24,546 barrels of natural gas liquids ("NGLs") and 95,610 mcf of gas were sold, or 82,264 barrel of oil equivalents ("BOEs"). In 1999, 37,899 barrels of oil, 26,995 barrels of NGLs and 105,081 mcf of gas were sold, or 82,408 BOEs. Due to the decline characteristics of the Partnership's oil and gas properties, management expects a certain amount of decline in production in the future until the Partnership's economically recoverable reserves are fully depleted.

The average price received per barrel of oil increased \$12.25, or 71%, from \$17.18 in 1999 to \$29.43 in 2000. The average price received per barrel of NGLs increased \$5.79, or 62%, from \$9.27 in 1999 to \$15.06 in 2000. The average price received per mcf of gas increased 76% from \$1.58 in 1999 to \$2.78 in 2000. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received in 2000.

Total costs and expenses increased in 2000 to \$1,051,119 as compared to \$969,444 in 1999, an increase of \$81,675, or 8%. The increase was due to increases in production costs and general and administrative ("G&A") expenses, offset by declines in depletion and the impairment of oil and gas properties.

Production costs were \$848,089 in 2000 and \$713,921 in 1999, resulting in an increase of \$134,168, or 19%. The increase was primarily due to additional well maintenance and workover costs incurred to stimulate well production and higher production taxes associated with higher oil and gas prices.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 75% from \$32,012 in 1999 to \$55,962 in 2000 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

paid the managing general partner \$46,688 in 2000 and \$17,953 in 1999 for G&A incurred on behalf of the Partnership. The remaining G&A was paid directly by the Partnership. The managing general partner determines the allocated expenses based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

5

745

In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the managing general partner reviews the Partnership's oil and gas properties for impairment whenever events or circumstances indicate a decline in the recoverability of the carrying value of the Partnership's assets may have occurred. As a result of the review and evaluation of its long-lived assets for impairment, the Partnership recognized a non-cash charge of \$26,652 related to its oil and gas properties during 1999.

Depletion was \$147,068 in 2000 compared to \$196,859 in 1999, representing a decrease of \$49,791, or 25%. This decrease was primarily due to a 158,291 barrels of oil increase in proved reserves during 2000 as a result of higher commodity prices and a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 1999, offset by an increase in oil production of 3,884 barrels for the period ended December 31, 2000 compared to the same period in 1999.

1999 compared to 1998

The Partnership's 1999 oil and gas revenues increased 10% to \$1,067,096 from \$973,632 in 1998. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 1999, 37,899 barrels of oil, 26,995 barrels of NGLs and 105,081 mcf of gas were sold, or 82,408 BOEs. In 1998, 44,016 barrels of oil, 30,658 barrels of NGLs and 129,149 mcf of gas were sold, or 96,199 BOEs.

The average price received per barrel of oil increased \$3.92, or 30%, from \$13.26 in 1998 to \$17.18 in 1999. The average price received per barrel of NGL's increased \$2.81, or 43%, from \$6.46 in 1998 to \$9.27 in 1999. The average price received per mcf of gas increased 6% from \$1.49 in 1998 to \$1.58 in 1999.

Total costs and expenses decreased in 1999 to \$969,444 as compared to \$1,406,971 in 1998, a decrease of \$437,527, or 31%. The decrease was due to declines in the impairment of oil and gas properties, depletion and production costs, offset by an increase in G&A.

Production costs were \$713,921 in 1999 and \$737,587 in 1998, resulting in a \$23,666 decrease, or 3%. The decrease was due to declines in well maintenance costs and ad valorem taxes.

During this period, G&A increased 10% from \$29,209 in 1998 to \$32,012 in 1999 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$17,953 in 1999 and \$21,776 in 1998 for G&A incurred on behalf of the Partnership.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The Partnership recognized non-cash SFAS 121 charges of \$26,652 and \$277,277 related to its oil and gas properties during 1999 and 1998, respectively.

Depletion was \$196,859 in 1999 compared to \$362,898 in 1998. This represented a decrease of \$166,039, or 46%. This decrease was primarily due to an increase in proved reserves of 291,530 barrels of oil during 1999 as a result of higher commodity prices and a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of

6

746

1998 and a decline in oil production of 6,117 barrels for the period ended December 31, 1999 compared to the same period in 1998.

### Petroleum industry

The petroleum industry has been characterized by volatile oil, NGL and natural gas commodity prices and relatively stable supplier costs during the three years ended December 31, 2000. During 1998, weather patterns, regional economic recessions and political matters combined to cause worldwide oil supplies to exceed demand resulting in a substantial decline in oil prices. Also during 1998, but to a lesser extent, market prices for natural gas declined. During 1999 and 2000, the Organization of Petroleum Exporting Countries ("OPEC") and certain other crude oil exporting nations announced reductions in their planned export volumes. Those announcements, together with the enactment of the announced reductions in export volumes, had a positive impact on world oil prices, as have overall natural gas supply and demand fundamentals on North American natural gas prices. Although the favorable commodity price environment and stable field service cost environment is expected to continue during 2001, there is no assurance that commodity prices will not return to a less favorable level or that field service costs will not escalate in the future, both of which could negatively impact the Partnership's future results of operations and cash distributions.

### Liquidity and capital resources

#### Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$596,449 during the year ended December 31, 2000 from 1999. This increase was due to an increase in oil and gas sales receipts of \$804,637, offset by increases in production costs paid of \$134,168, G&A expenses paid of \$23,950 and working capital of \$50,070. The increase in oil and gas receipts resulted from the increase in commodity prices during 2000 which contributed an additional \$753,537 to oil and gas receipts and an increase of \$51,100 resulting from the increase in oil production during 2000. The increase in production costs was primarily due to increased production taxes associated with higher oil and gas prices and additional well maintenance and workover costs incurred to stimulate well production. The increase in G&A was primarily due to higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues.

#### Net Cash Used in Investing Activities

The Partnership's investing activities during 2000 and 1999 were related to expenditures for oil and gas equipment upgrades on active properties.

Proceeds from asset dispositions of \$847 were recognized during 1999 from

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

equipment credits received on active properties.

Net Cash Used in Financing Activities

In 2000, cash distributions to the partners were \$829,560, of which \$8,296 was distributed to the managing general partner and \$821,264 to the limited partners. In 1999, cash distributions to the partners were \$239,353, of which \$2,393 was distributed to the managing general partner and \$236,960 to the limited partners.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO FINANCIAL STATEMENTS

	Page
Financial Statements of Parker & Parsley 86-C, Ltd:	
Independent Auditors' Report.....	10
Balance Sheets as of December 31, 2000 and 1999.....	11
Statements of Operations for the Years Ended December 31, 2000, 1999 and 1998.....	12
Statements of Partners' Capital for the Years Ended December 31, 2000, 1999 and 1998.....	13
Statements of Cash Flows for the Years Ended December 31, 2000, 1999 and 1998.....	14
Notes to Financial Statements.....	15

INDEPENDENT AUDITORS' REPORT

The Partners  
Parker & Parsley 86-C, Ltd.  
(A Texas Limited Partnership):

We have audited the balance sheets of Parker & Parsley 86-C, Ltd. as of December 31, 2000 and 1999, and the related statements of operations, partners' capital and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parker & Parsley 86-C, Ltd. as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Dallas, Texas  
March 9, 2001

9

749

PARKER & PARSLEY 86-C, LTD.  
(A Texas Limited Partnership)

BALANCE SHEETS  
December 31

	2000	1999
	-----	-----
ASSETS		
-----		
Current assets:		
Cash	\$ 161,347	\$ 142,687
Accounts receivable - oil and gas sales	296,462	194,380
	-----	-----
Total current assets	457,809	337,067
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	14,598,140	14,582,050
Accumulated depletion	(13,107,930)	(12,960,862)
	-----	-----
Net oil and gas properties	1,490,210	1,621,188
	-----	-----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	\$ 1,948,019	\$ 1,958,255
	=====	=====
LIABILITIES AND PARTNERS' CAPITAL		
-----		
Current liabilities:		
Accounts payable - affiliate	\$ 30,112	\$ 39,171
Partners' capital:		
Managing general partner	17,871	17,883
Limited partners (19,317 interests)	1,900,036	1,901,201
	-----	-----
	1,917,907	1,919,084
	-----	-----
	\$ 1,948,019	\$ 1,958,255
	=====	=====

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

10

750

PARKER & PARSLEY 86-C, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF OPERATIONS  
For the years ended December 31

	2000	1999	1998
	-----	-----	-----
Revenues:			
Oil and gas	\$1,865,405	\$1,067,096	\$ 973,632
Interest	14,097	7,769	9,397
	-----	-----	-----
	1,879,502	1,074,865	983,029
	-----	-----	-----
Costs and expenses:			
Oil and gas production	848,089	713,921	737,587
General and administrative	55,962	32,012	29,209
Impairment of oil and gas properties	-	26,652	277,277
Depletion	147,068	196,859	362,898
	-----	-----	-----
	1,051,119	969,444	1,406,971
	-----	-----	-----
Net income (loss)	\$ 828,383	\$ 105,421	\$ (423,942)
	=====	=====	=====

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Allocation of net income (loss):			
Managing general partner	\$ 8,284	\$ 1,054	\$ (4,240)
	=====	=====	=====
Limited partners	\$ 820,099	\$ 104,367	\$ (419,702)
	=====	=====	=====
Net income (loss) per limited partnership interest	\$ 42.45	\$ 5.40	\$ (21.73)
	=====	=====	=====

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

11

751

PARKER & PARSLEY 86-C, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF PARTNERS' CAPITAL

	Managing general partner	Limited partners	Total
	-----	-----	-----
Partners' capital at January 1, 1998	\$ 26,428	\$2,747,103	\$2,773,531
Distributions	(2,966)	(293,607)	(296,573)
Net loss	(4,240)	(419,702)	(423,942)
	-----	-----	-----
Partners' capital at December 31, 1998	19,222	2,033,794	2,053,016
Distributions	(2,393)	(236,960)	(239,353)
Net income	1,054	104,367	105,421
	-----	-----	-----
Partners' capital at December 31, 1999	17,883	1,901,201	1,919,084
Distributions	(8,296)	(821,264)	(829,560)
Net income	8,284	820,099	828,383
	-----	-----	-----
Partners' capital at December 31, 2000	\$ 17,871	\$1,900,036	\$1,917,907
	=====	=====	=====

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

PARKER & PARSLEY 86-C, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF CASH FLOWS  
For the years ended December 31

	2000 -----	1999 -----	1998 -----
Cash flows from operating activities:			
Net income (loss)	\$ 828,383	\$ 105,421	\$ (423,942)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Impairment of oil and gas properties	-	26,652	277,277
Depletion	147,068	196,859	362,898
Changes in assets and liabilities:			
Accounts receivable	(102,082)	(82,147)	91,550
Accounts payable	(9,059)	21,076	(29,011)
	-----	-----	-----
Net cash provided by operating activities	864,310	267,861	278,772
	-----	-----	-----
Cash flows from investing activities:			
Additions to oil and gas properties	(16,090)	(13,291)	(19,770)
Proceeds from asset dispositions	-	847	626
	-----	-----	-----
Net cash used in investing activities	(16,090)	(12,444)	(19,144)
	-----	-----	-----
Cash flows used in financing activities:			
Cash distributions to partners	(829,560)	(239,353)	(296,573)
	-----	-----	-----
Net increase (decrease) in cash	18,660	16,064	(36,945)
Cash at beginning of year	142,687	126,623	163,568
	-----	-----	-----
Cash at end of year	\$ 161,347	\$ 142,687	\$ 126,623
	=====	=====	=====

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

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

PARKER & PARSLEY 86-C, LTD.  
(A Texas Limited Partnership)

NOTES TO FINANCIAL STATEMENTS  
December 31, 2000, 1999 and 1998

### NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS

Parker & Parsley 86-C, Ltd. (the "Partnership") is a limited partnership organized in 1986 under the laws of the State of Texas. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA").

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Oil and gas properties - The Partnership utilizes the successful efforts method of accounting for its oil and gas properties and equipment. Under this method, all costs associated with productive wells and nonproductive development wells are capitalized while nonproductive exploration costs are expensed. Capitalized costs relating to proved properties are depleted using the unit-of-production method on a property-by-property basis based on proved oil (dominant mineral) reserves as evaluated by independent petroleum consultants. The carrying amounts of properties sold or otherwise disposed of and the related allowances for depletion are eliminated from the accounts and any gain or loss is included in results of operations.

Impairment of long-lived assets - In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the Partnership reviews its long-lived assets to be held and used on an individual property basis, including oil and gas properties accounted for under the successful efforts method of accounting, whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. An impairment loss is indicated if the sum of the expected future cash flows is less than the carrying amount of the assets. In this circumstance, the Partnership recognizes an impairment loss for the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset.

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

Net income (loss) per limited partnership interest - The net income (loss) per limited partnership interest is calculated by using the number of outstanding limited partnership interests.

Income taxes - A Federal income tax provision has not been included in the financial statements as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

754

Statements of cash flows - For purposes of reporting cash flows, cash includes depository accounts held by banks.

General and administrative expenses - General and administrative expenses are allocated in part to the Partnership by the managing general partner. Allocated expenses are determined by the managing general partner based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Reclassifications - Certain reclassifications may have been made to the 1999 and 1998 financial statements to conform to the 2000 financial statement presentations.

Environmental - The Partnership is subject to extensive federal, state and local environmental laws and regulations. These laws, which are constantly changing, regulate the discharge of materials into the environment and may require the Partnership to remove or mitigate the environmental effects of the disposal or release of petroleum or chemical substances at various sites. Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Liabilities for expenditures of a noncapital nature are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated. Such liabilities are generally undiscounted unless the timing of cash payments for the liability or component are fixed or reliably determinable. No such liabilities have been accrued as of December 31, 2000.

Revenue recognition - The Partnership uses the entitlements method of accounting for oil, natural gas liquids ("NGLs") and natural gas revenues.

### NOTE 3. IMPAIRMENT OF LONG-LIVED ASSETS

In accordance with SFAS 121, the Partnership reviews its proved oil and gas properties for impairment whenever events and circumstances indicate a decline in the recoverability of the carrying value of the Partnership's oil and gas properties. The Partnership has estimated the expected future cash flows of its oil and gas properties as of December 31, 2000, 1999 and 1998, based on proved reserves, and compared such estimated future cash flows to the respective carrying amount of the oil and gas properties to determine if the carrying amounts were likely to be recoverable. For those proved oil and gas properties for which the carrying amount exceeded the estimated future cash flows, an impairment was determined to exist; therefore, the Partnership adjusted the carrying amount of those oil and gas properties to their fair value as determined by discounting their expected future cash flows at a discount rate commensurate with the risks involved in the industry. As a result, the Partnership recognized non-cash impairment provisions \$26,652 and \$277,277 related to its proved oil and gas properties during 1999 and 1998, respectively.

### NOTE 4. INCOME TAXES

The financial statement basis of the Partnership's net assets and liabilities was \$533,255 less than the tax basis at December 31, 2000.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

755

The following is a reconciliation of net income (loss) per statements of operations with the net income per Federal income tax returns for the years ended December 31:

	2000 -----	1999 -----	1998 -----
Net income (loss) per statements of operations	\$ 828,383	\$ 105,421	\$ (423,942)
Depletion and depreciation provisions for tax reporting purposes less than amounts for financial reporting purposes	132,379	182,068	348,153
Impairment of oil and gas properties for financial reporting purposes	-	26,652	277,277
Salvage income	-	-	431
Other, net	(2,097)	(2,839)	4,014
	-----	-----	-----
Net income per Federal income tax returns	\$ 958,665 =====	\$ 311,302 =====	\$ 205,933 =====

NOTE 5. OIL AND GAS PRODUCING ACTIVITIES

The following is a summary of the costs incurred, whether capitalized or expensed, related to the Partnership's oil and gas producing activities for the years ended December 31:

	2000 -----	1999 -----	1998 -----
Development costs	\$ 16,090 =====	\$ 13,291 =====	\$ 19,770 =====

Capitalized oil and gas properties consist of the following:

	2000 -----	1999 -----
Proved properties:		
Property acquisition costs	\$ 645,990	\$ 645,990
Completed wells and equipment	13,952,150 -----	13,936,060 -----
	14,598,140	14,582,050
Accumulated depletion	(13,107,930) -----	(12,960,862) -----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Net oil and gas properties	\$ 1,490,210	\$ 1,621,188
	=====	=====

16

756  
NOTE 6.

RELATED PARTY TRANSACTIONS

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

	2000 -----	1999 -----	1998 -----
Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$ 373,973	\$ 354,129	\$ 348,965
Reimbursement of general and administrative expenses	\$ 46,688	\$ 17,953	\$ 21,776

The Partnership participates in oil and gas activities through an income tax partnership (the "Program") pursuant to the Program agreement. In addition, Pioneer USA and the Partnership are parties to the Program agreement.

The costs and revenues of the Program are allocated to Pioneer USA and the Partnership as follows:

	Pioneer USA (1) -----	Partnership -----
Revenues:		
Proceeds from disposition of depreciable properties	9.09091%	90.90909%
All other revenues	24.242425%	75.757575%
Costs and expenses:		
Lease acquisition costs, drilling and completion costs and all other costs	9.09091%	90.90909%
Operating costs, direct costs and general and administrative expenses	24.242425%	75.757575%

(1) Excludes Pioneer USA's 1% general partner ownership which is allocated at the Partnership level and 60 limited partner interests owned by Pioneer USA.

NOTE 7. OIL AND GAS INFORMATION (UNAUDITED)

The following table presents information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities during the years then ended. All of the Partnership's



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

reserves are proved developed and located within the United States. The Partnership's reserves are based on an evaluation prepared by Williamson Petroleum Consultants, Inc., an independent petroleum consultant, using criteria established by the Securities and Exchange Commission.

17

757

	Oil and NGLs (bbls)	Gas (mcf)
	-----	-----
Net proved reserves at January 1, 1998	831,525	1,374,642
Revisions	(383,916)	(502,202)
Production	(74,674)	(129,149)
	-----	-----
Net proved reserves at December 31, 1998	372,935	743,291
Revisions	507,962	924,982
Production	(64,894)	(105,081)
	-----	-----
Net proved reserves at December 31, 1999	816,003	1,563,192
Revisions	148,591	(208,305)
Production	(66,329)	(95,610)
	-----	-----
Net proved reserves at December 31, 2000	898,265	1,259,277
	=====	=====

As of December 31, 2000, the estimated present value of future net revenues of proved reserves, calculated using December 31, 2000 prices of \$26.64 per barrel of oil, \$13.39 per barrel of NGLs and \$7.64 per mcf of gas, discounted at 10% was approximately \$6,568,000 and undiscounted was \$12,019,000.

Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves. The Partnership emphasizes that reserve estimates are inherently imprecise and, accordingly, the estimates are expected to change as future information becomes available.

### Disclosures about Oil & Gas Producing Activities

#### Standardized Measure of Discounted Future Net Cash Flows

The standardized measure of discounted future net cash flows is computed by applying year-end prices of oil and gas (with consideration of price changes only to the extent provided by contractual arrangements) to the estimated future production of proved oil and gas reserves less estimated future expenditures (based on year-end costs) to be incurred in developing and producing the proved reserves, discounted using a rate of 10% per year to reflect the estimated

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

timing of the future cash flows. A Federal income tax provision has not been calculated as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

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

18

758

	For the years ended December 31		
	2000	1999	1998
	(in thousands)		
Oil and gas producing activities:			
Future cash inflows	\$ 29,187	\$ 20,004	\$ 4,140
Future production costs	(17,168)	(12,833)	(3,017)
	12,019	7,171	(1,123)
10% annual discount factor	(5,451)	(3,031)	(1,123)
Standardized measure of discounted future net cash flows	\$ 6,568	\$ 4,140	\$ 1,894

	For the years ended December 31		
	2000	1999	1998
	(in thousands)		
Oil and Gas Producing Activities:			
Oil and gas sales, net of production costs	\$ (1,017)	\$ (353)	\$ (1,017)
Net changes in prices and production costs	2,672	1,767	(1,017)
Revisions of previous quantity estimates	714	3,173	
Accretion of discount	414	55	
Changes in production rates, timing and other	(355)	(1,056)	
Change in present value of future net revenues	2,428	3,586	(1,017)
Balance, beginning of year	4,140	554	

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Balance, end of year	\$	6,568	\$	4,140	\$
		=====		=====	=====

NOTE 8. MAJOR CUSTOMERS

The following table reflects the major customers of the Partnership's oil and gas sales (a major customer is defined as a customer whose sales exceed 10% of total sales) during the years ended December 31:

	2000	1999	1998
	-----	-----	-----
Plains Marketing, L.P.	37%	36%	-
TEPPCO Crude Oil LLC	15%	14%	-
Genesis Crude Oil, L.P.	-	-	50%
Western Gas Resources Inc.	5%	7%	31%

At December 31, 2000, the amounts receivable from Plains Marketing, L.P. and TEPPCO Crude Oil LLP were \$72,179 and \$15,378, respectively, which are included in the caption "Accounts receivable - oil and gas sales" in the accompanying Balance Sheet.

Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on the ability of the Partnership to sell its oil, NGLs and gas production.

NOTE 9. PARTNERSHIP AGREEMENT

The following is a brief summary of the more significant provisions of the limited partnership agreement:

Managing general partner - The general partner of the Partnership is Pioneer USA. Pioneer USA, the managing general partner, has the power and authority to manage, control and administer all Partnership affairs. As managing general partner and operator of the Partnership's properties, all production expenses are incurred by Pioneer USA and billed to the Partnership. The majority of the Partnership's oil and gas revenues are received directly by the Partnership, however, a portion of the oil and gas revenue is initially received by Pioneer USA prior to being paid to the Partnership. Under the limited partnership agreement, the managing general partner pays 1% of the Partnership's acquisition, drilling and completion costs and 1% of its operating and general and administrative expenses. In return, it is allocated 1% of the Partnership's revenues.

19

759

Limited partner liability - The maximum amount of liability of any limited partner is the total contributions of such partner plus his share of any undistributed profits.

Initial capital contributions - The limited partners entered into subscription agreements for aggregate capital contributions of

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

\$19,317,000. Pioneer USA is required to contribute amounts equal to 1% of initial Partnership capital less commission and offering expenses allocated to the limited partners and to contribute amounts necessary to pay costs and expenses allocated to it under the Partnership agreement to the extent its share of revenues does not cover such costs.

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

None.

20

760

### PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE PARTNERSHIP

The Partnership does not have any officers or directors. Under the limited partnership agreement, the Partnership's managing general partner, Pioneer USA, is granted the exclusive right and full authority to manage, control and administer the Partnership's business.

Set forth below are the names, ages and positions of the directors and executive officers of Pioneer USA. Directors of Pioneer USA are elected to serve until the next annual meeting of stockholders or until their successors are elected and qualified.

Name ----	Age at December 31, 2000 ----	Position -----
Scott D. Sheffield	48	President
Timothy L. Dove	44	Executive Vice President, Chief Financial Officer and Director
Dennis E. Fagerstone	51	Executive Vice President and Director
Mark L. Withrow	53	Executive Vice President, General Counsel and Director
Danny Kellum	46	Executive Vice President - Domestic Operations and Director
Rich Dealy	34	Vice President and Chief Accounting Officer

Scott D. Sheffield. Mr. Sheffield is a graduate of The University of Texas with a B.S. in Petroleum Engineering. Since August 1997, he has served as President, Chief Executive Officer and a director of Pioneer and President of Pioneer USA. Mr. Sheffield assumed the position of Chairman of the Board of

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Pioneer in August 1999. He served as a director of Pioneer USA from August 1997 until his resignation from the board in June 1999. Mr. Sheffield was the President and a director of Parker & Parsley Petroleum Company ("Parker & Parsley") from May 1990 until August 1997 and was the Chairman of the Board and Chief Executive Officer of Parker & Parsley from October 1990 until August 1997. He was the sole director of Parker & Parsley from May 1990 until October 1990. Mr. Sheffield joined Parker & Parsley Development Company ("PPDC"), a predecessor of Parker & Parsley, as a petroleum engineer in 1979. He served as Vice President - Engineering of PPDC from September 1981 until April 1985 when he was elected President and a director. In March 1989, Mr. Sheffield was elected Chairman of the Board and Chief Executive Officer of PPDC. Before joining PPDC's predecessor, Mr. Sheffield was employed as a production and reservoir engineer for Amoco Production Company.

21

761

Timothy L. Dove. Mr. Dove earned a B.S. in Mechanical Engineering from Massachusetts Institute of Technology in 1979 and received his M.B.A. in 1981 from the University of Chicago. He became Executive Vice President - Business Development of Pioneer and Pioneer USA in August 1997 and was also appointed a director of Pioneer USA in August 1997. Mr. Dove assumed the position of Chief Financial Officer of Pioneer and Pioneer USA effective February 1, 2000. Mr. Dove joined Parker & Parsley in May 1994 as Vice President - International and was promoted to Senior Vice President - Business Development in October 1996, in which position he served until August 1997. Prior to joining Parker & Parsley, Mr. Dove was employed with Diamond Shamrock Corp., and its successor, Maxus Energy Corp, in various capacities in international exploration and production, marketing, refining and marketing and planning and development.

Dennis E. Fagerstone. Mr. Fagerstone, a graduate of the Colorado School of Mines with a B.S. in Petroleum Engineering, became an Executive Vice President of Pioneer and Pioneer USA in August 1997. He was also appointed a director of Pioneer USA in August 1997. He served as Executive Vice President and Chief Operating Officer of MESA Inc. ("Mesa") from March 1, 1997 until August 1997. From October 1996 to February 1997, Mr. Fagerstone served as Senior Vice President and Chief Operating Officer of Mesa and from May 1991 to October 1996, he served as Vice President - Exploration and Production of Mesa. From June 1988 to May 1991, Mr. Fagerstone served as Vice President - Operations of Mesa.

Mark L. Withrow. Mr. Withrow, a graduate of Abilene Christian University with a B. S. in Accounting and Texas Tech University with a Juris Doctorate degree, became Executive Vice President, General Counsel and Secretary of Pioneer and Pioneer USA in August 1997. He was also appointed a director of Pioneer USA in August 1997. Mr. Withrow was Vice President - General Counsel of Parker & Parsley from January 1991, when he joined Parker & Parsley, to January 1995, when he was appointed Senior Vice President - General Counsel. He was Parker & Parsley's Secretary from August 1992 until August 1997. Prior to joining Parker & Parsley, Mr. Withrow was the managing partner of the law firm of Turpin, Smith, Dyer, Saxe & MacDonald, Midland, Texas.

Danny Kellum. Mr. Kellum, who received a Bachelor of Science degree in Petroleum Engineering from Texas Tech University in 1979, was elected Executive Vice President - Domestic Operations of Pioneer and Pioneer USA on May 18, 2000 and Director of Pioneer USA on February 1, 2000. From January 2000 until May 2000, Mr. Kellum served as Vice President - Domestic Operations of Pioneer and Pioneer USA. Mr. Kellum served as Vice President Permian Division of Pioneer and

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Pioneer USA from April 1998 until December 1999. From 1989 until 1994 he served as Spraberry District Manager and as Vice President of the Spraberry and Permian Division for Parker & Parsley until August of 1997. Mr. Kellum joined Parker & Parsley as an operations engineer in 1981 after a brief career with Mobil Oil Corporation.

Rich Dealy. Mr. Dealy is a graduate of Eastern New Mexico University with a B.B.A. in Accounting and Finance and is a Certified Public Accountant. He became Vice President and Chief Accounting Officer of Pioneer and Pioneer USA in February 1998. Mr. Dealy served as Controller of Pioneer USA from August 1997 to February 1998. He served as Controller of Parker & Parsley from August 1995 to August 1997. Mr. Dealy joined Parker & Parsley as an Accounting Manager in July, 1992. He was previously employed with KPMG Peat Marwick as an Audit Senior, in charge of Parker & Parsley's audit.

22

762

### ITEM 11. EXECUTIVE COMPENSATION

The Partnership does not have any directors or officers. Management of the Partnership is performed by Pioneer USA, the managing general partner. The Partnership participates in oil and gas activities through an income tax partnership (the "Program") pursuant to the Program agreement. Under the Program agreement, Pioneer USA pays approximately 10% of the Program's acquisition, drilling and completion costs and approximately 25% of its operating and general and administrative expenses. In return, Pioneer USA is allocated approximately 25% of the Program's revenues.

The Partnership does not directly pay any salaries of the executive officers of Pioneer USA, but does pay a portion of Pioneer USA's general and administrative expenses of which these salaries are a part.

See Notes 6 and 9 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" for information regarding fees and reimbursements paid to the managing general partner by the Partnership.

### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

#### (a) Beneficial owners of more than five percent

The Partnership is not aware of any person who beneficially owns 5% or more of the outstanding limited partnership interests of the Partnership. Pioneer USA owned 60 limited partner interests at January 1, 2001.

#### (b) Security ownership of management

The Partnership does not have any officers or directors. The managing general partner of the Partnership, Pioneer USA, has the exclusive right and full authority to manage, control and administer the Partnership's business. Under the limited partnership agreement, limited partners holding a majority of the outstanding limited partnership interests have the right to take certain actions, including the removal of the managing general partner or any other general partner. The Partnership is not aware of any current arrangement or activity which may lead to such removal. The Partnership is not aware of any officer or director of Pioneer USA who beneficially owns limited partnership interests in the Partnership.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Transactions with the managing general partner

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

	2000	1999	1998
	-----	-----	-----
Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$373,973	\$ 354,129	\$348,965
Reimbursement of general and administrative expenses	\$ 46,688	\$ 17,953	\$ 21,776

Under the limited partnership agreement, the managing general partner pays 1% of the Partnership's acquisition, drilling and completion costs and 1% of its operating and general and administrative expenses. In return, it is allocated 1% of the Partnership's revenues. Also, see Notes 6 and 9 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" regarding the Partnership's participation with the managing general partner in oil and gas activities of the Program.

764 24

### PART IV

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

#### (a) 1. Financial statements

The following are filed as part of this Report:

Independent Auditors' Report

Balance sheets as of December 31, 2000 and 1999

Statements of operations for the years ended December 31, 2000, 1999 and 1998

Statements of partners' capital for the years ended December 31, 2000, 1999 and 1998

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Statements of cash flows for the years ended December 31, 2000,  
1999 and 1998

Notes to financial statements

2. Financial statement schedules

All financial statement schedules have been omitted since the required information is in the financial statements or notes thereto, or is not applicable nor required.

(b) Reports on Form 8-K

None.

(c) Exhibits

The exhibits listed on the accompanying index to exhibits are filed or incorporated by reference as part of this Report.

25

765

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, thereunto duly authorized.

PARKER & PARSLEY 86-C, LTD.

Dated: March 27, 2001

By: Pioneer Natural Resources USA, Inc.  
Managing General Partner

By: /s/ Scott D. Sheffield

-----  
Scott D. Sheffield, President

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

/s/ Scott D. Sheffield

President of Pioneer USA

March 27, 2001

-----  
Scott D. Sheffield

/s/ Timothy L. Dove

Executive Vice President, Chief  
Financial Officer and Director of  
Pioneer USA

March 27, 2001

-----  
Timothy L. Dove



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

/s/ Dennis E. Fagerstone ----- Dennis E. Fagerstone	Executive Vice President and Director of Pioneer USA	March 27, 2001
/s/ Mark L. Withrow ----- Mark L. Withrow	Executive Vice President, General Counsel and Director of Pioneer USA	March 27, 2001
/s/ Danny Kellum ----- Danny Kellum	Executive Vice President - Domestic Operations and Director of Pioneer USA	March 27, 2001
/s/ Rich Dealy ----- Rich Dealy	Vice President and Chief Accounting Officer of Pioneer USA	March 27, 2001

26

766

PARKER & PARSLEY 86-C, LTD.

INDEX TO EXHIBITS

The following documents are incorporated by reference in response to Item 14(c):

Exhibit No. -----	Description -----	Page -----
3(a)	Amended and Restated Certificate of Limited Partnership of Parker & Parsley 86-C, Ltd. incorporated by reference to Exhibit 3a of the Partnership's Registration Statement on Form S-1 (Registration No. 33-3353) (hereinafter called the Partnership's Registration Statement)	-
4(a)	Form of Agreement of Limited Partnership of Parker & Parsley 86-C, Ltd. incorporated by reference to Exhibit A of Amendment No. 1 of the Partnership's Registration Statement	-
4(b)	Form of Subscription Agreement incorporated by reference to Exhibit C of Amendment No. 1 of the Partnership's Registration Statement	-
4(b)	Power of Attorney incorporated by reference to an Exhibit of the Partnership's Registration Statement	-
4(c)	Specimen Certificate of Limited Partnership Interest incorporated by reference to Exhibit 4c of the Partnership's Registration Statement	-

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

10 (b) Development Program Agreement incorporated -  
by reference to Exhibit B of Amendment No. 1  
of the Partnership's Registration Statement

27

767

PARKER & PARSLEY 86-C, LTD.

SELECTED FINANCIAL DATA

The following selected financial data for the Partnership should be read in connection with Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements included in the attached supplemental information.

	Six months ended June 30,		Years ended Decem		
	2001	2000	2000	1999	1998
Operating results:					
Oil and gas sales	\$ 955,101	\$ 856,273	\$1,865,405	\$1,067,096	\$ 973,632
Gain on litigation settlement, net	\$ --	\$ --	\$ --	\$ --	\$ --
Impairment of oil and gas properties	\$ --	\$ --	\$ --	\$ 26,652	\$ 277,277
Net income (loss)	\$ 438,956	\$ 307,907	\$ 828,383	\$ 105,421	\$ (423,942)
Allocation of net income (loss):					
Managing general partner	\$ 4,390	\$ 3,079	\$ 8,284	\$ 1,054	\$ (4,240)
Limited partners	\$ 434,566	\$ 304,828	\$ 820,099	\$ 104,367	\$ (419,702)
Limited partners' net income (loss) per limited partnership interest	\$ 22.50	\$ 15.78	\$ 42.45	\$ 5.40	\$ (21.73)

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Limited partners' cash distributions per limited limited partnership interest	\$ 15.95	\$ 18.03	\$ 42.52	\$ 12.27	\$ 15.20
	=====	=====	=====	=====	=====
As of period ended:					
Total assets	\$2,088,816	\$1,929,299	\$1,948,019	\$1,958,255	\$2,071,111
	=====	=====	=====	=====	=====

-----

(a) Including litigation settlement per limited partnership interest of \$36.12 in 1996.

768

PIONEER NATURAL RESOURCES COMPANY  
PIONEER NATURAL RESOURCES USA, INC.  
5205 NORTH O'CONNOR BLVD., SUITE 1400  
IRVING, TEXAS 75039

SUPPLEMENTAL INFORMATION

OF

PARKER & PARSELY PRIVATE INVESTMENT 86, LTD., A TEXAS LIMITED PARTNERSHIP

TO

PROXY STATEMENT/PROSPECTUS DATED , 2001

-----

THE DATE OF THIS SUPPLEMENT IS , 2001

-----

This document contains important information specific to Parker & Parsley Private Investment 86, Ltd. and supplements the proxy statement/prospectus dated , 2001, of Pioneer Natural Resources Company and Pioneer Natural Resources USA, Inc., by which Pioneer USA is soliciting proxies to be voted at a special meeting of limited partners of the partnership. The purpose of the special meeting is for you to vote upon the merger of the partnership with and into Pioneer USA that, if completed, will result in your receiving common stock of Pioneer Natural Resources Company for your partnership interests.

This document contains the following information concerning Parker & Parsley Private Investment 86, Ltd.:

- o A table containing:
  - the aggregate initial investment by the limited partners
  - the aggregate historical limited partner distributions through July 31, 2001
  - the merger value attributable to partnership interests of limited

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

- partners, excluding Pioneer USA
- the merger value per \$1,000 limited partner investment
- the merger value per \$1,000 limited partner investment as a multiple of distributions for the past four quarterly distributions including the distribution in July 2001
- the book value per \$1,000 limited partner investment as of June 30, 2001 and as of December 31, 2000
- the going concern value per \$1,000 limited partner investment
- the liquidation value per \$1,000 limited partner investment
- the ordinary tax loss per \$1,000 limited partner investment in year of initial investment
- o Information about:
  - the legal opinion for the limited partners
  - the term of the partnership
- o The partnership's financial statements, including management's discussion and analysis of financial condition and results of operations, for the six months ended June 30, 2001
- o The partnership's financial statements, including management's discussion and analysis of financial condition and results of operations, for the year ended December 31, 2000
- o Selected historical financial data for the partnership for the six months ended June 30, 2001 and 2000 and the five years ended December 31, 2000

-1-

769

PARKER & PARSLEY PRIVATE INVESTMENT 86, LTD.

SUPPLEMENTAL INFORMATION TABLE

Aggregate Initial Investment by the Limited Partners (a)	\$
Aggregate Historical Limited Partner Distributions through July 31, 2001 (a)	\$
Merger Value Attributable to Partnership Interests of Limited Partners, Excluding Pioneer USA (a), (b)	\$
Merger Value per \$1,000 Limited Partner Investment (b), (c)	\$
Merger Value per \$1,000 Limited Partner Investment as a Multiple of Distributions for the	

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

past four quarterly distributions including the distribution in July 2001(b), (c)

Book Value per \$1,000 Limited Partner Investment:

-- as of June 30, 2001(c)

-- as of December 31, 2000(c)

Going Concern Value per \$1,000 Limited Partner Investment(c), (d)

Liquidation Value per \$1,000 Limited Partner Investment(c), (e)

Ordinary Tax Loss per \$1,000 Limited Partner Investment in Year of Initial Investment(c), (f)

-----

(a) Stated in thousands.

(b) The merger value for the partnership is equal to the sum of the present value of estimated future net revenues from the partnership's estimated oil and gas reserves and its net working capital, in each case as of March 31, 2001, less its pro rata share, based on its reserve value, of the estimated expenses and fees of the mergers of all of the partnerships and less the cash distribution on July 13, 2001, by the partnership to its partners.

(c) Interests in some partnerships were sold in units at prices other than \$1,000. We have presented this information based on a \$1,000 initial investment for ease of use and comparison among partnerships. You should not assume that the amount shown per \$1,000 investment is the same as the value or amount attributable to a single unit investment.

(d) The going concern value for the partnership is based upon: (1) the sum of (A) the estimated net cash flow from the sale of the partnership's reserves during a 10-year operating period and (B) the estimated residual value from the sale of the partnership's remaining reserves at the end of the operating period, in each case using the same pricing and discount rate as in the merger value calculation, less (2) (A) partnership level general and administrative expenses, and (B) the cash distribution on July 13, 2001 by the partnership to its partners.

(e) The liquidation value for the partnership is based upon the sale of the partnership's reserves at the reserve value, less (1) liquidation expenses which are estimated to be the sum of (A) the partnership's pro rata share of the merger expenses and fees described in footnote (b) above and (B) 3% of the partnership's reserve value, and (2) the cash distribution on July 13, 2001 by the partnership to its partners. The liquidation expenses represent estimated costs to retain an investment banker or broker to sell the assets of the partnership and the legal and other closing costs associated with such transaction, including the wind-down costs of the partnership.

(f) Your ability to use your distributive share of the partnership's loss to offset your other income may have been subject to certain limitations at your level as a partner, and you may therefore wish to consult your tax

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

advisor to determine the additional value, if any, actually realized by you in your particular circumstances.

INFORMATION ABOUT THE LEGAL OPINION FOR THE LIMITED PARTNERS

The partnership agreement for the partnership requires that special legal counsel render an opinion on behalf of the limited partners to Pioneer USA that (1) neither the grant nor the exercise of the right to approve the merger of the partnership by its limited partners will adversely affect the federal income tax classification of the partnership or any of its limited partners; and (2) neither the grant nor exercise of such right will result in the loss of any limited partner's limited liability. In addition, the counsel designated to render the opinion must be counsel other than counsel to Pioneer USA or the partnership. Both the designated counsel and the legal opinion must be approved by the limited partners. Pioneer USA has retained \_\_\_\_\_ of Dallas, Texas for the purpose of rendering this legal opinion on behalf of the limited partners to Pioneer USA. The merger proposals include an approval of that counsel and the form of its opinion. A copy of the opinion is attached as an exhibit to the merger proposals.

INFORMATION ABOUT THE TERM OF THE PARTNERSHIP

The term of the partnership is until December 31, 2036, unless the partnership is earlier terminated in accordance with the applicable provisions of its partnership agreement.

-2-

770

PARKER & PARSLEY PRIVATE INVESTMENT 86, LTD.

(A Texas Limited Partnership)

FINANCIAL STATEMENTS

June 30, 2001 and December 31, 2000

(Unaudited)

771

PARKER & PARSLEY PRIVATE INVESTMENT 86, LTD.

(A Texas Limited Partnership)

BALANCE SHEETS

	June 30, 2001	December 31, 2000
	-----	-----
(Unaudited)		

ASSETS

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Current assets:			
Cash	\$	133,451	\$ 57,176
Accounts receivable - oil and gas sales		68,057	90,053
		-----	-----
Total current assets		201,508	147,229
		-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method		4,034,151	4,032,771
Accumulated depletion		(3,289,733)	(3,261,600)
		-----	-----
Net oil and gas properties		744,418	771,171
		-----	-----
	\$	945,926	\$ 918,400
		=====	=====
LIABILITIES AND PARTNERS' CAPITAL			
Current liabilities:			
Accounts payable - affiliate		13,493	5,165
Partners' capital:			
Managing general partner		10,293	10,101
Limited partners (123 interests)		922,140	903,134
		-----	-----
		932,433	913,235
		-----	-----
	\$	945,926	\$ 918,400
		=====	=====

The financial information included as of June 30, 2001 has been prepared by the managing general partner without audit by independent public accountants.

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

2

772

PARKER & PARSLEY PRIVATE INVESTMENT 86, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF OPERATIONS  
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2001	2000	2001	2000
	-----	-----	-----	-----
Revenues:				
Oil and gas	\$ 146,955	\$ 146,532	\$ 306,293	\$ 286,086
Interest	1,010	969	2,113	1,923

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	----- 147,965 -----	----- 147,501 -----	----- 308,406 -----	----- 288,009 -----
Costs and expenses:				
Oil and gas production	76,829	81,136	142,278	153,874
General and administrative	2,939	2,931	6,126	5,722
Depletion	15,475	12,203	28,133	26,991
	----- 95,243 -----	----- 96,270 -----	----- 176,537 -----	----- 186,587 -----
Net income	\$ 52,722 =====	\$ 51,231 =====	\$ 131,869 =====	\$ 101,422 =====
Allocation of net income:				
Managing general partner	\$ 528 =====	\$ 512 =====	\$ 1,319 =====	\$ 1,014 =====
Limited partners	\$ 52,194 =====	\$ 50,719 =====	\$ 130,550 =====	\$ 100,408 =====
Net income per limited partnership interest	\$ 424.34 =====	\$ 412.35 =====	\$1,061.38 =====	\$ 816.33 =====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

3

773

PARKER & PARSLEY PRIVATE INVESTMENT 86, LTD.  
(A Texas Limited Partnership)

STATEMENT OF PARTNERS' CAPITAL  
(Unaudited)

	Managing general partner -----	Limited partners -----	Total -----
Balance at January 1, 2001	\$ 10,101	\$ 903,134	\$ 913,235
Distributions	(1,127)	(111,544)	(112,671)
Net income	1,319 -----	130,550 -----	131,869 -----
Balance at June 30, 2001	\$ 10,293	\$ 922,140	\$ 932,433

776



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

4

774

PARKER & PARSLEY PRIVATE INVESTMENT 86, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF CASH FLOWS  
(Unaudited)

	Six months ended June 30,	
	2001	2000
	-----	-----
Cash flows from operating activities:		
Net income	\$ 131,869	\$ 101,422
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion	28,133	26,991
Changes in assets and liabilities:		
Accounts receivable	21,996	(21,426)
Accounts payable	8,328	7,596
	-----	-----
Net cash provided by operating activities	190,326	114,583
	-----	-----
Cash flows used in investing activities:		
Additions to oil and gas properties	(1,380)	(7,913)
Cash flows used in financing activities:		
Cash distributions to partners	(112,671)	(116,412)
	-----	-----
Net increase (decrease) in cash	76,275	(9,742)
Cash at beginning of period	57,176	72,318
	-----	-----
Cash at end of period	\$ 133,451	\$ 62,576
	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

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

5

775

### PARKER & PARSLEY PRIVATE INVESTMENT 86, LTD. (A Texas Limited Partnership)

#### NOTES TO FINANCIAL STATEMENTS June 30, 2001 (Unaudited)

##### Note 1. Organization and nature of operations

Parker & Parsley Private Investment 86, Ltd. (the "Partnership") is a limited partnership organized in 1986 under the laws of the State of Texas.

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

##### Note 2. Basis of presentation

In the opinion of management, the unaudited financial statements of the Partnership as of June 30, 2001 and for the three and six months ended June 30, 2001 and 2000 include all adjustments and accruals consisting only of normal recurring accrual adjustments which are necessary for a fair presentation of the results for the interim period. These interim results are not necessarily indicative of results for a full year. Certain reclassifications may have been made to the June 30, 2000 financial statements to conform to the June 30, 2001 financial statement presentations.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in these interim financial statements. The financial statements should be read in conjunction with the financial statements and the notes thereto contained in the Partnership's report for the year ended December 31, 2000, a copy of which is available upon request by writing to Rich Dealy, Vice President and Chief Accounting Officer, 5205 North O'Connor Boulevard, Suite 1400, Irving, Texas 75039-3746.

##### Management's Discussion and Analysis of Financial Condition and Results of Operations (1)

##### Results of Operations

Six months ended June 30, 2001 compared with six months ended June 30, 2000

##### Revenues:

The Partnership's oil and gas revenues increased 7% to \$306,293 for the six months ended June 30, 2001 as compared to \$286,086 for the same period in 2000. The increase in revenues resulted from higher average prices received for gas and NGLs, offset by a decrease in production and lower average prices received

6

776

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

for oil. For the six months ended June 30, 2001, 6,328 barrels of oil, 2,454 barrels of natural gas liquids ("NGLs") and 17,822 mcf of gas were sold, or 11,752 barrel of oil equivalents ("BOEs"). For the six months ended June 30, 2000, 7,225 barrels of oil, 3,568 barrels of NGLs and 16,606 mcf of gas were sold, or 13,561 BOEs.

The average price received per barrel of oil decreased slightly from \$27.85 for the six months ended June 30, 2000 to \$27.77 for the same period in 2001. The average price received per barrel of NGLs increased \$2.93, or 22%, from \$13.35 during the six months ended June 30, 2000 to \$16.28 for the same period in 2001. The average price received per mcf of gas increased 127% from \$2.24 during the six months ended June 30, 2000 to \$5.09 for the same period in 2001. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received during the six months ended June 30, 2001.

### Costs and Expenses:

Total costs and expenses decreased to \$176,537 for the six months ended June 30, 2001 as compared to \$186,587 for the same period in 2000, a decrease of \$10,050, or 5%. This decrease was due to lower production costs, offset by increases in general and administrative expenses ("G&A") and depletion.

Production costs were \$142,278 for the six months ended June 30, 2001 and \$153,874 for the same period in 2000, resulting in an \$11,596, or 8%, decrease. The decrease was primarily due to less workover costs.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 7%, from \$5,722 for the six months ended June 30, 2000 to \$6,126 for the same period in 2001, primarily due to an increase in audit and tax fees.

Depletion was \$28,133 for the six months ended June 30, 2001 as compared to \$26,991 for the same period in 2000, an increase of \$1,142, or 4%. This increase was the result of a decline in proved reserves during the period ended June 30, 2001 due to lower commodity prices, offset by a decline in oil production of 897 barrels for the six months ended June 30, 2001 as compared to the same period in 2000.

Three months ended June 30, 2001 compared with three months ended June 30, 2000

### Revenues:

The Partnership's oil and gas revenues increased slightly to \$146,955 for the three months ended June 30, 2001 as compared to \$146,532 for the same period in 2000. The slight increase in revenues resulted from higher average prices received for gas and NGLs, offset by a decline in production and a lower average

price received for oil. For the three months ended June 30, 2001, 3,199 barrels of oil, 1,420 barrels of NGLs and 8,870 mcf of gas were sold, or 6,097 BOEs. For the three months ended June 30, 2000, 3,505 barrels of oil, 1,866 barrels of NGLs and 8,672 mcf of gas were sold, or 6,816 BOEs.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The average price received per barrel of oil decreased \$1.16, or 4%, from \$28.16 for the three months ended June 30, 2000 to \$27.00 for the three months ended June 30, 2001. The average price received per barrel of NGLs increased \$1.43, or 11%, from \$13.37 during the three months ended June 30, 2000 to \$14.80 for the same period in 2001. The average price received per mcf of gas increased 69% to \$4.46 during the three months ended June 30, 2001 from \$2.64 during the same period in 2000.

### Costs and Expenses:

Total costs and expenses decreased to \$95,243 for the three months ended June 30, 2001 as compared to \$96,270 for the same period in 2000, a decrease of \$1,027, or 1%. This decrease was due to lower production costs, offset by an increase in G&A and depletion.

Production costs were \$76,829 for the three months ended June 30, 2001 and \$81,136 for the same period in 2000, resulting in a \$4,307 decrease, or 5%. The decrease was primarily due to less workover costs.

During this period, G&A increased slightly from \$2,931 for the three months ended June 30, 2000 to \$2,939 for the same period in 2001, primarily due to a higher allocation of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues.

Depletion was \$15,475 for the three months ended June 30, 2001 as compared to \$12,203 for the same period in 2000, an increase of \$3,272, or 27%. This increase was attributable to a decline in proved reserves during the period ended June 30, 2001 as a result of lower commodity prices, offset by a decline in oil production of 306 barrels for the three months ended June 30, 2001 as compared to the same period in 2000.

### Liquidity and Capital Resources

#### Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$75,743 during the six months ended June 30, 2001 from the same period ended June 30, 2000. This increase was due to an increase in oil and gas sales receipts of \$20,397 and a reduction in working capital of \$44,154 and a decline of \$11,596 in production costs, offset by an increase in G&A expenses of \$404. The increase in oil and gas receipts resulted from the increase in commodity prices during 2001 which contributed an additional \$57,068 to oil and gas receipts, offset by \$36,671 resulting from the decline in production during 2001 as compared to the same period in 2000. The decrease in production costs was primarily due to less workover costs. The increase in G&A was due to an increase in audit and tax fees.

8

778

#### Net Cash Used in Investing Activities

The Partnership's principal investing activities during the six months ended June 30, 2001 and 2000 were related to expenditures for equipment upgrades on various oil and gas properties.

#### Net Cash Used in Financing Activities

For the six months ended June 30, 2001, cash distributions to the partners were

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

\$112,671, of which \$1,127 was distributed to the managing general partner and \$111,544 to the limited partners. For the same period ended June 30, 2000, cash distributions to the partners were \$116,412, of which \$1,164 was distributed to the managing general partner and \$115,248 to the limited partners.

For the three months ended June 30, 2001, no distributions were made by the partnership to its partners. Subsequent to June 30, 2001 the cash distribution that otherwise would have been mailed to partners in late June was made to holders of record as of July 9, 2001 and was mailed on July 13, 2001. For further information, see "Proposal to acquire partnerships" below.

### Proposal to acquire partnerships

On June 29, 2001, Pioneer Natural Resources Company ("Pioneer") filed with the Securities and Exchange Commission Amendment No. 1 to the Form S-4 Registration Statement (File No. 333- 59094) (the "preliminary proxy statement/prospectus"), which proposes an agreement and plan of merger among Pioneer, Pioneer Natural Resources USA, Inc. ("Pioneer USA"), a wholly-owned subsidiary of Pioneer, and 46 Parker & Parsley limited partnerships. Each partnership that approves the agreement and plan of merger and the other related merger proposals will merge with and into Pioneer USA upon the closing of the transactions described in the preliminary proxy statement/prospectus, and the partnership interests of each such partnership will be converted into the right to receive Pioneer common stock. The Partnership is one of the 46 Parker & Parsley limited partnerships that will be asked to approve the agreement and plan of merger. The preliminary proxy statement/prospectus is non-binding and is subject to, among other things, consideration of offers from third parties to purchase any partnership or its assets and the majority approval of the limited partnership interests in each partnership.

Pioneer USA will solicit proxies from limited partners to approve the mergers only when the proxy statement/prospectus is final and declared effective. No solicitation will be made using preliminary materials. Nonetheless, copies of the preliminary proxy statement/prospectus may be obtained without charge upon request from Pioneer Natural Resources Company, 5205 North O'Connor Blvd., Suite 1400, Irving, Texas 75039, Attention: Investor Relations.

The limited partners are urged to read the proxy statement/prospectus of Pioneer filed with the Securities and Exchange Commission, when it is finalized, because it contains important information about the proposed mergers, including information about the direct and indirect interests of Pioneer USA and Pioneer in the mergers. The limited partners may also obtain the preliminary and (when filed) final proxy statement/prospectus and other relevant documents relating to the proposed mergers free through the internet web site that the Securities and Exchange Commission maintains at [www.sec.gov](http://www.sec.gov).

9

779

-----

- (1) "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" contains forward looking statements that involve risks and uncertainties. Accordingly, no assurances can be given that the actual events and results will not be materially different than the anticipated results described in the forward looking statements.

10

780

PARKER & PARSLEY PRIVATE INVESTMENT 86, LTD.  
(A Texas Limited Partnership)

FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITORS' REPORT

December 31, 2000 and 1999

781

INDEPENDENT AUDITORS' REPORT

The Partners  
Parker & Parsley Private Investment 86, Ltd.  
(A Texas Limited Partnership):

We have audited the balance sheets of Parker & Parsley Private Investment 86, Ltd. as of December 31, 2000 and 1999, and the related statements of operations, partners' capital and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parker & Parsley Private Investment 86, Ltd. as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Dallas, Texas  
March 9, 2001

PARKER & PARSLEY PRIVATE INVESTMENT 86, LTD.  
(A Texas Limited Partnership)

BALANCE SHEETS  
December 31

ASSETS  
-----

Current assets:

Cash  
Accounts receivable - oil and gas sales

Total current assets

Oil and gas properties - at cost, based on  
the successful efforts accounting method  
Accumulated depletion

Net oil and gas properties

LIABILITIES AND PARTNERS' CAPITAL  
-----

Current liabilities:

Accounts payable - affiliate

Partners' capital:

Managing general partner  
Limited partners (123 interests)

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

3

783

PARKER & PARSLEY PRIVATE INVESTMENT 86, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF OPERATIONS  
For the years ended December 31

	2000	1999	1998
	-----	-----	-----
Revenues:			
Oil and gas	\$ 611,774	\$ 354,462	\$ 301,556
Interest	4,927	2,697	3,224
	-----	-----	-----
	616,701	357,159	304,780
	-----	-----	-----
Costs and expenses:			
Oil and gas production	287,563	236,129	213,042
General and administrative	12,235	7,089	6,031
Impairment of oil and gas properties	--	--	98,274
Depletion	49,103	65,740	151,842
	-----	-----	-----
	348,901	308,958	469,189
	-----	-----	-----
Net income (loss)	\$ 267,800	\$ 48,201	\$ (164,409)
	=====	=====	=====
Allocation of net income (loss):			
Managing general partner	\$ 2,678	\$ 482	\$ (1,644)
	=====	=====	=====
Limited partners	\$ 265,122	\$ 47,719	\$ (162,765)
	=====	=====	=====
Net income (loss) per limited partnership interest	\$2,155.46	\$ 387.96	\$ (1,323.29)
	=====	=====	=====



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

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

4

784

PARKER & PARSLEY PRIVATE INVESTMENT 86, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF PARTNERS' CAPITAL

	Managing general partner	L p
	-----	-----
Partners' capital at January 1, 1998	\$ 13,138	\$
Distributions	(1,107)	
Net loss	(1,644)	
	-----	---
Partners' capital at December 31, 1998	10,387	
Distributions	(685)	
Net income	482	
	-----	---
Partners' capital at December 31, 1999	10,184	
Distributions	(2,761)	
Net income	2,678	
	-----	---
Partners' capital at December 31, 2000	\$ 10,101	\$
	=====	=====

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

PARKER & PARSLEY PRIVATE INVESTMENT 86, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF CASH FLOWS  
For the years ended December 31

	2000	
	-----	-----
Cash flows from operating activities:		
Net income (loss)	\$ 267,800	\$
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Impairment of oil and gas properties	-	
Depletion	49,103	
Changes in assets and liabilities:		
Accounts receivable	(40,175)	
Accounts payable	(5,085)	
	-----	-----
Net cash provided by operating activities	271,643	
	-----	-----
Cash flows from investing activities:		
Additions to oil and gas properties	(10,643)	
Proceeds from asset dispositions	-	
	-----	-----
Net cash used in investing activities	(10,643)	
	-----	-----
Cash flows used in financing activities:		
Cash distributions to partners	(276,142)	
	-----	-----
Net increase (decrease) in cash	(15,142)	
Cash at beginning of year	72,318	
	-----	-----
Cash at end of year	\$ 57,176	\$
	=====	=====

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

6

786

PARKER & PARSLEY PRIVATE INVESTMENT 86, LTD.  
(A Texas Limited Partnership)

NOTES TO FINANCIAL STATEMENTS  
December 31, 2000, 1999 and 1998

NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS

Parker & Parsley Private Investment 86, Ltd. (the "Partnership") is a limited partnership organized in 1986 under the laws of the State of Texas. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA").

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Oil and gas properties - The Partnership utilizes the successful efforts method of accounting for its oil and gas properties and equipment. Under this method, all costs associated with productive wells and nonproductive development wells are capitalized while nonproductive exploration costs are expensed. Capitalized costs relating to proved properties are depleted using the unit-of-production method on a property-by-property basis based on proved oil (dominant mineral) reserves as evaluated by independent petroleum consultants. The carrying amounts of properties sold or otherwise disposed of and the related allowances for depletion are eliminated from the accounts and any gain or loss is included in results of operations.

Impairment of long-lived assets - In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the Partnership reviews its long-lived assets to be held and used on an individual property basis, including oil and gas properties accounted for under the successful efforts method of accounting, whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. An impairment loss is indicated if the sum of the expected future cash flows is less than the carrying amount of the assets. In this circumstance, the Partnership recognizes an impairment loss for the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset.

Use of estimates in the preparation of financial statements - Preparation of the accompanying financial statements in conformity with generally accepted accounting principles requires management to make estimates

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Net income (loss) per limited partnership interest - The net income (loss) per limited partnership interest is calculated by using the number of outstanding limited partnership interests.

7

787

Income taxes - A Federal income tax provision has not been included in the financial statements as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

Statements of cash flows - For purposes of reporting cash flows, cash includes depository accounts held by banks.

General and administrative expenses - General and administrative expenses are allocated in part to the Partnership by the managing general partner. Allocated expenses are determined by the managing general partner based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Reclassifications - Certain reclassifications may have been made to the 1999 and 1998 financial statements to conform to the 2000 financial statement presentations.

Environmental - The Partnership is subject to extensive federal, state and local environmental laws and regulations. These laws, which are constantly changing, regulate the discharge of materials into the environment and may require the Partnership to remove or mitigate the environmental effects of the disposal or release of petroleum or chemical substances at various sites. Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Liabilities for expenditures of a noncapital nature are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated. Such liabilities are generally undiscounted unless the timing of cash payments for the liability or component are fixed or reliably determinable. No such liabilities have been accrued as of December 31, 2000.

Revenue recognition - The Partnership uses the entitlements method of accounting for oil, natural gas liquids ("NGLs") and natural gas revenues.

### NOTE 3. IMPAIRMENT OF LONG-LIVED ASSETS

In accordance with SFAS 121, the Partnership reviews its proved oil and gas properties for impairment whenever events and circumstances indicate a decline in the recoverability of the carrying value of the Partnership's oil and gas properties. The Partnership has estimated the expected future cash flows of its oil and gas properties as of December 31, 2000, 1999 and 1998, based on proved reserves, and compared such estimated future cash flows to the respective carrying amount of the oil and gas properties to determine if the carrying amounts were likely to be recoverable. For those proved oil and gas properties for which the carrying amount exceeded the estimated future cash flows, an

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

impairment was determined to exist; therefore, the Partnership adjusted the carrying amount of those oil and gas properties to their fair value as determined by discounting their expected future cash flows at a discount rate commensurate with the risks involved in the industry. As a result, the Partnership recognized a non-cash impairment provision of \$98,274 related to its proved oil and gas properties during 1998.

8

788

NOTE 4. INCOME TAXES

The financial statement basis of the Partnership's net assets and liabilities was \$209,861 greater than the tax basis at December 31, 2000.

The following is a reconciliation of net income (loss) per statements of operations with the net income per Federal income tax returns for the years ended December 31:

	2000	
	-----	-----
Net income (loss) per statements of operations	\$ 267,800	\$
Depletion and depreciation provisions for tax reporting less than amounts for financial reporting purposes	43,051	
Impairment of oil and gas properties for financial reporting purposes	-	
Other, net	(688)	
	-----	-----
Net income per Federal income tax returns	\$ 310,163	\$
	=====	=====

NOTE 5. OIL AND GAS PRODUCING ACTIVITIES

The following is a summary of the costs incurred, whether capitalized or expensed, related to the Partnership's oil and gas producing activities for the years ended December 31:

	2000	
	-----	-----
Development costs	\$ 10,643	\$
	=====	=====

Capitalized oil and gas properties consist of the following:

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Proved properties:	
Property acquisition costs	\$
Completed wells and equipment	---

Accumulated depletion	---
-----------------------	-----

Net oil and gas properties	\$
----------------------------	----

### NOTE 6. RELATED PARTY TRANSACTIONS

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

	2000	
	-----	-----
Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$ 113,494	\$
Reimbursement of general and administrative expenses	\$ 10,107	\$

9

789

The Partnership participates in oil and gas activities through an income tax partnership (the "Program") pursuant to the Program agreement. Pioneer USA and the Partnership are parties to the Program agreement.

The costs and revenues of the Program are allocated to Pioneer USA and the Partnership as follows:

	Pioneer U -----
Revenues:	
Proceeds from disposition of depreciable properties	9.09
All other revenues	24.24
Costs and expenses:	
Lease acquisition costs, drilling and completion costs and all other costs	9.09
Operating costs, direct costs and general and administrative expenses	24.24

(1) Excludes Pioneer USA's 1% general partner ownership which is allocated at the Partnership level.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

### NOTE 7. OIL AND GAS INFORMATION (UNAUDITED)

The following table presents information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities during the years then ended. All of the Partnership's reserves are proved developed and located within the United States. The Partnership's reserves are based on an evaluation prepared by Williamson Petroleum Consultants, Inc., an independent petroleum consultant, using criteria established by the Securities and Exchange Commission.

	Oil and NGLs (bbls)
	-----
Net proved reserves at January 1, 1998	268,312
Revisions	(79,340)
Production	(22,245)
	-----
Net proved reserves at December 31, 1998	166,727
Revisions	157,207
Production	(20,843)
	-----
Net proved reserves at December 31, 1999	303,091
Revisions	35,219
Production	(20,938)
	-----
Net proved reserves at December 31, 2000	317,372
	=====

As of December 31, 2000, the estimated present value of future net revenues of proved reserves, calculated using December 31, 2000 prices of \$26.64 per barrel of oil, \$13.44 per barrel of NGLs and \$7.89 per mcf of gas, discounted at 10% was approximately \$2,493,000 and undiscounted \$4,970,000.

Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves. The Partnership emphasizes that reserve estimates are inherently imprecise and, accordingly, the estimates are expected to change as future information becomes available.

#### Disclosures about Oil & Gas Producing Activities

##### Standardized Measure of Discounted Future Net Cash Flows

The standardized measure of discounted future net cash flows is computed

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

by applying year-end prices of oil and gas (with consideration of price changes only to the extent provided by contractual arrangements) to the estimated future production of proved oil and gas reserves less estimated future expenditures (based on year-end costs) to be incurred in developing and producing the proved reserves, discounted using a rate of 10% per year to reflect the estimated timing of the future cash flows. A Federal income tax provision has not been calculated as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

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

	For the years e	
	----- 2000 -----	-----
Oil and gas producing activities:		
Future cash inflows	\$ 10,955	\$
Future production costs	(5,985)	
	-----	-----
	4,970	
10% annual discount factor	(2,477)	
	-----	-----
Standardized measure of discounted future net cash flows	\$ 2,493	\$
	=====	=====

	For the years ended	
	----- 2000 -----	199 ----- (in
Oil and Gas Producing Activities:		
Oil and gas sales, net of production costs	\$ (324)	\$
Net changes in prices and production costs	864	



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Revisions of previous quantity estimates	293	
Accretion of discount	164	
Changes in production rates, timing and other	(140)	
	-----	-----
Change in present value of future net revenues	857	
	-----	-----
Balance, beginning of year	1,636	
	-----	-----
Balance, end of year	\$ 2,493	\$
	=====	=====

### NOTE 8. MAJOR CUSTOMERS

The following table reflects the major customers of the Partnership's oil and gas sales (a major customer is defined as a customer whose sales exceed 10% of total sales) during the years ended December 31:

	2000
	-----
Plains Marketing, L.P.	45%
Mobil Oil Corporation	19%
Genesis Crude Oil, L.P.	-
Western Gas Resources, Inc.	3%

At December 31, 2000, the amounts receivable from Plains Marketing, L.P. and Mobil Oil Corporation were \$23,848 and \$10,948, respectively, which are included in the caption "Accounts receivable - oil and gas sales" in the accompanying Balance Sheet.

Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on the ability of the Partnership to sell its oil, NGLs and gas production.

### NOTE 9. PARTNERSHIP AGREEMENT

The following is a brief summary of the more significant provisions of the limited partnership agreement:

Managing general partner - The managing general partner of the Partnership is Pioneer USA. Pioneer USA has the power and authority to manage, control and administer all Partnership affairs. As managing general partner and operator of the Partnership's properties, all production expenses are incurred by Pioneer USA and billed to the Partnership. The majority of the Partnership's oil and gas revenues are received directly by the Partnership, however, a portion of the oil and gas revenue is initially received by Pioneer USA prior to being paid to the Partnership. Under the limited partnership agreement, the managing general partner pays 1% of the Partnership's acquisition, drilling and completion costs and 1% of its operating and general and administrative expenses. In return, it is allocated 1% of the Partnership's revenues.

Limited partner liability - The maximum amount of liability of any limited partner is the total contributions of such partner plus his share of any undistributed profits.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Initial capital contributions - The limited partners entered into subscription agreements for aggregate capital contributions of \$4,920,000. Pioneer USA is required to contribute amounts equal to 1% of initial Partnership capital less commission and organization and offering costs

12

792

allocated to the limited partners and to contribute amounts necessary to pay costs and expenses allocated to it under the Partnership agreement to the extent its share of revenues does not cover such costs.

13

793

PARKER & PARSLEY PRIVATE INVESTMENT 86, LTD.  
(A TEXAS LIMITED PARTNERSHIP)

THIS REPORT CONTAINS FORWARD LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. ACCORDINGLY, NO ASSURANCES CAN BE GIVEN THAT THE ACTUAL EVENTS AND RESULTS WILL NOT BE MATERIALLY DIFFERENT THAN THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of operations

2000 compared to 1999

The Partnership's oil and gas revenues increased 73% to \$611,774 for 2000 as compared to \$354,462 in 1999. The increase in revenues resulted from higher average prices received and an increase in production. In 2000, 13,860 barrels of oil, 7,078 barrels of natural gas liquids ("NGLs") and 33,570 mcf of gas were sold, or 26,533 barrel of oil equivalents ("BOEs"). In 1999, 13,331 barrels of oil, 7,512 barrels of NGLs and 30,923 mcf of gas were sold, or 25,997 BOEs. Due to the decline characteristics of the Partnership's oil and gas properties, management expects a certain amount of decline in production in the future until the Partnership's economically recoverable reserves are fully depleted.

The average price received per barrel of oil increased \$12.11, or 70%, from \$17.34 in 1999 to \$29.45 in 2000. The average price received per barrel of NGLs increased \$5.74, or 62%, from \$9.27 in 1999 to \$15.01 in 2000. The average price received per mcf of gas increased 68% from \$1.73 in 1999 to \$2.90 in 2000. The market price for oil and gas has been extremely volatile in the past decade, and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received in 2000.

Total costs and expenses increased in 2000 to \$348,901 as compared to \$308,958 in 1999, an increase of \$39,943, or 13%. The increase was primarily due to increases in production costs and general and administrative expenses ("G&A"), offset by a decline in depletion.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Production costs were \$287,563 in 2000 and \$236,129 in 1999, resulting in a \$51,434 increase, or 22%. The increase was primarily due to higher production taxes associated with higher oil and gas prices and additional well maintenance costs incurred to stimulate well production.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 73% from \$7,089 in 1999 to \$12,235 in 2000, primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 2% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$10,107 in 2000 and \$3,583 in 1999 for G&A incurred on behalf of the Partnership. The remaining G&A was paid directly by the Partnership. The managing general partner determines the allocated expenses based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Depletion was \$49,103 in 2000 as compared to \$65,740 in 1999, representing a decrease of \$16,637, or 25%. This decrease was primarily due to a 34,384 barrels of oil increase in proved reserves during 2000 as a result of higher commodity prices.

1999 compared to 1998

The Partnership's 1999 oil and gas revenues increased 18% to \$354,462 from \$301,556 in 1998. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 1999, 13,331 barrels of oil, 7,512 barrels of NGLs and 30,923 mcf of gas were sold, or 25,997 BOEs. In 1998, 14,914 barrels of oil, 7,331 barrels of NGLs and 33,219 mcf of gas were sold, or 27,782 BOEs.

794

The average price received per barrel of oil increased \$4.00, or 30%, from \$13.34 in 1998 to \$17.34 in 1999. The average price received per barrel of NGLs increased \$2.58, or 39%, from \$6.69 in 1998 to \$9.27 in 1999. The average price received per mcf of gas increased 7% from \$1.61 in 1998 to \$1.73 in 1999.

Total costs and expenses decreased in 1999 to \$308,958 as compared to \$469,189 in 1998, a decrease of \$160,231, or 34%. The decrease was primarily due to declines in the impairment of oil and gas properties and depletion, offset by increases in production costs and G&A.

Production costs were \$236,129 in 1999 and \$213,042 in 1998, resulting in a \$23,087 increase, or 11%. The increase was due to increased workover costs and well maintenance costs incurred to stimulate well production, offset by a decrease in ad valorem taxes.

During this period, G&A increased 18% from \$6,031 in 1998 to \$7,089 in 1999 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 2% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$3,583 in 1999 and \$4,004 in 1998 for G&A incurred on behalf of the Partnership.

In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the managing general partner reviews the

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Partnership's oil and gas properties for impairment whenever events or circumstances indicate a decline in the recoverability of the carrying value of the Partnership's assets may have occurred. As a result of the review and evaluation of its long-lived assets for impairment, the Partnership recognized a non-cash charge of \$98,274 related to its oil and gas properties during 1998.

Depletion was \$65,740 in 1999 compared to \$151,842 in 1998, representing a decrease of \$86,102, or 57%. This decrease was the result of a combination of factors that included an increase in proved reserves of 97,690 barrels of oil during 1999 as a result of higher commodity prices, a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 1998 and a decline in oil production of 1,583 barrels for the period ended December 31, 1999 compared to the same period in 1998.

### Petroleum Industry

The petroleum industry has been characterized by volatile oil, NGL and natural gas commodity prices and relatively stable supplier costs during the three years ended December 31, 2000. During 1998, weather patterns, regional economic recessions and political matters combined to cause worldwide oil supplies to exceed demand resulting in a substantial decline in oil prices. Also during 1998, but to a lesser extent, market prices for natural gas declined. During 1999 and 2000, the Organization of Petroleum Exporting Countries ("OPEC") and certain other crude oil exporting nations announced reductions in their planned export volumes. Those announcements, together with the enactment of the announced reductions in export volumes, had a positive impact on world oil prices, as have overall natural gas supply and demand fundamentals on North American natural gas prices. Although the favorable commodity price environment and stable field service cost environment is expected to continue during 2001, there is no assurance that commodity prices will not return to a less favorable level or that field service costs will not escalate in the future, both of which could negatively impact the Partnership's future results of operations and cash distributions.

### Liquidity and capital resources

#### Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$170,228 during the year ended December 31, 2000 from 1999. This increase was due to an increase in oil and gas sales receipts of \$259,542, offset by increases in production costs paid of \$51,434, G&A expenses paid of \$5,146 and working capital of \$32,734. The increase in oil and gas receipts resulted from the increase in commodity prices during 2000 which contributed an additional \$242,798 to oil and gas receipts and an increase of \$16,744 resulting from the increase in production during 2000. The increase in production costs was primarily due to increased production taxes associated with higher oil and gas prices and well maintenance costs incurred to stimulate well production. The increase in G&A was primarily due to higher percentage of the managing general partner's G&A being allocated (limited to 2% of oil and gas revenues) as a result of increased oil and gas revenues.

795

#### Net Cash Used in Investing Activities

The Partnership's principal investing activities during 2000 and 1999 included expenditures related to equipment upgrades on various oil and gas properties.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Proceeds from asset dispositions in 1999 of \$701 were from equipment credits received on two wells.

### Net Cash Used in Financing Activities

In 2000, cash distributions to the partners were \$276,142, of which \$2,761 was distributed to the managing general partner and \$273,381 to the limited partners. In 1999, cash distributions to the partners were \$68,473, of which \$685 was distributed to the managing general partner and \$67,788 to the limited partners.

796

### PARKER & PARSLEY PRIVATE INVESTMENT 86, LTD.

#### SELECTED FINANCIAL DATA

The following selected financial data for the Partnership should be read in connection with Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements included in the attached supplemental information.

	Six months ended June 30,		Years ended December		
	2001	2000	2000	1999	1998
Operating results:					
Oil and gas sales	\$ 306,293	\$ 286,086	\$ 611,774	\$ 354,462	\$ 301,556
Impairment of oil and gas properties	\$ --	\$ --	\$ --	\$ --	\$ 98,274
Gain on litigation settlement, net	\$ --	\$ --	\$ --	\$ --	\$ --
Net income (loss)	\$ 131,869	\$ 101,422	\$ 267,800	\$ 48,201	\$ (164,409)
Allocation of net income (loss):					
Managing general partner	\$ 1,319	\$ 1,014	\$ 2,678	\$ 482	\$ (1,644)
Limited partners	\$ 130,550	\$ 100,408	\$ 265,122	\$ 47,719	\$ (162,765)

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Limited partners' net income (loss) per limited partnership interest	\$ 1,061.38	\$ 816.33	\$ 2,155.46	\$ 387.96	\$(1,323.29)
	=====	=====	=====	=====	=====
Limited partners' cash distributions per limited partnership interest	\$ 906.86	\$ 936.98	\$ 2,222.61	\$ 551.12	\$ 891.21
	=====	=====	=====	=====	=====
As of period ended:					
Total assets	\$ 945,926	\$ 924,433	\$ 918,400	\$ 931,827	\$ 946,558
	=====	=====	=====	=====	=====

-----

(a) Including litigation settlement per limited partnership interest of \$1,474.06 in 1996.

797

PIONEER NATURAL RESOURCES COMPANY  
PIONEER NATURAL RESOURCES USA, INC.  
5205 NORTH O'CONNOR BLVD., SUITE 1400  
IRVING, TEXAS 75039

SUPPLEMENTAL INFORMATION

OF

PARKER & PARSLEY 87-A CONV., LTD., A TEXAS LIMITED PARTNERSHIP

TO

PROXY STATEMENT/PROSPECTUS DATED \_\_\_\_\_, 2001

-----

THE DATE OF THIS SUPPLEMENT IS \_\_\_\_\_, 2001

-----

This document contains important information specific to Parker & Parsley 87-A Conv., Ltd. and supplements the proxy statement/prospectus dated \_\_\_\_\_, 2001, of Pioneer Natural Resources Company and Pioneer Natural Resources USA, Inc., by which Pioneer USA is soliciting proxies to be voted at a special meeting of limited partners of the partnership. The purpose of the special meeting is for you to vote upon the merger of the partnership with and into Pioneer USA that, if completed, will result in your receiving common stock of Pioneer Natural Resources Company for your partnership interests.

This document contains the following information concerning Parker & Parsley 87-A Conv., Ltd.:

o A table containing:

-- the aggregate initial investment by the limited partners

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

- the aggregate historical limited partner distributions through July 31, 2001
- the merger value attributable to partnership interests of limited partners, excluding Pioneer USA
- the merger value per \$1,000 limited partner investment
- the merger value per \$1,000 limited partner investment as a multiple of distributions for the past four quarterly distributions including the distribution in July 2001
- the book value per \$1,000 limited partner investment as of June 30, 2001 and as of December 31, 2000
- the going concern value per \$1,000 limited partner investment
- the liquidation value per \$1,000 limited partner investment
- the ordinary tax loss per \$1,000 limited partner investment in year of initial investment
- o Information about:
  - the legal opinion for the limited partners
  - the term of the partnership
- o The partnership's financial statements, including management's discussion and analysis of financial condition and results of operations, for the six months ended June 30, 2001
- o The partnership's financial statements, including management's discussion and analysis of financial condition and results of operations, for the year ended December 31, 2000
- o Selected historical financial data for the partnership for the six months ended June 30, 2001 and 2000 and the five years ended December 31, 2000

-1-

798

PARKER & PARSLEY 87-A CONV., LTD.

SUPPLEMENTAL INFORMATION TABLE

Aggregate Initial Investment by the Limited Partners(a)

Aggregate Historical Limited Partner Distributions through July 31, 2001(a)

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Merger Value Attributable to Partnership Interests of Limited Partners, Excluding Pioneer USA(a), (b) \$

Merger Value per \$1,000 Limited Partner Investment (b), (c) \$

Merger Value per \$1,000 Limited Partner Investment as a Multiple of Distributions for the past four quarterly distributions including the distribution in July 2001(b), (c)

Book Value per \$1,000 Limited Partner Investment:

-- as of June 30, 2001(c) \$

-- as of December 31, 2000(c) \$

Going Concern Value per \$1,000 Limited Partner Investment (c), (d) \$

Liquidation Value per \$1,000 Limited Partner Investment (c), (e) \$

Ordinary Tax Loss per \$1,000 Limited Partner Investment in Year of Initial Investment (c), (f) \$

-----

(a) Stated in thousands.

(b) The merger value for the partnership is equal to the sum of the present value of estimated future net revenues from the partnership's estimated oil and gas reserves and its net working capital, in each case as of March 31, 2001, less its pro rata share, based on its reserve value, of the estimated expenses and fees of the mergers of all of the partnerships and less the cash distribution on July 13, 2001, by the partnership to its partners.

(c) Interests in some partnerships were sold in units at prices other than \$1,000. We have presented this information based on a \$1,000 initial investment for ease of use and comparison among partnerships. You should not assume that the amount shown per \$1,000 investment is the same as the value or amount attributable to a single unit investment.

(d) The going concern value for the partnership is based upon: (1) the sum of (A) the estimated net cash flow from the sale of the partnership's reserves during a 10-year operating period and (B) the estimated residual value from the sale of the partnership's remaining reserves at the end of the operating period, in each case using the same pricing and discount rate as in the merger value calculation, less (2) (A) partnership level general and administrative expenses, and (B) the cash distribution on July 13, 2001 by the partnership to its partners.

(e) The liquidation value for the partnership is based upon the sale of the partnership's reserves at the reserve value, less (1) liquidation expenses which are estimated to be the sum of (A) the partnership's pro rata share of the merger expenses and fees described in footnote (b) above and (B) 3% of the partnership's reserve value, and (2) the cash distribution on July 13, 2001 by the partnership to its partners. The liquidation expenses represent estimated costs to retain an investment banker or broker to sell the assets of the partnership and the legal and other closing costs associated with such transaction, including the wind-down costs of the



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

partnership.

- (f) Your ability to use your distributive share of the partnership's loss to offset your other income may have been subject to certain limitations at your level as a partner, and you may therefore wish to consult your tax advisor to determine the additional value, if any, actually realized by you in your particular circumstances.

INFORMATION ABOUT THE LEGAL OPINION FOR THE LIMITED PARTNERS

The partnership agreement for the partnership requires that special legal counsel render an opinion on behalf of the limited partners to Pioneer USA that (1) neither the grant nor the exercise of the right to approve the merger of the partnership by its limited partners will adversely affect the federal income tax classification of the partnership or any of its limited partners; and (2) neither the grant nor exercise of such right will result in the loss of any limited partner's limited liability. In addition, the counsel designated to render the opinion must be counsel other than counsel to Pioneer USA or the partnership. Both the designated counsel and the legal opinion must be approved by the limited partners. Pioneer USA has retained \_\_\_\_\_ of Dallas, Texas for the purpose of rendering this legal opinion on behalf of the limited partners to Pioneer USA. The merger proposals include an approval of that counsel and the form of its opinion. A copy of the opinion is attached as an exhibit to the merger proposals.

INFORMATION ABOUT THE TERM OF THE PARTNERSHIP

The term of the partnership is until December 31, 2037, unless the partnership is earlier terminated in accordance with the applicable provisions of its partnership agreement.

-2-

799

PARKER & PARSLEY 87-A CONV., LTD.

(A Texas Limited Partnership)

FINANCIAL STATEMENTS

June 30, 2001 and December 31, 2000

(Unaudited)

800

PARKER & PARSLEY 87-A CONV., LTD.

(A Texas Limited Partnership)

BALANCE SHEETS

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	June 30, 2001	December 31, 2000
	----- (Unaudited)	-----
ASSETS		
Current assets:		
Cash	\$ 99,031	\$ 42,044
Accounts receivable - oil and gas sales	47,720	58,386
	-----	-----
Total current assets	146,751	100,430
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	2,608,971	2,703,338
Accumulated depletion	(2,278,301)	(2,357,166)
	-----	-----
Net oil and gas properties	330,670	346,172
	-----	-----
	\$ 477,421	\$ 446,602
	=====	=====
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable - affiliate	\$ 6,256	\$ 5,133
Partners' capital:		
Managing general partner	4,714	4,417
Limited partners (3,856 interests)	466,451	437,052
	-----	-----
	471,165	441,469
	-----	-----
	\$ 477,421	\$ 446,602
	=====	=====

The financial information included as of June 30, 2001 has been prepared by the managing general partner without audit by independent public accountants.

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

PARKER & PARSLEY 87-A CONV., LTD.  
(A Texas Limited Partnership)

STATEMENTS OF OPERATIONS  
(Unaudited)

Three months ended  
June 30,

Six months ended  
June 30,

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	2001	2000	2001	2000
<b>Revenues:</b>				
Oil and gas	\$ 83,576	\$ 94,529	\$ 187,285	\$ 181,312
Interest	729	952	1,458	1,645
Gain on disposition of assets	5,588	-	5,909	784
	89,893	95,481	194,652	183,741
<b>Costs and expenses:</b>				
Oil and gas production	36,798	35,010	74,815	70,536
General and administrative	2,508	2,836	5,619	5,439
Depletion	5,824	5,961	15,718	12,899
Abandoned property	3,134	-	3,134	-
	48,264	43,807	99,286	88,874
Net income	\$ 41,629	\$ 51,674	\$ 95,366	\$ 94,867
<b>Allocation of net income:</b>				
Managing general partner	\$ 417	\$ 517	\$ 954	\$ 949
Limited partners	\$ 41,212	\$ 51,157	\$ 94,412	\$ 93,918
Net income per limited partnership interest	\$ 10.68	\$ 13.27	\$ 24.48	\$ 24.36

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

3

802

PARKER & PARSLEY 87-A CONV., LTD.  
(A Texas Limited Partnership)

STATEMENT OF PARTNERS' CAPITAL  
(Unaudited)

	Managing general partner	Limited partners	Total
Balance at January 1, 2001	\$ 4,417	\$ 437,052	\$ 441,469
Distributions	(657)	(65,013)	(65,670)

803

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Net income	954	94,412	95,366
	-----	-----	-----
Balance at June 30, 2001	\$ 4,714	\$ 466,451	\$ 471,165
	=====	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

4

803

PARKER & PARSLEY 87-A CONV., LTD.  
(A Texas Limited Partnership)

STATEMENTS OF CASH FLOWS  
(Unaudited)

	Six months ended June 30,	
	2001	2000
	-----	-----
Cash flows from operating activities:		
Net income	\$ 95,366	\$ 94,867
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion	15,718	12,899
Gain on disposition of assets	(5,909)	(784)
Changes in assets and liabilities:		
Accounts receivable	10,666	(17,100)
Accounts payable	4,259	3,710
	-----	-----
Net cash provided by operating activities	120,100	93,592
	-----	-----
Cash flows from investing activities:		
Additions to oil and gas properties	(531)	(1,130)
Proceeds from asset dispositions	3,088	1,015
	-----	-----
Net cash provided by (used in) investing activities	2,557	(115)
	-----	-----
Cash flows used in financing activities:		
Cash distributions to partners	(65,670)	(104,242)
	-----	-----
Net increase (decrease) in cash	56,987	(10,765)
Cash at beginning of period	42,044	53,265
	-----	-----
Cash at end of period	\$ 99,031	\$ 42,500

804

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

5

804

PARKER & PARSLEY 87-A CONV., LTD.  
(A Texas Limited Partnership)

NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Unaudited)

Note 1. Organization and nature of operations

Parker & Parsley 87-A Conv., Ltd. (the "Partnership") was organized in 1987 as a general partnership under the laws of the State of Texas and was converted to a Texas limited partnership in 1989.

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

Note 2. Basis of presentation

In the opinion of management, the unaudited financial statements of the Partnership as of June 30, 2001 and for the three and six months ended June 30, 2001 and 2000 include all adjustments and accruals consisting only of normal recurring accrual adjustments which are necessary for a fair presentation of the results for the interim period. These interim results are not necessarily indicative of results for a full year. Certain reclassifications may have been made to the June 30, 2000 financial statements to conform to the June 30, 2001 financial statement presentations.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in these interim financial statements. The financial statements should be read in conjunction with the financial statements and the notes thereto contained in the Partnership's report for the year ended December 31, 2000, a copy of which is available upon request by writing to Rich Dealy, Vice President and Chief Accounting Officer, 5205 North O'Connor Boulevard, Suite 1400, Irving, Texas 75039-3746.

Management's Discussion and Analysis of Financial Condition  
and Results of Operations (1)

Results of Operations

Six months ended June 30, 2001 compared with six months ended June 30, 2000

Revenues:

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The Partnership's oil and gas revenues increased 3% to \$187,285 for the six months ended June 30, 2001 as compared to \$181,312 for the same period in 2000. The increase in revenues resulted from higher average prices received, offset by a decrease in production. For the six months ended June 30, 2001, 3,828 barrels

6

805

of oil, 2,015 barrels of natural gas liquids ("NGLs") and 10,345 mcf of gas were sold, or 7,567 barrel of oil equivalents ("BOEs"). For the six months ended June 30, 2000, 4,349 barrels of oil, 2,563 barrels of NGLs and 11,375 mcf of gas were sold, or 8,808 BOEs.

The average price received per barrel of oil increased slightly from \$27.41 for the six months ended June 30, 2000 to \$27.45 for the same period in 2001. The average price received per barrel of NGLs increased \$2.10, or 14%, from \$14.63 during the six months ended June 30, 2000 to \$16.73 for the same period in 2001. The average price received per mcf of gas increased 116% from \$2.17 during the six months ended June 30, 2000 to \$4.69 for the same period in 2001. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received during the six months ended June 30, 2001.

Gain on disposition of assets of \$5,909 was received during the six months ended June 30, 2001 of which \$5,123 was from disposal of equipment on two wells plugged and abandoned during the current period and \$786 was from equipment credits received on one fully depleted well. Expenses to plug and abandon these wells were \$3,134. For the six months ended June 30, 2000, a gain of \$784 was recognized due to equipment credits received on one fully depleted well.

### Costs and Expenses:

Total costs and expenses increased to \$99,286 for the six months ended June 30, 2001 as compared to \$88,874 for the same period in 2000, an increase of \$10,412, or 12%. This increase was due to increases in production costs, abandoned property costs, depletion and general and administrative expenses ("G&A").

Production costs were \$74,815 for the six months ended June 30, 2001 and \$70,536 for the same period in 2000, resulting in a \$4,279 increase, or 6%. The increase was due to additional well maintenance and workover costs incurred to stimulate well production and higher production taxes due to higher oil and gas prices.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 3% from \$5,439 for the six months ended June 30, 2000 to \$5,619 for the same period in 2001, primarily due to an increase in audit and tax fees.

Depletion was \$15,718 for the six months ended June 30, 2001 as compared to \$12,899 for the same period in 2000, an increase of \$2,819 or 22%. This increase was due to a decrease in proved reserves during the period ended June 30, 2001 due to lower commodity prices, offset by a decrease in oil production of 521 barrels for the six months ended June 30, 2001 as compared to the same period in 2000.

7

806

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Three months ended June 30, 2001 compared with three months ended June 30, 2000

### Revenues:

The Partnership's oil and gas revenues decreased 12% to \$83,576 for the three months ended June 30, 2001 as compared to \$94,529 for the same period in 2000. The decrease in revenues resulted from a decrease in production and a lower average price received for oil, offset by higher average prices received for gas and NGLs. For the three months ended June 30, 2001, 1,918 barrels of oil, 993 barrels of NGLs and 4,627 mcf of gas were sold, or 3,682 BOEs. For the three months ended June 30, 2000, 2,163 barrels of oil, 1,381 barrels of NGLs and 5,950 mcf of gas were sold, or 4,536 BOEs.

The average price received per barrel of oil decreased \$.58, or 2%, from \$27.64 for the three months ended June 30, 2000 to \$27.06 for the three months ended June 30, 2001. The average price received per barrel of NGLs increased \$.57, or 4%, from \$14.21 during the three months ended June 30, 2000 to \$14.78 for the same period in 2001. The average price received per mcf of gas increased 44% to \$3.67 during the three months ended June 30, 2001 from \$2.55 during the same period in 2000.

Gain on disposition of assets of \$5,588 was received during the three months ended June 30, 2001 of which \$5,123 was from disposal of equipment on two wells plugged and abandoned during the current period and \$465 was from equipment credits received on one fully depleted well. Expenses to plug and abandon these wells were \$3,134.

### Costs and Expenses:

Total costs and expenses increased to \$48,264 for the three months ended June 30, 2001 as compared to \$43,807 for the same period in 2000, an increase of \$4,457, or 10%. This increase was due to higher production costs and abandoned property costs, offset by declines in G&A and depletion.

Production costs were \$36,798 for the three months ended June 30, 2001 and \$35,010 for the same period in 2000, resulting in a \$1,788 increase, or 5%. The increase was primarily due to additional well maintenance costs incurred to stimulate well production.

During this period, G&A decreased 12%, from \$2,836 for the three months ended June 30, 2000 to \$2,508 for the same period in 2001, due to a decrease in audit and tax fees.

Depletion was \$5,824 for the three months ended June 30, 2001 as compared to \$5,961 for the same period in 2000, a decrease of \$137, or 2%. This decrease was attributable to a decrease in oil production of 245 barrels for the three months ended June 30, 2001 as compared to the same period in 2000.

### Liquidity and Capital Resources

#### Net Cash Provided by Operating Activities

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Net cash provided by operating activities increased \$26,508 during the six months ended June 30, 2001 from the same period ended June 30, 2000. This increase was due to an increase in oil and gas sales receipts of \$5,786 and a reduction in working capital of \$28,315, offset by increases in production costs of \$4,279, abandoned property costs of \$3,134 and G&A expenses of \$180. The increase in oil and gas receipts resulted from the increase in commodity prices during 2001 which contributed an additional \$34,082 to oil and gas receipts, offset by \$28,296 resulting from the decline in production during 2001 as compared to the same period in 2000. The increase in production costs was primarily due to additional well maintenance costs incurred to stimulate well production and higher production taxes associated with increased oil and gas prices. The increase in G&A was due to an increase in audit and tax fees.

### Net Cash Provided by (Used in) Investing Activities

The Partnership's investing activities for the six months ended June 30, 2001 and 2000 included expenditures related to equipment upgrades on various oil and gas properties.

Proceeds from asset dispositions of \$3,088 and \$1,015 received during the six months ended June 30, 2001 and 2000, respectively, were comprised of \$786 and \$784, respectively, received from the salvage of equipment on one fully depleted well and \$316 and \$231, respectively, from equipment salvage on active properties. A gain of \$1,986 was recognized during the six months ended June 30, 2001 due to salvage income received on two wells plugged and abandoned.

### Net Cash Used in Financing Activities

For the six months ended June 30, 2001, cash distributions to the partners were \$65,670, of which \$657 was distributed to the managing general partner and \$65,013 to the limited partners. For the same period ended June 30, 2000, cash distributions to the partners were \$104,242, of which \$1,042 was distributed to the managing general partner and \$103,200 to the limited partners.

For the three months ended June 30, 2001, no distributions were made by the partnership to its partners. Subsequent to June 30, 2001 the cash distribution that otherwise would have been mailed to partners in late June was made to holders of record as of July 9, 2001 and was mailed on July 13, 2001. For further information, see "Proposal to acquire partnerships" below.

### Proposal to acquire partnerships

On June 29, 2001, Pioneer Natural Resources Company ("Pioneer") filed with the Securities and Exchange Commission Amendment No. 1 to the Form S-4 Registration Statement (File No. 333- 59094) (the "preliminary proxy statement/prospectus"), which proposes an agreement and plan of merger among Pioneer, Pioneer Natural Resources USA, Inc. ("Pioneer USA"), a wholly-owned subsidiary of Pioneer, and 46 Parker & Parsley limited partnerships. Each partnership that approves the agreement and plan of merger and the other related merger proposals will merge

with and into Pioneer USA upon the closing of the transactions described in the preliminary proxy statement/prospectus, and the partnership interests of each such partnership will be converted into the right to receive Pioneer common stock. The Partnership is one of the 46 Parker & Parsley limited partnerships that will be asked to approve the agreement and plan of merger. The preliminary



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

proxy statement/prospectus is non-binding and is subject to, among other things, consideration of offers from third parties to purchase any partnership or its assets and the majority approval of the limited partnership interests in each partnership.

Pioneer USA will solicit proxies from limited partners to approve the mergers only when the proxy statement/prospectus is final and declared effective. No solicitation will be made using preliminary materials. Nonetheless, copies of the preliminary proxy statement/prospectus may be obtained without charge upon request from Pioneer Natural Resources Company, 5205 North O'Connor Blvd., Suite 1400, Irving, Texas 75039, Attention: Investor Relations.

The limited partners are urged to read the proxy statement/prospectus of Pioneer filed with the Securities and Exchange Commission, when it is finalized, because it contains important information about the proposed mergers, including information about the direct and indirect interests of Pioneer USA and Pioneer in the mergers. The limited partners may also obtain the preliminary and (when filed) final proxy statement/prospectus and other relevant documents relating to the proposed mergers free through the internet web site that the Securities and Exchange Commission maintains at [www.sec.gov](http://www.sec.gov).

-----

- (1) "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" contains forward looking statements that involve risks and uncertainties. Accordingly, no assurances can be given that the actual events and results will not be materially different than the anticipated results described in the forward looking statements.

10

809

PARKER & PARSLEY 87-A CONV., LTD.  
(A Texas Limited Partnership)

FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITORS' REPORT

December 31, 2000 and 1999

810

INDEPENDENT AUDITORS' REPORT

The Partners  
Parker & Parsley 87-A Conv., Ltd.  
(A Texas Limited Partnership):

We have audited the balance sheets of Parker & Parsley 87-A Conv., Ltd. as of December 31, 2000 and 1999, and the related statements of operations, partners' capital and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parker & Parsley 87-A Conv., Ltd. as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Dallas, Texas  
March 9, 2001

2

811

PARKER & PARSLEY 87-A CONV., LTD.  
(A Texas Limited Partnership)

BALANCE SHEETS  
December 31

	2000	1999
ASSETS	-----	-----
Current assets:		
Cash	\$ 42,044	\$ 53,265
Accounts receivable - oil and gas sales	58,386	34,510
	-----	-----
Total current assets	100,430	87,775
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	2,703,338	2,701,261
Accumulated depletion	(2,357,166)	(2,326,550)
	-----	-----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Net oil and gas properties	346,172	374,711
	-----	-----
	\$ 446,602	\$ 462,486
	=====	=====
 LIABILITIES AND PARTNERS' CAPITAL		
-----		
Current liabilities:		
Accounts payable - affiliate	\$ 5,133	\$ 6,175
Partners' capital:		
Managing general partner	4,417	4,565
Limited partners (3,856 interests)	437,052	451,746
	-----	-----
	441,469	456,311
	-----	-----
	\$ 446,602	\$ 462,486
	=====	=====

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

PARKER & PARSLEY 87-A CONV., LTD.  
(A Texas Limited Partnership)

STATEMENTS OF OPERATIONS  
For the years ended December 31

	2000	1999	1998
	-----	-----	-----
Revenues:			
Oil and gas	\$ 380,908	\$ 234,259	\$ 194,541
Interest	3,744	2,131	2,599

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Gain on disposition of assets	857	1,184	102
	-----	-----	-----
	385,509	237,574	197,242
	-----	-----	-----
Costs and expenses:			
Oil and gas production	150,075	126,927	143,008
General and administrative	11,235	6,978	5,727
Impairment of oil and gas properties	5,726	--	63,814
Depletion	24,890	35,270	83,255
	-----	-----	-----
	191,926	169,175	295,804
	-----	-----	-----
Net income (loss)	\$ 193,583	\$ 68,399	\$ (98,562)
	=====	=====	=====
Allocation of net income (loss):			
Managing general partner	\$ 1,936	\$ 684	\$ (986)
	=====	=====	=====
Limited partners	\$ 191,647	\$ 67,715	\$ (97,576)
	=====	=====	=====
Net income (loss) per limited partnership interest	\$ 49.70	\$ 17.56	\$ (25.30)
	=====	=====	=====

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

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	Managing general partner -----	Limited partners -----	Total -----
Partners' capital at January 1, 1998	\$ 6,329	\$ 626,350	\$ 632,679
Distributions	(761)	(75,346)	(76,107)
Net loss	(986)	(97,576)	(98,562)
	-----	-----	-----
Partners' capital at December 31, 1998	4,582	453,428	458,010
Distributions	(701)	(69,397)	(70,098)
Net income	684	67,715	68,399
	-----	-----	-----
Partners' capital at December 31, 1999	4,565	451,746	456,311
Distributions	(2,084)	(206,341)	(208,425)
Net income	1,936	191,647	193,583
	-----	-----	-----
Partners' capital at December 31, 2000	\$ 4,417 =====	\$ 437,052 =====	\$ 441,469 =====

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

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

STATEMENTS OF CASH FLOWS  
For the years ended December 31

	2000	1999	1998
	-----	-----	-----
Cash flows from operating activities:			
Net income (loss)	\$ 193,583	\$ 68,399	\$ (98,562)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Impairment of oil and gas properties	5,726	--	63,814
Depletion	24,890	35,270	83,255
Gain on disposition of assets	(857)	(1,184)	(102)
Changes in assets and liabilities:			
Accounts receivable	(23,876)	(12,786)	17,191
Accounts payable	(1,042)	1,263	(2,930)
	-----	-----	-----
Net cash provided by operating activities	198,424	90,962	62,666
	-----	-----	-----
Cash flows from investing activities:			
Additions to oil and gas properties	(2,560)	(5,634)	(2,338)
Proceeds from disposition of assets	1,340	1,238	2,095
	-----	-----	-----
Net cash used in investing activities	(1,220)	(4,396)	(243)
	-----	-----	-----
Cash flows used in financing activities:			
Cash distributions to partners	(208,425)	(70,098)	(76,107)
	-----	-----	-----
Net increase (decrease) in cash	(11,221)	16,468	(13,684)
Cash at beginning of year	53,265	36,797	50,481
	-----	-----	-----
Cash at end of year	\$ 42,044	\$ 53,265	\$ 36,797
	=====	=====	=====

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

PARKER & PARSLEY 87-A CONV., LTD.  
(A Texas Limited Partnership)

NOTES TO FINANCIAL STATEMENTS  
December 31, 2000, 1999 and 1998

NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS

Parker & Parsley 87-A Conv., Ltd. (the "Partnership") was organized in 1987 as a general partnership under the laws of the State of Texas and was converted to a Texas limited partnership in 1989. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA").

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Oil and gas properties - The Partnership utilizes the successful efforts method of accounting for its oil and gas properties and equipment. Under this method, all costs associated with productive wells and nonproductive development wells are capitalized while nonproductive exploration costs are expensed. Capitalized costs relating to proved properties are depleted using the unit-of-production method on a property-by-property basis based on proved oil (dominant mineral) reserves as evaluated by independent petroleum consultants. The carrying amounts of properties sold or otherwise disposed of and the related allowances for depletion are eliminated from the accounts and any gain or loss is included in results of operations.

Impairment of long-lived assets - In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the Partnership reviews its long-lived assets to be held and used on an individual property basis, including oil and gas properties accounted for under the successful efforts method of accounting, whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. An impairment loss is indicated if the sum of the expected future cash flows is less than the carrying amount of the assets. In this circumstance, the Partnership recognizes an impairment loss for the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset.

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

Net income (loss) per limited partnership interest - The net income (loss) per limited partnership interest is calculated by using the number of outstanding limited partnership interests.

Income taxes - A Federal income tax provision has not been included in the financial statements as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

Statements of cash flows - For purposes of reporting cash flows, cash includes depository accounts held by banks.

General and administrative expenses - General and administrative expenses are allocated in part to the Partnership by the managing general partner. Allocated expenses are determined by the managing general partner based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Reclassifications - Certain reclassifications may have been made to the 1999 and 1998 financial statements to conform to the 2000 financial statement presentations.

Environmental - The Partnership is subject to extensive federal, state and local environmental laws and regulations. These laws, which are constantly changing, regulate the discharge of materials into the environment and may require the Partnership to remove or mitigate the environmental effects of the disposal or release of petroleum or chemical substances at various sites. Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Liabilities for expenditures of a noncapital nature are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated. Such liabilities are generally undiscounted unless the timing of cash payments for the liability or component are fixed or reliably determinable. No such liabilities have been accrued as of December 31, 2000.

Revenue recognition - The Partnership uses the entitlements method of accounting for oil, natural gas liquids ("NGLs") and natural gas revenues.

NOTE 3. IMPAIRMENT OF LONG-LIVED ASSETS

In accordance with SFAS 121, the Partnership reviews its proved oil and gas properties for impairment whenever events and circumstances indicate a decline in the recoverability of the carrying value of the Partnership's oil and gas properties. The Partnership has estimated the expected future cash flows of its oil and gas properties as of December 31, 2000, 1999 and 1998, based on proved reserves, and compared such estimated future cash flows to the respective carrying amount of the oil and gas properties to determine if the carrying amounts were likely to be recoverable. For those proved oil and gas properties for which the carrying amount exceeded the estimated future cash flows, an impairment was determined to exist; therefore, the Partnership adjusted the carrying amount of those oil and gas properties to their fair value as determined by discounting their expected future



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

817

cash flows at a discount rate commensurate with the risks involved in the industry. As a result, the Partnership recognized non-cash impairment provisions of \$5,726 and \$63,814 related to its proved oil and gas properties during 2000 and 1998, respectively.

NOTE 4. INCOME TAXES

The financial statement basis of the Partnership's net assets and liabilities was \$34,055 less than the tax basis at December 31, 2000.

The following is a reconciliation of net income (loss) per statements of operations with the net income per Federal income tax returns for the years ended December 31:

	2000 -----	1999 -----	1998 -----
Net income (loss) per statements of operations	\$ 193,583	\$ 68,399	\$ (98,562)
Depletion and depreciation provisions for tax reporting purposes less than amounts for financial reporting purposes	21,481	31,994	77,835
Impairment of oil and gas properties for financial reporting purposes	5,726	--	63,814
Salvage income	--	--	1,795
Other, net	(320)	(923)	1,074
	-----	-----	-----
Net income per Federal income tax returns	\$ 220,470 =====	\$ 99,470 =====	\$ 45,956 =====

NOTE 5. OIL AND GAS PRODUCING ACTIVITIES

The following is a summary of the costs incurred, whether capitalized or expensed, related to the Partnership's oil and gas producing activities for the years ended December 31:

	2000 -----	1999 -----	1998 -----
Development costs	\$ 2,560 =====	\$ 5,634 =====	\$ 2,338 =====

Capitalized oil and gas properties consist of the following:

	2000 -----	1999 -----
Proved properties:		
Property acquisition costs	\$ 126,683	\$ 126,683
Completed wells and equipment	2,576,655 -----	2,574,578 -----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	2,703,338	2,701,261
Accumulated depletion	(2,357,166)	(2,326,550)
	-----	-----
Net oil and gas properties	\$ 346,172	\$ 374,711
	=====	=====

9

818

NOTE 6. RELATED PARTY TRANSACTIONS

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

	2000	1999	1998
	-----	-----	-----
Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$ 57,269	\$ 58,965	\$ 59,200
Reimbursement of general and administrative expenses	\$ 9,809	\$ 4,592	\$ 4,507

The Partnership participates in oil and gas activities through an income tax partnership (the "Program") pursuant to the Program agreement. Pioneer USA, Parker & Parsley 87-A, Ltd. and the Partnership (the "Partnerships") are parties to the Program agreement.

The costs and revenues of the Program are allocated to Pioneer USA and the Partnerships as follows:

	Pioneer USA (1)	Partnerships (2)
	-----	-----
Revenues:		
Proceeds from disposition of depreciable properties	9.09091%	90.90909%
All other revenues	24.242425%	75.757575%
Costs and expenses:		
Lease acquisition costs, drilling and completion costs and all other costs	9.09091%	90.90909%
Operating costs, direct costs and general and administrative expenses	24.242425%	75.757575%

(1) Excludes Pioneer USA's 1% general partner ownership which is allocated at the Partnership level and 35 limited partner interests owned by

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Pioneer USA.

- (2) The allocation between the Partnership and Parker & Parsley 87-A, Ltd. is 11.80396% and 88.19604%, respectively.

### NOTE 7. OIL AND GAS INFORMATION (UNAUDITED)

The following table presents information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities during the years then ended. All of the Partnership's reserves are proved developed and located within the United States. The Partnership's reserves are based on an evaluation prepared by Williamson Petroleum Consultants, Inc., an independent petroleum consultant, using criteria established by the Securities and Exchange Commission.

10

819

	Oil and NGLs (bbls)	Gas (mcf)
	-----	-----
Net proved reserves at January 1, 1998	173,242	260,824
Revisions	(70,303)	(79,797)
Production	(14,371)	(24,025)
	-----	-----
Net proved reserves at December 31, 1998	88,568	157,002
Revisions	121,459	218,318
Production	(13,578)	(24,503)
	-----	-----
Net proved reserves at December 31, 1999	196,449	350,817
Revisions	(1,562)	(40,268)
Production	(13,096)	(20,355)
	-----	-----
Net proved reserves at December 31, 2000	181,791	290,194
	=====	=====

As of December 31, 2000, the estimated present value of future net revenues of proved reserves, calculated using December 31, 2000 prices of \$26.64 per barrel of oil, \$13.38 per barrel of NGLs and \$7.67 per mcf of gas, discounted at 10% was approximately \$1,465,000 and undiscounted was \$2,903,000.

Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves. The Partnership emphasizes that reserve estimates are inherently imprecise and, accordingly, the estimates are expected to change as future information becomes available.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

### Disclosures about Oil & Gas Producing Activities

#### Standardized Measure of Discounted Future Net Cash Flows

The standardized measure of discounted future net cash flows is computed by applying year-end prices of oil and gas (with consideration of price changes only to the extent provided by contractual arrangements) to the estimated future production of proved oil and gas reserves less estimated future expenditures (based on year-end costs) to be incurred in developing and producing the proved reserves, discounted using a rate of 10% per year to reflect the estimated timing of the future cash flows. A Federal income tax provision has not been calculated as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

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

11

820

	For the years ended December 31,		
	2000	1999	1998
	(in thousands)		
Oil and gas producing activities:			
Future cash inflows	\$ 6,182	\$ 4,834	\$ 964
Future production costs	(3,279)	(2,837)	(754)
	2,903	1,997	210
10% annual discount factor	(1,438)	(931)	(61)
	\$ 1,465	\$ 1,066	\$ 149
Standardized measure of discounted future net cash flows	\$ 1,465	\$ 1,066	\$ 149

	For the years ended December 31,		
	2000	1999	1998
	(in thousands)		
Oil and Gas Producing Activities:			
Oil and gas sales, net of production costs	\$ (231)	\$ (107)	\$ (52)
Net changes in prices and production costs	663	480	(462)

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Revisions of previous quantity estimates	(56)	878	(87)
Accretion of discount	106	15	71
Changes in production rates, timing and other	(83)	(349)	(26)
	-----	-----	-----
Change in present value of future net revenues	399	917	(556)
	-----	-----	-----
Balance, beginning of year	1,066	149	705
	-----	-----	-----
Balance, end of year	\$ 1,465	\$ 1,066	\$ 149
	=====	=====	=====

### NOTE 8. MAJOR CUSTOMERS

The following table reflects the major customers of the Partnership's oil and gas sales (a major customer is defined as a customer whose sales exceed 10% of total sales) during the years ended December 31:

	2000	1999	1998
	----	----	----
Plains Marketing, L.P.	43%	40%	--
Phillips Petroleum Company	10%	--	--
Genesis Crude Oil, L.P.	--	--	54%
Western Gas Resources, Inc.	4%	7%	29%
NGTS LLC	8%	--	--

At December 31, 2000, the amounts receivable from Plains Marketing, L.P. and Phillips Petroleum Company were \$16,353 and \$3,196, respectively, which are included in the caption "Accounts receivable - oil and gas sales" in the accompanying Balance Sheet.

Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on the ability of the Partnership to sell its oil, NGLs and gas production.

12

821

### NOTE 9. PARTNERSHIP AGREEMENT

The following is a brief summary of the more significant provisions of the limited partnership agreement:

Managing general partner - The managing general partner of the Partnership is Pioneer USA. Pioneer USA has the power and authority to manage, control and administer all Program and Partnership affairs. As managing general partner and operator of the Partnership's properties, all production expenses are incurred by Pioneer USA and billed to the Partnership. The majority of the Partnership's oil and gas revenues are

821

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

received directly by the Partnership, however, a portion of the oil and gas revenue is initially received by Pioneer USA prior to being paid to the Partnership. Under the limited partnership agreement, the managing general partner pays 1% of the Partnership's acquisition, drilling and completion costs and 1% of its operating and general and administrative expenses. In return, it is allocated 1% of the Partnership's revenues.

Limited partner liability - The maximum amount of liability of any limited partner is the total contributions of such partner plus his share of any undistributed profits.

Initial capital contributions - The partners entered into subscription agreements for aggregate capital contributions of \$3,856,000. Pioneer USA is required to contribute amounts equal to 1% of initial Partnership capital less commission and organization and offering costs allocated to the limited partners and to contribute amounts necessary to pay costs and expenses allocated to it under the Partnership agreement to the extent its share of revenues does not cover such costs.

13

822

PARKER & PARSLEY 87-A CONV., LTD.  
(A TEXAS LIMITED PARTNERSHIP)

THIS REPORT CONTAINS FORWARD LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. ACCORDINGLY, NO ASSURANCES CAN BE GIVEN THAT THE ACTUAL EVENTS AND RESULTS WILL NOT BE MATERIALLY DIFFERENT THAN THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of operations

2000 compared to 1999

The Partnership's oil and gas revenues increased 63% to \$380,908 for 2000 as compared to \$234,259 in 1999. The increase in revenues resulted from higher average prices received, offset by a decrease in production. In 2000, 8,407 barrels of oil, 4,689 barrels of natural gas liquids ("NGLs") and 20,355 mcf of gas were sold, or 16,489 barrel of oil equivalents ("BOEs"). In 1999, 8,263 barrels of oil, 5,315 barrels of NGLs and 24,503 mcf of gas were sold, or 17,662 BOEs. Due to the decline characteristics of the Partnership's oil and gas properties, management expects a certain amount of decline in production in the future until the Partnership's economically recoverable reserves are fully depleted.

The average price received per barrel of oil increased \$12.40, or 73%, from \$17.06 in 1999 to \$29.46 in 2000. The average price received per barrel of NGLs increased \$6.20, or 63%, from \$9.81 in 1999 to \$16.01 in 2000. The average price received per mcf of gas increased 70% from \$1.68 in 1999 to \$2.86 in 2000. The market price for oil and gas has been extremely volatile in the past decade, and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received in 2000.

Total costs and expenses increased in 2000 to \$191,926 as compared to \$169,175 in 1999, an increase of \$22,751, or 13%. The increase was primarily due to

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

increases in production costs, impairment of oil and gas properties and general and administrative expenses ("G&A"), offset by a decline in depletion.

Gains on disposition of assets of \$857 and \$1,184 were due to equipment credits received on one well during 2000 and 1999, respectively.

Production costs were \$150,075 in 2000 and \$126,927 in 1999, resulting in a \$23,148 increase, or 18%. The increase was primarily due to higher production taxes associated with higher oil and gas prices and additional workover and well maintenance costs incurred to stimulate well production.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 61% from \$6,978 in 1999 to \$11,235 in 2000, primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$9,809 in 2000 and \$4,592 in 1999 for G&A incurred on behalf of the Partnership. The remaining G&A was paid directly by the Partnership. The managing general partner determines the allocated expenses based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the managing general partner reviews the Partnership's oil and gas properties for impairment whenever events or circumstances indicate a decline in the recoverability of the carrying value of the Partnership's assets may have occurred. As a result of the review and evaluation of its long-lived assets for impairment, the Partnership recognized a non-cash charge of \$5,726 related to its oil and gas properties during 2000.

823

Depletion was \$24,890 in 2000 as compared to \$35,270 in 1999, representing a decrease of \$10,380, or 29%. This decrease was primarily due to an 8,116 barrels of oil increase in proved reserves during 2000 as a result of higher commodity prices.

1999 compared to 1998

The Partnership's 1999 oil and gas revenues increased 20% to \$234,259 from \$194,541 in 1998. The increase in revenues resulted from higher average prices received, offset by a decrease in production. In 1999, 8,263 barrels of oil, 5,315 barrels of NGLs and 24,503 mcf of gas were sold, or 17,662 BOEs. In 1998, 9,354 barrels of oil, 5,017 barrels of NGLs and 24,025 mcf of gas were sold, or 18,375 BOEs.

The average price received per barrel of oil increased \$3.84, or 29%, from \$13.22 in 1998 to \$17.06 in 1999. The average price received per barrel of NGLs increased \$3.05, or 45%, from \$6.76 in 1998 to \$9.81 in 1999. The average price received per mcf of gas increased 9% from \$1.54 in 1998 to \$1.68 in 1999.

Total costs and expenses decreased in 1999 to \$169,175 as compared to \$295,804 in 1998, a decrease of \$126,629, or 43%. The decrease was primarily due to declines in the impairment of oil and gas properties, depletion and production costs, offset by an increase in G&A.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Production costs were \$126,927 in 1999 and \$143,008 in 1998, resulting in a \$16,081 decrease, or 11%. The decrease was due to declines in well maintenance costs, workover expenses and ad valorem taxes, offset by an increase in production taxes due to increased oil and gas revenues.

During this period, G&A increased 22% from \$5,727 in 1998 to \$6,978 in 1999 primarily due to a higher allocation of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$4,592 in 1999 and \$4,507 in 1998 for G&A incurred on behalf of the Partnership.

The Partnership recognized a non-cash SFAS 121 charge of \$63,814 related to its oil and gas properties during 1998.

Depletion was \$35,270 in 1999 compared to \$83,255 in 1998, representing a decrease of \$47,985, or 58%. This decrease was primarily due to an increase in proved reserves of 71,246 barrels of oil during 1999 as a result of higher commodity prices, a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 1998 and a decline in oil production of 1,091 barrels for the period ended December 31, 1999 compared to the same period in 1998.

### Petroleum industry

The petroleum industry has been characterized by volatile oil, NGL and natural gas commodity prices and relatively stable supplier costs during the three years ended December 31, 2000. During 1998, weather patterns, regional economic recessions and political matters combined to cause worldwide oil supplies to exceed demand resulting in a substantial decline in oil prices. Also during 1998, but to a lesser extent, market prices for natural gas declined. During 1999 and 2000, the Organization of Petroleum Exporting Countries ("OPEC") and certain other crude oil exporting nations announced reductions in their planned export volumes. Those announcements, together with the enactment of the announced reductions in export volumes, had a positive impact on world oil prices, as have overall natural gas supply and demand fundamentals on North American natural gas prices. Although the favorable commodity price environment and stable field service cost environment is expected to continue during 2001, there is no assurance that commodity prices will not return to a less favorable level or that field service costs will not escalate in the future, both of which could negatively impact the Partnership's future results of operations and cash distributions.

824

### Liquidity and capital resources

#### Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$107,462 during the year ended December 31, 2000 from 1999. This increase was due to an increase in oil and gas sales receipts of \$148,262, offset by increases in production costs paid of \$23,148, G&A expenses paid of \$4,257 and working capital of \$13,395. The increase in oil and gas receipts resulted from the increase in commodity prices during 2000 which contributed an additional \$165,908 to oil and gas receipts, offset by \$17,646 resulting from the decline in production during 2000. The increase in production costs was primarily due to increased production taxes associated with higher oil and gas prices and workover and well maintenance



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

costs incurred to stimulate well production. The increase in G&A was primarily due to higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues.

### Net Cash Used in Investing Activities

The Partnership's investing activities during 2000 and 1999 were related to upgrades of equipment on active properties.

Proceeds from asset dispositions of \$1,340 and \$1,238 received during 2000 and 1999, respectively, were primarily due to equipment credits received on active properties.

### Net Cash Used in Financing Activities

In 2000, cash distributions to the partners were \$208,425, of which \$2,084 was distributed to the managing general partner and \$206,341 to the limited partners. In 1999, cash distributions to the partners were \$70,098, of which \$701 was distributed to the managing general partner and \$69,397 to the limited partners.

825

### PARKER & PARSLEY 87-A CONV., LTD.

#### SELECTED FINANCIAL DATA

The following selected financial data for the Partnership should be read in connection with Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements included in the attached supplemental information.

	Six months ended June 30,		Years ended December		
	2001	2000	2000	1999	1998
Operating results:					
Oil and gas sales	\$ 187,285	\$ 181,312	\$ 380,908	\$ 234,259	\$ 194,541
Impairment of oil and gas properties	\$ --	\$ --	\$ 5,726	\$ --	\$ 63,814
Gain on litigation settlement, net	\$ --	\$ --	\$ --	\$ --	\$ --
Net income (loss)	\$ 95,366	\$ 94,867	\$ 193,583	\$ 68,399	\$ (98,562)

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Allocation of net income (loss):					
Managing general partner	\$ 954	\$ 949	\$ 1,936	\$ 684	\$ (986)
	=====	=====	=====	=====	=====
Limited partners	\$ 94,412	\$ 93,918	\$ 191,647	\$ 67,715	\$ (97,576)
	=====	=====	=====	=====	=====
Limited partners' net income (loss) per limited partnership interest	\$ 24.48	\$ 24.36	\$ 49.70	\$ 17.56	\$ (25.30)
	=====	=====	=====	=====	=====
Limited partners' cash distributions per limited partnership interest	\$ 16.86	\$ 26.76	\$ 53.51	\$ 18.00	\$ 19.54
	=====	=====	=====	=====	=====
As of period ended:					
Total assets	\$ 477,421	\$ 456,821	\$ 446,602	\$ 462,486	\$ 462,922
	=====	=====	=====	=====	=====

-----

(a) Including litigation settlement per limited partnership interest of \$29.44 in 1996.

826

PIONEER NATURAL RESOURCES COMPANY  
PIONEER NATURAL RESOURCES USA, INC.  
5205 NORTH O'CONNOR BLVD., SUITE 1400  
IRVING, TEXAS 75039

SUPPLEMENTAL INFORMATION

OF

PARKER & PARSLEY 87-A, LTD., A TEXAS LIMITED PARTNERSHIP

TO

PROXY STATEMENT/PROSPECTUS DATED \_\_\_\_\_, 2001

-----

THE DATE OF THIS SUPPLEMENT IS \_\_\_\_\_, 2001

-----

This document contains important information specific to Parker & Parsley 87-A, Ltd. and supplements the proxy statement/prospectus dated \_\_\_\_\_, 2001, of Pioneer Natural Resources Company and Pioneer Natural Resources USA, Inc., by which Pioneer USA is soliciting proxies to be voted at a special meeting of limited partners of the partnership. The purpose of the special meeting is for you to vote upon the merger of the partnership with and into Pioneer USA that, if completed, will result in your receiving common stock of Pioneer Natural Resources Company for your partnership interests.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

This document contains the following information concerning Parker & Parsley 87-A, Ltd.:

- o A table containing:
  - the aggregate initial investment by the limited partners
  - the aggregate historical limited partner distributions through July 31, 2001
  - the merger value attributable to partnership interests of limited partners, excluding Pioneer USA
  - the merger value per \$1,000 limited partner investment
  - the merger value per \$1,000 limited partner investment as a multiple of distributions for the past four quarterly distributions including the distribution in July 2001
  - the book value per \$1,000 limited partner investment as of June 30, 2001 and as of December 31, 2000
  - the going concern value per \$1,000 limited partner investment
  - the liquidation value per \$1,000 limited partner investment
  - the ordinary tax loss per \$1,000 limited partner investment in year of initial investment
- o Information about:
  - the legal opinion for the limited partners
  - the term of the partnership
- o The partnership's quarterly report on Form 10-Q, including management's discussion and analysis of financial condition and results of operations, for the six months ended June 30, 2001
- o The partnership's annual report on Form 10-K, including management's discussion and analysis of financial condition and results of operations, for the year ended December 31, 2000
- o Selected historical financial data for the partnership for the six months ended June 30, 2001 and 2000 and the five years ended December 31, 2000

-1-

827

PARKER & PARSLEY 87-A, LTD.

SUPPLEMENTAL INFORMATION TABLE

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Aggregate Initial Investment by the Limited Partners(a)	\$
Aggregate Historical Limited Partner Distributions through July 31, 2001(a)	\$
Merger Value Attributable to Partnership Interests of Limited Partners, Excluding Pioneer USA(a), (b)	\$
Merger Value per \$1,000 Limited Partner Investment(b), (c)	\$
Merger Value per \$1,000 Limited Partner Investment as a Multiple of Distributions for the past four quarterly distributions including the distribution in July 2001(b), (c)	
Book Value per \$1,000 Limited Partner Investment:	
-- as of June 30, 2001(c)	\$
-- as of December 31, 2000(c)	\$
Going Concern Value per \$1,000 Limited Partner Investment(c), (d)	\$
Liquidation Value per \$1,000 Limited Partner Investment(c), (e)	\$
Ordinary Tax Loss per \$1,000 Limited Partner Investment in Year of Initial Investment(c), (f)	\$

-----

- (a) Stated in thousands.
- (b) The merger value for the partnership is equal to the sum of the present value of estimated future net revenues from the partnership's estimated oil and gas reserves and its net working capital, in each case as of March 31, 2001, less its pro rata share, based on its reserve value, of the estimated expenses and fees of the mergers of all of the partnerships and less the cash distribution on July 13, 2001, by the partnership to its partners.
- (c) Interests in some partnerships were sold in units at prices other than \$1,000. We have presented this information based on a \$1,000 initial investment for ease of use and comparison among partnerships. You should not assume that the amount shown per \$1,000 investment is the same as the value or amount attributable to a single unit investment.
- (d) The going concern value for the partnership is based upon: (1) the sum of (A) the estimated net cash flow from the sale of the partnership's reserves during a 10-year operating period and (B) the estimated residual value from the sale of the partnership's remaining reserves at the end of the operating period, in each case using the same pricing and discount rate as in the merger value calculation, less (2) (A) partnership level general and administrative expenses, and (B) the cash distribution on July 13, 2001 by the partnership to its partners.
- (e) The liquidation value for the partnership is based upon the sale of the partnership's reserves at the reserve value, less (1) liquidation expenses which are estimated to be the sum of (A) the partnership's pro rata share of the merger expenses and fees described in footnote (b) above and (B) 3%

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

of the partnership's reserve value, and (2) the cash distribution on July 13, 2001 by the partnership to its partners. The liquidation expenses represent estimated costs to retain an investment banker or broker to sell the assets of the partnership and the legal and other closing costs associated with such transaction, including the wind-down costs of the partnership.

- (f) Your ability to use your distributive share of the partnership's loss to offset your other income may have been subject to certain limitations at your level as a partner, and you may therefore wish to consult your tax advisor to determine the additional value, if any, actually realized by you in your particular circumstances.

INFORMATION ABOUT THE LEGAL OPINION FOR THE LIMITED PARTNERS

The partnership agreement for the partnership requires that special legal counsel render an opinion on behalf of the limited partners to Pioneer USA that (1) neither the grant nor the exercise of the right to approve the merger of the partnership by its limited partners will adversely affect the federal income tax classification of the partnership or any of its limited partners; and (2) neither the grant nor exercise of such right will result in the loss of any limited partner's limited liability. In addition, the counsel designated to render the opinion must be counsel other than counsel to Pioneer USA or the partnership. Both the designated counsel and the legal opinion must be approved by the limited partners. Pioneer USA has retained \_\_\_\_\_ of Dallas, Texas for the purpose of rendering this legal opinion on behalf of the limited partners to Pioneer USA. The merger proposals include an approval of that counsel and the form of its opinion. A copy of the opinion is attached as an exhibit to the merger proposals.

INFORMATION ABOUT THE TERM OF THE PARTNERSHIP

The term of the partnership is until December 31, 2037, unless the partnership is earlier terminated in accordance with the applicable provisions of its partnership agreement.

-2-

828

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, 2001

Commission File No. 33-12244-01

PARKER & PARSLEY 87-A, LTD.  
(Exact name of Registrant as specified in its charter)

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Texas	75-2185148
-----	-----
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
5205 N. O'Connor Blvd., Suite 1400, Irving, Texas	75039
-----	-----
(Address of principal executive offices)	(Zip code)
Registrant's Telephone Number, including area code : (972) 444-9001	

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 / x / No / /

829

PARKER & PARSLEY 87-A, LTD.

TABLE OF CONTENTS

	Page
Part I. Financial Information	
Item 1. Financial Statements	
Balance Sheets as of June 30, 2001 and December 31, 2000.....	3
Statements of Operations for the three and six months ended June 30, 2001 and 2000.....	4
Statement of Partners' Capital for the six months ended June 30, 2001.....	5
Statements of Cash Flows for the six months ended June 30, 2001 and 2000.....	6
Notes to Financial Statements.....	7

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations..... 7

Part II. Other Information

Item 6. Exhibits and Reports on Form 8-K..... 11  
 Signatures..... 12

PARKER & PARSLEY 87-A, LTD.  
 (A Texas Limited Partnership)

Part I. Financial Information

Item 1. Financial Statements

BALANCE SHEETS

	June 30, 2001	December 31, 2000
	----- (Unaudited)	-----
ASSETS		
Current assets:		
Cash	\$ 746,861	\$ 321,340
Accounts receivable - oil and gas sales	355,540	435,508
	-----	-----
Total current assets	1,102,401	756,848
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	19,493,557	20,198,629
Accumulated depletion	(17,022,826)	(17,611,694)
	-----	-----
Net oil and gas properties	2,470,731	2,586,935
	-----	-----
	\$ 3,573,132	\$ 3,343,783
	=====	=====
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable - affiliate	\$ 45,917	\$ 37,865
Partners' capital:		
Managing general partner	35,245	33,032
Limited partners (28,811 interests)	3,491,970	3,272,886
	-----	-----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	3,527,215	3,305,918
	-----	-----
	\$ 3,573,132	\$ 3,343,783
	=====	=====

The financial information included as of June 30, 2001 has been prepared by the managing general partner without audit by independent public accountants.

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

3

831

PARKER & PARSLEY 87-A, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF OPERATIONS  
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2001	2000	2001	2000
	-----	-----	-----	-----
Revenues:				
Oil and gas	\$ 624,236	\$ 708,134	\$1,399,068	\$1,357,075
Interest	5,550	7,074	11,014	12,302
Gain on disposition of assets	41,754	-	44,153	5,861
	-----	-----	-----	-----
	671,540	715,208	1,454,235	1,375,238
	-----	-----	-----	-----
Costs and expenses:				
Oil and gas production	274,936	261,610	559,015	527,318
General and administrative	18,727	20,848	41,972	40,316
Depletion	43,530	44,465	117,815	96,209
Abandoned property	23,416	-	23,416	-
	-----	-----	-----	-----
	360,609	326,923	742,218	663,843
	-----	-----	-----	-----
Net income	\$ 310,931	\$ 388,285	\$ 712,017	\$ 711,395
	=====	=====	=====	=====
Allocation of net income:				
Managing general partner	\$ 3,109	\$ 3,883	\$ 7,120	\$ 7,114
	=====	=====	=====	=====
Limited partners	\$ 307,822	\$ 384,402	\$ 704,897	\$ 704,281
	=====	=====	=====	=====
Net income per limited partnership interest	\$ 10.69	\$ 13.34	\$ 24.47	\$ 24.44
	=====	=====	=====	=====



The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

4

832

PARKER & PARSLEY 87-A, LTD.  
(A Texas Limited Partnership)

STATEMENT OF PARTNERS' CAPITAL  
(Unaudited)

	Managing general partner -----	Limited partners -----	Total -----
Balance at January 1, 2001	\$ 33,032	\$3,272,886	\$ 3,305,918
Distributions	(4,907)	(485,813)	(490,720)
Net income	7,120	704,897	712,017
	-----	-----	-----
Balance at June 30, 2001	\$ 35,245 =====	\$3,491,970 =====	\$ 3,527,215 =====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

5

833

PARKER & PARSLEY 87-A, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF CASH FLOWS

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

(Unaudited)

	Six months ended June 30,	
	2001	2000
Cash flows from operating activities:		
Net income	\$ 712,017	\$ 711,395
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion	117,815	96,209
Gain on disposition of assets	(44,153)	(5,861)
Changes in assets and liabilities:		
Accounts receivable	79,968	(62,891)
Accounts payable	31,488	26,863
Net cash provided by operating activities	897,135	765,715
Cash flows from investing activities:		
Additions to oil and gas properties	(3,969)	(8,446)
Proceeds from asset dispositions	23,075	7,591
Net cash provided by (used in) investing activities	19,106	(855)
Cash flows used in financing activities:		
Cash distributions to partners	(490,720)	(778,868)
Net increase (decrease) in cash	425,521	(14,008)
Cash at beginning of period	321,340	339,531
Cash at end of period	\$ 746,861	\$ 325,523

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

6

834

PARKER & PARSLEY 87-A, LTD.  
(A Texas Limited Partnership)

NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Unaudited)

Note 1. Organization and nature of operations

834

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Parker & Parsley 87-A, Ltd. (the "Partnership") is a limited partnership organized in 1987 under the laws of the State of Texas.

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

### Note 2. Basis of presentation

In the opinion of management, the unaudited financial statements of the Partnership as of June 30, 2001 and for the three and six months ended June 30, 2001 and 2000 include all adjustments and accruals consisting only of normal recurring accrual adjustments which are necessary for a fair presentation of the results for the interim period. These interim results are not necessarily indicative of results for a full year. Certain reclassifications may have been made to the June 30, 2000 financial statements to conform to the June 30, 2001 financial statement presentations.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in this Form 10-Q pursuant to the rules and regulations of the Securities and Exchange Commission. The financial statements should be read in conjunction with the financial statements and the notes thereto contained in the Partnership's Report on Form 10-K for the year ended December 31, 2000, as filed with the Securities and Exchange Commission, a copy of which is available upon request by writing to Rich Dealy, Vice President and Chief Accounting Officer, 5205 North O'Connor Boulevard, Suite 1400, Irving, Texas 75039-3746.

### Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (1)

#### Results of Operations

Six months ended June 30, 2001 with six months ended June 30, 2000

#### Revenues:

The Partnership's oil and gas revenues increased 3% to \$1,399,068 for the six months ended June 30, 2001 as compared to \$1,357,075 for the same period in 2000. The increase in revenues resulted from higher average prices received, offset by a decrease in production. For the six months ended June 30, 2001, 28,595 barrels of oil, 15,052 barrels of natural gas liquids ("NGLs") and 77,315

7

835

mcf of gas were sold, or 56,533 barrel of oil equivalents ("BOEs"). For the six months ended June 30, 2000, 32,573 barrels of oil, 19,149 barrels of NGLs and 84,978 mcf of gas were sold, or 65,885 BOEs.

The average price received per barrel of oil increased slightly from \$27.41 for the six months ended June 30, 2000 to \$27.45 for the same period in 2001. The average price received per barrel of NGLs increased \$2.10, or 14%, from \$14.63 during the six months ended June 30, 2000 to \$16.73 for the same period in 2001. The average price received per mcf of gas increased 116% from \$2.17 during the six months ended June 30, 2000 to \$4.69 for the same period in 2001. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received during the six months ended June 30, 2001.

Gain on disposition of assets of \$44,153 was received during the six months ended June 30, 2001 of which \$38,277 was from disposal of equipment on two wells plugged and abandoned during the current period and \$5,876 was from equipment credits received on one fully depleted well. Expenses to plug and abandon these wells were \$23,416. For the six months ended June 30, 2000, a gain of \$5,861 was recognized due to equipment credits received on a fully depleted well.

### Costs and Expenses:

Total costs and expenses increased to \$742,218 for the six months ended June 30, 2001 as compared to \$663,843 for the same period ended June 30, 2000, an increase of \$78,375, or 12%. This increase was due to increases in production costs, abandoned property costs, depletion and general and administrative expenses ("G&A").

Production costs were \$559,015 for the six months ended June 30, 2001 and \$527,318 for the same period in 2000 resulting in an increase of \$31,697, or 6%. The increase was primarily due to additional well maintenance and workover costs incurred to stimulate well production and higher production taxes associated with higher oil and gas prices.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 4% from \$40,316 for the six months ended June 30, 2000 to \$41,972 for the same period in 2001, primarily due to an increase in audit and tax fees.

Depletion was \$117,815 for the six months ended June 30, 2001 as compared to \$96,209 for the same period in 2000, an increase of \$21,606, or 22%. This increase was due to a decline in proved reserves during the period ended June 30, 2001 due to lower commodity prices, offset by a decline in oil production of 3,978 barrels for the six months ended June 30, 2001 as compared to the same period in 2000.

8

836

Three months ended June 30, 2001 compared with three months ended June 30, 2000

### Revenues:

The Partnership's oil and gas revenues decreased 12% to \$624,236 for the three months ended June 30, 2001 as compared to \$708,134 for the same period in 2000. The decrease in revenues resulted from a decrease in production and a lower average price received for oil, offset by higher average prices received for gas and NGLs. For the three months ended June 30, 2001, 14,328 barrels of oil, 7,417 barrels of NGLs and 34,560 mcf of gas were sold, or 27,505 BOEs. For the three months ended June 30, 2000, 16,239 barrels of oil, 10,298 barrels of NGLs and 44,352 mcf of gas were sold, or 33,929 BOEs.

The average price received per barrel of oil decreased \$.58, or 2%, from \$27.64 for the three months ended June 30, 2000 to \$27.06 for the same period in 2001. The average price received per barrel of NGLs increased \$.57, or 4%, from \$14.21 during the three months ended June 30, 2000 to \$14.78 for the same period in 2001. The average price received per mcf of gas increased 44% from \$2.55 during the three months ended June 30, 2000 to \$3.67 for the same period in 2001.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Gain on disposition of assets of \$41,754 was received during the three months ended June 30, 2001 of which \$38,277 was from disposal of equipment on two wells plugged and abandoned during the current period and \$3,477 was from equipment credits received on one fully depleted well. Expenses to plug and abandon these wells were \$23,416.

### Costs and Expenses:

Total costs and expenses increased to \$360,609 for the three months ended June 30, 2001 as compared to \$326,923 for the same period in 2000, an increase of \$33,686, or 10%. This increase was due to increases in abandoned property costs and production costs, offset by declines in G&A and depletion.

Production costs were \$274,936 for the three months ended June 30, 2001 and \$261,610 for the same period in 2000 resulting in a \$13,326 increase, or 5%. The increase was primarily due to additional well maintenance costs incurred to stimulate well production.

During this period, G&A decreased 10% from \$20,848 for the three months ended June 30, 2000 to \$18,727 for the same period in 2001, primarily due to a decrease in audit and tax fees.

Depletion was \$43,530 for the three months ended June 30, 2001 as compared to \$44,465 for the same period in 2000, a decrease of \$935, or 2%. This decrease was primarily due to a decline in oil production of 1,911 barrels for the three months ended June 30, 2001 as compared to the same period in 2000.

9

837

### Liquidity and Capital Resources

#### Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$131,420 during the six months ended June 30, 2001 from the same period ended June 30, 2000. This increase was primarily due to an increase of \$40,705 in oil and gas sales receipts and a reduction in working capital of \$147,484, offset by increases in production costs of \$31,697, G&A expenses of \$1,656 and abandoned property costs of \$23,416. The increase in oil and gas receipts resulted from the increase in commodity prices during 2001 which contributed an additional \$254,340 to oil and gas receipts, offset by \$213,635 resulting from the decline in production during 2001 as compared to the same period in 2000. The increase in production costs was primarily due to additional well maintenance and workover costs incurred to stimulate well production and higher production taxes associated with higher oil and gas prices. The increase in G&A was primarily due to an increase in audit and tax fees.

#### Net Cash Provided by (Used in) Investing Activities

The Partnership's principal investing activities during the six months ended June 30, 2001 and 2000 were related to the upgrades of oil and gas equipment on active properties.

Proceeds from asset dispositions of \$23,075 and \$7,591 were received during the six months ended June 30, 2001 and 2000, respectively. Proceeds recognized

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

during the period in 2001 were related to \$14,840 from salvage income received on two wells plugged and abandoned and \$8,235 from equipment credits received on a fully depleted well. Proceeds recognized during the period in 2000 were from equipment credits received on fully depleted properties.

### Net Cash Used in Financing Activities

For the six months ended June 30, 2001, cash distributions to the partners were \$490,720, of which \$4,907 was distributed to the managing general partner and \$485,813 to the limited partners. For the same period ended June 30, 2000, cash distributions to the partners were \$778,868, of which \$7,789 was distributed to the managing general partner and \$771,079 to the limited partners.

For the three months ended June 30, 2001, no distributions were made by the partnership to its partners. Subsequent to June 30, 2001 the cash distribution that otherwise would have been mailed to partners in late June was made to holders of record as of July 9, 2001 and was mailed on July 13, 2001. For further information, see "Proposal to acquire partnerships" below.

### Proposal to acquire partnerships

On June 29, 2001, Pioneer Natural Resources Company ("Pioneer") filed with the Securities and Exchange Commission Amendment No. 1 to the Form S-4 Registration Statement (File No. 333- 59094) (the "preliminary proxy statement/prospectus"), which proposes an agreement and plan of merger among Pioneer, Pioneer Natural Resources USA, Inc. ("Pioneer USA"), a wholly-owned subsidiary of Pioneer, and 46 Parker & Parsley limited partnerships. Each partnership that approves the agreement and plan of merger and the other related merger proposals will merge

10

838

with and into Pioneer USA upon the closing of the transactions described in the preliminary proxy statement/prospectus, and the partnership interests of each such partnership will be converted into the right to receive Pioneer common stock. The Partnership is one of the 46 Parker & Parsley limited partnerships that will be asked to approve the agreement and plan of merger. The preliminary proxy statement/prospectus is non-binding and is subject to, among other things, consideration of offers from third parties to purchase any partnership or its assets and the majority approval of the limited partnership interests in each partnership.

Pioneer USA will solicit proxies from limited partners to approve the mergers only when the proxy statement/prospectus is final and declared effective. No solicitation will be made using preliminary materials. Nonetheless, copies of the preliminary proxy statement/prospectus may be obtained without charge upon request from Pioneer Natural Resources Company, 5205 North O'Connor Blvd., Suite 1400, Irving, Texas 75039, Attention: Investor Relations.

The limited partners are urged to read the proxy statement/prospectus of Pioneer filed with the Securities and Exchange Commission, when it is finalized, because it contains important information about the proposed mergers, including information about the direct and indirect interests of Pioneer USA and Pioneer in the mergers. The limited partners may also obtain the preliminary and (when filed) final proxy statement/prospectus and other relevant documents relating to the proposed mergers free through the internet web site that the Securities and Exchange Commission maintains at [www.sec.gov](http://www.sec.gov).

-----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

- (1) "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" contains forward looking statements that involve risks and uncertainties. Accordingly, no assurances can be given that the actual events and results will not be materially different than the anticipated results described in the forward looking statements.

Part II. Other Information

Item 6. Exhibits and Reports on Form 8-K

- (a) Exhibits - none  
(b) Reports on Form 8-K - none

11

839

PARKER & PARSLEY 87-A, LTD.  
(A Texas Limited Partnership)

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 thereunto duly authorized.

PARKER & PARSLEY 87-A, LTD.

By: Pioneer Natural Resources USA, Inc.,  
Managing General Partner

Dated: August 8, 2001

By: /s/ Rich Dealy

-----  
Rich Dealy, Vice President and  
Chief Accounting Officer

12

840

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

FORM 10-K

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Annual Report Pursuant to Section 13 or 15(d)  
of the Securities Exchange Act of 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000

COMMISSION FILE NO. 33-12244-01

PARKER & PARSLEY 87-A, LTD.  
(Exact name of Registrant as specified in its charter)

TEXAS	75-2185148
----- (State or other jurisdiction of incorporation or organization)	----- (I.R.S. Employer Identification Number)
1400 WILLIAMS SQUARE WEST, 5205 N. O'CONNOR BLVD., IRVING, TEXAS	75039
----- (Address of principal executive offices)	----- (Zip code)

Registrant's Telephone Number, including area code : (972) 444-9001

Securities registered pursuant to Section 12(b) of the Act: NONE  
Securities registered pursuant to Section 12(g) of the Act:  
LIMITED PARTNERSHIP INTERESTS (\$1,000 PER UNIT)  
-----

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

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

No market currently exists for the limited partnership interests of the Registrant. Based on the original purchase price, the aggregate market value of limited partnership interests owned by non-affiliates of the Registrant is \$28,636,000.

As of March 8, 2001, the number of outstanding limited partnership interests was 28,811.

The following documents are incorporated by reference into the indicated parts of this Annual Report on Form 10-K: None

PARTS I AND II OF THIS ANNUAL REPORT ON FORM 10-K (THE "REPORT") CONTAIN FORWARD LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. ACCORDINGLY, NO ASSURANCES CAN BE GIVEN THAT THE ACTUAL EVENTS AND RESULTS WILL NOT BE MATERIALLY DIFFERENT THAN THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS. SEE "ITEM 1. BUSINESS" FOR A DESCRIPTION OF VARIOUS FACTORS THAT COULD MATERIALLY AFFECT THE ABILITY OF THE PARTNERSHIP TO ACHIEVE THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS.



PART I

ITEM 1. BUSINESS

Parker & Parsley 87-A, Ltd. (the "Partnership") is a limited partnership organized in 1987 under the laws of the State of Texas. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA"). Pioneer USA is a wholly-owned subsidiary of Pioneer Natural Resources Company ("Pioneer"). As of March 8, 2001, the Partnership had 28,811 limited partnership interests outstanding.

The Partnership does not have any employees of its own. Pioneer USA employs 701 persons, many of whom dedicated a part of their time to the conduct of the Partnership's business during the period for which this Report is filed. Pioneer USA supplies all management functions.

The Partnership engages in oil and gas development and production and is not involved in any industry segment other than oil and gas. The Partnership's production is geographically concentrated in West Texas.

The principal markets during 2000 for the oil produced by the Partnership were refineries and oil transmission companies that have facilities near the Partnership's oil producing properties. During 2000, Pioneer USA marketed the Partnership's gas to a variety of purchasers. Of the Partnership's total oil and gas revenues for 2000, approximately 43% and 11% was attributable to sales made to Plains Marketing, L.P. and NGTS LLC, respectively. Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on its ability to sell its oil, natural gas liquids ("NGLs") and gas production.

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

Oil and gas production operations are subject to various types of regulations by local, state and federal agencies. The Partnership's operations are also subject to state conservation laws and regulations, including the establishment of maximum rates of production from wells and the regulation of spacing, plugging and abandonment of wells. Each state generally imposes a production or severance tax with respect to production and sale of oil and gas within their respective jurisdictions. Noncompliance with the laws and regulations may subject the Partnership to penalties, damages or other liabilities and compliance may increase the cost of the Partnership's operations.

The oil and gas business is also subject to environmental hazards such as oil spills, gas leaks and ruptures and discharges of toxic substances or gases that could expose the Partnership to substantial

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

liability due to pollution and other environmental damages. Although the Partnership believes that its business operations do not impair environmental quality and that its costs of complying with any applicable environmental regulations are not currently significant, the Partnership cannot predict what, if any, effect these environmental regulations may have on its current or future operations.

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

No material part of the Partnership's business is seasonal and the Partnership conducts no foreign operations.

### ITEM 2. PROPERTIES

The Partnership's properties consist of leasehold interests in properties on which oil and gas wells are located. Such property interests are often subject to landowner royalties, overriding royalties and other oil and gas leasehold interests.

Fractional working interests in developmental oil and gas prospects located primarily in the Spraberry Trend area of West Texas were acquired by the Partnership, resulting in the Partnership's participation in the drilling of 96 oil and gas wells. Two wells were dry holes. Six uneconomical wells were plugged and abandoned and 15 oil and gas wells have been sold. At December 31, 2000, 73 wells were producing.

For information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998, and changes in such quantities for the years then ended, see Note 7 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" below. Such reserves have been evaluated by Williamson Petroleum Consultants, Inc., an independent petroleum consultant.

### ITEM 3. LEGAL PROCEEDINGS

The Partnership from time to time is a party to various legal proceedings incidental to its business involving claims in oil and gas leases or interests, other claims for damages in amounts not in excess of 10% of its current assets and other matters, none of which Pioneer USA believes to be material to the Partnership.

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

There were no matters submitted to a vote of the partners during the fourth quarter of 2000.

### ITEM 5. MARKET FOR LIMITED PARTNERSHIP INTERESTS AND LIMITED PARTNERSHIP DISTRIBUTIONS

At March 8, 2001, the Partnership had 28,811 outstanding limited partnership

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

interests held of record by 2,148 subscribers. There is no established public trading market for the limited partnership interests. Under the limited partnership agreement, Pioneer USA has made certain commitments to purchase partnership interests at a computed value.

Revenues which, in the sole judgement of the managing general partner, are not required to meet the Partnership's obligations are distributed to the partners at least quarterly in accordance with the limited partnership agreement. During the years ended December 31, 2000 and 1999, distributions of \$1,541,726 and \$518,518, respectively, were made to the limited partners.

### ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth selected financial data for the years ended December 31:

	2000	1999	1998	1997	1996
	-----	-----	-----	-----	-----
Operating results:					
Oil and gas sales	\$ 2,845,556	\$ 1,750,425	\$ 1,453,492	\$ 2,232,898	\$ 2,620,000
	=====	=====	=====	=====	=====
Gain on litigation settlement, net	\$ -	\$ -	\$ -	\$ -	\$ 84,000
	=====	=====	=====	=====	=====
Impairment of oil and gas properties	\$ 42,807	\$ -	\$ 477,501	\$ 732,890	\$ 34,000
	=====	=====	=====	=====	=====
Net income (loss)	\$ 1,444,249	\$ 511,237	\$ (736,103)	\$ (49,528)	\$ 1,800,000
	=====	=====	=====	=====	=====
Allocation of net income (loss):					
Managing general partner	\$ 14,442	\$ 5,112	\$ (7,361)	\$ (495)	\$ 1,000,000
	=====	=====	=====	=====	=====
Limited partners	\$ 1,429,807	\$ 506,125	\$ (728,742)	\$ (49,033)	\$ 1,780,000
	=====	=====	=====	=====	=====
Limited partners' net income (loss) per limited partnership interest	\$ 49.63	\$ 17.57	\$ (25.29)	\$ (1.70)	\$ 1.00
	=====	=====	=====	=====	=====
Limited partners' cash distributions per limited partnership interest	\$ 53.51	\$ 18.00	\$ 19.54	\$ 42.52	\$ 0.00
	=====	=====	=====	=====	=====
At year end:					
Identifiable assets	\$ 3,343,783	\$ 3,464,619	\$ 3,466,459	\$ 4,793,102	\$ 6,170,000
	=====	=====	=====	=====	=====

-----  
(a) Including litigation settlement per limited partnership interest of \$29.15 in 1996.

4

844

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

Results of operations

2000 compared to 1999

The Partnership's oil and gas revenues increased 63% to \$2,845,556 for 2000 as compared to \$1,750,425 in 1999. The increase in revenues resulted from higher average prices received, offset by a decrease in production. In 2000, 62,796 barrels of oil, 35,028 barrels of natural gas liquids ("NGLs") and 152,075 mcf of gas were sold, or 123,170 barrel of oil equivalents ("BOEs"). In 1999, 61,734 barrels of oil, 39,707 barrels of NGLs and 183,099 mcf of gas were sold, or 131,958 BOEs. Due to the decline characteristics of the Partnership's oil and gas properties, management expects a certain amount of decline in production in the future until the Partnership's economically recoverable reserves are fully depleted.

The average price received per barrel of oil increased \$12.40, or 73%, from \$17.06 in 1999 to \$29.46 in 2000. The average price received per barrel of NGLs increased \$6.20, or 63%, from \$9.81 in 1999 to \$16.01 in 2000. The average price received per mcf of gas increased 70% from \$1.68 in 1999 to \$2.86 in 2000. The market price received for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received in 2000.

Gains on disposition of assets of \$6,407 and \$8,848 were due to equipment credits received on one well during 2000 and 1999, respectively.

Total costs and expenses increased in 2000 to \$1,435,888 compared to \$1,264,233 in 1999, an increase of \$171,655, or 14%. The increase resulted from increases in production costs, the impairment of oil and gas properties and general and administrative expenses ("G&A"), offset by a decline in depletion.

Production costs were \$1,121,487 in 2000 and \$948,362 in 1999, resulting in an increase of \$173,125, or 18%. This increase was primarily due to higher production taxes associated with higher oil and gas prices and additional well maintenance and workover costs incurred to stimulate well production.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 63% from \$52,563 in 1999 to \$85,559 in 2000 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$73,296 in 2000 and \$34,349 in 1999 for G&A incurred on behalf of the Partnership. The remaining G&A was paid directly by the Partnership. The managing general partner determines the allocated expenses based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

modifications incorporated to reflect changes in Pioneer USA's overall business activities.

5

845

In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the managing general partner reviews the Partnership's oil and gas properties for impairment whenever events or circumstances indicate a decline in the recoverability of the carrying value of the Partnership's assets may have occurred. As a result of the review and evaluation of its long-lived assets for impairment, the Partnership recognized a non-cash charge of \$42,807 related to its oil and gas properties during 2000.

Depletion was \$186,035 in 2000 as compared to \$263,308 in 1999, representing a decrease of \$77,273, or 29%. This decrease was primarily due to a 45,228 barrels of oil increase in proved reserves during 2000 as a result of higher commodity prices.

1999 compared to 1998

The Partnership's 1999 oil and gas revenues increased 20% to \$1,750,425 from \$1,453,492 in 1998. The increase in revenues resulted from higher average prices received, offset by a decrease in production. In 1999, 61,734 barrels of oil, 39,707 barrels of NGLs and 183,099 mcf of gas were sold, or 131,958 BOEs. In 1998, 69,905 barrels of oil, 37,470 barrels of NGLs and 179,494 mcf of gas were sold, or 137,291 BOEs.

The average price received per barrel of oil increased \$3.84, or 29%, from \$13.22 in 1998 to \$17.06 in 1999. The average price received per barrel of NGLs increased \$3.05, or 45%, from \$6.76 in 1998 to \$9.81 in 1999. The average price received per mcf of gas increased 9% from \$1.54 in 1998 to \$1.68 in 1999.

A gain on disposition of assets of \$8,848 was recognized during 1999 from equipment credits received on one fully depleted well. During 1998, a gain on disposition of assets of \$765 was received from the sale of equipment on one saltwater disposal well plugged and abandoned in a prior year.

Total costs and expenses decreased in 1999 to \$1,264,233 compared to \$2,210,330 in 1998, a decrease of \$946,097, or 43%. The decrease resulted from declines in the impairment of oil and gas properties, depletion and production costs, offset by an increase in G&A.

Production costs were \$948,362 in 1999 and \$1,068,450 in 1998, resulting in a \$120,088 decrease, or 11%. This decrease was primarily attributable to reductions in well maintenance costs, workover expenses and ad valorem taxes, offset by an increase in production taxes due to increased in oil and gas revenues.

During this period, G&A increased, in aggregate, 23% from \$42,787 in 1998 to \$52,563 in 1999 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$34,349 in 1999 and \$33,674 in 1998 for G&A incurred on behalf of the Partnership.

The Partnership recognized a non-cash SFAS 121 charge of \$477,501 related to its

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

oil and gas properties during 1998.

6

846

Depletion was \$263,308 in 1999 compared to \$621,592 in 1998. This represented a decrease of \$358,284, or 58%. This decrease was the result of a combination of factors that included an increase in proved reserves of 532,499 barrels of oil during 1999 as a result of higher commodity prices, a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 1998 and a decline in oil production of 8,171 barrels for the period ended December 31, 1999 compared to the same period in 1998.

### Petroleum industry

The petroleum industry has been characterized by volatile oil, NGL and natural gas commodity prices and relatively stable supplier costs during the three years ended December 31, 2000. During 1998, weather patterns, regional economic recessions and political matters combined to cause worldwide oil supplies to exceed demand resulting in a substantial decline in oil prices. Also during 1998, but to a lesser extent, market prices for natural gas declined. During 1999 and 2000, the Organization of Petroleum Exporting Countries ("OPEC") and certain other crude oil exporting nations announced reductions in their planned export volumes. Those announcements, together with the enactment of the announced reductions in export volumes, had a positive impact on world oil prices, as have overall natural gas supply and demand fundamentals on North American natural gas prices. Although the favorable commodity price environment and stable field service cost environment is expected to continue during 2001, there is no assurance that commodity prices will not return to a less favorable level or that field service costs will not escalate in the future, both of which could negatively impact the Partnership's future results of operations and cash distributions.

### Liquidity and capital resources

#### Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$934,385 during the year ended December 31, 2000 from 1999. This increase was due to an increase in oil and gas sales receipts of \$1,107,108 and a decline in working capital of \$33,398, offset by increases in production costs paid of \$173,125 and G&A expenses paid of \$32,996. The increase in oil and gas receipts resulted from the increase in commodity prices during 2000 which contributed an additional \$1,239,482 to oil and gas receipts, offset by \$132,374 resulting from the decline in production during 2000. The increase in production costs was primarily due to increased production taxes associated with higher oil and gas prices and additional well maintenance and workover costs incurred to stimulate well production. The increase in G&A was primarily due to higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues.

#### Net Cash Used in Investing Activities

The Partnership's investing activities during 2000 and 1999 were related to the upgrades of oil and gas equipment on active properties.

Proceeds from asset dispositions of \$10,011 and \$9,249 received during 2000 and 1999, respectively, were from equipment credits on one well in each year.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Net Cash Used in Financing Activities

847 7

In 2000, cash distributions to the partners were \$1,557,299, of which \$15,573 was distributed to the managing general partner and \$1,541,726 to the limited partners. In 1999, cash distributions to the partners were \$523,756, of which \$5,238 was distributed to the managing general partner and \$518,518 to the limited partners.

848 8

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO FINANCIAL STATEMENTS

	Page
Financial Statements of Parker & Parsley 87-A, Ltd:	
Independent Auditors' Report.....	10
Balance Sheets as of December 31, 2000 and 1999.....	11
Statements of Operations for the Years Ended December 31, 2000, 1999 and 1998.....	12
Statements of Partners' Capital for the Years Ended December 31, 2000, 1999 and 1998.....	13
Statements of Cash Flows for the Years Ended December 31, 2000, 1999 and 1998.....	14
Notes to Financial Statements.....	15

849 9

INDEPENDENT AUDITORS' REPORT

The Partners  
Parker & Parsley 87-A, Ltd.  
(A Texas Limited Partnership):

We have audited the balance sheets of Parker & Parsley 87-A, Ltd. as of December

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

31, 2000 and 1999, and the related statements of operations, partners' capital and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parker & Parsley 87-A, Ltd. as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Dallas, Texas  
March 9, 2001

10

850

PARKER & PARSLEY 87-A, LTD.  
(A Texas Limited Partnership)

BALANCE SHEETS  
December 31

	2000	1999
	----	----
ASSETS		
-----		
Current assets:		
Cash	\$ 321,340	\$ 339,531
Accounts receivable - oil and gas sales	435,508	324,832
	-----	-----
Total current assets	756,848	664,363
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	20,198,629	20,183,108
Accumulated depletion	(17,611,694)	(17,382,852)
	-----	-----
Net oil and gas properties	2,586,935	2,800,256



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	-----	-----
	\$ 3,343,783	\$ 3,464,619
	=====	=====
LIABILITIES AND PARTNERS' CAPITAL		
-----		
Current liabilities:		
Accounts payable - affiliate	\$ 37,865	\$ 45,651
Partners' capital:		
Managing general partner	33,032	34,163
Limited partners (28,811 interests)	3,272,886	3,384,805
	-----	-----
	3,305,918	3,418,968
	-----	-----
	\$ 3,343,783	\$ 3,464,619
	=====	=====

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

11

851

PARKER & PARSLEY 87-A, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF OPERATIONS  
For the years ended December 31

	2000	1999	1998
	-----	-----	-----
Revenues:			
Oil and gas	\$ 2,845,556	\$ 1,750,425	\$ 1,453,492
Interest	28,174	16,197	19,970
Gain on disposition of assets	6,407	8,848	765
	-----	-----	-----
	2,880,137	1,775,470	1,474,227
	-----	-----	-----
Costs and expenses:			
Oil and gas production	1,121,487	948,362	1,068,450
General and administrative	85,559	52,563	42,787
Impairment of oil and gas properties	42,807	--	477,501
Depletion	186,035	263,308	621,592
	-----	-----	-----
	1,435,888	1,264,233	2,210,330

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Net income (loss)	\$ 1,444,249	\$ 511,237	\$ (736,103)
Allocation of net income (loss):			
Managing general partner	\$ 14,442	\$ 5,112	\$ (7,361)
Limited partners	\$ 1,429,807	\$ 506,125	\$ (728,742)
Net income (loss) per limited partnership interest	\$ 49.63	\$ 17.57	\$ (25.29)

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

12

852

PARKER & PARSLEY 87-A, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF PARTNERS' CAPITAL

	Managing general partner	Limited partners	Total
	-----	-----	-----
Partners' capital at January 1, 1998	\$ 47,336	\$ 4,688,910	\$ 4,736,246
Distributions	(5,686)	(562,970)	(568,656)
Net loss	(7,361)	(728,742)	(736,103)
	-----	-----	-----
Partners' capital at December 31, 1998	34,289	3,397,198	3,431,487
Distributions	(5,238)	(518,518)	(523,756)
Net income	5,112	506,125	511,237
	-----	-----	-----
Partners' capital at December 31, 1999	34,163	3,384,805	3,418,968
Distributions	(15,573)	(1,541,726)	(1,557,299)
Net income	14,442	1,429,807	1,444,249
	-----	-----	-----
Partners' capital at December 31, 2000	\$ 33,032	\$ 3,272,886	\$ 3,305,918

850

=====

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

13

853

PARKER & PARSLEY 87-A, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF CASH FLOWS  
For the years ended December 31

	2000	1999	1998
	-----	-----	-----
Cash flows from operating activities:			
Net income (loss)	\$ 1,444,249	\$ 511,237	\$ (736,103)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Impairment of oil and gas properties	42,807	--	477,501
Depletion	186,035	263,308	621,592
Gain on disposition of assets	(6,407)	(8,848)	(765)
Changes in assets and liabilities:			
Accounts receivable	(110,676)	(162,539)	128,574
Accounts payable	(7,786)	10,679	(21,884)
	-----	-----	-----
Net cash provided by operating activities	1,548,222	613,837	468,915
	-----	-----	-----
Cash flows from investing activities:			
Additions to oil and gas properties	(19,125)	(42,098)	(17,466)
Proceeds from disposition of assets	10,011	9,249	15,652
	-----	-----	-----
Net cash used in investing activities	(9,114)	(32,849)	(1,814)
	-----	-----	-----
Cash flows used in financing activities:			
Cash distributions to partners	(1,557,299)	(523,756)	(568,656)
	-----	-----	-----
Net increase (decrease) in cash	(18,191)	57,232	(101,555)
Cash at beginning of year	339,531	282,299	383,854
	-----	-----	-----
Cash at end of year	\$ 321,340	\$ 339,531	\$ 282,299
	=====	=====	=====

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

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

14

854

PARKER & PARSLEY 87-A, LTD.  
(A Texas Limited Partnership)

NOTES TO FINANCIAL STATEMENTS  
December 31, 2000, 1999 and 1998

### NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS

Parker & Parsley 87-A, Ltd. (the "Partnership") is a limited partnership organized in 1987 under the laws of the State of Texas. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA").

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Oil and gas properties - The Partnership utilizes the successful efforts method of accounting for its oil and gas properties and equipment. Under this method, all costs associated with productive wells and nonproductive development wells are capitalized while nonproductive exploration costs are expensed. Capitalized costs relating to proved properties are depleted using the unit-of-production method on a property-by-property basis based on proved oil (dominant mineral) reserves as evaluated by independent petroleum consultants. The carrying amounts of properties sold or otherwise disposed of and the related allowances for depletion are eliminated from the accounts and any gain or loss is included in results of operations.

Impairment of long-lived assets - In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the Partnership reviews its long-lived assets to be held and used on an individual property basis, including oil and gas properties accounted for under the successful efforts method of accounting, whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. An impairment loss is indicated if the sum of the expected future cash flows is less than the carrying amount of the assets. In this circumstance, the Partnership recognizes an impairment loss for the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset.

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

Net income (loss) per limited partnership interest - The net income (loss) per limited partnership interest is calculated by using the number of

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

outstanding limited partnership interests.

Income taxes - A Federal income tax provision has not been included in the financial statements as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

15

855

Statements of cash flows - For purposes of reporting cash flows, cash includes depository accounts held by banks.

General and administrative expenses - General and administrative expenses are allocated in part to the Partnership by the managing general partner. Allocated expenses are determined by the managing general partner based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Reclassifications - Certain reclassifications may have been made to the 1999 and 1998 financial statements to conform to the 2000 financial statement presentations.

Environmental - The Partnership is subject to extensive federal, state and local environmental laws and regulations. These laws, which are constantly changing, regulate the discharge of materials into the environment and may require the Partnership to remove or mitigate the environmental effects of the disposal or release of petroleum or chemical substances at various sites. Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Liabilities for expenditures of a noncapital nature are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated. Such liabilities are generally undiscounted unless the timing of cash payments for the liability or component are fixed or reliably determinable. No such liabilities have been accrued as of December 31, 2000.

Revenue recognition - The Partnership uses the entitlements method of accounting for oil, natural gas liquids ("NGLs") and natural gas revenues.

### NOTE 3. IMPAIRMENT OF LONG-LIVED ASSETS

In accordance with SFAS 121, the Partnership reviews its proved oil and gas properties for impairment whenever events and circumstances indicate a decline in the recoverability of the carrying value of the Partnership's oil and gas properties. The Partnership has estimated the expected future cash flows of its oil and gas properties as of December 31, 2000, 1999 and 1998, based on proved reserves, and compared such estimated future cash flows to the respective carrying amount of the oil and gas properties to determine if the carrying amounts were likely to be recoverable. For those proved oil and gas properties for which the carrying amount exceeded the estimated future cash flows, an impairment was determined to exist; therefore, the Partnership adjusted the carrying amount of those oil and gas properties to their fair value as determined by discounting their expected future cash flows at a discount rate commensurate with the risks involved in the industry. As a result, the Partnership recognized non-cash impairment provisions of \$42,807 and \$477,501 related to its proved oil and gas properties during 2000 and 1998, respectively.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

NOTE 4. INCOME TAXES

The financial statement basis of the Partnership's net assets and liabilities was \$254,091 less than the tax basis at December 31, 2000.

16

856

The following is a reconciliation of net income (loss) per statements of operations with the net income per Federal income tax returns for the years ended December 31:

	2000 -----	1999 -----	1998 -----
Net income (loss) per statements of operations	\$ 1,444,249	\$ 511,237	\$ (736,103)
Intangible development costs capitalized for financial reporting purposes and expensed for tax reporting purposes	--	--	(6)
Depletion and depreciation provisions for tax reporting purposes less than amount for financial reporting purposes	162,602	238,819	584,799
Impairment of oil and gas properties for financial reporting purposes	42,807	--	477,501
Salvage income	1,288	--	13,408
Other, net	(3,728)	(5,120)	6,254
	-----	-----	-----
Net income per Federal income tax returns	\$ 1,647,218 =====	\$ 744,936 =====	\$ 345,853 =====

NOTE 5. OIL AND GAS PRODUCING ACTIVITIES

The following is a summary of the costs incurred, whether capitalized or expensed, related to the Partnership's oil and gas producing activities for the years ended December 31:

	2000 -----	1999 -----	1998 -----
Development costs	\$ 19,125 =====	\$ 42,098 =====	\$ 17,466 =====

Capitalized oil and gas properties consist of the following:

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	2000	1999
	-----	-----
Proved properties:		
Property acquisition costs	\$ 946,545	\$ 946,545
Completed wells and equipment	19,252,084	19,236,563
	-----	-----
	20,198,629	20,183,108
Accumulated depletion	(17,611,694)	(17,382,852)
	-----	-----
Net oil and gas properties	\$ 2,586,935	\$ 2,800,256
	=====	=====

17

857

NOTE 6. RELATED PARTY TRANSACTIONS

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

	2000	1999	1998
	-----	-----	-----
Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$ 428,017	\$ 440,563	\$ 442,313
Reimbursement of general and administrative expenses	\$ 73,296	\$ 34,349	\$ 33,674

The Partnership participates in oil and gas activities through an income tax partnership (the "Program") pursuant to the Program agreement. In addition, Pioneer USA, Parker & Parsley 87-A Conv., L.P. and the Partnership (the "Partnerships") are parties to the Program agreement.

The costs and revenues of the Program are allocated to Pioneer USA and the Partnerships as follows:

	Pioneer USA (1)	Partnerships (2)
	-----	-----
Revenues:		

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Proceeds from disposition of depreciable properties	9.09091%	90.90909%
All other revenues	24.242425%	75.757575%
Costs and expenses:		
Lease acquisition costs, drilling and completion and all other costs	9.09091%	90.90909%
Operating costs, direct costs and general and administrative expenses	24.242425%	75.757575%

- (1) Excludes Pioneer USA's 1% general partner ownership which is allocated at the Partnership level and 175 limited partner interests owned by Pioneer USA.
- (2) The allocation between the Partnership and Parker & Parsley 87-A Conv., L.P. is 88.19604% and 11.80396%, respectively.

NOTE 7. OIL AND GAS INFORMATION (UNAUDITED)

The following table presents information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities during the years then ended. All of the Partnership's reserves are proved developed and located within the United States. The Partnership's reserves are based on an evaluation prepared by Williamson Petroleum Consultants, Inc., an independent petroleum consultant, using criteria established by the Securities and Exchange Commission.

18

858

	Oil and NGLs (bbls)	Gas (mcf)
	-----	-----
Net proved reserves at January 1, 1998	1,294,911	1,949,548
Revisions	(525,530)	(596,528)
Production	(107,375)	(179,494)
	-----	-----
Net proved reserves at December 31, 1998	662,006	1,173,526
Revisions	907,814	1,631,783
Production	(101,441)	(183,099)
	-----	-----
Net proved reserves at December 31, 1999	1,468,379	2,622,210
Revisions	(35,573)	(336,529)
Production	(97,824)	(152,075)
	-----	-----
Net proved reserves at December 31, 2000	1,334,982	2,133,606
	=====	=====



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

As of December 31, 2000, the estimated present value of future net revenues of proved reserves, calculated using December 31, 2000 prices of \$26.64 per barrel of oil, \$13.83 per barrel of NGLs and \$7.67 per mcf of gas, discounted at 10% was approximately \$10,856,000 and undiscounted was \$21,368,000.

Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves. The Partnership emphasizes that reserve estimates are inherently imprecise and, accordingly, the estimates are expected to change as future information becomes available.

### Disclosures about Oil & Gas Producing Activities

#### Standardized Measure of Discounted Future Net Cash Flows

The standardized measure of discounted future net cash flows is computed by applying year-end prices of oil and gas (with consideration of price changes only to the extent provided by contractual arrangements) to the estimated future production of proved oil and gas reserves less estimated future expenditures (based on year-end costs) to be incurred in developing and producing the proved reserves, discounted using a rate of 10% per year to reflect the estimated timing of the future cash flows. A Federal income tax provision has not been calculated as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

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

	For the years ended December 31,		
	2000	1999	1998
	(in thousands)		
Oil and gas producing activities:			
Future cash inflows	\$ 45,412	\$ 36,134	\$ 7,206
Future production costs	(24,044)	(21,211)	(5,635)
	-----	-----	-----
	21,368	14,923	1,571
10% annual discount factor	(10,512)	(6,959)	(455)
	-----	-----	-----
Standardized measure of discounted future net cash flows	\$ 10,856	\$ 7,964	\$ 1,116
	=====	=====	=====

	For the years ended December 31,		
	2000	1999	1998
	(in thousands)		
Oil and Gas Producing Activities:			
Oil and gas sales, net of production costs	\$ (1,724)	\$ (802)	\$ (385)
Net changes in prices and production costs	4,989	3,587	(3,456)
Revisions of estimated future development costs	-	-	-
Revisions of previous quantity estimates	(618)	6,565	(652)
Accretion of discount	796	111	527
Changes in production rates, timing and other	(551)	(2,613)	(189)
	-----	-----	-----
Change in present value of future net revenues	2,892	6,848	(4,155)
	-----	-----	-----
Balance, beginning of year	7,964	1,116	5,271
	-----	-----	-----
Balance, end of year	\$ 10,856	\$ 7,964	\$ 1,116
	=====	=====	=====

## NOTE 8. MAJOR CUSTOMERS

The following table reflects the major customers of the Partnership's oil and gas sales (a major customer is defined as a customer whose sales exceed 10% of total sales) during the years ended December 31:

	2000	1999	1998
	-----	-----	-----
Plains Marketing, L.P.	43%	39%	-
Genesis Crude Oil, L.P.	-	-	54%
Western Gas Resources, Inc.	3%	7%	29%
NGTS LLC	11%	9%	1%

At December 31, 2000, the amounts receivable from Plains Marketing, L.P. and NGTS LLC were \$122,179 and \$4,335, respectively, which is included in the caption "Accounts receivable - oil and gas sales" in the accompanying Balance Sheet.

Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on the ability of the Partnership to sell its oil, NGLs and gas production.

## NOTE 9. PARTNERSHIP AGREEMENT

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The following is a brief summary of the more significant provisions of the limited partnership agreement:

Managing general partner - The general partner of the Partnership is Pioneer USA. Pioneer USA, the managing general partner, has the power and authority to manage, control and administer all Program and Partnership affairs. As managing general partner and operator of the Partnership's properties, all production expenses are incurred by Pioneer USA and billed to the Partnership. The majority of the Partnership's oil and gas revenues are received directly by the Partnership, however, a portion of the oil and gas revenue is initially received by Pioneer USA prior to being paid to the Partnership. Under the limited partnership agreement,

20

860

the managing general partner pays 1% of the Partnership's acquisition, drilling and completion costs and 1% of its operating and general and administrative expenses. In return, it is allocated 1% of the Partnership's revenues.

Limited partner liability - The maximum amount of liability of any limited partner is the total contributions of such partner plus his share of any undistributed profits.

Initial capital contributions - The limited partners entered into subscription agreements for aggregate capital contributions of \$28,811,000. Pioneer USA is required to contribute amounts equal to 1% of initial Partnership capital less commission and offering expenses allocated to the limited partners and to contribute amounts necessary to pay costs and expenses allocated to it under the Partnership agreement to the extent its share of revenues does not cover such costs.

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

None.

21

861

## PART III

### ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE PARTNERSHIP

The Partnership does not have any officers or directors. Under the limited partnership agreement, the Partnership's managing general partner, Pioneer USA, is granted the exclusive right and full authority to manage, control and administer the Partnership's business.

Set forth below are the names, ages and positions of the directors and executive officers of Pioneer USA. Directors of Pioneer USA are elected to serve until the next annual meeting of stockholders or until their successors are elected and

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

qualified.

Name -----	Age at December 31, 2000 ----	Position -----
Scott D. Sheffield	48	President
Timothy L. Dove	44	Executive Vice President, Chief Financial Officer and Director
Dennis E. Fagerstone	51	Executive Vice President and Director
Mark L. Withrow	53	Executive Vice President, General Counsel and Director
Danny Kellum	46	Executive Vice President - Domestic Operations and Director
Rich Dealy	34	Vice President and Chief Accounting Officer

Scott D. Sheffield. Mr. Sheffield is a graduate of The University of Texas with a B.S. in Petroleum Engineering. Since August 1997, he has served as President, Chief Executive Officer and a director of Pioneer and President of Pioneer USA. Mr. Sheffield assumed the position of Chairman of the Board of Pioneer in August 1999. He served as a director of Pioneer USA from August 1997 until his resignation from the board in June 1999. Mr. Sheffield was the President and a director of Parker & Parsley Petroleum Company ("Parker & Parsley") from May 1990 until August 1997 and was the Chairman of the Board and Chief Executive Officer of Parker & Parsley from October 1990 until August 1997. He was the sole director of Parker & Parsley from May 1990 until October 1990. Mr. Sheffield joined Parker & Parsley Development Company ("PPDC"), a predecessor of Parker & Parsley, as a petroleum engineer in 1979. He served as Vice President - Engineering of PPDC from September 1981 until April 1985 when he was elected President and a director. In March 1989, Mr. Sheffield was elected Chairman of the Board and Chief Executive Officer of PPDC. Before joining PPDC's predecessor, Mr. Sheffield was employed as a production and reservoir engineer for Amoco Production Company.

Timothy L. Dove. Mr. Dove earned a B.S. in Mechanical Engineering from Massachusetts Institute of Technology in 1979 and received his M.B.A. in 1981 from the University of Chicago. He became Executive Vice President - Business Development of Pioneer and Pioneer USA in August 1997 and was also appointed a director of Pioneer USA in August 1997. Mr. Dove assumed the position of Chief Financial Officer of Pioneer and Pioneer USA effective February 1, 2000. Mr. Dove joined Parker & Parsley in May 1994 as Vice President - International and was promoted to Senior Vice President - Business Development in October 1996, in which position he served until August 1997. Prior to joining Parker & Parsley,

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Mr. Dove was employed with Diamond Shamrock Corp., and its successor, Maxus Energy Corp, in various capacities in international exploration and production, marketing, refining and marketing and planning and development.

Dennis E. Fagerstone. Mr. Fagerstone, a graduate of the Colorado School of Mines with a B.S. in Petroleum Engineering, became an Executive Vice President of Pioneer and Pioneer USA in August 1997. He was also appointed a director of Pioneer USA in August 1997. He served as Executive Vice President and Chief Operating Officer of MESA, Inc. ("Mesa") from March 1, 1997 until August 1997. From October 1996 to February 1997, Mr. Fagerstone served as Senior Vice President and Chief Operating Officer of Mesa and from May 1991 to October 1996, he served as Vice President - Exploration and Production of Mesa. From June 1988 to May 1991, Mr. Fagerstone served as Vice President - Operations of Mesa.

Mark L. Withrow. Mr. Withrow, a graduate of Abilene Christian University with a B. S. in Accounting and Texas Tech University with a Juris Doctorate degree, became Executive Vice President, General Counsel and Secretary of Pioneer and Pioneer USA in August 1997. He was also appointed a director of Pioneer USA in August 1997. Mr. Withrow was Vice President - General Counsel of Parker & Parsley from January 1991, when he joined Parker & Parsley, to January 1995, when he was appointed Senior Vice President - General Counsel. He was Parker & Parsley's Secretary from August 1992 until August 1997. Prior to joining Parker & Parsley, Mr. Withrow was the managing partner of the law firm of Turpin, Smith, Dyer, Saxe & MacDonald, Midland, Texas.

Danny Kellum. Mr. Kellum, who received a Bachelor of Science degree in Petroleum Engineering from Texas Tech University in 1979, was elected Executive Vice President - Domestic Operations of Pioneer and Pioneer USA on May 18, 2000 and Director of Pioneer USA on February 1, 2000. From January 2000 until May 2000, Mr. Kellum served as Vice President - Domestic Operations of Pioneer and Pioneer USA. Mr. Kellum served as Vice President Permian Division of Pioneer and Pioneer USA from April 1998 until December 1999. From 1989 until 1994 he served as Spraberry District Manager and as Vice President of the Spraberry and Permian Division for Parker & Parsley until August of 1997. Mr. Kellum joined Parker & Parsley as an operations engineer in 1981 after a brief career with Mobil Oil Corporation.

Rich Dealy. Mr. Dealy is a graduate of Eastern New Mexico University with a B.B.A. in Accounting and Finance and is a Certified Public Accountant. He became Vice President and Chief Accounting Officer of Pioneer and Pioneer USA in February 1998. Mr. Dealy served as Controller of Pioneer USA from August 1997 to February 1998. He served as Controller of Parker & Parsley from August 1995 to August 1997. Mr. Dealy joined Parker & Parsley as an Accounting Manager in July, 1992. He was previously employed with KPMG Peat Marwick as an Audit Senior, in charge of Parker & Parsley's audit.

### ITEM 11. EXECUTIVE COMPENSATION

The Partnership does not have any directors or officers. Management of the Partnership is performed by Pioneer USA, the managing general partner. The Partnership participates in oil and gas activities through an income tax partnership (the "Program") pursuant to the Program agreement. Under the Program agreement, Pioneer USA pays approximately 10% of the Program's acquisition, drilling and completion costs and approximately 25% of its operating and general

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

and administrative expenses. In return, Pioneer USA is allocated approximately 25% of the Program's revenues.

The Partnership does not directly pay any salaries of the executive officers of Pioneer USA, but does pay a portion of Pioneer USA's general and administrative expenses of which these salaries are a part.

See Notes 6 and 9 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" for information regarding fees and reimbursements paid to the managing general partner by the Partnership.

### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

#### (a) Beneficial owners of more than five percent

The Partnership is not aware of any person who beneficially owns 5% or more of the outstanding limited partnership interests of the Partnership. Pioneer USA owned 175 limited partner interests at January 1, 2001.

#### (b) Security ownership of management

The Partnership does not have any officers or directors. The managing general partner of the Partnership, Pioneer USA, has the exclusive right and full authority to manage, control and administer the Partnership's business. Under the limited partnership agreement, limited partners holding a majority of the outstanding limited partnership interests have the right to take certain actions, including the removal of the managing general partner or any other general partner. The Partnership is not aware of any current arrangement or activity which may lead to such removal. The Partnership is not aware of any officer or director of Pioneer USA who beneficially owns limited partnership interests in the Partnership.

24

864

### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

#### Transactions with the managing general partner

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

	2000 -----	1999 -----	1998 -----
Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$ 428,017	\$ 440,563	\$ 442,313
Reimbursement of general and administrative expenses	\$ 73,296	\$ 34,349	\$ 33,674

Under the limited partnership agreement, the managing general partner pays 1% of the Partnership's acquisition, drilling and completion costs and 1% of its operating and general and administrative expenses. In return, it is allocated 1% of the Partnership's revenues. Also, see Notes 6 and 9 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data", regarding the Partnership's participation with the managing general partner in oil and gas activities of the Program.

25

865

PART IV

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

(a) 1. Financial statements

The following are filed as part of this Report:

Independent Auditors' Report

Balance sheets as of December 31, 2000 and 1999

Statements of operations for the years ended December 31, 2000, 1999 and 1998

Statements of partners' capital for the years ended December 31, 2000, 1999 and 1998

Statements of cash flows for the years ended December 31, 2000, 1999 and 1998

Notes to financial statements

2. Financial statement schedules.

All financial statement schedules have been omitted since the required information is in the financial statements or notes thereto, or is not applicable nor required.

(b) Reports on Form 8-K

None.

(c) Exhibits

The exhibits listed on the accompanying index to exhibits are filed or incorporated by reference as part of this Report.

26

866





Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

PARKER & PARSLEY 87-A, LTD.

INDEX TO EXHIBITS

The following documents are incorporated by reference in response to Item 14(c):

Exhibit No. -----	Description -----	Page ----
4(a)	Agreement of Limited Partnership of Parker & Parsley 87-A, Ltd. incorporated by reference to Exhibit A of the Partnership's Registration Statement on Form S-1 (Registration No. 33-16910) (hereinafter called the Partnership's Registration Statement	-
4(b)	Form of Subscription Agreement and Power of Attorney incorporated by reference to Exhibit D of the Partnership's Registration Statement	-
4(c)	Specimen Certificate of Limited Partnership Interest incorporated by reference to Exhibit D of the Partnership's Registration Statement	-
10(b)	Development Program Agreement incorporated by reference to Exhibit C of the Partnership's Registration Statement	-

PARKER & PARSLEY 87-A, LTD.

SELECTED FINANCIAL DATA

The following selected financial data for the Partnership should be read in connection with Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements included in the attached supplemental information.

Six months  
ended  
June 30,

Years ended Decemb

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	2001	2000	2000	1999	1998
	-----	-----	-----	-----	-----
Operating results:					
Oil and gas sales	\$1,399,068	\$1,357,075	\$2,845,556	\$1,750,425	\$1,453,492
	=====	=====	=====	=====	=====
Gain on litigation settlement, net	\$ --	\$ --	\$ --	\$ --	\$ --
	=====	=====	=====	=====	=====
Impairment of oil and gas properties	\$ --	\$ --	\$ 42,807	\$ --	\$ 477,501
	=====	=====	=====	=====	=====
Net income (loss)	\$ 712,017	\$ 711,395	\$1,444,249	\$ 511,237	\$ (736,103)
	=====	=====	=====	=====	=====
Allocation of net income (loss):					
Managing general partner	\$ 7,120	\$ 7,114	\$ 14,442	\$ 5,112	\$ (7,361)
	=====	=====	=====	=====	=====
Limited partners	\$ 704,897	\$ 704,281	\$1,429,807	\$ 506,125	\$ (728,742)
	=====	=====	=====	=====	=====
Limited partners' net income (loss) per limited partnership interest	\$ 24.47	\$ 24.44	\$ 49.63	\$ 17.57	\$ (25.29)
	=====	=====	=====	=====	=====
Limited partners' cash distributions per limited partnership interest	\$ 16.86	\$ 26.76	\$ 53.51	\$ 18.00	\$ 19.54
	=====	=====	=====	=====	=====
As of period ended:					
Total assets	\$3,573,132	\$3,424,009	\$3,343,783	\$3,464,619	\$3,466,459
	=====	=====	=====	=====	=====

-----

(a) Including litigation settlement per limited partnership interest of \$29.15 in 1996.

869

PIONEER NATURAL RESOURCES COMPANY  
PIONEER NATURAL RESOURCES USA, INC.  
5205 NORTH O'CONNOR BLVD., SUITE 1400  
IRVING, TEXAS 75039

SUPPLEMENTAL INFORMATION

OF

866

# Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

PARKER & PARSELEY 87-B, CONV., LTD., A TEXAS LIMITED PARTNERSHIP

TO

PROXY STATEMENT/PROSPECTUS DATED , 2001

-----

THE DATE OF THIS SUPPLEMENT IS , 2001

-----

This document contains important information specific to Parker & Parsley 87-B Conv., Ltd. and supplements the proxy statement/prospectus dated , 2001, of Pioneer Natural Resources Company and Pioneer Natural Resources USA, Inc., by which Pioneer USA is soliciting proxies to be voted at a special meeting of limited partners of the partnership. The purpose of the special meeting is for you to vote upon the merger of the partnership with and into Pioneer USA that, if completed, will result in your receiving common stock of Pioneer Natural Resources Company for your partnership interests.

This document contains the following information concerning Parker & Parsley 87-B Conv., Ltd.:

- o A table containing:
  - the aggregate initial investment by the limited partners
  - the aggregate historical limited partner distributions through July 31, 2001
  - the merger value attributable to partnership interests of limited partners, excluding Pioneer USA
  - the merger value per \$1,000 limited partner investment
  - the merger value per \$1,000 limited partner investment as a multiple of distributions for the past four quarterly distributions including the distribution in July 2001
  - the book value per \$1,000 limited partner investment as of June 30, 2001 and as of December 31, 2000
  - the going concern value per \$1,000 limited partner investment
  - the liquidation value per \$1,000 limited partner investment
  - the ordinary tax loss per \$1,000 limited partner investment in year of initial investment
- o Information about:
  - the legal opinion for the limited partners
  - the term of the partnership
- o The partnership's financial statements, including management's discussion and analysis of financial condition and results of

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

operations, for the six months ended June 30, 2001

- o The partnership's financial statements, including management's discussion and analysis of financial condition and results of operations, for the year ended December 31, 2000
  
- o Selected historical financial data for the partnership for the six months ended June 30, 2001 and 2000 and the five years ended December 31, 2000

-1-

870

PARKER & PARSLEY 87-B CONV., LTD.

SUPPLEMENTAL INFORMATION TABLE

Aggregate Initial Investment by the Limited Partners(a)

Aggregate Historical Limited Partner Distributions through July 31, 2001(a)

Merger Value Attributable to Partnership Interests of Limited Partners, Excluding Pioneer USA(a),

Merger Value per \$1,000 Limited Partner Investment(b), (c)

Merger Value per \$1,000 Limited Partner Investment as a Multiple of Distributions for the past four quarterly distributions including the distribution in July 2001(b), (c)

Book Value per \$1,000 Limited Partner Investment:

-- as of June 30, 2001(c)

-- as of December 31, 2000(c)

Going Concern Value per \$1,000 Limited Partner Investment(c), (d)

Liquidation Value per \$1,000 Limited Partner Investment(c), (e)

Ordinary Tax Loss per \$1,000 Limited Partner Investment in Year of Initial Investment(c), (f)

-----

(a) Stated in thousands.

(b) The merger value for the partnership is equal to the sum of the present value of estimated future net revenues from the partnership's estimated oil and gas reserves and its net working capital, in each case as of March 31, 2001, less its pro rata share, based on its reserve value, of the estimated expenses and fees of the mergers of all of the partnerships and less the cash distribution on July 13, 2001, by the partnership to its partners.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

- (c) Interests in some partnerships were sold in units at prices other than \$1,000. We have presented this information based on a \$1,000 initial investment for ease of use and comparison among partnerships. You should not assume that the amount shown per \$1,000 investment is the same as the value or amount attributable to a single unit investment.
  
- (d) The going concern value for the partnership is based upon: (1) the sum of (A) the estimated net cash flow from the sale of the partnership's reserves during a 10-year operating period and (B) the estimated residual value from the sale of the partnership's remaining reserves at the end of the operating period, in each case using the same pricing and discount rate as in the merger value calculation, less (2) (A) partnership level general and administrative expenses, and (B) the cash distribution on July 13, 2001 by the partnership to its partners.
  
- (e) The liquidation value for the partnership is based upon the sale of the partnership's reserves at the reserve value, less (1) liquidation expenses which are estimated to be the sum of (A) the partnership's pro rata share of the merger expenses and fees described in footnote (b) above and (B) 3% of the partnership's reserve value, and (2) the cash distribution on July 13, 2001 by the partnership to its partners. The liquidation expenses represent estimated costs to retain an investment banker or broker to sell the assets of the partnership and the legal and other closing costs associated with such transaction, including the wind-down costs of the partnership.
  
- (f) Your ability to use your distributive share of the partnership's loss to offset your other income may have been subject to certain limitations at your level as a partner, and you may therefore wish to consult your tax advisor to determine the additional value, if any, actually realized by you in your particular circumstances.

### INFORMATION ABOUT THE LEGAL OPINION FOR THE LIMITED PARTNERS

The partnership agreement for the partnership requires that special legal counsel render an opinion on behalf of the limited partners to Pioneer USA that neither the grant nor the exercise of the right to approve the merger of the partnership by its limited partners will adversely affect the federal income tax classification of the partnership or any of its limited partners. Although not required by the partnership agreement, the opinion will also state that neither the grant nor exercise of such right will result in the loss of any limited partner's limited liability. In addition, the counsel designated to render the opinion must be counsel other than counsel to Pioneer USA or the partnership. Both the designated counsel and the legal opinion must be approved by the limited partners. Pioneer USA has retained \_\_\_\_\_ of Dallas, Texas for the purpose of rendering this legal opinion on behalf of the limited partners to Pioneer USA. The merger proposals include an approval of that counsel and the form of its opinion. A copy of the opinion is attached as an exhibit to the merger proposals.

### INFORMATION ABOUT THE TERM OF THE PARTNERSHIP

The term of the partnership is until December 31, 2037, unless the partnership is earlier terminated in accordance with the applicable provisions of its partnership agreement.

-2-

871

## PARKER &amp; PARSLEY 87-B CONV., LTD.

(A Texas Limited Partnership)

## FINANCIAL STATEMENTS

June 30, 2001 and December 31, 2000

(Unaudited)

872

## PARKER &amp; PARSLEY 87-B CONV., LTD.

(A Texas Limited Partnership)

## BALANCE SHEETS

	June 30, 2001	December 31, 2000
	-----	-----
	(Unaudited)	
ASSETS		
Current assets:		
Cash	\$ 124,834	\$ 62,552
Accounts receivable - oil and gas sales	49,441	87,620
	-----	-----
Total current assets	174,275	150,172
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	3,151,486	3,280,150
Accumulated depletion	(2,631,053)	(2,733,516)
	-----	-----
Net oil and gas properties	520,433	546,634
	-----	-----
	\$ 694,708	\$ 696,806
	=====	=====
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable - affiliate	\$ 7,867	\$ 6,423
Partners' capital:		
Managing general partner	6,854	6,889
Limited partners (4,919 interests)	679,987	683,494
	-----	-----
	686,841	690,383

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

-----	-----
\$ 694,708	\$ 696,806
=====	=====

The financial information included as of June 30, 2001 has been prepared by the managing general partner without audit by independent public accountants.

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

2

873

PARKER & PARSLEY 87-B CONV., LTD.  
(A Texas Limited Partnership)

STATEMENTS OF OPERATIONS  
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2001	2000	2001	2000
	-----	-----	-----	-----
Revenues:				
Oil and gas	\$ 93,434	\$ 101,370	\$ 202,782	\$ 212,568
Interest	964	1,277	2,113	2,159
Gain on disposition of assets	1,426	-	5,439	919
	-----	-----	-----	-----
	95,824	102,647	210,334	215,646
	-----	-----	-----	-----
Costs and expenses:				
Oil and gas production	44,523	44,599	91,336	84,466
General and administrative	2,429	2,971	5,272	6,307
Depletion	9,737	8,786	27,896	18,236
Abandoned property	830	-	4,243	-
	-----	-----	-----	-----
	57,519	56,356	128,747	109,009
	-----	-----	-----	-----
Net income	\$ 38,305	\$ 46,291	\$ 81,587	\$ 106,637
	=====	=====	=====	=====
Allocation of net income:				
Managing general partner	\$ 383	\$ 463	\$ 816	\$ 1,066
	=====	=====	=====	=====
Limited partners	\$ 37,922	\$ 45,828	\$ 80,771	\$ 105,571
	=====	=====	=====	=====
Net income per limited partnership interest	\$ 7.71	\$ 9.31	\$ 16.42	\$ 21.46
	=====	=====	=====	=====

The financial information included herein has been prepared by the

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

managing general partner without audit by independent public accountants.  
The accompanying notes are an integral part of these financial statements.

3

874

PARKER & PARSLEY 87-B CONV., LTD.  
(A Texas Limited Partnership)

STATEMENT OF PARTNERS' CAPITAL  
(Unaudited)

	Managing general partner -----	Limited partners -----	Total -----
Balance at January 1, 2001	\$ 6,889	\$ 683,494	\$ 690,383
Distributions	(851)	(84,278)	(85,129)
Net income	816 -----	80,771 -----	81,587 -----
Balance at June 30, 2001	\$ 6,854 =====	\$ 679,987 =====	\$ 686,841 =====

The financial information included herein has been prepared by the  
managing general partner without audit by independent public accountants.  
The accompanying notes are an integral part of these financial statements.

4

875

PARKER & PARSLEY 87-B CONV., LTD.  
(A Texas Limited Partnership)

STATEMENTS OF CASH FLOWS  
(Unaudited)

Six months ended June 30,	
-----	
2001	2000



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Cash flows from operating activities:		
Net income	\$ 81,587	\$ 106,637
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion	27,896	18,236
Gain on disposition of assets	(5,439)	(919)
Changes in assets and liabilities:		
Accounts receivable	38,179	(19,394)
Accounts payable	4,421	4,658
	-----	-----
Net cash provided by operating activities	146,644	109,218
	-----	-----
Cash flows from investing activities:		
Additions to oil and gas properties	(1,695)	(791)
Proceeds from asset dispositions	2,462	919
	-----	-----
Net cash provided by investing activities	767	128
	-----	-----
Cash flows used in financing activities:		
Cash distributions to partners	(85,129)	(112,519)
	-----	-----
Net increase (decrease) in cash	62,282	(3,173)
Cash at beginning of period	62,552	71,344
	-----	-----
Cash at end of period	\$ 124,834	\$ 68,171
	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

5

876

PARKER & PARSLEY 87-B CONV., LTD.  
(A Texas Limited Partnership)

NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Unaudited)

Note 1. Organization and nature of operations

Parker & Parsley 87-B Conv., Ltd. (the "Partnership") was organized in 1987 as a general partnership under the laws of the State of Texas and was converted to a Texas limited partnership in 1989.

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

Note 2. Basis of presentation

In the opinion of management, the unaudited financial statements of the Partnership as of June 30, 2001 and for the three and six months ended June 30,

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

2001 and 2000 include all adjustments and accruals consisting only of normal recurring accrual adjustments which are necessary for a fair presentation of the results for the interim period. These interim results are not necessarily indicative of results for a full year. Certain reclassifications may have been made to the June 30, 2000 financial statements to conform to the June 30, 2001 financial statement presentations.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in these interim financial statements. The financial statements should be read in conjunction with the financial statements and the notes thereto contained in the Partnership's report for the year ended December 31, 2000, a copy of which is available upon request by writing to Rich Dealy, Vice President and Chief Accounting Officer, 5205 North O'Connor Boulevard, Suite 1400, Irving, Texas 75039-3746.

### Management's Discussion and Analysis of Financial Condition and Results of Operations (1)

Six months ended June 30, 2001 compared with six months ended June 30, 2000

#### Results of Operations

##### Revenues:

The Partnership's oil and gas revenues decreased 5% to \$202,782 for the six months ended June 30, 2001 as compared to \$212,568 for the same period in 2000. The decrease in revenues resulted from a decrease in production and a lower

6

877

average price received for oil, offset by higher average prices received for gas and NGLs. For the six months ended June 30, 2001, 4,828 barrels of oil, 1,562 barrels of natural gas liquids ("NGLs") and 8,728 mcf of gas were sold, or 7,845 barrel of oil equivalents ("BOEs"). For the six months ended June 30, 2000, 5,308 barrels of oil, 2,838 barrels of NGLs and 11,701 mcf of gas were sold, or 10,096 BOEs.

The average price received per barrel of oil decreased \$.16, or 1%, from \$27.30 for the six months ended June 30, 2000 to \$27.14 for the same period in 2001. The average price received per barrel of NGLs increased \$2.21, or 15%, from \$15.08 during the six months ended June 30, 2000 to \$17.29 for the same period in 2001. The average price received per mcf of gas increased 141% from \$2.13 during the six months ended June 30, 2000 to \$5.13 for the same period in 2001. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received during the six months ended June 30, 2001.

Gain on disposition of assets of \$5,439 was received during the six months ended June 30, 2001 from disposal of equipment on two wells plugged and abandoned during the current period. Expenses to plug and abandon these wells were \$4,243. For the six months ended June 30, 2000 a gain on disposition of assets of \$919 was recognized due to credits received from the disposal of oil and gas equipment on one fully depleted well.

##### Costs and Expenses:

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Total costs and expenses increased to \$128,747 for the six months ended June 30, 2001 as compared to \$109,009 for the same period in 2000, an increase of \$19,738, or 18%. This increase was due to increases in depletion, production costs and abandoned property costs, offset by a decrease in general and administrative expenses ("G&A").

Production costs were \$91,336 for the six months ended June 30, 2001 and \$84,466 for the same period in 2000, resulting in a \$6,870 increase, or 8%. The increase was due to additional well maintenance and workover costs incurred to stimulate well production.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A decreased 16% from \$6,307 for the six months ended June 30, 2000 to \$5,272 for the same period in 2001, due to a lower G&A being allocated (limited to 3% of oil and gas revenues) due to lower oil revenues for the six months ended June 30, 2001 as compared to the same period in 2000.

Depletion was \$27,896 for the six months ended June 30, 2001 as compared to \$18,236 for the same period in 2000, an increase of \$9,660, or 53%. This increase was due to a downward revision to proved reserves on one significant well, offset by a decline in oil production of 480 barrels for the six months ended June 30, 2001 as compared to the same period in 2000.

7

878

Three months ended June 30, 2001 compared with three months ended June 30, 2000

### Revenues:

The Partnership's oil and gas revenues decreased 8% to \$93,434 for the three months ended June 30, 2001 as compared to \$101,370 for the same period in 2000. The decrease in revenues resulted from lower average prices received for oil and a decrease in production, offset by higher average prices received for gas and NGLs. For the three months ended June 30, 2001, 2,390 barrels of oil, 858 barrels of NGLs and 4,278 mcf of gas were sold, or 3,961 BOEs. For the three months ended June 30, 2000, 2,515 barrels of oil, 1,351 barrels of NGLs and 5,264 mcf of gas were sold, or 4,743 BOEs.

The average price received per barrel of oil decreased slightly from \$26.86 for the three months ended June 30, 2000 to \$26.73 for the same period in 2001. The average price received per barrel of NGLs increased \$.42, or 3%, from \$14.98 during the three months ended June 30, 2000 to \$15.40 for the same period in 2001. The average price received per mcf of gas increased 47% to \$3.82 during the three months ended June 30, 2001 from \$2.59 during the same period in 2000.

Gain on disposition of assets of \$1,426 was received during the three months ended June 30, 2001 from disposal of equipment on two wells plugged and abandoned during the current period. Expenses to plug and abandon these wells were \$830.

### Costs and Expenses:

Total costs and expenses increased to \$57,519 for the three months ended June 30, 2001 as compared to \$56,356 for the same period in 2000, an increase of \$1,163, or 2%. This increase was due to increases in depletion and abandoned

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

property costs, offset by a decrease in G&A and production costs.

Production costs were \$44,523 for the three months ended June 30, 2001 and \$44,599 for the same period in 2000, resulting in a \$76 decrease. The decrease was due to lower well maintenance costs, offset by an increase in workover costs incurred to stimulate well production.

During this period, G&A decreased 18%, from \$2,971 for the three months ended June 30, 2000 to \$2,429 for the same period in 2001, primarily due to a lower G&A being allocated (limited to 3% of oil and gas revenues) as a result of decreased oil and gas revenues for the three months ended June 30, 2001 as compared to the same period in 2000 and a decrease in audit and tax fees.

Depletion was \$9,737 for the three months ended June 30, 2001 as compared to \$8,786 for the same period in 2000, an increase of \$951, or 11%. This increase was primarily due to a downward revision to proved reserves on one significant well, offset by a decline in oil production of 125 barrels for the three months ended June 30, 2001 as compared to the same period in 2000.

8

879

### Liquidity and Capital Resources

#### Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$37,426 during the six months ended June 30, 2001 from the same period ended June 30, 2000. This increase was due to reductions of \$57,336 in working capital and \$1,035 in G&A expenses, offset by a decline in oil and gas sales receipts of \$9,832 and increases in production costs of \$6,870 and abandoned property costs of \$4,243. The decline in G&A was primarily due to less G&A being allocated (limited to 3% of oil and gas revenues) due to lower oil and gas revenues for the six months ended June 30, 2001 as compared to the same period in 2000. The decrease in oil and gas receipts resulted from a decline of \$50,340 in production during 2001 as compared to the same period in 2000 and a decline in oil prices of \$879, offset by an increase in gas and NGL prices of \$41,387 during 2001. The increase in production costs was primarily due to additional well maintenance and workover costs incurred to stimulate well production.

#### Net Cash Provided by Investing Activities

The Partnership's investing activities during the six months ended June 30, 2001 and 2000 were related to equipment upgrades on various oil and gas properties.

Proceeds from disposition of assets of \$2,462 and \$919 were recognized during the six months ended June 30, 2001 and 2000, respectively. The proceeds recognized during the period in 2001 were from salvage income received on two wells plugged and abandoned during the current period. The proceeds recognized during the period in 2000 were primarily from equipment credits received on one fully depleted well.

#### Net Cash Used in Financing Activities

For the six months ended June 30, 2001, cash distributions to the partners were \$85,129, of which \$851 was distributed to the managing general partner and \$84,278 to the limited partners. For the same period ended June 30, 2000, cash distributions to the partners were \$112,519, of which \$1,125 was distributed to the managing general partner and \$111,394 to the limited partners.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

For the three months ended June 30, 2001, no distributions were made by the partnership to its partners. Subsequent to June 30, 2001 the cash distribution that otherwise would have been mailed to partners in late June was made to holders of record as of July 9, 2001 and was mailed on July 13, 2001. For further information, see "Proposal to acquire partnerships" below.

### Proposal to acquire partnerships

On June 29, 2001, Pioneer Natural Resources Company ("Pioneer") filed with the Securities and Exchange Commission Amendment No. 1 to the Form S-4 Registration Statement (File No. 333- 59094) (the "preliminary proxy statement/prospectus"), which proposes an agreement and plan of merger among Pioneer, Pioneer Natural Resources USA, Inc. ("Pioneer USA"), a wholly-owned subsidiary of Pioneer, and 46 Parker & Parsley limited partnerships. Each partnership that approves the agreement and plan of merger and the other related merger proposals will merge

9

880

with and into Pioneer USA upon the closing of the transactions described in the preliminary proxy statement/prospectus, and the partnership interests of each such partnership will be converted into the right to receive Pioneer common stock. The Partnership is one of the 46 Parker & Parsley limited partnerships that will be asked to approve the agreement and plan of merger. The preliminary proxy statement/prospectus is non-binding and is subject to, among other things, consideration of offers from third parties to purchase any partnership or its assets and the majority approval of the limited partnership interests in each partnership.

Pioneer USA will solicit proxies from limited partners to approve the mergers only when the proxy statement/prospectus is final and declared effective. No solicitation will be made using preliminary materials. Nonetheless, copies of the preliminary proxy statement/prospectus may be obtained without charge upon request from Pioneer Natural Resources Company, 5205 North O'Connor Blvd., Suite 1400, Irving, Texas 75039, Attention: Investor Relations.

The limited partners are urged to read the proxy statement/prospectus of Pioneer filed with the Securities and Exchange Commission, when it is finalized, because it contains important information about the proposed mergers, including information about the direct and indirect interests of Pioneer USA and Pioneer in the mergers. The limited partners may also obtain the preliminary and (when filed) final proxy statement/prospectus and other relevant documents relating to the proposed mergers free through the internet web site that the Securities and Exchange Commission maintains at [www.sec.gov](http://www.sec.gov).

-----

- (1) "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" contains forward looking statements that involve risks and uncertainties. Accordingly, no assurances can be given that the actual events and results will not be materially different than the anticipated results described in the forward looking statements.

10

881

PARKER & PARSLEY 87-B CONV., LTD.  
(A Texas Limited Partnership)

FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITORS' REPORT

December 31, 2000 and 1999

882

INDEPENDENT AUDITORS' REPORT

The Partners  
Parker & Parsley 87-B Conv., Ltd.  
(A Texas Limited Partnership):

We have audited the balance sheets of Parker & Parsley 87-B Conv., Ltd. as of December 31, 2000 and 1999, and the related statements of operations, partners' capital and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parker & Parsley 87-B Conv., Ltd. as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Dallas, Texas  
March 9, 2001

PARKER & PARSLEY 87-B CONV., LTD.  
(A Texas Limited Partnership)

BALANCE SHEETS  
December 31

	2000 -----	1999 -----
ASSETS -----		
Current assets:		
Cash	\$ 62,552	\$ 71,344
Accounts receivable - oil and gas sales	87,620	36,226
	-----	-----
Total current assets	150,172	107,570
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	3,280,150	3,277,595
Accumulated depletion	(2,733,516)	(2,675,751)
	-----	-----
Net oil and gas properties	546,634	601,844
	-----	-----
	\$ 696,806	\$ 709,414
	=====	=====
LIABILITIES AND PARTNERS' CAPITAL -----		
Current liabilities:		
Accounts payable - affiliate	\$ 6,423	\$ 7,274
Partners' capital:		
Managing general partner	6,889	7,006
Limited partners (4,919 interests)	683,494	695,134
	-----	-----
	690,383	702,140
	-----	-----
	\$ 696,806	\$ 709,414
	=====	=====

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

3

884

PARKER & PARSLEY 87-B CONV., LTD.  
(A Texas Limited Partnership)

STATEMENTS OF OPERATIONS  
For the years ended December 31

	2000	1999	1998
	-----	-----	-----
Revenues:			
Oil and gas	\$ 469,502	\$ 278,326	\$ 236,434
Interest	5,144	3,117	3,558
Gain on disposition of assets	1,005	--	3,419
	-----	-----	-----
	475,651	281,443	243,411
	-----	-----	-----
Costs and expenses:			
Oil and gas production	172,228	155,029	146,967
General and administrative	13,873	8,214	7,093
Impairment of oil and gas properties	21,231	--	48,745
Depletion	36,534	49,790	120,823
Abandoned property	--	--	965
	-----	-----	-----
	243,866	213,033	324,593
	-----	-----	-----
Net income (loss)	\$ 231,785	\$ 68,410	\$ (81,182)
	=====	=====	=====
Allocation of net income (loss):			
Managing general partner	\$ 2,318	\$ 684	\$ (812)
	=====	=====	=====
Limited partners	\$ 229,467	\$ 67,726	\$ (80,370)
	=====	=====	=====
Net income (loss) per limited partnership interest	\$ 46.65	\$ 13.77	\$ (16.34)



=====

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

4

885

PARKER & PARSLEY 87-B CONV., LTD.  
(A Texas Limited Partnership)

STATEMENTS OF PARTNERS' CAPITAL

	Managing general partner	Limited partners	Total
	-----	-----	-----
Partners' capital at January 1, 1998	\$ 9,098	\$ 902,134	\$ 911,232
Distributions	(1,056)	(104,488)	(105,544)
Net loss	(812)	(80,370)	(81,182)
	-----	-----	-----
Partners' capital at December 31, 1998	7,230	717,276	724,506
Distributions	(908)	(89,868)	(90,776)
Net income	684	67,726	68,410
	-----	-----	-----
Partners' capital at December 31, 1999	7,006	695,134	702,140
Distributions	(2,435)	(241,107)	(243,542)
Net income	2,318	229,467	231,785
	-----	-----	-----
Partners' capital at December 31, 2000	\$ 6,889	\$ 683,494	\$ 690,383

=====

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

5

886

PARKER & PARSLEY 87-B CONV., LTD.  
(A Texas Limited Partnership)

STATEMENTS OF CASH FLOWS  
For the years ended December 31

	2000	1999	1998
	-----	-----	-----
Cash flows from operating activities:			
Net income (loss)	\$ 231,785	\$ 68,410	\$ (81,182)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Impairment of oil and gas properties	21,231	--	48,745
Depletion	36,534	49,790	120,823
Gain on disposition of assets	(1,005)	--	(3,419)
Changes in assets and liabilities:			
Accounts receivable	(51,394)	(7,809)	15,837
Accounts payable	(851)	2,071	(4,734)
	-----	-----	-----
Net cash provided by operating activities	236,300	112,462	96,070
	-----	-----	-----
Cash flows from investing activities:			
Additions to oil and gas properties	(2,609)	(4,857)	(5,631)
Proceeds from disposition of assets	1,059	1,226	3,419

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	-----	-----	-----
Net cash used in investing activities	(1,550)	(3,631)	(2,212)
	-----	-----	-----
Cash flows used in financing activities:			
Cash distributions to partners	(243,542)	(90,776)	(105,544)
	-----	-----	-----
Net increase (decrease) in cash	(8,792)	18,055	(11,686)
Cash at beginning of year	71,344	53,289	64,975
	-----	-----	-----
Cash at end of year	\$ 62,552	\$ 71,344	\$ 53,289
	=====	=====	=====

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

6

887

PARKER & PARSLEY 87-B CONV., LTD.  
(A Texas Limited Partnership)

NOTES TO FINANCIAL STATEMENTS  
December 31, 2000, 1999 and 1998

NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS

Parker & Parsley 87-B Conv., Ltd. (the "Partnership") was organized in 1987 as a general partnership under the laws of the State of Texas and was converted to a Texas limited partnership in 1989. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA").

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

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

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

wells are capitalized while nonproductive exploration costs are expensed. Capitalized costs relating to proved properties are depleted using the unit-of-production method on a property-by-property basis based on proved oil (dominant mineral) reserves as evaluated by independent petroleum consultants. The carrying amounts of properties sold or otherwise disposed of and the related allowances for depletion are eliminated from the accounts and any gain or loss is included in results of operations.

Impairment of long-lived assets - In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the Partnership reviews its long-lived assets to be held and used on an individual property basis, including oil and gas properties accounted for under the successful efforts method of accounting, whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. An impairment loss is indicated if the sum of the expected future cash flows is less than the carrying amount of the assets. In this circumstance, the Partnership recognizes an impairment loss for the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset.

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

Net income (loss) per limited partnership interest - The net income (loss) per limited partnership interest is calculated by using the number of outstanding limited partnership interests.

7

888

Income taxes - A Federal income tax provision has not been included in the financial statements as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

Statements of cash flows - For purposes of reporting cash flows, cash includes depository accounts held by banks.

General and administrative expenses - General and administrative expenses are allocated in part to the Partnership by the managing general partner. Allocated expenses are determined by the managing general partner based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Reclassifications - Certain reclassifications may have been made to the 1999 and 1998 financial statements to conform to the 2000 financial statement presentations.

Environmental - The Partnership is subject to extensive federal, state and local environmental laws and regulations. These laws, which are constantly changing, regulate the discharge of materials into the environment and may require the Partnership to remove or mitigate the environmental effects of the disposal or release of petroleum or chemical substances at various sites. Environmental expenditures are expensed or capitalized depending on their future

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Liabilities for expenditures of a noncapital nature are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated. Such liabilities are generally undiscounted unless the timing of cash payments for the liability or component are fixed or reliably determinable. No such liabilities have been accrued as of December 31, 2000.

Revenue recognition - The Partnership uses the entitlements method of accounting for oil, natural gas liquids ("NGLs") and natural gas revenues.

### NOTE 3. IMPAIRMENT OF LONG-LIVED ASSETS

In accordance with SFAS 121, the Partnership reviews its proved oil and gas properties for impairment whenever events and circumstances indicate a decline in the recoverability of the carrying value of the Partnership's oil and gas properties. The Partnership has estimated the expected future cash flows of its oil and gas properties as of December 31, 2000, 1999 and 1998, based on proved reserves, and compared such estimated future cash flows to the respective carrying amount of the oil and gas properties to determine if the carrying amounts were likely to be recoverable. For those proved oil and gas properties for which the carrying amount exceeded the estimated future cash flows, an impairment was determined to exist; therefore, the Partnership adjusted the carrying amount of those oil and gas properties to their fair value as determined by discounting their expected future cash flows at a discount rate commensurate with the risks involved in the industry. As a result, the Partnership recognized non-cash impairment provisions of \$21,231 and \$48,745 related to its proved oil and gas properties during 2000 and 1998, respectively.

8

889

### NOTE 4. INCOME TAXES

The financial statement basis of the Partnership's net assets and liabilities was \$63,837 greater than the tax basis at December 31, 2000.

The following is a reconciliation of net income (loss) per statements of operations with the net income per Federal income tax returns for the years ended December 31:

	2000	1999	1998
	-----	-----	-----
Net income (loss) per statements of operations	\$ 231,785	\$ 68,410	\$ (81,182)
Depletion and depreciation provisions for tax reporting purposes less than amounts for financial reporting purposes	33,614	47,165	116,988
Impairment of oil and gas properties for financial reporting purposes	21,231	--	48,745
Other, net	(643)	(5,995)	(1,248)
	-----	-----	-----
Net income per Federal income tax returns	\$ 285,987	\$ 109,580	\$ 83,303
	=====	=====	=====

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

### NOTE 5. OIL AND GAS PRODUCING ACTIVITIES

The following is a summary of the costs incurred, whether capitalized or expensed, related to the Partnership's oil and gas producing activities for the years ended December 31:

	2000 -----	1999 -----	1998 -----
Development costs	\$ 2,609 =====	\$ 4,857 =====	\$ 5,631 =====

Capitalized oil and gas properties consist of the following:

	2000 -----	1999 -----
Proved properties:		
Property acquisition costs	\$ 135,396	\$ 135,396
Completed wells and equipment	3,144,754 -----	3,142,199 -----
Accumulated depletion	3,280,150 (2,733,516) -----	3,277,595 (2,675,751) -----
Net oil and gas properties	\$ 546,634 =====	\$ 601,844 =====

9

890

### NOTE 6. RELATED PARTY TRANSACTIONS

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

	2000 -----	1999 -----	1998 -----
Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$74,535	\$73,744	\$71,600
Reimbursement of general and administrative expenses	\$12,385	\$ 5,720	\$ 5,800

The Partnership participates in oil and gas activities through an income

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

tax partnership (the "Program") pursuant to the Program agreement. Pioneer USA, Parker & Parsley 87-B, Ltd. and the Partnership (the "Partnerships") are parties to the Program agreement.

The costs and revenues of the Program are allocated to Pioneer USA and the Partnerships as follows:

	Pioneer USA (1)	Partnerships (2)
Revenues:		
Proceeds from disposition of depreciable properties	9.09091%	90.90909%
All other revenues	24.242425%	75.757575%
Costs and expenses:		
Lease acquisition costs, drilling and completion costs and all other costs	9.09091%	90.90909%
Operating costs, direct costs and general and administrative expenses	24.242425%	75.757575%

(1) Excludes Pioneer USA's 1% general partner ownership which is allocated at the Partnership level and 10 limited partner interests owned by Pioneer USA.

(2) The allocation between the Partnership and Parker & Parsley 87-B, Ltd. is 19.66971% and 80.33029%, respectively.

### NOTE 7. OIL AND GAS INFORMATION (UNAUDITED)

The following table presents information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities during the years then ended. All of the Partnership's reserves are proved developed and located within the United States. The Partnership's reserves are based on an evaluation prepared by Williamson Petroleum Consultants, Inc., an independent petroleum consultant, using criteria established by the Securities and Exchange Commission.

	Oil and NGLs (bbls)	Gas (mcf)
Net proved reserves at January 1, 1998	230,505	316,120
Revisions	(76,948)	(70,310)
Production	(17,879)	(25,477)
	-----	-----
Net proved reserves at December 31, 1998	135,678	220,333
Revisions	155,187	272,717
Production	(16,758)	(24,436)
	-----	-----

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Net proved reserves at December 31, 1999	274,107	468,614
Revisions	(9,351)	(76,076)
Production	(16,015)	(23,682)
	-----	-----
Net proved reserves at December 31, 2000	248,741	368,856
	=====	=====

10

891

As of December 31, 2000, the estimated present value of future net revenues of proved reserves, calculated using December 31, 2000 prices of \$26.64 per barrel of oil, \$13.26 per barrel of NGLs and \$7.62 per mcf of gas, discounted at 10% was approximately \$1,851,000 and undiscounted was \$3,947,000.

Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves. The Partnership emphasizes that reserve estimates are inherently imprecise and, accordingly, the estimates are expected to change as future information becomes available.

### Disclosures about Oil & Gas Producing Activities

#### Standardized Measure of Discounted Future Net Cash Flows

The standardized measure of discounted future net cash flows is computed by applying year-end prices of oil and gas (with consideration of price changes only to the extent provided by contractual arrangements) to the estimated future production of proved oil and gas reserves less estimated future expenditures (based on year-end costs) to be incurred in developing and producing the proved reserves, discounted using a rate of 10% per year to reflect the estimated timing of the future cash flows. A Federal income tax provision has not been calculated as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

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

	For the years ended December 31,		
	2000	1999	1998
	----	----	----
	(in thousands)		
Oil and gas producing activities:			
Future cash inflows	\$ 8,237	\$ 6,760	\$ 1,480
Future production costs	(4,290)	(3,786)	(1,130)



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	-----	-----	-----
	3,947	2,974	350
10% annual discount factor	(2,096)	(1,454)	(110)
	-----	-----	-----
Standardized measure of discounted future net cash flows	\$ 1,851	\$ 1,520	\$ 240
	=====	=====	=====

11

892

	For the years ended December 31,		
	2000	1999	1998
	-----	-----	-----
	(in thousands)		
Oil and Gas Producing Activities:			
Oil and gas sales, net of production costs	\$ (297)	\$ (123)	\$ (89)
Net changes in prices and production costs	795	742	(585)
Revisions of previous quantity estimates	(143)	1,162	(100)
Accretion of discount	152	24	94
Changes in production rates, timing and other	(176)	(525)	(21)
	-----	-----	-----
Change in present value of future net revenues	331	1,280	(701)
	-----	-----	-----
Balance, beginning of year	1,520	240	941
	-----	-----	-----
Balance, end of year	\$ 1,851	\$ 1,520	\$ 240
	=====	=====	=====

NOTE 8. MAJOR CUSTOMERS

The following table reflects the major customers of the Partnership's oil and gas sales (a major customer is defined as a customer whose sales exceed 10% of total sales) during the years ended December 31:

	2000	1999	1998
	-----	-----	-----
Plains Marketing, L.P.	49%	50%	-
Genesis Crude Oil, L.P.	2%	1%	57%
Western Gas Resources, Inc.	4%	6%	26%
Phillips Petroleum Company	16%	-	-

At December 31, 2000, the amounts receivable from Plains Marketing, L.P. and Phillips Petroleum Company were \$23,391 and \$10,443, respectively, which are included in the caption "Accounts receivable - oil and gas sales" in the accompanying Balance Sheet.

Pioneer USA is of the opinion that the loss of any one purchaser would

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

not have an adverse effect on the ability of the Partnership to sell its oil, NGLs and gas production.

### NOTE 9. PARTNERSHIP AGREEMENT

The following is a brief summary of the more significant provisions of the limited partnership agreement:

Managing general partner - The managing general partner of the Partnership is Pioneer USA. Pioneer USA has the power and authority to manage, control and administer all Program and Partnership affairs. As managing general partner and operator of the Partnership's properties, all production expenses are incurred by Pioneer USA and billed to the Partnership. The majority of the Partnership's oil and gas revenues are received directly by the Partnership, however, a portion of the oil and gas revenue is initially received by Pioneer USA prior to being paid to the Partnership. Under the limited partnership agreement, the managing general partner pays 1% of the Partnership's acquisition, drilling and completion costs and 1% of its operating and general and administrative expenses. In return, it is allocated 1% of the Partnership's revenues.

12

893

Limited partner liability - The maximum amount of liability of any limited partner is the total contributions of such partner plus his share of any undistributed profits.

Initial capital contributions - The partners entered into subscription agreements for aggregate capital contributions of \$4,919,000. Pioneer USA is required to contribute amounts equal to 1% of initial Partnership capital less commission and organization and offering costs allocated to the limited partners and to contribute amounts necessary to pay costs and expenses allocated to it under the Partnership agreement to the extent its share of revenues does not cover such costs.

13

894

### PARKER & PARSLEY 87-B CONV., LTD. (A TEXAS LIMITED PARTNERSHIP)

THIS REPORT CONTAINS FORWARD LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. ACCORDINGLY, NO ASSURANCES CAN BE GIVEN THAT THE ACTUAL EVENTS AND RESULTS WILL NOT BE MATERIALLY DIFFERENT THAN THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS.

### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

#### Results of operations

2000 compared to 1999

The Partnership's oil and gas revenues increased 69% to \$469,502 for 2000 as compared to \$278,326 in 1999. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 2000, 10,352

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

barrels of oil, 5,663 barrels of natural gas liquids ("NGLs") and 23,682 mcf of gas were sold, or 19,962 barrel of oil equivalents ("BOEs"). In 1999, 10,784 barrels of oil, 5,974 barrels of NGLs and 24,436 mcf of gas were sold, or 20,831 BOEs. Due to the decline characteristics of the Partnership's oil and gas properties, management expects a certain amount of decline in production in the future until the Partnership's economically recoverable reserves are fully depleted.

The average price received per barrel of oil increased \$12.60, or 75%, from \$16.71 in 1999 to \$29.31 in 2000. The average price received per barrel of NGLs increased \$7.17, or 74%, from \$9.73 in 1999 to \$16.90 in 2000. The average price received per mcf of gas increased 82% from \$1.64 in 1999 to \$2.98 in 2000. The market price for oil and gas has been extremely volatile in the past decade, and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received in 2000.

A gain on disposition of assets of \$1,005, recognized during 2000, was attributable to credits received from the disposal of oil and gas equipment on one fully depleted well.

Total costs and expenses increased in 2000 to \$243,866 as compared to \$213,033 in 1999, an increase of \$30,833, or 14%. The increase was primarily due to the impairment of oil and gas properties and increases in production costs and general and administrative expenses ("G&A"), offset by a decline in depletion.

Production costs were \$172,228 in 2000 and \$155,029 in 1999, resulting in a \$17,199 increase, or 11%. The increase was primarily due to higher production taxes associated with higher oil and gas prices and additional well maintenance costs incurred to stimulate well production, offset by a decline in workover expenses.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 69% from \$8,214 in 1999 to \$13,873 in 2000, primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$12,385 in 2000 and \$5,720 in 1999 for G&A incurred on behalf of the Partnership. The remaining G&A was paid directly by the Partnership. The managing general partner determines the allocated expenses based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the managing general partner reviews the Partnership's oil and gas properties for impairment whenever events or circumstances indicate a decline in the recoverability of the carrying value of the Partnership's assets may have occurred. As a result of the review and evaluation of its long-lived assets for impairment, the Partnership recognized a non-cash charge of \$21,231 related to its oil and gas properties during 2000.

Depletion was \$36,534 in 2000 as compared to \$49,790 in 1999, representing a decrease of \$13,256, or 27%. This decrease was primarily due to a 2,194 barrels of oil increase in proved reserves during 2000 as a result of higher commodity

895

prices.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

1999 compared to 1998

The Partnership's 1999 oil and gas revenues increased 18% to \$278,326 from \$236,434 in 1998. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 1999, 10,784 barrels of oil, 5,974 barrels of NGLs and 24,436 mcf of gas were sold, or 20,831 BOEs. In 1998, 12,040 barrels of oil, 5,839 barrels of NGLs and 25,477 mcf of gas were sold, or 22,125 BOEs.

The average price received per barrel of oil increased \$3.54, or 27%, from \$13.17 in 1998 to \$16.71 in 1999. The average price received per barrel of NGLs increased \$2.91, or 43%, from \$6.82 in 1998 to \$9.73 in 1999. The average price received per mcf of gas increased 10% from \$1.49 in 1998 to \$1.64 in 1999.

A gain on disposition of assets of \$3,419 was recognized during 1998 from the sale of oil and gas equipment on one well abandoned in a prior year. Abandoned property costs of \$965 in 1998 were related to this abandonment.

Total costs and expenses decreased in 1999 to \$213,033 as compared to \$324,593 in 1998, a decrease of \$111,560, or 34%. The decrease was primarily due to declines in depletion, the impairment of oil and gas properties and abandoned property costs, offset by increases in production costs and G&A.

Production costs were \$155,029 in 1999 and \$146,967 in 1998, resulting in an \$8,062 increase, or 5%. The increase was due to increases in well maintenance costs and workover costs incurred to stimulate well production, offset by a decline in ad valorem taxes.

During this period, G&A increased 16% from \$7,093 in 1998 to \$8,214 in 1999 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$5,720 in 1999 and \$5,800 in 1998 for G&A incurred on behalf of the Partnership.

The Partnership recognized a non-cash SFAS 121 charge of \$48,745 related to its oil and gas properties during 1998.

Depletion was \$49,790 in 1999 compared to \$120,823 in 1998, representing a decrease of \$71,033, or 59%. This decrease was the result of a 92,485 barrels of oil increase in proved reserves during 1999 as a result of higher commodity prices, a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 1998 and a decline in oil production of 1,256 barrels for the period ended December 31, 1999 compared to the same period in 1998.

### Petroleum Industry

The petroleum industry has been characterized by volatile oil, NGL and natural gas commodity prices and relatively stable supplier costs during the three years ended December 31, 2000. During 1998, weather patterns, regional economic recessions and political matters combined to cause worldwide oil supplies to exceed demand resulting in a substantial decline in oil prices. Also during 1998, but to a lesser extent, market prices for natural gas declined. During 1999 and 2000, the Organization of Petroleum Exporting Countries ("OPEC") and certain other crude oil exporting nations announced reductions in their planned export volumes. Those announcements, together with the enactment of the announced reductions in export volumes, had a positive impact on world oil prices, as have overall natural gas supply and demand fundamentals on North American natural gas prices. Although the favorable commodity price environment and stable field service cost environment is expected to continue during 2001, there is no assurance that commodity prices will not return to a less favorable

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

level or that field service costs will not escalate in the future, both of which could negatively impact the Partnership's future results of operations and cash distributions.

896

### Liquidity and capital resources

#### Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$123,838 during the year ended December 31, 2000 from 1999. This increase was due to an increase in oil and gas sales receipts of \$193,203, offset by increases in production costs paid of \$17,199, G&A expenses paid of \$5,659 and working capital of \$46,507. The increase in oil and gas receipts resulted from the increase in commodity prices during 2000 which contributed an additional \$213,360 to oil and gas receipts, offset by \$20,157 resulting from the decline in production during 2000. The increase in production costs was primarily due to increased production taxes associated with higher oil and gas prices and additional well maintenance costs incurred to stimulate well production, offset by a decline in workover expense. The increase in G&A was primarily due to higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues.

#### Net Cash Used in Investing Activities

The Partnership's principal investing activities during 2000 and 1999 were related to expenditures for oil and gas equipment upgrades on active properties.

Proceeds from asset dispositions of \$1,059 were comprised of \$1,005 received from salvage income on one fully depleted well and \$54 from equipment credits received on one active well. Proceeds of \$1,226 received during 1999 were from equipment credits received on one temporarily abandoned well.

#### Net Cash Used in Financing Activities

In 2000, cash distributions to the partners were \$243,542, of which \$2,435 was distributed to the managing general partner and \$241,107 to the limited partners. In 1999, cash distributions to the partners were \$90,776, of which \$908 was distributed to the managing general partner and \$89,868 to the limited partners.

897

PARKER & PARSLEY 87-B CONV., LTD.

#### SELECTED FINANCIAL DATA

The following selected financial data for the Partnership should be read in connection with Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements included in the attached supplemental information.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	Six months ended June 30,		Years ended Decemb		
	2001	2000	2000	1999	1998
Operating results:					
Oil and gas sales	\$ 202,782	\$ 212,568	\$ 469,502	\$ 278,326	\$ 236,434
Impairment of oil and gas properties	\$ --	\$ --	\$ 21,231	\$ --	\$ 48,745
Gain on litigation settlement, net	\$ --	\$ --	\$ --	\$ --	\$ --
Net income (loss)	\$ 81,587	\$ 106,637	\$ 231,785	\$ 68,410	\$ (81,182)
Allocation of net income (loss):					
Managing general partner	\$ 816	\$ 1,066	\$ 2,318	\$ 684	\$ (812)
Limited partners	\$ 80,771	\$ 105,571	\$ 229,467	\$ 67,726	\$ (80,370)
Limited partners' net income (loss) per limited partnership interest	\$ 16.42	\$ 21.46	\$ 46.65	\$ 13.77	\$ (16.34)
Limited partners' cash distributions per limited partnership interest	\$ 17.13	\$ 22.65	\$ 49.02	\$ 18.27	\$ 21.24
As of period ended:					
Total assets	\$ 694,708	\$ 708,190	\$ 696,806	\$ 709,414	\$ 729,709

(a) Including litigation settlement per limited partnership interest of \$29.40 in 1996.

898

PIONEER NATURAL RESOURCES COMPANY  
PIONEER NATURAL RESOURCES USA, INC.  
5205 NORTH O'CONNOR BLVD., SUITE 1400  
IRVING, TEXAS 75039

894

# Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

## SUPPLEMENTAL INFORMATION

OF

PARKER & PARSLEY 87-B, LTD., A TEXAS LIMITED PARTNERSHIP

TO

PROXY STATEMENT/PROSPECTUS DATED , 2001

-----

THE DATE OF THIS SUPPLEMENT IS , 2001

-----

This document contains important information specific to Parker & Parsley 87-B, Ltd. and supplements the proxy statement/prospectus dated , 2001, of Pioneer Natural Resources Company and Pioneer Natural Resources USA, Inc., by which Pioneer USA is soliciting proxies to be voted at a special meeting of limited partners of the partnership. The purpose of the special meeting is for you to vote upon the merger of the partnership with and into Pioneer USA that, if completed, will result in your receiving common stock of Pioneer Natural Resources Company for your partnership interests.

This document contains the following information concerning Parker & Parsley 87-B, Ltd.:

- o A table containing:
  - the aggregate initial investment by the limited partners
  - the aggregate historical limited partner distributions through July 31, 2001
  - the merger value attributable to partnership interests of limited partners, excluding Pioneer USA
  - the merger value per \$1,000 limited partner investment
  - the merger value per \$1,000 limited partner investment as a multiple of distributions for the past four quarterly distributions including the distribution in July 2001
  - the book value per \$1,000 limited partner investment as of June 30, 2001 and as of December 31, 2000
  - the going concern value per \$1,000 limited partner investment
  - the liquidation value per \$1,000 limited partner investment
  - the ordinary tax loss per \$1,000 limited partner investment in year of initial investment
- o Information about:
  - the legal opinion for the limited partners
  - the term of the partnership

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

- o The partnership's quarterly report on Form 10-Q, including management's discussion and analysis of financial condition and results of operations, for the six months ended June 30, 2001
- o The partnership's annual report on Form 10-K, including management's discussion and analysis of financial condition and results of operations, for the year ended December 31, 2000
- o Selected historical financial data for the partnership for the six months ended June 30, 2001 and 2000 and the five years ended December 31, 2000

-1-

899

PARKER & PARSLEY 87-B, LTD.

SUPPLEMENTAL INFORMATION TABLE

Aggregate Initial Investment by the Limited Partners (a)	\$
Aggregate Historical Limited Partner Distributions through July 31, 2001 (a)	\$
Merger Value Attributable to Partnership Interests of Limited Partners, Excluding Pioneer USA (a), (b)	\$
Merger Value per \$1,000 Limited Partner Investment (b), (c)	\$
Merger Value per \$1,000 Limited Partner Investment as a Multiple of Distributions for the past four quarterly distributions including the distribution in July 2001 (b), (c)	
Book Value per \$1,000 Limited Partner Investment:	
-- as of June 30, 2001 (c)	\$
-- as of December 31, 2000 (c)	\$
Going Concern Value per \$1,000 Limited Partner Investment (c), (d)	\$
Liquidation Value per \$1,000 Limited Partner Investment (c), (e)	\$
Ordinary Tax Loss per \$1,000 Limited Partner Investment in Year of Initial Investment (c), (f)	\$

-----

(a) Stated in thousands.

(b) The merger value for the partnership is equal to the sum of the present



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

value of estimated future net revenues from the partnership's estimated oil and gas reserves and its net working capital, in each case as of March 31, 2001, less its pro rata share, based on its reserve value, of the estimated expenses and fees of the mergers of all of the partnerships and less the cash distribution on July 13, 2001, by the partnership to its partners.

- (c) Interests in some partnerships were sold in units at prices other than \$1,000. We have presented this information based on a \$1,000 initial investment for ease of use and comparison among partnerships. You should not assume that the amount shown per \$1,000 investment is the same as any value or amount attributable to a single unit investment.
- (d) The going concern value for the partnership is based upon: (1) the sum of (A) the estimated net cash flow from the sale of the partnership's reserves during a 10-year operating period and (B) the estimated residual value from the sale of the partnership's remaining reserves at the end of the operating period, in each case using the same pricing and discount rate as in the merger value calculation, less (2) (A) partnership level general and administrative expenses, and (B) the cash distribution on July 13, 2001 by the partnership to its partners.
- (e) The liquidation value for the partnership is based upon the sale of the partnership's reserves at the reserve value, less (1) liquidation expenses which are estimated to be the sum of (A) the partnership's pro rata share of the merger expenses and fees described in footnote (b) above and (B) 3% of the partnership's reserve value, and (2) the cash distribution on July 13, 2001 by the partnership to its partners. The liquidation expenses represent estimated costs to retain an investment banker or broker to sell the assets of the partnership and the legal and other closing costs associated with such transaction, including the wind-down costs of the partnership.
- (f) Your ability to use your distributive share of the partnership's loss to offset your other income may have been subject to certain limitations at your level as a partner, and you may therefore wish to consult your tax advisor to determine the additional value, if any, actually realized by you in your particular circumstances.

### INFORMATION ABOUT THE LEGAL OPINION FOR THE LIMITED PARTNERS

The partnership agreement for the partnership requires that special legal counsel render an opinion on behalf of the limited partners to Pioneer USA that (1) neither the grant nor the exercise of the right to approve the merger of the partnership by its limited partners will adversely affect the federal income tax classification of the partnership or any of its limited partners; and (2) neither the grant nor exercise of such right will result in the loss of any limited partner's limited liability. In addition, the counsel designated to render the opinion must be counsel other than counsel to Pioneer USA or the partnership. Both the designated counsel and the legal opinion must be approved by the limited partners. Pioneer USA has retained \_\_\_\_\_ of Dallas, Texas for the purpose of rendering this legal opinion on behalf of the limited partners to Pioneer USA. The merger proposals include an approval of that counsel and the form of its opinion. A copy of the opinion is attached as an exhibit to the merger proposals.

### INFORMATION ABOUT THE TERM OF THE PARTNERSHIP

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The term of the partnership is until December 31, 2037, unless the partnership is earlier terminated in accordance with the applicable provisions of its partnership agreement.

-2-

900

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, 2001

Commission File No. 33-12244-02

PARKER & PARSLEY 87-B, LTD.  
(Exact name of Registrant as specified in its charter)

Texas	75-2185706
----- (State or other jurisdiction of incorporation or organization)	----- (I.R.S. Employer Identification Number)
5205 N. O'Connor Blvd., Suite 1400, Irving, Texas	75039
----- (Address of principal executive offices)	----- (Zip code)

Registrant's Telephone Number, including area code : (972) 444-9001

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 / x / No / /

PARKER & PARSLEY 87-B, LTD.

TABLE OF CONTENTS

	Page
Part I. Financial Information	
Item 1. Financial Statements	
Balance Sheets as of June 30, 2001 and December 31, 2000.....	3
Statements of Operations for the three and six months ended June 30, 2001 and 2000.....	4
Statement of Partners' Capital for the six months ended June 30, 2001.....	5
Statements of Cash Flows for the six months ended June 30, 2001 and 2000.....	6
Notes to Financial Statements.....	7
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.....	7
Part II. Other Information	
Item 6. Exhibits and Reports on Form 8-K.....	11
Signatures.....	12

PARKER & PARSLEY 87-B, LTD.  
(A Texas Limited Partnership)

Part I. Financial Information

Item 1. Financial Statements

BALANCE SHEETS

	June 30, 2001	December 31, 2000
	-----	-----
	(Unaudited)	
ASSETS		

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Current assets:			
Cash	\$	511,824	\$ 257,845
Accounts receivable - oil and gas sales		201,924	357,836
		-----	-----
Total current assets		713,748	615,681
		-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method		12,870,546	13,396,004
Accumulated depletion		(10,744,417)	(11,162,910)
		-----	-----
Net oil and gas properties		2,126,129	2,233,094
		-----	-----
	\$	2,839,877	\$ 2,848,775
		=====	=====

LIABILITIES AND PARTNERS' CAPITAL

Current liabilities:			
Accounts payable - affiliate	\$	31,516	\$ 25,998
Partners' capital:			
Managing general partner		28,011	28,156
Limited partners (20,089 interests)		2,780,350	2,794,621
		-----	-----
		2,808,361	2,822,777
		-----	-----
	\$	2,839,877	\$ 2,848,775
		=====	=====

The financial information included as of June 30, 2001 has been prepared by the managing general partner without audit by independent public accountants.

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

PARKER & PARSLEY 87-B, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF OPERATIONS  
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2001	2000	2001	2000
	-----	-----	-----	-----
Revenues:				
Oil and gas	\$ 381,569	\$ 414,169	\$ 828,175	\$ 868,113
Interest	3,969	5,225	8,639	8,911

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Gain on disposition of assets	5,825	-	22,214	3,753
	-----	-----	-----	-----
	391,363	419,394	859,028	880,777
	-----	-----	-----	-----
Costs and expenses:				
Oil and gas production	181,811	182,083	373,020	344,924
General and administrative	9,921	12,425	21,533	26,043
Depletion	39,698	35,965	113,888	74,516
Abandoned property	3,397	-	17,332	-
	-----	-----	-----	-----
	234,827	230,473	525,773	445,483
	-----	-----	-----	-----
Net income	\$ 156,536	\$ 188,921	\$ 333,255	\$ 435,294
	=====	=====	=====	=====
Allocation of net income:				
Managing general partner	\$ 1,565	\$ 1,889	\$ 3,332	\$ 4,353
	=====	=====	=====	=====
Limited partners	\$ 154,971	\$ 187,032	\$ 329,923	\$ 430,941
	=====	=====	=====	=====
Net income per limited partnership interest	\$ 7.71	\$ 9.31	\$ 16.42	\$ 21.45
	=====	=====	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

4

904

PARKER & PARSLEY 87-B, LTD.  
(A Texas Limited Partnership)

STATEMENT OF PARTNERS' CAPITAL  
(Unaudited)

	Managing general partner	Limited partners	Total
	-----	-----	-----
Balance at January 1, 2001	\$ 28,156	\$2,794,621	\$2,822,777
Distributions	(3,477)	(344,194)	(347,671)
Net income	3,332	329,923	333,255
	-----	-----	-----
Balance at June 30, 2001	\$ 28,011	\$2,780,350	\$2,808,361
	=====	=====	=====

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

5

905

PARKER & PARSLEY 87-B, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF CASH FLOWS  
(Unaudited)

	Six months ended June 30,	
	2001	2000
	-----	-----
Cash flows from operating activities:		
Net income	\$ 333,255	\$ 435,294
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion	113,888	74,516
Gain on disposition of assets	(22,214)	(3,753)
Changes in assets and liabilities:		
Accounts receivable	155,912	(47,216)
Accounts payable	17,677	18,891
	-----	-----
Net cash provided by operating activities	598,518	477,732
	-----	-----
Cash flows from investing activities:		
Additions to oil and gas properties	(6,924)	(3,228)
Proceeds from asset dispositions	10,056	3,753
	-----	-----
Net cash provided by investing activities	3,132	525
	-----	-----
Cash flows used in financing activities:		
Cash distributions to partners	(347,671)	(459,528)
	-----	-----
Net increase in cash	253,979	18,729
Cash at beginning of period	257,845	262,756
	-----	-----
Cash at end of period	\$ 511,824	\$ 281,485
	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

6

902

PARKER & PARSLEY 87-B, LTD.  
(A Texas Limited Partnership)

NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Unaudited)

Note 1. Organization and nature of operations

Parker & Parsley 87-B, Ltd. (the "Partnership") is a limited partnership organized in 1987 under the laws of the State of Texas.

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

Note 2. Basis of presentation

In the opinion of management, the unaudited financial statements of the Partnership as of June 30, 2001 and for the three and six months ended June 30, 2001 and 2000 include all adjustments and accruals consisting only of normal recurring accrual adjustments which are necessary for a fair presentation of the results for the interim period. These interim results are not necessarily indicative of results for a full year. Certain reclassifications may have been made to the June 30, 2000 financial statements to conform to the June 30, 2001 financial statement presentations.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in this Form 10-Q pursuant to the rules and regulations of the Securities and Exchange Commission. The financial statements should be read in conjunction with the financial statements and the notes thereto contained in the Partnership's Report on Form 10-K for the year ended December 31, 2000, as filed with the Securities and Exchange Commission, a copy of which is available upon request by writing to Rich Dealy, Vice President and Chief Accounting Officer, 5205 North O'Connor Boulevard, Suite 1400, Texas 75039-3746.

Item 2. Management's Discussion and Analysis of Financial Condition  
and Results of Operations (1)

Results of Operations

Six months ended June 30, 2001 compared with six months ended June 30, 2000

Revenues:

The Partnership's oil and gas revenues decreased 5% to \$828,175 for the six months ended June 30, 2001 as compared to \$868,113 for the same period in 2000. The decrease in revenues resulted from a decline in production and a decrease in the average price received for oil, offset by higher average prices received for

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

gas and NGLs. For the six months ended June 30, 2001, 19,714 barrels of oil, 6,385 barrels of natural gas liquids ("NGLs") and 35,640 mcf of gas were sold, or 32,039 barrel of oil equivalents ("BOEs"). For the six months ended June 30, 2000, 21,676 barrels of oil, 11,585 barrels of NGLs and 47,808 mcf of gas were sold, or 41,229 BOEs.

The average price received per barrel of oil decreased \$.16, or 1%, from \$27.30 for the six months ended June 30, 2000 to \$27.14 for the same period in 2001. The average price received per barrel of NGLs increased \$2.21, or 15%, from \$15.08 during the six months ended June 30, 2000 to \$17.29 for the same period in 2001. The average price received per mcf of gas increased 141% from \$2.13 during the six months ended June 30, 2000 to \$5.13 for the same period in 2001. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received during the six months ended June 30, 2001.

Gain on disposition of assets of \$22,214 was received during the six months ended June 30, 2001 from disposal of equipment on two wells plugged and abandoned during the current period. Expenses to plug and abandon these wells were \$17,332. For the six months ended June 30, 2000 a gain on disposition of assets of \$3,753 was recognized due to credits received from the disposal of oil and gas equipment on one fully depleted well.

### Costs and Expenses:

Total costs and expenses increased to \$525,773 for the six months ended June 30, 2001 as compared to \$445,483 for the same period in 2000, an increase of \$80,290, or 18%. This increase was due to increases in depletion, production costs and abandoned property costs, offset by a decline in general and administrative expenses ("G&A").

Production costs were \$373,020 for the six months ended June 30, 2001 and \$344,924 for the same period in 2000 resulting in a \$28,096 increase, or 8%. This increase was primarily due to additional well maintenance and workover costs incurred to stimulate well production.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A decreased 17% from \$26,043 for the six months ended June 30, 2000 to \$21,533 from the same period in 2001, primarily due to less G&A being allocated (limited to 3% of oil and gas revenues) due to lower oil and gas revenues for the six months ended June 30, 2001 as compared to the same period in 2000.

Depletion was \$113,888 for the six months ended June 30, 2001 as compared to \$74,516 for the same period in 2000, an increase of \$39,372, or 53%. This increase was due to a downward revision to proved reserves on one significant well, offset by a decline in oil production of 1,962 barrels for the six months ended June 30, 2001 as compared to the same period in 2000.

Three months ended June 30, 2001 compared with three months ended June 30, 2000

### Revenues:



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The Partnership's oil and gas revenues decreased 8% to \$381,569 for the three months ended June 30, 2001 as compared to \$414,169 for the same period in 2000. The decrease in revenues resulted from a decrease in production and a decline in the average price received for oil, offset by an increase in the average prices received for gas and NGLs. For the three months ended June 30, 2001, 9,762 barrels of oil, 3,497 barrels of NGLs and 17,474 mcf of gas were sold, or 16,171 BOEs. For the three months ended June 30, 2000, 10,284 barrels of oil, 5,499 barrels of NGLs and 21,477 mcf of gas were sold, or 19,363 BOEs.

The average price received per barrel of oil decreased slightly from \$26.86 during the three months ended June 30, 2000 to \$26.73 for the same period in 2001. The average price received per barrel of NGLs increased \$.42, or 3%, from \$14.98 during the three months ended June 30, 2000 to \$15.40 for the same period in 2001. The average price received per mcf of gas increased 47% from \$2.59 during the three months ended June 30, 2000 to \$3.82 for the same period in 2001.

Gain on disposition of assets of \$5,825 was received during the three months ended June 30, 2001 from disposal of equipment on two wells plugged and abandoned during the current period. Expenses to plug and abandon these wells were \$3,397.

### Costs and Expenses:

Total costs and expenses increased to \$234,827 for the three months ended June 30, 2001 as compared to \$230,473 for the same period in 2000, an increase of \$4,354, or 2%. This increase was due to increases in depletion and abandoned property costs, offset by decreases in G&A and production costs.

Production costs were \$181,811 for the three months ended June 30, 2001 and \$182,083 for the same period in 2000 resulting in a \$272 decrease. This decrease was primarily due to lower well maintenance costs, offset by an increase in workover costs incurred to stimulate well production.

During this period, G&A decreased 20%, from \$12,425 for the three months ended June 30, 2000 to \$9,921 for the same period in 2001, primarily due to less G&A being allocated (limited to 3% of oil and gas revenues) due to lower oil and gas revenues for the three months ended June 30, 2001 as compared to the same period in 2000 and a decrease in audit and tax fees.

Depletion was \$39,698 for the three months ended June 30, 2001 as compared to \$35,965 for the same period in 2000, an increase of \$3,733, or 10%. This increase was primarily due to a downward revision to proved reserves on one significant well, offset by a decline in oil production of 522 barrels for the three months ended June 30, 2001 as compared to the same period in 2000.

### Liquidity and Capital Resources

#### Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$120,786 during the six months ended June 30, 2001 from the same period ended June 30, 2000. This increase was due to reductions of \$201,914 in working capital and \$4,510 in G&A expenses, offset by a decline in oil and gas sales receipts of \$40,210 and increases in production costs of \$28,096 and abandoned property costs of \$17,332. The decrease in G&A was primarily due to less G&A being allocated

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

(limited to 3% of oil and gas revenues) due to lower oil and gas revenues for the six months ended June 30, 2001 as compared to the same period in 2000. The decrease in oil and gas receipts resulted from a decline of \$205,527 in production during 2001 as compared to the same period in 2000 and a decline in oil prices of \$3,615, offset by an increase in gas and NGL prices of \$168,932 during 2001. The increase in production costs was primarily due to additional well maintenance and workover costs incurred to stimulate well production.

### Net Cash Provided by Investing Activities

The Partnership's investing activities during the six months ended June 30, 2001 and 2000 were related to expenditures for oil and gas equipment upgrades on active properties.

Proceeds from disposition of assets of \$10,056 and \$3,753 were recognized during the six months ended June 30, 2001 and 2000, respectively. Proceeds recognized during the period in 2001 were due to salvage income received on two wells plugged and abandoned during the current period. Proceeds recognized during the period in 2000 were from equipment credits received on one fully depleted well.

### Net Cash Used in Financing Activities

For the six months ended June 30, 2001, cash distributions to the partners were \$347,671, of which \$3,477 was distributed to the managing general partner and \$344,194 to the limited partners. For the same period ended June 30, 2000, cash distributions to the partners were \$459,528, of which \$4,595 was distributed to the managing general partner and \$454,933 to the limited partners.

For the three months ended June 30, 2001, no distributions were made by the partnership to its partners. Subsequent to June 30, 2001 the cash distribution that otherwise would have been mailed to partners in late June was made to holders of record as of July 9, 2001 and was mailed on July 13, 2001. For further information, see "Proposal to acquire partnerships" below.

### Proposal to acquire partnerships

On June 29, 2001, Pioneer Natural Resources Company ("Pioneer") filed with the Securities and Exchange Commission Amendment No. 1 to the Form S-4 Registration Statement (File No. 333- 59094) (the "preliminary proxy statement/prospectus"), which proposes an agreement and plan of merger among Pioneer, Pioneer Natural Resources USA, Inc. ("Pioneer USA"), a wholly-owned subsidiary of Pioneer, and 46 Parker & Parsley limited partnerships. Each partnership that approves the agreement and plan of merger and the other related merger proposals will merge

with and into Pioneer USA upon the closing of the transactions described in the preliminary proxy statement/prospectus, and the partnership interests of each such partnership will be converted into the right to receive Pioneer common stock. The Partnership is one of the 46 Parker & Parsley limited partnerships that will be asked to approve the agreement and plan of merger. The preliminary proxy statement/prospectus is non-binding and is subject to, among other things, consideration of offers from third parties to purchase any partnership or its assets and the majority approval of the limited partnership interests in each partnership.

Pioneer USA will solicit proxies from limited partners to approve the mergers only when the proxy statement/prospectus is final and declared effective. No solicitation will be made using preliminary materials. Nonetheless, copies of

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

the preliminary proxy statement/prospectus may be obtained without charge upon request from Pioneer Natural Resources Company, 5205 North O'Connor Blvd., Suite 1400, Irving, Texas 75039, Attention: Investor Relations.

The limited partners are urged to read the proxy statement/prospectus of Pioneer filed with the Securities and Exchange Commission, when it is finalized, because it contains important information about the proposed mergers, including information about the direct and indirect interests of Pioneer USA and Pioneer in the mergers. The limited partners may also obtain the preliminary and (when filed) final proxy statement/prospectus and other relevant documents relating to the proposed mergers free through the internet web site that the Securities and Exchange Commission maintains at [www.sec.gov](http://www.sec.gov).

-----

- (1) "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" contains forward looking statements that involve risks and uncertainties. Accordingly, no assurances can be given that the actual events and results will not be materially different than the anticipated results described in the forward looking statements.

Part II. Other Information

Item 6. Exhibits and Reports on Form 8-K

- (a) Exhibits - none  
(b) Reports on Form 8-K - none

11

911

PARKER & PARSLEY 87-B, LTD.  
(A Texas Limited Partnership)

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 thereunto duly authorized.

PARKER & PARSLEY 87-B, LTD.

By: Pioneer Natural Resources USA, Inc.,  
Managing General Partner

Dated: August 8, 2001

By: /s/ Rich Dealy

-----  
Rich Dealy, Vice President and

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Chief Accounting Officer

12

912

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

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d)  
of the Securities Exchange Act of 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000

COMMISSION FILE NO. 33-12244-02

PARKER & PARSLEY 87-B, LTD.

(Exact name of Registrant as specified in its charter)

TEXAS

75-2185706

-----  
(State or other jurisdiction of  
incorporation or organization)

-----  
(I.R.S. Employer  
Identification Number)

1400 WILLIAMS SQUARE WEST, 5205 N. O'CONNOR BLVD., IRVING, TEXAS

75039

-----  
(Address of principal executive offices)

-----  
(Zip code)

Registrant's Telephone Number, including area code : (972) 444-9001

Securities registered pursuant to Section 12(b) of the Act: NONE

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

LIMITED PARTNERSHIP INTERESTS (\$1,000 PER UNIT)  
-----

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

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

No market currently exists for the limited partnership interests of the Registrant. Based on the original purchase price, the aggregate market value of limited partnership interests owned by non-affiliates of the Registrant is \$20,044,000.

As of March 8, 2001, the number of outstanding limited partnership interests was 20,089.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The following documents are incorporated by reference into the indicated parts of this Annual Report on Form 10-K: None

PARTS I AND II OF THIS ANNUAL REPORT ON FORM 10-K (THE "REPORT") CONTAIN FORWARD LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. ACCORDINGLY, NO ASSURANCES CAN BE GIVEN THAT THE ACTUAL EVENTS AND RESULTS WILL NOT BE MATERIALLY DIFFERENT THAN THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS. SEE "ITEM 1. BUSINESS" FOR A DESCRIPTION OF VARIOUS FACTORS THAT COULD MATERIALLY AFFECT THE ABILITY OF THE PARTNERSHIP TO ACHIEVE THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS.

913

### PART I

#### ITEM 1. BUSINESS

Parker & Parsley 87-B, Ltd. (the "Partnership") is a limited partnership organized in 1987 under the laws of the State of Texas. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA"). Pioneer USA is a wholly-owned subsidiary of Pioneer Natural Resources Company ("Pioneer"). As of March 8, 2001, the Partnership had 20,089 limited partnership interests outstanding.

The Partnership does not have any employees of its own. Pioneer USA employs 701 persons, many of whom dedicated a part of their time to the conduct of the Partnership's business during the period for which this Report is filed. Pioneer USA supplies all management functions.

The Partnership engages in oil and gas development and production and is not involved in any industry segment other than oil and gas. The Partnership's production is geographically concentrated in West Texas.

The principal markets during 2000 for the oil produced by the Partnership were refineries and oil transmission companies that have facilities near the Partnership's oil producing properties. During 2000, Pioneer USA marketed the Partnership's gas to a variety of purchasers, none of which accounted for 10% or more of the Partnership's oil and gas revenues. Of the Partnership's total oil and gas revenues for 2000, approximately 49% and 16% was attributable to sales made to Plains Marketing, L.P. and Phillips Petroleum Company. Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on its ability to sell its oil, natural gas liquids ("NGLs") and gas production.

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

Oil and gas production operations are subject to various types of regulations by local, state and federal agencies. The Partnership's operations are also subject to state conservation laws and regulations, including the establishment of maximum rates of production from wells and the regulation of spacing, plugging and abandonment of wells. Each state generally imposes a production or severance tax with respect to production and sale of oil and gas within their respective jurisdictions. Noncompliance with the laws and regulations may subject the Partnership to penalties, damages or other liabilities and compliance may

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

increase the cost of the Partnership's operations. The oil and gas business is also subject to environmental hazards such as oil spills, gas leaks and ruptures and discharges of toxic substances or gases that could expose the Partnership to substantial

2

914

liability due to pollution and other environmental damages. Although the Partnership believes that its business operations do not impair environmental quality and that its costs of complying with any applicable environmental regulations are not currently significant, the Partnership cannot predict what, if any, effect these environmental regulations may have on its current or future operations.

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

No material part of the Partnership's business is seasonal and the Partnership conducts no foreign operations.

### ITEM 2. PROPERTIES

The Partnership's properties consist of leasehold interests in properties on which oil and gas wells are located. Such property interests are often subject to landowner royalties, overriding royalties and other oil and gas leasehold interests.

Fractional working interests in developmental oil and gas prospects located in Texas were acquired by the Partnership, resulting in the Partnership's participation in the drilling of 64 oil and gas wells. At December 31, 2000, 49 wells were producing; one well was a dry hole from a previous year; five wells have been plugged and abandoned and nine wells were sold.

For information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities for the years then ended, see Note 7 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" below. Such reserves have been evaluated by Williamson Petroleum Consultants, Inc., an independent petroleum consultant.

### ITEM 3. LEGAL PROCEEDINGS

The Partnership from time to time is a party to various legal proceedings incidental to its business involving claims in oil and gas leases or interests, other claims for damages in amounts not in excess of 10% of its current assets and other matters, none of which Pioneer USA believes to be material to the Partnership.

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

There were no matters submitted to a vote of the partners during the fourth quarter of 2000.

3

915

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

PART II

ITEM 5. MARKET FOR LIMITED PARTNERSHIP INTERESTS AND LIMITED PARTNERSHIP DISTRIBUTIONS

At March 8, 2001, the Partnership had 20,089 outstanding limited partnership interests held of record by 1,468 subscribers. There is no established public trading market for the limited partnership interests. Under the limited partnership agreement, Pioneer USA has made certain commitments to purchase partnership interests at a computed value.

Revenues which, in the sole judgement of the managing general partner, are not required to meet the Partnership's obligations are distributed to the partners at least quarterly in accordance with the limited partnership agreement. During the years ended December 31, 2000 and 1999, distributions of \$984,669 and \$367,015, respectively, were made to the limited partners.

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth selected financial data for the years ended December 31:

	2000 -----	1999 -----	1998 -----	1997 -----	1996 -----
Operating results:					
Oil and gas sales	\$1,917,791 =====	\$1,136,700 =====	\$ 965,599 =====	\$1,412,905 =====	\$1,725,580 =====
Gain on litigation settlement, net	\$ - =====	\$ - =====	\$ - =====	\$ - =====	\$ 590,715 =====
Impairment of oil and gas properties	\$ 86,674 =====	\$ - =====	\$ 199,037 =====	\$ 768,208 =====	\$ - =====
Net income (loss)	\$ 945,927 =====	\$ 279,094 =====	\$ (331,789) =====	\$ (347,350) =====	\$1,199,153 =====
Allocation of net income (loss):					
Managing general partner	\$ 9,459 =====	\$ 2,791 =====	\$ (3,318) =====	\$ (3,473) =====	\$ 11,992 =====
Limited partners	\$ 936,468 =====	\$ 276,303 =====	\$ (328,471) =====	\$ (343,877) =====	\$1,187,161 =====
Limited partners' net income (loss) per limited partnership interest	\$ 46.62 =====	\$ 13.75 =====	\$ (16.35) =====	\$ (17.12) =====	\$ 59.10 =====
Limited partners' cash distributions per limited partnership interest	\$ 49.02 =====	\$ 18.27 =====	\$ 21.24 =====	\$ 35.83 =====	\$ 87.23 (a) =====

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

At year end:

Identifiable assets	\$2,848,775	\$2,900,940	\$2,984,346	\$3,766,001	\$4,914,489
	=====	=====	=====	=====	=====

-----

(a) Including litigation settlement per limited partnership interest of \$29.11 in 1996.

4

916

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

#### Results of operations

##### 2000 compared to 1999

The Partnership's oil and gas revenues increased 69% to \$1,917,791 for 2000 as compared to \$1,136,700 in 1999. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 2000, 42,280 barrels of oil, 23,121 barrels of natural gas liquids ("NGLs") and 96,740 mcf of gas were sold, or 81,524 barrel of oil equivalents ("BOEs"). In 1999, 44,029 barrels of oil, 24,404 barrels of NGLs and 99,771 mcf of gas were sold, or 85,062 BOEs. Due to the decline characteristics of the Partnership's oil and gas properties, management expects a certain amount of decline in production to continue in the future until the Partnership's economically recoverable reserves are fully depleted.

The average price received per barrel of oil increased \$12.60, or 75%, from \$16.71 in 1999 to \$29.31 in 2000. The average price received per barrel of NGLs increased \$7.17, or 74%, from \$9.73 in 1999 to \$16.90 in 2000. The average price received per mcf of gas increased 82% from \$1.64 in 1999 to \$2.98 in 2000. The market price received for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received in 2000.

A gain on disposition of assets of \$4,102, recognized during 2000, was attributable to credits received from the disposal of oil and gas equipment on one fully depleted well.

Total costs and expenses increased in 2000 to \$997,051 as compared to \$870,434 in 1999, an increase of \$126,617, or 15%. The increase was primarily due to the impairment of oil and gas properties and increases in production costs and general and administrative expenses ("G&A"), offset by a decline in depletion.

Production costs were \$703,352 in 2000 and \$633,091 in 1999, resulting in an increase of \$70,261, or 11%. The increase was primarily due to higher production taxes associated with higher oil and gas prices and additional well maintenance costs incurred to stimulate production, offset by a decline in workover expenses.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 69% from \$34,237 in 1999 to \$57,746 in 2000 primarily due to a higher percentage



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$50,579 in 2000 and \$23,361 in 1999 for G&A incurred on behalf of the Partnership. The remaining G&A was paid directly by the Partnership. The managing general partner determines the allocated expenses based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated

5

917

to reflect changes in Pioneer USA's overall business activities.

In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the managing general partner reviews the Partnership's oil and gas properties for impairment whenever events or circumstances indicate a decline in the recoverability of the carrying value of the Partnership's assets may have occurred. As a result of the review and evaluation of its long-lived assets for impairment, the Partnership recognized a non-cash charge of \$86,674 related to its oil and gas properties during 2000.

Depletion was \$149,279 in 2000 compared to \$203,106 in 1999, representing a decrease of \$53,827, or 27%. The decrease was primarily due to an 8,836 barrels of oil increase in proved reserves during 2000 as a result of higher commodity prices.

1999 compared to 1998

The Partnership's 1999 oil and gas revenues increased 18% to \$1,136,700 from \$965,599 in 1998. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 1999, 44,029 barrels of oil, 24,404 barrels of NGLs and 99,771 mcf of gas were sold, or 85,062 BOEs. In 1998, 49,182 barrels of oil, 23,854 barrels of NGLs and 104,072 mcf of gas were sold, or 90,381 BOEs.

The average price received per barrel of oil increased \$3.54, or 27%, from \$13.17 in 1998 to \$16.71 in 1999. The average price received per barrel of NGLs increased \$2.91, or 43%, from \$6.82 in 1998 to \$9.73 in 1999. The average price received per mcf of gas increased 10% from \$1.49 in 1998 to \$1.64 in 1999.

A gain on disposition of assets of \$13,965 was received during 1998 from the sale of oil and gas equipment on one well abandoned in a prior year. Abandoned property costs of \$3,943 were incurred in 1998. These costs were attributable to the plugging and abandonment of one uneconomical well in a prior year.

Total costs and expenses decreased in 1999 to \$870,434 as compared to \$1,326,204 in 1998, a decrease of \$455,770, or 34%. The decrease was due to declines in depletion, the impairment of oil and gas properties and abandoned property costs, offset by increases in production costs and G&A.

Production costs were \$633,091 in 1999 and \$600,702 in 1998, resulting in a \$32,389 increase, or 5%. The increase was due to increases in well maintenance costs and workover costs incurred to stimulate well production, offset by a decline in ad valorem taxes.

During this period, G&A increased 18% from \$28,968 in 1998 to \$34,237 in 1999 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$23,361 in

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

1999 and \$23,688 in 1998 for G&A incurred on behalf of the Partnership.

The Partnership recognized a non-cash SFAS 121 charge of \$199,037 related to its oil and gas

6

918

properties during 1998.

Depletion was \$203,106 in 1999 compared to \$493,554 in 1998. This represented a decrease of \$290,448, or 59%. The decrease was the result of a combination of factors that included an increase in proved reserves of 377,754 barrels of oil during 1999 as a result of higher commodity prices, a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 1998 and a decline in oil production of 5,153 barrels for the period ended December 31, 1999 compared to the same period in 1998.

Petroleum industry

The petroleum industry has been characterized by volatile oil, NGL and natural gas commodity prices and relatively stable supplier costs during the three years ended December 31, 2000. During 1998, weather patterns, regional economic recessions and political matters combined to cause worldwide oil supplies to exceed demand resulting in a substantial decline in oil prices. Also during 1998, but to a lesser extent, market prices for natural gas declined. During 1999 and 2000, the Organization of Petroleum Exporting Countries ("OPEC") and certain other crude oil exporting nations announced reductions in their planned export volumes. Those announcements, together with the enactment of the announced reductions in export volumes, had a positive impact on world oil prices, as have overall natural gas supply and demand fundamentals on North American natural gas prices. Although the favorable commodity price environment and stable field service cost environment is expected to continue during 2001, there is no assurance that commodity prices will not return to a less favorable level or that field service costs will not escalate in the future, both of which could negatively impact the Partnership's future results of operations and cash distributions.

Liquidity and capital resources

Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$569,152 during the year ended December 31, 2000 from 1999. This increase was due to an increase in oil and gas sales receipts of \$789,348, offset by increases in production costs paid of \$70,261, G&A expenses paid of \$23,509 and working capital of \$126,426. The increase in oil and gas receipts resulted from the increase in commodity prices during 2000 which contributed an additional \$871,310 to oil and gas receipts, offset by \$81,962 resulting from the decline in production during 2000. The increase in production costs was primarily due to increased production taxes associated with higher oil and gas prices and additional well maintenance costs incurred to stimulate well production, offset by a decline in workover expenses. The increase in G&A was primarily due to higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues.

Net Cash Used in Investing Activities

The Partnership's investing activities during 2000 and 1999 were related to expenditures for oil and gas equipment upgrades on active properties.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Proceeds from asset dispositions of \$4,326 and \$5,007 were received during 2000 and 1999, respectively. The proceeds of \$4,326 were due to \$4,102 salvage income on one fully depleted well

and the remaining \$224 on equipment credits received on an active well. The proceeds of \$5,007 were due to equipment credits received on one temporarily abandoned well.

Net Cash Used in Financing Activities

In 2000, cash distributions to the partners were \$994,615, of which \$9,946 was distributed to the managing general partner and \$984,669 to the limited partners. In 1999, cash distributions to the partners were \$370,722, of which \$3,707 was distributed to the managing general partner and \$367,015 to the limited partners.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO FINANCIAL STATEMENTS

	Page
	----
Financial Statements of Parker & Parsley 87-B, Ltd:	
Independent Auditors' Report.....	10
Balance Sheets as of December 31, 2000 and 1999.....	11
Statements of Operations for the Years Ended December 31,	
2000, 1999 and 1998.....	12
Statements of Partners' Capital for the Years Ended	
December 31, 2000, 1999 and 1998.....	13
Statements of Cash Flows for the Years Ended December 31,	
2000, 1999 and 1998.....	14
Notes to Financial Statements.....	15

INDEPENDENT AUDITORS' REPORT

The Partners  
Parker & Parsley 87-B, Ltd.  
(A Texas Limited Partnership):

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

We have audited the balance sheets of Parker & Parsley 87-B, Ltd. as of December 31, 2000 and 1999, and the related statements of operations, partners' capital and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parker & Parsley 87-B, Ltd. as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Dallas, Texas  
March 9, 2001

10

922

PARKER & PARSLEY 87-B, LTD.  
(A Texas Limited Partnership)

BALANCE SHEETS  
December 31

	2000 -----	1999 -----
ASSETS -----		
Current assets:		
Cash	\$ 257,845	\$ 262,756
Accounts receivable - oil and gas sales	357,836	179,571
	-----	-----
Total current assets	615,681	442,327
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	13,396,004	13,385,570

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Accumulated depletion	(11,162,910)	(10,926,957)
	-----	-----
Net oil and gas properties	2,233,094	2,458,613
	-----	-----
	\$ 2,848,775	\$ 2,900,940
	=====	=====
LIABILITIES AND PARTNERS' CAPITAL		
-----		
Current liabilities:		
Accounts payable - affiliate	\$ 25,998	\$ 29,475
Partners' capital:		
Managing general partner	28,156	28,643
Limited partners (20,089 interests)	2,794,621	2,842,822
	-----	-----
	2,822,777	2,871,465
	-----	-----
	\$ 2,848,775	\$ 2,900,940
	=====	=====

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

11

923

PARKER & PARSLEY 87-B, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF OPERATIONS  
For the years ended December 31

	2000	1999	1998
	-----	-----	-----
Revenues:			
Oil and gas	\$1,917,791	\$1,136,700	\$ 965,599
Interest	21,085	12,828	14,851
Gain on disposition of assets	4,102	-	13,965
	-----	-----	-----
	1,942,978	1,149,528	994,415
	-----	-----	-----
Costs and expenses:			
Oil and gas production	703,352	633,091	600,702
General and administrative	57,746	34,237	28,968
Impairment of oil and gas properties	86,674	-	199,037
Depletion	149,279	203,106	493,554

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Abandoned property	-	-	3,943
	-----	-----	-----
	997,051	870,434	1,326,204
	-----	-----	-----
Net income (loss)	\$ 945,927	\$ 279,094	\$ (331,789)
	=====	=====	=====
Allocation of net income (loss):			
Managing general partner	\$ 9,459	\$ 2,791	\$ (3,318)
	=====	=====	=====
Limited partners	\$ 936,468	\$ 276,303	\$ (328,471)
	=====	=====	=====
Net income (loss) per limited partnership interest	\$ 46.62	\$ 13.75	\$ (16.35)
	=====	=====	=====

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

12

924

PARKER & PARSLEY 87-B, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF PARTNERS' CAPITAL

	Managing general partner	Limited partners	Total
	-----	-----	-----
Partners' capital at January 1, 1998	\$ 37,187	\$3,688,711	\$3,725,898
Distributions	(4,310)	(426,706)	(431,016)
Net loss	(3,318)	(328,471)	(331,789)
	-----	-----	-----
Partners' capital at December 31, 1998	29,559	2,933,534	2,963,093
Distributions	(3,707)	(367,015)	(370,722)
Net income	2,791	276,303	279,094
	-----	-----	-----
Partners' capital at December 31, 1999	28,643	2,842,822	2,871,465
Distributions	(9,946)	(984,669)	(994,615)

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Net income	9,459	936,468	945,927
	-----	-----	-----
Partners' capital at December 31, 2000	\$ 28,156	\$2,794,621	\$2,822,777
	=====	=====	=====

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

13

925

PARKER & PARSLEY 87-B, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF CASH FLOWS  
For the years ended December 31

	2000	1999	1998
	-----	-----	-----
Cash flows from operating activities:			
Net income (loss)	\$ 945,927	\$ 279,094	\$ (331,789)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Impairment of oil and gas properties	86,674	-	199,037
Depletion	149,279	203,106	493,554
Gain on disposition of assets	(4,102)	-	(13,965)
Changes in assets and liabilities:			
Accounts receivable	(178,265)	(63,538)	64,682
Accounts payable	(3,477)	8,222	(18,850)
	-----	-----	-----
Net cash provided by operating activities	996,036	426,884	392,669
	-----	-----	-----
Cash flows from investing activities:			
Additions to oil and gas properties	(10,658)	(19,835)	(22,998)
Proceeds from disposition of assets	4,326	5,007	13,965
	-----	-----	-----
Net cash used in investing activities	(6,332)	(14,828)	(9,033)
	-----	-----	-----
Cash flows used in financing activities:			
Cash distributions to partners	(994,615)	(370,722)	(431,016)
	-----	-----	-----
Net increase (decrease) in cash	(4,911)	41,334	(47,380)
Cash at beginning of year	262,756	221,422	268,802
	-----	-----	-----
Cash at end of year	\$ 257,845	\$ 262,756	\$ 221,422
	=====	=====	=====

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

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

14

926

PARKER & PARSLEY 87-B, LTD.  
(A Texas Limited Partnership)

NOTES TO FINANCIAL STATEMENTS  
December 31, 2000, 1999 and 1998

### NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS

Parker & Parsley 87-B, Ltd. (the "Partnership") is a limited partnership organized in 1987 under the laws of the State of Texas. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA").

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Oil and gas properties - The Partnership utilizes the successful efforts method of accounting for its oil and gas properties and equipment. Under this method, all costs associated with productive wells and nonproductive development wells are capitalized while nonproductive exploration costs are expensed. Capitalized costs relating to proved properties are depleted using the unit-of-production method on a property-by-property basis based on proved oil (dominant mineral) reserves as evaluated by independent petroleum consultants. The carrying amounts of properties sold or otherwise disposed of and the related allowances for depletion are eliminated from the accounts and any gain or loss is included in results of operations.

Impairment of long-lived assets - In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the Partnership reviews its long-lived assets to be held and used on an individual property basis, including oil and gas properties accounted for under the successful efforts method of accounting, whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. An impairment loss is indicated if the sum of the expected future cash flows is less than the carrying amount of the assets. In this circumstance, the Partnership recognizes an impairment loss for the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset.

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

Net income (loss) per limited partnership interest - The net income (loss) per limited partnership interest is calculated by using the number of outstanding limited partnership interests.



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Income taxes - A Federal income tax provision has not been included in the financial statements as the income of the Partnership is included in the individual Federal income tax returns of the

15

927

respective partners.

Statements of cash flows - For purposes of reporting cash flows, cash includes depository accounts held by banks.

General and administrative expenses - General and administrative expenses are allocated in part to the Partnership by the managing general partner. Allocated expenses are determined by the managing general partner based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Reclassifications - Certain reclassifications may have been made to the 1999 and 1998 financial statements to conform to the 2000 financial statement presentations.

Environmental - The Partnership is subject to extensive federal, state and local environmental laws and regulations. These laws, which are constantly changing, regulate the discharge of materials into the environment and may require the Partnership to remove or mitigate the environmental effects of the disposal or release of petroleum or chemical substances at various sites. Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Liabilities for expenditures of a noncapital nature are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated. Such liabilities are generally undiscounted unless the timing of cash payments for the liability or component are fixed or reliably determinable. No such liabilities have been accrued as of December 31, 2000.

Revenue recognition - The Partnership uses the entitlements method of accounting for oil, natural gas liquids ("NGLs") and natural gas revenues.

### NOTE 3. IMPAIRMENT OF LONG-LIVED ASSETS

In accordance with SFAS 121, the Partnership reviews its proved oil and gas properties for impairment whenever events and circumstances indicate a decline in the recoverability of the carrying value of the Partnership's oil and gas properties. The Partnership has estimated the expected future cash flows of its oil and gas properties as of December 31, 2000, 1999 and 1998, based on proved reserves, and compared such estimated future cash flows to the respective carrying amount of the oil and gas properties to determine if the carrying amounts were likely to be recoverable. For those proved oil and gas properties for which the carrying amount exceeded the estimated future cash flows, an impairment was determined to exist; therefore, the Partnership adjusted the carrying amount of those oil and gas properties to their fair value as determined by discounting their expected future cash flows at a discount rate commensurate with the risks involved in the industry. As a result, the Partnership recognized non-cash impairment provisions of \$86,674 and \$199,037 related to its proved oil and gas properties during 2000 and 1998, respectively.

### NOTE 4. INCOME TAXES

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

16

928

The financial statement basis of the Partnership's net assets and liabilities was \$261,429 greater than the tax basis at December 31, 2000.

The following is a reconciliation of net income (loss) per statements of operations with the net income per Federal income tax returns for the years ended December 31:

	2000 -----	1999 -----	1998 -----
Net income (loss) per statements of operations	\$ 945,927	\$279,094	\$(331,789)
Intangible development costs capitalized for financial reporting purposes and expensed for tax reporting purposes	--	(273)	(5)
Depletion and depreciation provisions for tax reporting purposes less than amounts for financial reporting purposes	137,352	192,661	477,912
Impairment of oil and gas properties for financial reporting purposes	86,674	--	199,037
Loss on sale of assets for tax reporting purposes greater than amounts for financial reporting purposes	--	(25,328)	--
Other, net	(2,628)	2,156	(4,671)
	-----	-----	-----
Net income per Federal income tax returns	\$1,167,325 =====	\$448,310 =====	\$ 340,484 =====

NOTE 5. OIL AND GAS PRODUCING ACTIVITIES

The following is a summary of the costs incurred, whether capitalized or expensed, related to the Partnership's oil and gas producing activities for the years ended December 31:

	2000 -----	1999 -----	1998 -----
Development costs	\$ 10,658 =====	\$ 19,835 =====	\$ 22,998 =====

Capitalized oil and gas properties consist of the following:

	2000 -----	1999 -----
Proved properties:		
Property acquisition costs	\$ 552,956	\$ 552,956
Completed wells and equipment	12,843,048	12,832,614

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	-----	-----
	13,396,004	13,385,570
Accumulated depletion	(11,162,910)	(10,926,957)
	-----	-----
Net oil and gas properties	\$ 2,233,094	\$ 2,458,613
	=====	=====

17

929

NOTE 6. RELATED PARTY TRANSACTIONS

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

	2000	1999	1998
	-----	-----	-----
Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$ 304,400	\$ 301,167	\$ 292,411
Reimbursement of general and administrative expenses	\$ 50,579	\$ 23,361	\$ 23,688

The Partnership participates in oil and gas activities through an income tax partnership (the "Program") pursuant to the Program agreement. In addition, Pioneer USA, Parker & Parsley 87-B Conv., Ltd. and the Partnership (the "Partnerships") are parties to the Program agreement.

The costs and revenues of the Program are allocated to Pioneer USA and the Partnerships as follows:

	Pioneer USA (1)	Partnerships (2)
	-----	-----
Revenues:		
Proceeds from disposition of depreciable properties	9.09091%	90.90909%
All other revenues	24.242425%	75.757575%
Costs and expenses:		
Lease acquisition costs, drilling and completion costs and all other costs	9.09091%	90.90909%
Operating costs, direct costs and general and administrative expenses	24.242425%	75.757575%

(1) Excludes Pioneer USA's 1% general partner ownership which is allocated at the Partnership level and 45 limited partner interests

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

owned by Pioneer USA.

- (2) The allocation between the Partnership and Parker & Parsley 87-B Conv., Ltd. is 80.33029% and 19.66971%, respectively.

### NOTE 7. OIL AND GAS INFORMATION (UNAUDITED)

The following table presents information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities during the years then ended. All of the Partnership's reserves are proved developed and located within the United States. The Partnership's reserves are based on an evaluation prepared by Williamson Petroleum Consultants, Inc., an independent petroleum consultant, using criteria established by the Securities and Exchange Commission.

18

930

	Oil and NGLs (bbls)	Gas (mcf)
	-----	-----
Net proved reserves at January 1, 1998	941,555	1,291,273
Revisions	(314,311)	(287,194)
Production	(73,036)	(104,072)
	-----	-----
Net proved reserves at December 31, 1998	554,208	900,007
Revisions	633,879	1,113,934
Production	(68,433)	(99,771)
	-----	-----
Net proved reserves at December 31, 1999	1,119,654	1,914,170
Revisions	(38,404)	(311,039)
Production	(65,401)	(96,740)
	-----	-----
Net proved reserves at December 31, 2000	1,015,849	1,506,391
	=====	=====

As of December 31, 2000, the estimated present value of future net revenues of proved reserves, calculated using December 31, 2000 prices of \$26.64 per barrel of oil, \$13.26 per barrel of NGLs and \$7.62 per mcf of gas, discounted at 10% was approximately \$7,561,000 and undiscounted was \$16,119,000.

Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves. The Partnership emphasizes that reserve estimates are inherently imprecise and, accordingly, the estimates are expected to change as future information becomes available.

Disclosures about Oil & Gas Producing Activities

Standardized Measure of Discounted Future Net Cash Flows

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The standardized measure of discounted future net cash flows is computed by applying year-end prices of oil and gas (with consideration of price changes only to the extent provided by contractual arrangements) to the estimated future production of proved oil and gas reserves less estimated future expenditures (based on year-end costs) to be incurred in developing and producing the proved reserves, discounted using a rate of 10% per year to reflect the estimated timing of the future cash flows. A Federal income tax provision has not been calculated as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

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

	For the years ended December 31		
	2000	1999	1998
	(in thousands)		
Oil and gas producing activities:			
Future cash inflows	\$ 33,638	\$ 27,613	\$ 6,119
Future production costs	(17,519)	(15,463)	(4,119)
	16,119	12,150	2,000
10% annual discount factor	(8,558)	(5,940)	(1,119)
Standardized measure of discounted future net cash flows	\$ 7,561	\$ 6,210	\$ 861

19

931

	For the years ended December 31,		
	2000	1999	1998
	(in thousands)		
Oil and Gas Producing Activities:			
Oil and gas sales, net of production costs	\$ (1,214)	\$ (504)	\$ (365)
Net changes in prices and production costs	3,247	3,033	(2,391)
Revisions of estimated future development costs	-	-	-
Revisions of previous quantity estimates	(587)	4,749	(410)
Accretion of discount	621	98	385
Changes in production rates, timing and other	(716)	(2,146)	(87)
Change in present value of future net revenues	1,351	5,230	(2,868)

925

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Balance, beginning of year	6,210	980	3,848
	-----	-----	-----
Balance, end of year	\$ 7,561	\$ 6,210	\$ 980
	=====	=====	=====

### NOTE 8. MAJOR CUSTOMERS

The following table reflects the major customers of the Partnership's oil and gas sales (a major customer is defined as a customer whose sales exceed 10% of total sales) during the years ended December 31:

	2000	1999	1998
	----	----	----
Plains Marketing, L.P.	49%	50%	-
Genesis Crude Oil, L.P.	2%	-	57%
Western Gas Resources, Inc.	4%	6%	26%
Phillips Petroleum Company	16%	9%	8%

At December 31, 2000, the amounts receivable from Plains Marketing, L.P. and Phillips Petroleum Company were \$95,526 and \$42,656, respectively, which are included in the caption "Accounts receivable - oil and gas sales" in the accompanying Balance Sheet.

Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on the ability of the Partnership to sell its oil, NGLs and gas production.

### NOTE 9. PARTNERSHIP AGREEMENT

The following is a brief summary of the more significant provisions of the limited partnership agreement:

Managing general partner - The managing general partner of the Partnership is Pioneer USA. Pioneer USA has the power and authority to manage, control and administer all Program and Partnership affairs. As managing general partner and operator of the Partnership's properties, all production expenses are incurred by Pioneer USA and billed to the Partnership. The majority of the Partnership's oil and gas revenues are received directly by the Partnership, however, a portion of the oil and gas revenue is initially received by Pioneer USA prior to being paid to the Partnership. Under the limited partnership agreement, the managing general partner pays 1% of the Partnership's acquisition, drilling and completion costs and 1% of its operating and general and administrative expenses. In return, it is allocated 1% of the Partnership's revenues.

20

932

Limited partner liability - The maximum amount of liability of any limited partner is the total contributions of such partner plus his share of any undistributed profits.

Initial capital contributions - The limited partners entered into subscription agreements for aggregate capital contributions of \$20,089,000. Pioneer USA is required to contribute amounts equal to 1% of

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

initial Partnership capital less commission and offering expenses allocated to the limited partners and to contribute amounts necessary to pay costs and expenses allocated to it under the Partnership agreement to the extent its share of revenues does not cover such costs.

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

None.

21

933

### PART III

#### ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE PARTNERSHIP

The Partnership does not have any officers or directors. Under the limited partnership agreement, the Partnership's managing general partner, Pioneer USA, is granted the exclusive right and full authority to manage, control and administer the Partnership's business.

Set forth below are the names, ages and positions of the directors and executive officers of Pioneer USA. Directors of Pioneer USA are elected to serve until the next annual meeting of stockholders or until their successors are elected and qualified.

Name -----	Age at December 31, 2000 ----	Position -----
Scott D. Sheffield	48	President
Timothy L. Dove	44	Executive Vice President, Chief Financial Officer and Director
Dennis E. Fagerstone	51	Executive Vice President and Director
Mark L. Withrow	53	Executive Vice President, General Counsel and Director
Danny Kellum	46	Executive Vice President - Domestic Operations and Director
Rich Dealy	34	Vice President and Chief Accounting Officer

Scott D. Sheffield. Mr. Sheffield is a graduate of The University of Texas with a B.S. in Petroleum Engineering. Since August 1997, he has served as President, Chief Executive Officer and a director of Pioneer and President of Pioneer USA. Mr. Sheffield assumed the position of Chairman of the Board of Pioneer in August 1999. He served as a director of Pioneer USA from August 1997 until his resignation from the board in June 1999. Mr. Sheffield was the President and a director of Parker & Parsley Petroleum Company ("Parker & Parsley") from May 1990 until August 1997 and was the Chairman of the Board and Chief Executive Officer of Parker & Parsley from October 1990 until August 1997.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

He was the sole director of Parker & Parsley from May 1990 until October 1990. Mr. Sheffield joined Parker & Parsley Development Company ("PPDC"), a predecessor of Parker & Parsley, as a petroleum engineer in 1979. He served as Vice President - Engineering of PPDC from September 1981 until April 1985 when he was elected President and a director. In March 1989, Mr. Sheffield was elected Chairman of the Board and Chief Executive Officer of PPDC. Before joining PPDC's predecessor, Mr. Sheffield was employed as a production and reservoir engineer for Amoco Production Company.

22

934

Timothy L. Dove. Mr. Dove earned a B.S. in Mechanical Engineering from Massachusetts Institute of Technology in 1979 and received his M.B.A. in 1981 from the University of Chicago. He became Executive Vice President - Business Development of Pioneer and Pioneer USA in August 1997 and was also appointed a director of Pioneer USA in August 1997. Mr. Dove assumed the position of Chief Financial Officer of Pioneer and Pioneer USA effective February 1, 2000. Mr. Dove joined Parker & Parsley in May 1994 as Vice President - International and was promoted to Senior Vice President - Business Development in October 1996, in which position he served until August 1997. Prior to joining Parker & Parsley, Mr. Dove was employed with Diamond Shamrock Corp., and its successor, Maxus Energy Corp, in various capacities in international exploration and production, marketing, refining and marketing and planning and development.

Dennis E. Fagerstone. Mr. Fagerstone, a graduate of the Colorado School of Mines with a B.S. in Petroleum Engineering, became an Executive Vice President of Pioneer and Pioneer USA in August 1997. He was also appointed a director of Pioneer USA in August 1997. He served as Executive Vice President and Chief Operating Officer of MESA Inc. ("Mesa") from March 1, 1997 until August 1997. From October 1996 to February 1997, Mr. Fagerstone served as Senior Vice President and Chief Operating Officer of Mesa and from May 1991 to October 1996, he served as Vice President - Exploration and Production of Mesa. From June 1988 to May 1991, Mr. Fagerstone served as Vice President - Operations of Mesa.

Mark L. Withrow. Mr. Withrow, a graduate of Abilene Christian University with a B. S. in Accounting and Texas Tech University with a Juris Doctorate degree, became Executive Vice President, General Counsel and Secretary of Pioneer and Pioneer USA in August 1997. He was also appointed a director of Pioneer USA in August 1997. Mr. Withrow was Vice President - General Counsel of Parker & Parsley from January 1991, when he joined Parker & Parsley, to January 1995, when he was appointed Senior Vice President - General Counsel. He was Parker & Parsley's Secretary from August 1992 until August 1997. Prior to joining Parker & Parsley, Mr. Withrow was the managing partner of the law firm of Turpin, Smith, Dyer, Saxe & MacDonald, Midland, Texas.

Danny Kellum. Mr. Kellum, who received a Bachelor of Science degree in Petroleum Engineering from Texas Tech University in 1979, was elected Executive Vice President - Domestic Operations of Pioneer and Pioneer USA on May 18, 2000 and Director of Pioneer USA on February 1, 2000. From January 2000 until May 2000, Mr. Kellum served as Vice President - Domestic Operations of Pioneer and Pioneer USA. Mr. Kellum served as Vice President Permian Division of Pioneer and Pioneer USA from April 1998 until December 1999. From 1989 until 1994 he served as Spraberry District Manager and as Vice President of the Spraberry and Permian Division for Parker & Parsley until August of 1997. Mr. Kellum joined Parker & Parsley as an operations engineer in 1981 after a brief career with Mobil Oil Corporation.

Rich Dealy. Mr. Dealy is a graduate of Eastern New Mexico University with a B.B.A. in Accounting and Finance and is a Certified Public Accountant. He became Vice President and Chief Accounting Officer of Pioneer and Pioneer USA in



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

February 1998. Mr. Dealy served as Controller of Pioneer USA from August 1997 to February 1998. He served as Controller of Parker & Parsley from August 1995 to August 1997. Mr. Dealy joined Parker & Parsley as an Accounting Manager in July, 1992. He was previously employed with KPMG Peat Marwick as an Audit Senior, in charge of Parker & Parsley's audit.

23

935

### ITEM 11. EXECUTIVE COMPENSATION

The Partnership does not have any directors or officers. Management of the Partnership is performed by Pioneer USA, the managing general partner. The Partnership participates in oil and gas activities through an income tax partnership (the "Program") pursuant to the Program agreement. Under the Program agreement, Pioneer USA pays approximately 10% of the Program's acquisition, drilling and completion costs and approximately 25% of its operating and general and administrative expenses. In return, Pioneer USA is allocated approximately 25% of the Program's revenues.

The Partnership does not directly pay any salaries of the executive officers of Pioneer USA, but does pay a portion of Pioneer USA's general and administrative expenses of which these salaries are a part.

See Notes 6 and 9 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" for information regarding fees and reimbursements paid to the managing general partner by the Partnership.

### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

#### (a) Beneficial owners of more than five percent

The Partnership is not aware of any person who beneficially owns 5% or more of the outstanding limited partnership interests of the Partnership. Pioneer USA owned 45 limited partner interests at January 1, 2001.

#### (b) Security ownership of management

The Partnership does not have any officers or directors. The managing general partner of the Partnership, Pioneer USA, has the exclusive right and full authority to manage, control and administer the Partnership's business. Under the limited partnership agreement, limited partners holding a majority of the outstanding limited partnership interests have the right to take certain actions, including the removal of the managing general partner or any other general partner. The Partnership is not aware of any current arrangement or activity which may lead to such removal. The Partnership is not aware of any officer or director of Pioneer USA who beneficially owns limited partnership interests in the Partnership.

### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

#### Transactions with the managing general partner

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

24

936

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	2000 ----	1999 ----	1998 ----
Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$304,400	\$ 301,167	\$292,411
Reimbursement of general and administrative expenses	\$ 50,579	\$ 23,361	\$ 23,688

Under the limited partnership agreement, the managing general partner pays 1% of the Partnership's acquisition, drilling and completion costs and 1% of its operating and general and administrative expenses. In return, it is allocated 1% of the Partnership's revenues. Also, see Notes 6 and 9 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" regarding the Partnership's participation with the managing general partner in oil and gas activities of the Program.

25

937

PART IV

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

(a) 1. Financial statements

The following are filed as part of this Report:

Independent Auditors' Report

Balance sheets as of December 31, 2000 and 1999

Statements of operations for the years ended December 31, 2000, 1999 and 1998

Statements of partners' capital for the years ended December 31, 2000, 1999 and 1998

Statements of cash flows for the years ended December 31, 2000, 1999 and 1998

Notes to financial statements

2. Financial statement schedules

All financial statement schedules have been omitted since the required information is in the financial statements or notes thereto, or is not applicable nor required.

(b) Reports on Form 8-K

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

None.

(c) Exhibits

The exhibits listed on the accompanying index to exhibits are filed or incorporated by reference as part of this Report.

26

938

S I G N A T U R E S

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, thereunto duly authorized.

PARKER & PARSLEY 87-B, LTD.

Dated: March 28, 2001 By: Pioneer Natural Resources USA, Inc.  
Managing General Partner

By: /s/ Scott D. Sheffield  
-----  
Scott D. Sheffield, President

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

/s/ Scott D. Sheffield ----- Scott D. Sheffield	President of Pioneer USA	March 28, 2001
/s/ Timothy L. Dove ----- Timothy L. Dove	Executive Vice President, Chief Financial Officer and Director of Pioneer USA	March 28, 2001
/s/ Dennis E. Fagerstone ----- Dennis E. Fagerstone	Executive Vice President and Director of Pioneer USA	March 28, 2001
/s/ Mark L. Withrow ----- Mark L. Withrow	Executive Vice President, General Counsel and Director of Pioneer USA	March 28, 2001
/s/ Danny Kellum ----- Danny Kellum	Executive Vice President - Domestic Operations and Director of Pioneer USA	March 28, 2001
/s/ Rich Dealy ----- Rich Dealy	Vice President and Chief Accounting Officer of Pioneer USA	March 28, 2001

## PARKER &amp; PARSLEY 87-B, LTD.

## INDEX TO EXHIBITS

The following documents are incorporated by reference in response to Item 14(c):

Exhibit No. -----	Description -----	Page ----
4 (a)	Agreement of Limited Partnership of Parker & Parsley 87-B, Ltd. incorporated by reference to Exhibit A of the Partnership's Registration Statement on Form S-1 (Registration No. 33-16910) (hereinafter called the Partnership's Registration Statement	-
4 (b)	Form of Subscription Agreement and Power of Attorney incorporated by reference to Exhibit D of the Partnership's Registration Statement	-
4 (c)	Specimen Certificate of Limited Partnership Interest incorporated by reference to Exhibit D of the Partnership's Registration Statement	-
10 (b)	Development Program Agreement incorporated by reference to Exhibit C of the Partnership's Registration Statement	-

## PARKER &amp; PARSLEY 87-B, LTD.

## SELECTED FINANCIAL DATA

The following selected financial data for the Partnership should be read in connection with Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements included in the attached supplemental information.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	Six months ended June 30,		Years ended Decemb		
	2001	2000	2000	1999	1998
Operating results:					
Oil and gas sales	\$ 828,175	\$ 868,113	\$1,917,791	\$1,136,700	\$ 965,599
Gain on litigation settlement, net	\$ --	\$ --	\$ --	\$ --	\$ --
Impairment of oil and gas properties	\$ --	\$ --	\$ 86,674	\$ --	\$ 199,037
Net income (loss)	\$ 333,255	\$ 435,294	\$ 945,927	\$ 279,094	\$ (331,789)
Allocation of net income (loss):					
Managing general partner	\$ 3,332	\$ 4,353	\$ 9,459	\$ 2,791	\$ (3,318)
Limited partners	\$ 329,923	\$ 430,941	\$ 936,468	\$ 276,303	\$ (328,471)
Limited partners' net income (loss) per limited partnership interest	\$ 16.42	\$ 21.45	\$ 46.62	\$ 13.75	\$ (16.35)
Limited partners' cash distributions per limited partnership interest	\$ 17.13	\$ 22.65	\$ 49.02	\$ 18.27	\$ 21.24
As of period ended:					
Total assets	\$2,839,877	\$2,895,597	\$2,848,775	\$2,900,940	\$2,984,346

(a) Including litigation settlement per limited partnership interest of \$29.11 in 1996.

941

PIONEER NATURAL RESOURCES COMPANY  
PIONEER NATURAL RESOURCES USA, INC.  
5205 NORTH O'CONNOR BLVD., SUITE 1400  
IRVING, TEXAS 75039

# Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

## SUPPLEMENTAL INFORMATION

OF

PARKER & PARSLEY PRODUCING PROPERTIES 87-A, LTD., A TEXAS LIMITED PARTNERSHIP

TO

PROXY STATEMENT/PROSPECTUS DATED , 2001

-----

THE DATE OF THIS SUPPLEMENT IS , 2001

-----

This document contains important information specific to Parker & Parsley Producing Properties 87-A, Ltd. and supplements the proxy statement/prospectus dated , 2001, of Pioneer Natural Resources Company and Pioneer Natural Resources USA, Inc., by which Pioneer USA is soliciting proxies to be voted at a special meeting of limited partners of the partnership. The purpose of the special meeting is for you to vote upon the merger of the partnership with and into Pioneer USA that, if completed, will result in your receiving common stock of Pioneer Natural Resources Company for your partnership interests.

This document contains the following information concerning Parker & Parsley Producing Properties 87-A, Ltd.:

- o A table containing:
  - the aggregate initial investment by the limited partners
  - the aggregate historical limited partner distributions through July 31, 2001
  - the merger value attributable to partnership interests of limited partners, excluding Pioneer USA
  - the merger value per \$1,000 limited partner investment
  - the merger value per \$1,000 limited partner investment as a multiple of distributions for the past four quarterly distributions including the distribution in July 2001
  - the book value per \$1,000 limited partner investment as of June 30, 2001 and as of December 31, 2000
  - the going concern value per \$1,000 limited partner investment
  - the liquidation value per \$1,000 limited partner investment
  - the ordinary tax loss per \$1,000 limited partner investment in year of initial investment
- o Information about:
  - the legal opinion for the limited partners
  - the term of the partnership

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

- o The partnership's quarterly report on Form 10-Q, including management's discussion and analysis of financial condition and results of operations, for the six months ended June 30, 2001
- o The partnership's annual report on Form 10-K, including management's discussion and analysis of financial condition and results of operations, for the year ended December 31, 2000
- o Selected historical financial data for the partnership for the six months ended June 30, 2001 and 2000 and the five years ended December 31, 2000

-1-

942

PARKER & PARSLEY PRODUCING PROPERTIES 87-A, LTD.

SUPPLEMENTAL INFORMATION TABLE

Aggregate Initial Investment by the Limited Partners (a)

Aggregate Historical Limited Partner Distributions through July 31, 2001 (a)

Merger Value Attributable to Partnership Interests of Limited Partners, Excluding Pioneer USA (a), (b)

Merger Value per \$1,000 Limited Partner Investment (b), (c)

Merger Value per \$1,000 Limited Partner Investment as a Multiple of Distributions for the past four quarterly distributions including the distribution in July 2001 (b), (c)

Book Value per \$1,000 Limited Partner Investment:

-- as of June 30, 2001 (c)

-- as of December 31, 2000 (c)

Going Concern Value per \$1,000 Limited Partner Investment (c), (d)

Liquidation Value per \$1,000 Limited Partner Investment (c), (e)

Ordinary Tax Loss per \$1,000 Limited Partner Investment in Year of Initial Investment (f)

-----

(a) Stated in thousands.

(b) The merger value for the partnership is equal to the sum of the present value of estimated future net revenues from the partnership's estimated oil and gas reserves and its net working capital, in each case as of March 31, 2001, less its pro rata share, based on its reserve value, of the estimated expenses and fees of the mergers of all of the partnerships and less the

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

cash distribution on July 13, 2001, by the partnership to its partners.

- (c) Interests in some partnerships were sold in units at prices other than \$1,000. We have presented this information based on a \$1,000 initial investment for ease of use and comparison among partnerships. You should not assume that the amount shown per \$1,000 investment is the same as the value or amount attributable to a single unit investment.
- (d) The going concern value for the partnership is based upon: (1) the sum of (A) the estimated net cash flow from the sale of the partnership's reserves during a 10-year operating period and (B) the estimated residual value from the sale of the partnership's remaining reserves at the end of the operating period, in each case using the same pricing and discount rate as in the merger value calculation, less (2) (A) partnership level general and administrative expenses, and (B) the cash distribution on July 13, 2001 by the partnership to its partners.
- (e) The liquidation value for the partnership is based upon the sale of the partnership's reserves at the reserve value, less (1) liquidation expenses which are estimated to be the sum of (A) the partnership's pro rata share of the merger expenses and fees described in footnote (b) above and (B) 3% of the partnership's reserve value, and (2) the cash distribution on July 13, 2001 by the partnership to its partners. The liquidation expenses represent estimated costs to retain an investment banker or broker to sell the assets of the partnership and the legal and other closing costs associated with such transaction, including the wind-down costs of the partnership.
- (f) Not applicable. Since this partnership purchased producing properties, there were no intangible drilling and development costs nor any related write-off for tax purposes.

### INFORMATION ABOUT THE LEGAL OPINION FOR THE LIMITED PARTNERS

The partnership agreement for the partnership requires that special legal counsel render an opinion on behalf of the limited partners to Pioneer USA that (1) neither the grant nor the exercise of the right to approve the merger of the partnership by its limited partners will adversely affect the federal income tax classification of the partnership or any of its limited partners; and (2) neither the grant nor exercise of such right will result in the loss of any limited partner's limited liability. In addition, the counsel designated to render the opinion must be counsel other than counsel to Pioneer USA or the partnership. Both the designated counsel and the legal opinion must be approved by the limited partners. Pioneer USA has retained \_\_\_\_\_ of Dallas, Texas for the purpose of rendering this legal opinion on behalf of the limited partners to Pioneer USA. The merger proposals include an approval of that counsel and the form of its opinion. A copy of the opinion is attached as an exhibit to the merger proposals.

### INFORMATION ABOUT THE TERM OF THE PARTNERSHIP

The term of the partnership is until December 31, 2037, unless the partnership is earlier terminated in accordance with the applicable provisions of its partnership agreement.



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

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, 2001

Commission File No. 33-11193-1

PARKER & PARSLEY PRODUCING PROPERTIES 87-A, LTD.  
(Exact name of Registrant as specified in its charter)

Texas	75-2195512
----- (State or other jurisdiction of incorporation or organization)	----- (I.R.S. Employer Identification Number)
5205 N. O'Connor Blvd., Suite 1400, Irving, Texas	75039
----- (Address of principal executive offices)	----- (Zip code)

Registrant's Telephone Number, including area code : (972) 444-9001

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 / /

944

PARKER & PARSLEY PRODUCING PROPERTIES 87-A, LTD.

TABLE OF CONTENTS

Part I. Financial Information

Item 1.	Financial Statements	
	Balance Sheets as of June 30, 2001 and December 31, 2000.....	3
	Statements of Operations for the three and six months ended June 30, 2001 and 2000.....	4
	Statement of Partners' Capital for the six months ended June 30, 2001.....	5
	Statements of Cash Flows for the six months ended June 30, 2001 and 2000.....	6
	Notes to Financial Statements.....	7
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations.....	7

Part II. Other Information

Item 6.	Exhibits and Reports on Form 8-K.....	11
	Signatures.....	12

PARKER & PARSLEY PRODUCING PROPERTIES 87-A, LTD.  
(A Texas Limited Partnership)

Part I. Financial Information

Item 1.	Financial Statements
---------	----------------------

BALANCE SHEETS

	June 30, 2001 ----- (Unaudited)	December 31, 2000 -----
ASSETS		
Current assets:		
Cash	\$ 341,227	\$ 182,206

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Accounts receivable - oil and gas sales	243,058	296,053
	-----	-----
Total current assets	584,285	478,259
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	5,500,277	5,701,037
Accumulated depletion	(4,847,421)	(5,019,550)
	-----	-----
Net oil and gas properties	652,856	681,487
	-----	-----
	\$ 1,237,141	\$ 1,159,746
	=====	=====
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable - affiliate	\$ 31,206	\$ 37,242
Partners' capital:		
Managing general partner	13,300	12,466
Limited partners (24,426 interests)	1,192,635	1,110,038
	-----	-----
	1,205,935	1,122,504
	-----	-----
	\$ 1,237,141	\$ 1,159,746
	=====	=====

The financial information included as of June 30, 2001 has been prepared by the managing general partner without audit by independent public accountants.

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

3

946

PARKER & PARSLEY PRODUCING PROPERTIES 87-A, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF OPERATIONS  
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2001	2000	2001	2000
	-----	-----	-----	-----
Revenues:				
Oil and gas	\$ 324,594	\$ 329,057	\$ 708,005	\$ 695,926
Interest	3,151	4,213	6,647	7,149
Gain on disposition of assets	11,917	8,716	39,237	24,345

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	-----	-----	-----	-----
	339,662	341,986	753,889	727,420
	-----	-----	-----	-----
Costs and expenses:				
Oil and gas production	163,644	200,770	333,829	359,931
General and administrative	12,473	9,872	23,975	20,878
Depletion	14,729	15,068	29,881	33,217
Abandoned property	5,192	286	17,463	13,069
	-----	-----	-----	-----
	196,038	225,996	405,148	427,095
	-----	-----	-----	-----
Net income	\$ 143,624	\$ 115,990	\$ 348,741	\$ 300,325
	=====	=====	=====	=====
Allocation of net income:				
Managing general partner	\$ 1,436	\$ 1,160	\$ 3,487	\$ 3,003
	=====	=====	=====	=====
Limited partners	\$ 142,188	\$ 114,830	\$ 345,254	\$ 297,322
	=====	=====	=====	=====
Net income per limited partnership interest	\$ 5.82	\$ 4.70	\$ 14.13	\$ 12.17
	=====	=====	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

PARKER & PARSLEY PRODUCING PROPERTIES 87-A, LTD.  
(A Texas Limited Partnership)

STATEMENT OF PARTNERS' CAPITAL  
(Unaudited)

	Managing general partner	Limited partners	Total
	-----	-----	-----
Balance at January 1, 2001	\$ 12,466	\$1,110,038	\$1,122,504
Distributions	(2,653)	(262,657)	(265,310)
Net income	3,487	345,254	348,741
	-----	-----	-----
Balance at June 30, 2001	\$ 13,300	\$1,192,635	\$1,205,935

=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

5

948

PARKER & PARSLEY PRODUCING PROPERTIES 87-A, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF CASH FLOWS  
(Unaudited)

	Six months ended June 30,	
	2001	2000
	-----	-----
Cash flows from operating activities:		
Net income	\$ 348,741	\$ 300,325
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion	29,881	33,217
Gain on disposition of assets	(39,237)	(24,345)
Changes in assets and liabilities:		
Accounts receivable	52,995	(43,526)
Accounts payable	9,767	197
	-----	-----
Net cash provided by operating activities	402,147	265,868
	-----	-----
Cash flows from investing activities:		
Additions to oil and gas properties	(1,249)	(3,387)
Proceeds from asset dispositions	23,433	34,391
	-----	-----
Net cash provided by investing activities	22,184	31,004
	-----	-----
Cash flows used in financing activities:		
Cash distributions to partners	(265,310)	(301,342)
	-----	-----
Net increase (decrease) in cash	159,021	(4,470)
Cash at beginning of period	182,206	170,538
	-----	-----
Cash at end of period	\$ 341,227	\$ 166,068
	=====	=====

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

6

949

### PARKER & PARSLEY PRODUCING PROPERTIES 87-A, LTD. (A Texas Limited Partnership)

#### NOTES TO FINANCIAL STATEMENTS June 30, 2001 (Unaudited)

##### Note 1. Organization and nature of operations

Parker & Parsley Producing Properties 87-A, Ltd. (the "Partnership") is a limited partnership organized in 1987 under the laws of the State of Texas.

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

##### Note 2. Basis of presentation

In the opinion of management, the unaudited financial statements of the Partnership as of June 30, 2001 and for the three and six months ended June 30, 2001 and 2000 include all adjustments and accruals consisting only of normal recurring accrual adjustments which are necessary for a fair presentation of the results for the interim period. These interim results are not necessarily indicative of results for a full year. Certain reclassifications may have been made to the June 30, 2000 financial statements to conform to the June 30, 2001 financial statement presentations.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in this Form 10-Q pursuant to the rules and regulations of the Securities and Exchange Commission. The financial statements should be read in conjunction with the financial statements and the notes thereto contained in the Partnership's Report on Form 10-K for the year ended December 31, 2000, as filed with the Securities and Exchange Commission, a copy of which is available upon request by writing to Rich Dealy, Vice President and Chief Accounting Officer, 5205 North O'Connor Boulevard, Suite 1400, Irving, Texas 75039-3746.

##### Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (1)

###### Results of Operations

Six months ended June 30, 2001 compared with six months ended June 30, 2000

###### Revenues:

The Partnership's oil and gas revenues increased 2% to \$708,005 for the six months ended June 30, 2001 as compared to \$695,926 for the same period in 2000. The increase in revenues resulted from higher average prices received for gas and NGLs, offset by a decline in production and lower average prices received

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

for oil. For the six months ended June 30, 2001, 20,840 barrels of oil, 3,745

7

950

barrels of natural gas liquids ("NGLs") and 24,458 mcf of gas were sold, or 28,661 barrel of oil equivalents ("BOEs"). For the six months ended June 30, 2000, 21,685 barrels of oil, 4,984 barrels of NGLs and 22,894 mcf of gas were sold, or 30,485 BOEs.

The average price received per barrel of oil decreased \$.19, or 1%, from \$27.33 for the six months ended June 30, 2000 to \$27.14 for the same period in 2001. The average price received per barrel of NGLs increased \$.43, or 4%, from \$11.41 during the six months ended June 30, 2000 to \$11.84 for the same period in 2001. The average price received per mcf of gas increased 98% from \$2.03 for the six months ended June 30, 2000 to \$4.01 for the same period in 2001. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received during the six months ended June 30, 2001.

Gains on disposition of assets of \$39,237 and \$24,345 were recognized during the six months ended June 30, 2001 and 2000, respectively. The gain recognized during the period ended June 30, 2001 was due to \$25,956 from equipment credits on one well plugged and abandoned in the current period and \$13,281 was primarily due to equipment credits received on fully depleted wells. The gain recognized during the period ended June 30, 2000 was comprised of \$10,858 from equipment credits on one well plugged and abandoned in the current period and \$13,487 salvage income primarily from wells plugged and abandoned during 1999. Expenses incurred during the six months ended June 30, 2001 and 2000 to plug and abandon these wells were \$17,463 and \$13,069, respectively.

### Costs and Expenses:

Total costs and expenses decreased to \$405,148 for the six months ended June 30, 2001 as compared to \$427,095 for the same period in 2000, a decrease of \$21,947, or 5%. This decrease was the result of lower production costs and depletion, offset by increases in abandoned property costs and general and administrative expenses ("G&A").

Production costs were \$333,829 for the six months ended June 30, 2001 and \$359,931 for the same period in 2000, resulting in a \$26,102 decrease, or 7%. The decrease was primarily due to a decline in workover expense, offset by additional well maintenance costs incurred to stimulate well production.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 15% from \$20,878 for the six months ended June 30, 2000 to \$23,975 for the same period in 2001, primarily due to an increase in audit and tax fees.

Depletion was \$29,881 for the six months ended June 30, 2001 as compared to \$33,217 for the same period in 2000, a decrease of \$3,336, or 10%. This decrease was primarily due to a reduction in the Partnership's net depletable basis from charges taken in accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121") during the fourth quarter of 2000.

Three months ended June 30, 2001 compared with three months ended June 30, 2000

Revenues:

The Partnership's oil and gas revenues decreased 1% to \$324,594 for the three months ended June 30, 2001 as compared to \$329,057 for the same period in 2000. The decrease in revenues resulted from lower average prices received for oil and NGLs and a decline in production, offset by higher average prices received for gas. For the three months ended June 30, 2001, 9,760 barrels of oil, 1,965 barrels of NGLs and 12,708 mcf of gas were sold, or 13,843 BOEs. For the three months ended June 30, 2000, 9,809 barrels of oil, 2,987 barrels of NGLs and 13,759 mcf of gas were sold, or 15,089 BOEs.

The average price received per barrel of oil decreased \$.41, or 2%, from \$27.16 for the three months ended June 30, 2000 to \$26.75 for the same period in 2001. The average price received per barrel of NGLs decreased \$.61, or 6%, from \$11.07 during the three months ended June 30, 2000 to \$10.46 for the same period in 2001. The average price received per mcf of gas increased 57% from \$2.15 during the three months ended June 30, 2000 to \$3.38 for the same period in 2001.

Gains on disposition of assets of \$11,917 and \$8,716 were recognized for the three months ended June 30, 2001 and 2000, respectively. The gain recognized during the period ended June 30, 2001 was due to equipment credits received on fully depleted wells. The gain recognized during the period ended June 30, 2000, consisted of \$4,981 from equipment credits received on a fully depleted well and \$3,735 salvage income on a well plugged and abandoned during 1999. Expenses incurred during the three months ended June 30, 2001 and 2000 to plug and abandon these wells totaled \$5,192 and \$286, respectively.

Costs and Expenses:

Total costs and expenses decreased to \$196,038 for the three months ended June 30, 2001 as compared to \$225,996 for the same period in 2000, a decrease of \$29,958, or 13%. This decrease was due to declines in production costs and depletion, offset by increases in abandoned property costs and G&A.

Production costs were \$163,644 for the three months ended June 30, 2001 and \$200,770 for the same period in 2000, resulting in a \$37,126 decrease, or 18%. The decrease was primarily due to less workover expense.

During this period, G&A increased 26% from \$9,872 for the three months ended June 30, 2000 to \$12,473 for the same period in 2001, primarily due to an increase in audit and tax fees.

Depletion was \$14,729 for the three months ended June 30, 2001 as compared to \$15,068 for the same period in 2000, a decrease of \$339, or 2%.



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

### Liquidity and Capital Resources

#### Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$136,279 during the six months ended June 30, 2001 from the same period in 2000. The increase was attributable to an increase of \$11,577 in oil and gas sales receipts, a reduction of \$106,091 in working capital and a decline of \$26,102 in production costs, offset by increases in abandoned property costs of \$4,394 and G&A expenses of \$3,097. The increase in oil and gas receipts resulted from the increase in gas and NGL prices of \$47,580 during 2001, offset by a decline of \$31,828 in production and a \$4,175 decline resulting from lower oil prices received in 2001 as compared to the same period in 2000. The decrease in production costs was primarily due to a decline in workover expenses, offset by additional well maintenance costs incurred to stimulate well production. The increase in G&A was primarily due to an increase in audit and tax fees.

#### Net Cash Provided by Investing Activities

The Partnership's principal investing activities during the six months ended June 30, 2001 and 2000 were related to upgrade expenditures for oil and gas equipment on active properties.

Proceeds from disposition of assets of \$23,433 and \$34,391 were received during the six months ended June 30, 2001 and 2000, respectively. The proceeds recognized during the period in 2001 were comprised of \$10,152 from equipment credits on one well plugged and abandoned during the current period and \$13,281 was from salvage income on fully depleted wells. The proceeds recognized during the period in 2000 were primarily from equipment credits on wells plugged and abandoned during 2000 and 1999.

#### Net Cash Used in Financing Activities

For the six months ended June 30, 2001, cash distributions to the partners were \$265,310, of which \$2,653 was distributed to the managing general partner and \$262,657 to the limited partners. For the same period ended June 30, 2000, cash distributions to the partners were \$301,342, of which \$3,013 was distributed to the managing general partner and \$298,329 to the limited partners.

For the three months ended June 30, 2001, no distributions were made by the partnership to its partners. Subsequent to June 30, 2001 the cash distribution that otherwise would have been mailed to partners in late June was made to holders of record as of July 9, 2001 and was mailed on July 13, 2001. For further information, see "Proposal to acquire partnerships" below.

#### Proposal to acquire partnerships

On June 29, 2001, Pioneer Natural Resources Company ("Pioneer") filed with the Securities and Exchange Commission Amendment No. 1 to the Form S-4 Registration Statement (File No. 333-59094) (the "preliminary proxy statement/prospectus"), which proposes an agreement and plan of merger among Pioneer, Pioneer Natural Resources USA, Inc. ("Pioneer USA"), a wholly-owned subsidiary of Pioneer, and 46 Parker & Parsley limited partnerships. Each partnership that approves the

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

with and into Pioneer USA upon the closing of the transactions described in the preliminary proxy statement/prospectus, and the partnership interests of each such partnership will be converted into the right to receive Pioneer common stock. The Partnership is one of the 46 Parker & Parsley limited partnerships that will be asked to approve the agreement and plan of merger. The preliminary proxy statement/prospectus is non-binding and is subject to, among other things, consideration of offers from third parties to purchase any partnership or its assets and the majority approval of the limited partnership interests in each partnership.

Pioneer USA will solicit proxies from limited partners to approve the mergers only when the proxy statement/prospectus is final and declared effective. No solicitation will be made using preliminary materials. Nonetheless, copies of the preliminary proxy statement/prospectus may be obtained without charge upon request from Pioneer Natural Resources Company, 5205 North O'Connor Blvd., Suite 1400, Irving, Texas 75039, Attention: Investor Relations.

The limited partners are urged to read the proxy statement/prospectus of Pioneer filed with the Securities and Exchange Commission, when it is finalized, because it contains important information about the proposed mergers, including information about the direct and indirect interests of Pioneer USA and Pioneer in the mergers. The limited partners may also obtain the preliminary and (when filed) final proxy statement/prospectus and other relevant documents relating to the proposed mergers free through the internet web site that the Securities and Exchange Commission maintains at [www.sec.gov](http://www.sec.gov).

-----

- (1) "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" contains forward looking statements that involve risks and uncertainties. Accordingly, no assurances can be given that the actual events and results will not be materially different than the anticipated results described in the forward looking statements.

### Part II. Other Information

Item 6. Exhibits and Reports on Form 8-K

- (a) Exhibits - none
- (b) Reports on Form 8-K - none

11

954

PARKER & PARSLEY PRODUCING PROPERTIES 87-A, LTD.  
(A Texas Limited Partnership)

### 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 thereunto duly authorized.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

PARKER & PARSLEY PRODUCING  
PROPERTIES 87-A, LTD.

By: Pioneer Natural Resources USA, Inc.,  
Managing General Partner

Dated: August 6, 2001

By: /s/ Rich Dealy  
-----  
Rich Dealy, Vice President and  
Chief Accounting Officer

12

955

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

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d)  
of the Securities Exchange Act of 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000

COMMISSION FILE NO. 33-11193-1

PARKER & PARSLEY PRODUCING PROPERTIES 87-A, LTD.  
(Exact name of Registrant as specified in its charter)

TEXAS

75-2195512

-----  
(State or other jurisdiction of  
incorporation or organization)

-----  
(I.R.S. Employer  
Identification Number)

1400 WILLIAMS SQUARE WEST, 5205 N. O'CONNOR BLVD., IRVING, TEXAS

75039

-----  
(Address of principal executive offices)

-----  
(Zip code)

Registrant's Telephone Number, including area code : (972) 444-9001

Securities registered pursuant to Section 12(b) of the Act: NONE

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

LIMITED PARTNERSHIP INTERESTS (\$500 PER UNIT)  
-----

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

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

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

No market currently exists for the limited partnership interests of the Registrant. Based on the original purchase price, the aggregate market value of limited partnership interests owned by non-affiliates of the Registrant is \$12,170,000.

As of March 8, 2001, the number of outstanding limited partnership interests was 24,426.

The following documents are incorporated by reference into the indicated parts of this Annual Report on Form 10-K: None

PARTS I AND II OF THIS ANNUAL REPORT ON FORM 10-K (THE "REPORT") CONTAIN FORWARD LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. ACCORDINGLY, NO ASSURANCES CAN BE GIVEN THAT THE ACTUAL EVENTS AND RESULTS WILL NOT BE MATERIALLY DIFFERENT THAN THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS. SEE "ITEM 1. BUSINESS" FOR A DESCRIPTION OF VARIOUS FACTORS THAT COULD MATERIALLY AFFECT THE ABILITY OF THE PARTNERSHIP TO ACHIEVE THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS.

956

### PART I

#### ITEM 1. BUSINESS

Parker & Parsley Producing Properties 87-A, Ltd. (the "Partnership") is a limited partnership organized in 1987 under the laws of the State of Texas. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA"). Pioneer USA is a wholly-owned subsidiary of Pioneer Natural Resources Company ("Pioneer"). As of March 8, 2001, the Partnership had 24,426 limited partnership interests outstanding.

The Partnership does not have any employees of its own. Pioneer USA employs 701 persons, many of whom dedicated a part of their time to the conduct of the Partnership's business during the period for which this Report is filed. Pioneer USA supplies all management functions.

The Partnership engages in oil and gas development and production and is not involved in any industry segment other than oil and gas. The Partnership's production is geographically concentrated in West Texas.

The principal markets during 2000 for the oil produced by the Partnership were refineries and oil transmission companies that have facilities near the Partnership's oil producing properties. During 2000, Pioneer USA marketed the Partnership's gas to a variety of purchasers, none of which accounted for 10% or more of the Partnership's oil and gas revenues. Of the Partnership's total oil and gas revenues for 2000, approximately 59%, 15% and 11% were attributable to sales made to Plains Marketing, L.P., Phillips Petroleum Company and TEPPCO Crude Oil LLC, respectively. Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on its ability to sell its oil, natural gas liquids ("NGLs") and gas production.

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

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

historically have been very volatile. A substantial or extended decline in the prices of oil or gas could have a material adverse effect on the Partnership's revenues, profitability and cash flow and could, under certain circumstances, result in a reduction in the carrying value of the Partnership's oil and gas properties.

Oil and gas production operations are subject to various types of regulations by local, state and federal agencies. The Partnership's operations are also subject to state conservation laws and regulations, including the establishment of maximum rates of production from wells and the regulation of spacing, plugging and abandonment of wells. Each state generally imposes a production or severance tax with respect to production and sale of oil and gas within their respective jurisdictions. Noncompliance with the laws and regulations may subject the Partnership to penalties, damages or other liabilities and compliance may increase the cost of the Partnership's operations.

The oil and gas business is also subject to environmental hazards such as oil spills, gas leaks and

2

957

ruptures and discharges of toxic substances or gases that could expose the Partnership to substantial liability due to pollution and other environmental damages. Although the Partnership believes that its business operations do not impair environmental quality and that its costs of complying with any applicable environmental regulations are not currently significant, the Partnership cannot predict what, if any, effect these environmental regulations may have on its current or future operations.

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

No material part of the Partnership's business is seasonal and the Partnership conducts no foreign operations.

### ITEM 2. PROPERTIES

The Partnership's properties consist of leasehold interests in properties on which oil and gas wells are located. Such property interests are often subject to landowner royalties, overriding royalties and other oil and gas leasehold interests.

The Partnership completed seven purchases of producing properties. These acquisitions involved the purchase of working interests in 187 properties of which 98 uneconomical oil and gas wells were plugged and abandoned and seven wells were sold. The Partnership also participated in the drilling of two oil and gas wells during 1988 which were completed as producers. During 1997, the Partnership participated in the recompletion of one well in which Pioneer USA acquired the deep rights. The Partnership already owned the shallow rights of the well bore. At December 31, 2000, the Partnership had 85 producing oil and gas wells.

For information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities for the years then ended, see Note 7 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" below. Such reserves have been evaluated by Williamson Petroleum Consultants, Inc., an independent

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

petroleum consultant.

### ITEM 3. LEGAL PROCEEDINGS

The Partnership from time to time is a party to various legal proceedings incidental to its business involving claims in oil and gas leases or interests, other claims for damages in amounts not in excess of 10% of its current assets and other matters, none of which Pioneer USA believes to be material to the Partnership.

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

There were no matters submitted to a vote of the partners during the fourth quarter of 2000.

3

958

## PART II

### ITEM 5. MARKET FOR LIMITED PARTNERSHIP INTERESTS AND LIMITED PARTNERSHIP DISTRIBUTIONS

At March 8, 2001, the Partnership had 24,426 outstanding limited partnership interests held of record by 1,104 subscribers. There is no established public trading market for the limited partnership interests. Under the limited partnership agreement, Pioneer USA has made certain commitments to purchase partnership interests at a computed value.

Revenues which, in the sole judgement of the managing general partner, are not required to meet the Partnership's obligations are distributed to the partners at least quarterly in accordance with the limited partnership agreement. During the years ended December 31, 2000 and 1999, distributions of \$618,681 and \$223,952, respectively, were made to the limited partners.

### ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth selected financial data for the years ended December 31:

	2000 -----	1999 -----	1998 -----	1997 -----	1996 -----
Operating results:					
Oil and gas sales	\$1,514,918 =====	\$ 860,305 =====	\$ 807,421 =====	\$1,244,727 =====	\$1,772,612 =====
Gain on litigation settlement, net	\$ - =====	\$ - =====	\$ - =====	\$ - =====	\$ 19,935 =====
Impairment of oil and gas properties	\$ 59,777 =====	\$ 43,412 =====	\$ 37,388 =====	\$ 420,264 =====	\$ 39,087 =====
Net income (loss)	\$ 601,515 =====	\$ 134,700 =====	\$ (357,482) =====	\$ (397,297) =====	\$ 984,877 =====

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Allocation of net income					
(loss):					
Managing general partner	\$ 6,015	\$ 1,347	\$ (3,575)	\$ (3,973)	\$ 9,849
	=====	=====	=====	=====	=====
Limited partners	\$ 595,500	\$ 133,353	\$ (353,907)	\$ (393,324)	\$ 975,028
	=====	=====	=====	=====	=====
Limited partners' net income					
(loss) per limited					
partnership interest	\$ 24.38	\$ 5.46	\$ (14.49)	\$ (16.10)	\$ 39.92
	=====	=====	=====	=====	=====
Limited partners' cash					
distributions per limited					
partnership interest	\$ 25.33	\$ 9.17	\$ 9.31	\$ 24.14	\$ 36.01
	=====	=====	=====	=====	=====
At year end:					
-----					
Identifiable assets	\$1,159,746	\$1,181,827	\$1,270,446	\$1,871,158	\$2,817,583
	=====	=====	=====	=====	=====

-----  
(a) Including litigation settlement of \$.81 per limited partnership interest in 1996.

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

#### Results of operations

4

959

2000 compared to 1999

The Partnership's oil and gas revenues increased 76% to \$1,514,918 for 2000 as compared to \$860,305 in 1999. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 2000, 43,390 barrels of oil, 10,266 barrels of natural gas liquids ("NGLs") and 45,872 mcf of gas were sold, or 61,301 barrel of oil equivalents ("BOEs"). In 1999, 41,606 barrels of oil, 11,495 barrels of NGLs and 53,145 mcf of gas were sold, or 61,959 BOEs. Due to the decline characteristics of the Partnership's oil and gas properties, management expects a certain amount of decline in production in the future until the Partnership's economically recoverable reserves are fully depleted.

The average price received per barrel of oil increased \$12.54, or 75%, from \$16.80 in 1999 to \$29.34 in 2000. The average price received per barrel of NGLs increased \$4.80, or 66%, from \$7.32 in 1999 to \$12.12 in 2000. The average price received per mcf of gas increased 75% from \$1.46 in 1999 to \$2.56 in 2000. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received in 2000.

Gain on disposition of assets of \$37,944 recognized during 2000 resulted from \$26,860 in salvage income received on a fully depleted well and wells plugged and abandoned in prior years, in addition to an \$11,084 gain recognized from the

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

abandonment of three wells during the current year. Gain on disposition of assets of \$25,173 for 1999 resulted from \$17,629 in salvage income received on the abandonment of two oil and gas wells during 1999, in addition to \$7,544 salvage income received on fully depleted wells and wells plugged and abandoned in prior years.

Total costs and expenses increased in 2000 to \$967,456 as compared to \$760,971 in 1999, an increase of \$206,485, or 27%. The increase was due to higher production costs, general and administrative expenses ("G&A"), the impairment of oil and gas properties and abandoned property costs, offset by a decline in depletion.

Production costs were \$765,021 in 2000 and \$555,988 in 1999, resulting in an increase of \$209,033, or 38%. The increase was primarily due to additional workover costs and well maintenance costs incurred to stimulate production and higher production taxes associated with higher oil and gas prices.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 76%, from \$25,809 in 1999 to \$45,448 in 2000 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$29,711 in 2000 and \$1,550 in 1999 for G&A incurred on behalf of the Partnership. The remaining G&A was paid directly by the Partnership. The managing general partner determines the allocated expenses based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

5

960

In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the managing general partner reviews the Partnership's oil and gas properties for impairment whenever events or circumstances indicate a decline in the recoverability of the carrying value of the Partnership's assets may have occurred. As a result of the review and evaluation of its long-lived assets for impairment, the Partnership recognized non-cash charges of \$59,777 and \$43,412 related to its oil and gas properties during 2000 and 1999, respectively.

Depletion was \$69,296 in 2000 as compared to \$109,034 in 1999, representing a decrease of \$39,738, or 36%. This decrease was primarily due to a 119,706 barrels of oil increase in proved reserves during 2000 as a result of higher commodity prices and a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 1999.

Abandoned property costs of \$27,914 and \$26,728 were incurred on the abandonment of several properties in 2000 and 1999, respectively.

1999 compared to 1998

The Partnership's 1999 oil and gas revenues increased 7% to \$860,305 from \$807,421 in 1998. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 1999, 41,606 barrels of oil, 11,495 barrels of NGLs and 53,145 mcf of gas were sold, or 61,959 BOEs. In 1998, 51,039 barrels of oil, 13,328 barrels of NGLs and 56,240 mcf of gas were sold, or 73,740 BOEs.



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The average price received per barrel of oil increased \$3.76, or 29%, from \$13.04 in 1998 to \$16.80 in 1999. The average price received per barrel of NGLs increased \$1.86, or 34%, from \$5.46 in 1998 to \$7.32 in 1999. The average price received per mcf of gas increased 19% from \$1.23 in 1998 to \$1.46 in 1999.

The \$25,173 gain on disposition of assets for 1999 resulted from \$17,629 in salvage income received on the abandonment of two oil and gas wells during 1999, in addition to \$7,544 salvage income received on fully depleted wells and wells plugged and abandoned in prior years. During 1998, the \$24,040 gain on disposition of assets resulted from \$29,099 in salvage income received during 1998 on properties that were plugged and abandoned in prior years, offset by a \$5,059 loss on the abandonment of two oil and gas wells and one saltwater disposal well.

Total costs and expenses decreased in 1999 to \$760,971 as compared to \$1,202,296 in 1998, a decrease of \$441,325, or 37%. The decrease was due to declines in depletion, production costs and abandoned property costs, offset by increases in the impairment of oil and gas properties and G&A.

Production costs were \$555,988 in 1999 and \$682,634 in 1998, resulting in a \$126,646 decrease, or 19%. The decrease was due to reductions in well maintenance costs and ad valorem taxes, offset by an increase in workover costs incurred to stimulate production.

During this period, G&A increased 7%, from \$24,223 in 1998 to \$25,809 in 1999 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and

6

961

gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$1,550 in 1999 and \$10,723 in 1998 for G&A incurred on behalf of the Partnership.

The Partnership recognized non-cash SFAS 121 charges of \$43,412 and \$37,388 related to its oil and gas properties during 1999 and 1998, respectively.

Depletion was \$109,034 in 1999 compared to \$383,398 in 1998, representing a decrease of \$274,364, or 72%. This decrease was the result of an increase in proved reserves of 306,417 barrels of oil during 1999 as a result of higher commodity prices, a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 1998 and a decline in oil production of 9,433 barrels for the period ended December 31, 1999 compared to the same period in 1998.

Abandoned property costs of \$26,728 and \$74,653 were incurred on the abandonment of several properties in 1999 and 1998, respectively.

### Petroleum industry

The petroleum industry has been characterized by volatile oil, NGL and natural gas commodity prices and relatively stable supplier costs during the three years ended December 31, 2000. During 1998, weather patterns, regional economic recessions and political matters combined to cause worldwide oil supplies to exceed demand resulting in a substantial decline in oil prices. Also during 1998, but to a lesser extent, market prices for natural gas declined. During 1999 and 2000, the Organization of Petroleum Exporting Countries ("OPEC") and certain other crude oil exporting nations announced reductions in their planned export volumes. Those announcements, together with the enactment of the announced reductions in export volumes, had a positive impact on world oil

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

prices, as have overall natural gas supply and demand fundamentals on North American natural gas prices. Although the favorable commodity price environment and stable field service cost environment is expected to continue during 2001, there is no assurance that commodity prices will not return to a less favorable level or that field service costs will not escalate in the future, both of which could negatively impact the Partnership's future results of operations and cash distributions.

Liquidity and capital resources

### Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$389,055 during the year ended December 31, 2000 from 1999. This increase was due to an increase in oil and gas sales receipts of \$660,529, offset by increases in production costs paid of \$209,033, G&A expenses paid of \$19,639, abandoned property costs paid of \$1,186 and working capital of \$41,616. The increase in oil and gas receipts resulted from the increase in commodity prices during 2000 which contributed an additional \$641,727 to oil and gas receipts and an increase of \$18,802 resulting from an increase in oil production during 2000. The increase in production costs was primarily due to increased production taxes associated with higher oil and gas prices and additional workover and well maintenance costs incurred to stimulate well production. The increase in G&A was primarily due to higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues.

7

962

### Net Cash Provided by Investing Activities

The Partnership's investing activities during 2000 and 1999 were related to the addition of oil and gas equipment on active properties.

Proceeds from disposition of assets of \$57,999 for 2000 resulted from \$36,906 salvage income on a fully depleted well and wells abandoned in a prior year, \$15,711 salvage income received on two wells plugged and abandoned in 2000 and \$5,382 from equipment credits on one active well. Proceeds from disposition of assets of \$21,887 for 1999 resulted from \$7,583 in salvage income received on one well plugged and abandoned during 1999, in addition to \$7,544 salvage income primarily received on fully depleted wells and \$6,760 from equipment credits on one active well.

### Net Cash Used in Financing Activities

For 2000, cash distributions to the partners were \$624,930, of which \$6,249 was distributed to the managing general partner and \$618,681 to the limited partners. In 1999, cash distributions to the partners were \$226,214, of which \$2,262 was distributed to the managing general partner and \$223,952 to the limited partners.

8

963

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO FINANCIAL STATEMENTS

Financial Statements of Parker & Parsley Producing Properties 87-A, Ltd:	
Independent Auditors' Report.....	10
Balance Sheets as of December 31, 2000 and 1999.....	11
Statements of Operations for the Years Ended December 31, 2000, 1999 and 1998.....	12
Statements of Partners' Capital for the Years Ended December 31, 2000, 1999 and 1998.....	13
Statements of Cash Flows for the Years Ended December 31, 2000, 1999 and 1998.....	14
Notes to Financial Statements.....	15

INDEPENDENT AUDITORS' REPORT

The Partners

Parker & Parsley Producing Properties 87-A, Ltd.

(A Texas Limited Partnership):

We have audited the balance sheets of Parker & Parsley Producing Properties 87-A, Ltd. as of December 31, 2000 and 1999, and the related statements of operations, partners' capital and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parker & Parsley Producing Properties 87-A, Ltd. as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Dallas, Texas

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

March 9, 2001

10

965

PARKER & PARSLEY PRODUCING PROPERTIES 87-A, LTD.  
(A Texas Limited Partnership)

BALANCE SHEETS  
December 31

	2000	1999
	-----	-----
ASSETS		
-----		
Current assets:		
Cash	\$ 182,206	\$ 170,538
Accounts receivable - oil and gas sales	296,053	195,636
	-----	-----
Total current assets	478,259	366,174
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	5,701,037	5,774,563
Accumulated depletion	(5,019,550)	(4,958,910)
	-----	-----
Net oil and gas properties	681,487	815,653
	-----	-----
	\$ 1,159,746	\$1,181,827
	=====	=====
LIABILITIES AND PARTNERS' CAPITAL		
-----		
Current liabilities:		
Accounts payable - affiliate	\$ 37,242	\$ 35,908
Partners' capital:		
Managing general partner	12,466	12,700
Limited partners (24,426 interests)	1,110,038	1,133,219
	-----	-----
	1,122,504	1,145,919
	-----	-----
	\$ 1,159,746	\$1,181,827
	=====	=====

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

11

966

956

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

PARKER & PARSLEY PRODUCING PROPERTIES 87-A, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF OPERATIONS  
For the years ended December 31

	2000	1999	1998
	-----	-----	-----
Revenues:			
Oil and gas	\$ 1,514,918	\$ 860,305	\$ 807,421
Interest	16,109	10,193	13,353
Gain on disposition of assets	37,944	25,173	24,040
	-----	-----	-----
	1,568,971	895,671	844,814
	-----	-----	-----
Costs and expenses:			
Oil and gas production	765,021	555,988	682,634
General and administrative	45,448	25,809	24,223
Impairment of oil and gas properties	59,777	43,412	37,388
Depletion	69,296	109,034	383,398
Abandoned property	27,914	26,728	74,653
	-----	-----	-----
	967,456	760,971	1,202,296
	-----	-----	-----
Net income (loss)	\$ 601,515	\$ 134,700	\$ (357,482)
	=====	=====	=====
Allocation of net income (loss):			
Managing general partner	\$ 6,015	\$ 1,347	\$ (3,575)
	=====	=====	=====
Limited partners	\$ 595,500	\$ 133,353	\$ (353,907)
	=====	=====	=====
Net income (loss) per limited partnership interest	\$ 24.38	\$ 5.46	\$ (14.49)
	=====	=====	=====

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

PARKER & PARSLEY PRODUCING PROPERTIES 87-A, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF PARTNERS' CAPITAL

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	Managing general partner	Limited partners	Total
	-----	-----	-----
Partners' capital at January 1, 1998	\$ 19,487	\$1,805,112	\$1,824,599
Distributions	(2,297)	(227,387)	(229,684)
Net loss	(3,575)	(353,907)	(357,482)
	-----	-----	-----
Partners' capital at December 31, 1998	13,615	1,223,818	1,237,433
Distributions	(2,262)	(223,952)	(226,214)
Net income	1,347	133,353	134,700
	-----	-----	-----
Partners' capital at December 31, 1999	12,700	1,133,219	1,145,919
Distributions	(6,249)	(618,681)	(624,930)
Net income	6,015	595,500	601,515
	-----	-----	-----
Partners' capital at December 31, 2000	\$ 12,466	\$1,110,038	\$1,122,504
	=====	=====	=====

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

13

968

PARKER & PARSLEY PRODUCING PROPERTIES 87-A, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF CASH FLOWS  
For the years ended December 31

	2000	1999	1998
	-----	-----	-----
Cash flows from operating activities:			
Net income (loss)	\$ 601,515	\$ 134,700	\$ (357,482)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Impairment of oil and gas properties	59,777	43,412	37,388

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Depletion	69,296	109,034	383,398
Gain on disposition of assets	(37,944)	(25,173)	(24,040)
Changes in assets and liabilities:			
Accounts receivable	(100,417)	(80,454)	95,326
Accounts payable	(8,712)	12,941	(13,546)
	-----	-----	-----
Net cash provided by operating activities	583,515	194,460	121,044
	-----	-----	-----
Cash flows from investing activities:			
Additions to oil and gas equipment	(4,916)	(2,818)	(11,491)
Proceeds from disposition of assets	57,999	21,887	83,839
	-----	-----	-----
Net cash provided by investing activities	53,083	19,069	72,348
	-----	-----	-----
Cash flows used in financing activities:			
Cash distributions to partners	(624,930)	(226,214)	(229,684)
	-----	-----	-----
Net increase (decrease) in cash	11,668	(12,685)	(36,292)
Cash at beginning of year	170,538	183,223	219,515
	-----	-----	-----
Cash at end of year	\$ 182,206	\$ 170,538	\$ 183,223
	=====	=====	=====

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

14

969

PARKER & PARSLEY PRODUCING PROPERTIES 87-A, LTD.  
(A Texas Limited Partnership)

NOTES TO FINANCIAL STATEMENTS  
December 31, 2000, 1999 and 1998

NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS

Parker & Parsley Producing Properties 87-A, Ltd. (the "Partnership") is a limited partnership organized in 1987 under the laws of the State of Texas. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA").

The Partnership engages in oil and gas production in Texas and is not involved in any industry segment other than oil and gas.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Oil and gas properties - The Partnership utilizes the successful efforts method of accounting for its oil and gas properties and equipment. Under this method, all costs associated with productive wells and nonproductive development wells are capitalized while nonproductive exploration costs are expensed.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Capitalized costs relating to proved properties are depleted using the unit-of-production method on a property-by-property basis based on proved oil (dominant mineral) reserves as evaluated by independent petroleum consultants. The carrying amounts of properties sold or otherwise disposed of and the related allowances for depletion are eliminated from the accounts and any gain or loss is included in results of operations.

Impairment of long-lived assets - In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the Partnership reviews its long-lived assets to be held and used on an individual property basis, including oil and gas properties accounted for under the successful efforts method of accounting, whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. An impairment loss is indicated if the sum of the expected future cash flows is less than the carrying amount of the assets. In this circumstance, the Partnership recognizes an impairment loss for the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset.

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

Net income (loss) per limited partnership interest - The net income (loss) per limited partnership interest is calculated by using the number of outstanding limited partnership interests.

Income taxes - A Federal income tax provision has not been included in the financial statements as the income (loss) of the Partnership is included in the individual Federal income tax returns of the

15

970

respective partners.

Statements of cash flows - For purposes of reporting cash flows, cash includes depository accounts held by banks.

General and administrative expenses - General and administrative expenses are allocated in part to the Partnership by the managing general partner. Allocated expenses are determined by the managing general partner based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Reclassifications - Certain reclassifications may have been made to the 1999 and 1998 financial statements to conform to the 2000 financial statement presentations.

Environmental - The Partnership is subject to extensive federal, state and local environmental laws and regulations. These laws, which are constantly changing, regulate the discharge of materials into the environment and may require the Partnership to remove or mitigate the environmental effects of the disposal or release of petroleum or chemical substances at various sites. Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

past operations and that have no future economic benefits are expensed. Liabilities for expenditures of a noncapital nature are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated. Such liabilities are generally undiscounted unless the timing of the cash payments for the liability or component are fixed or reliably determinable. No such liabilities have been accrued as of December 31, 2000.

Revenue recognition - The Partnership uses the entitlements method of accounting for oil, natural gas liquids ("NGLs") and natural gas revenues.

### NOTE 3. IMPAIRMENT OF LONG-LIVED ASSETS

In accordance with SFAS 121, the Partnership reviews its proved oil and gas properties for impairment whenever events and circumstances indicate a decline in the recoverability of the carrying value of the Partnership's oil and gas properties. The Partnership has estimated the expected future cash flows of its oil and gas properties as of December 31, 2000, 1999 and 1998, based on proved reserves, and compared such estimated future cash flows to the respective carrying amount of the oil and gas properties to determine if the carrying amounts were likely to be recoverable. For those proved oil and gas properties for which the carrying amount exceeded the estimated future cash flows, an impairment was determined to exist; therefore, the Partnership adjusted the carrying amount of those oil and gas properties to their fair value as determined by discounting their expected future cash flows at a discount rate commensurate with the risks involved in the industry. As a result, the Partnership recognized non-cash impairment provisions of \$59,777, \$43,412 and \$37,388 related to its proved oil and gas properties during 2000, 1999 and 1998, respectively.

16

971

### NOTE 4. INCOME TAXES

The financial statement basis of the Partnership's net assets and liabilities was \$1,521,385 less than the tax basis at December 31, 2000.

The following is a reconciliation of net income (loss) per statements of operations with the net income (loss) per Federal income tax returns for the years ended December 31:

	2000 -----	1999 -----	1998 -----
Net income (loss) per statements of operations	\$ 601,515	\$ 134,700	\$ (357,482)
Depletion and depreciation provisions for tax reporting purposes (greater than) less than amounts for financial reporting purposes	(12,672)	47,101	(84,454)
Impairment of oil and gas properties for financial reporting purposes	59,777	43,412	37,388
Other, net	(15,730)	(2,287)	4,922
	-----	-----	-----
Net income (loss) per Federal income tax returns	\$ 632,890 =====	\$ 222,926 =====	\$ (399,626) =====

### NOTE 5. OIL AND GAS PRODUCING ACTIVITIES

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The following is a summary of the net costs incurred, whether capitalized or expensed, related to the Partnership's oil and gas producing activities for the years ended December 31:

	2000 -----	1999 -----	1998 -----
Property acquisition costs	\$ 4,087 =====	\$ 1,104 =====	\$ 11,491 =====
Development costs	\$ 829 =====	\$ 1,714 =====	\$ - =====

Capitalized oil and gas properties consist of the following:

	2000 -----	1999 -----
Proved properties:		
Property acquisition costs	\$5,021,262	\$ 5,095,617
Completed wells and equipment	679,775	678,946
	-----	-----
	5,701,037	5,774,563
Accumulated depletion	(5,019,550)	(4,958,910)
	-----	-----
Net oil and gas properties	\$ 681,487 =====	\$ 815,653 =====

### NOTE 6. RELATED PARTY TRANSACTIONS

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

	2000 -----	1999 -----	1998 -----
Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$ 268,224	\$ 254,244	\$ 292,539
Reimbursement of general and administrative expenses	\$ 29,711	\$ 1,550	\$ 10,723

The Partnership participates in oil and gas activities through an income

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

tax partnership (the "Program") pursuant to the Program agreement. Pioneer USA, P&P Employees Producing Properties 87-A ("EMPL") and the Partnership are parties to the Program agreement. EMPL is a general partnership organized for the benefit of certain employees of Pioneer USA. EMPL was merged with Pioneer USA on December 28, 2000.

The costs and revenues of the Program are allocated to Pioneer USA and the Partnership as follows:

	Pioneer USA (1)	Partnership
Revenues:		
Revenues from oil and gas production, proceeds from sales of producing properties and all other revenues:		
Before payout (2)	4.040405%	95.959595%
After payout	19.191920%	80.808080%
Costs and expenses:		
Property acquisition costs, operating costs, general and administrative expenses and other costs:		
Before payout (2)	4.040405%	95.959595%
After payout	19.191920%	80.808080%

(1) Excludes Pioneer USA's 1% general partner ownership which is allocated at the Partnership level and 86 limited partner interests owned by Pioneer USA.

(2) The Partnership has not reached payout.

### NOTE 7. OIL AND GAS INFORMATION (UNAUDITED)

The following table presents information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities during the years then ended. All of the Partnership's reserves are proved developed and located within the United States. The Partnership's reserves are based on an evaluation prepared by Williamson Petroleum Consultants, Inc., an independent petroleum consultant, using criteria established by the Securities and Exchange Commission.

973

18

	Oil and NGLs (bbls)	Gas (mcf)
Net proved reserves at January 1, 1998	719,789	996,755
Revisions	(302,841)	(385,883)
Production	(64,367)	(56,240)
	352,581	554,632
Net proved reserves at December 31, 1998	461,643	633,460
Revisions		

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Production	(53,101)	(53,145)
	-----	-----
Net proved reserves at December 31, 1999	761,123	1,134,947
Revisions	6,756	(376,058)
Production	(53,656)	(45,872)
	-----	-----
Net proved reserves at December 31, 2000	714,223	713,017
	=====	=====

As of December 31, 2000, the estimated present value of future net revenues of proved reserves, calculated using December 31, 2000 prices of \$26.64 per barrel of oil, \$12.58 per barrel of NGLs and \$7.60 per mcf of gas, discounted at 10% was approximately \$4,683,000 and undiscounted was \$9,322,000.

Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves. The Partnership emphasizes that reserve estimates are inherently imprecise and, accordingly, the estimates are expected to change as future information becomes available.

Disclosures about Oil & Gas Producing Activities

Standardized Measure of Discounted Future Net Cash Flows

The standardized measure of discounted future net cash flows is computed by applying year-end prices of oil and gas (with consideration of price changes only to the extent provided by contractual arrangements) to the estimated future production of proved oil and gas reserves less estimated future expenditures (based on year-end costs) to be incurred in developing and producing the proved reserves, discounted using a rate of 10% per year to reflect the estimated timing of the future cash flows. A Federal income tax provision has not been calculated as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

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

	For the years ended December 31		
	2000	1999	1998
	-----		
	(in thousands)		
Oil and gas producing activities:			
Future cash inflows	\$ 22,258	\$ 18,298	\$ 3,333
Future production costs	(12,936)	(10,698)	(2,222)
	-----	-----	-----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

10% annual discount factor	9,322 (4,639)	7,600 (3,477)	
Standardized measure of discounted future net cash flows	\$ 4,683	\$ 4,123	\$

	For the years ended December 31		
	2000	1999	1998
	(in thousands)		
Oil and Gas Producing Activities:			
Oil and gas sales, net of production costs	\$ (750)	\$ (304)	\$ (1,000)
Net changes in prices and production costs	1,685	1,668	(1,668)
Revisions of previous quantity estimates	(339)	3,013	
Accretion of discount	412	64	
Changes in production rates, timing and other	(448)	(957)	
Change in present value of future net revenues	560	3,484	(2,000)
Balance, beginning of year	4,123	639	2,000
Balance, end of year	\$ 4,683	\$ 4,123	\$ 2,000

NOTE 8. MAJOR CUSTOMERS

The following table reflects the major customers of the Partnership's oil and gas sales (a major customer is defined as a customer whose sales exceed 10% of total sales) during the years ended December 31:

	2000	1999	1998
Plains Marketing, L.P.	59%	60%	-
Phillips Petroleum Company	15%	14%	16%
TEPPCO Crude Oil LLC	11%	-	-
Genesis Crude Oil, L.P.	-	-	66%

At December 31, 2000, the amounts receivable from Plains Marketing, L.P., Phillips Petroleum Company and TEPPCO Crude Oil LLC were \$78,270, \$54,144 and \$29,228, respectively, which are included in the caption "Accounts receivable - oil and gas sales" in the accompanying Balance Sheet.

Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on the ability of the Partnership to sell its oil, NGLs and gas production.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

### NOTE 9. PARTNERSHIP AGREEMENT

The following is a brief summary of the more significant provisions of the limited partnership agreement:

Managing general partner - The managing general partner of the Partnership is Pioneer USA. Pioneer USA has the power and authority to manage, control and administer all Partnership

20

975

affairs. As managing general partner and operator of the Partnership's properties, all production expenses are incurred by Pioneer USA and billed to the Partnership. The majority of the Partnership's oil and gas revenues are received directly by Pioneer USA prior to being paid to the Partnership. Under the limited partnership agreement, the managing general partner pays 1% of the Partnership's acquisition, drilling and completion costs and 1% of its operating and general and administrative expenses. In return, it is allocated 1% of the Partnership's revenues.

Limited partner liability - The maximum amount of liability of any limited partner is the total contributions of such partner plus his share of any undistributed profits.

Initial capital contributions - The limited partners entered into subscription agreements for aggregate capital contributions of \$12,213,000. Pioneer USA is required to contribute amounts equal to 1% of initial Partnership capital less commission and organization and offering costs allocated to the limited partners and to contribute amounts necessary to pay costs and expenses allocated to it under the Partnership agreement to the extent its share of revenues does not cover such costs.

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

None.

21

976

## PART III

### ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE PARTNERSHIP

The Partnership does not have any officers or directors. Under the limited partnership agreement, the Partnership's managing general partner, Pioneer USA, is granted the exclusive right and full authority to manage, control and administer the Partnership's business.

Set forth below are the names, ages and positions of the directors and executive officers of Pioneer USA. Directors of Pioneer USA are elected to serve until the next annual meeting of stockholders or until their successors are elected and qualified.

Age at

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Name -----	December 31, 2000 ----	Position -----
Scott D. Sheffield	48	President
Timothy L. Dove	44	Executive Vice President, Chief Financial Officer and Director
Dennis E. Fagerstone	51	Executive Vice President and Director
Mark L. Withrow	53	Executive Vice President, General Counsel and Director
Danny Kellum	46	Executive Vice President - Domestic Operations and Director
Rich Dealy	34	Vice President and Chief Accounting Officer

Scott D. Sheffield. Mr. Sheffield is a graduate of The University of Texas with a B.S. in Petroleum Engineering. Since August 1997, he has served as President, Chief Executive Officer and a director of Pioneer and President of Pioneer USA. Mr. Sheffield assumed the position of Chairman of the Board of Pioneer in August 1999. He served as a director of Pioneer USA from August 1997 until his resignation from the board in June 1999. Mr. Sheffield was the President and a director of Parker & Parsley Petroleum Company ("Parker & Parsley") from May 1990 until August 1997 and was the Chairman of the Board and Chief Executive Officer of Parker & Parsley from October 1990 until August 1997. He was the sole director of Parker & Parsley from May 1990 until October 1990. Mr. Sheffield joined Parker & Parsley Development Company ("PPDC"), a predecessor of Parker & Parsley, as a petroleum engineer in 1979. He served as Vice President - Engineering of PPDC from September 1981 until April 1985 when he was elected President and a director. In March 1989, Mr. Sheffield was elected Chairman of the Board and Chief Executive Officer of PPDC. Before joining PPDC's predecessor, Mr. Sheffield was employed as a production and reservoir engineer for Amoco Production Company.

22

977

Timothy L. Dove. Mr. Dove earned a B.S. in Mechanical Engineering from Massachusetts Institute of Technology in 1979 and received his M.B.A. in 1981 from the University of Chicago. He became Executive Vice President - Business Development of Pioneer and Pioneer USA in August 1997 and was also appointed a director of Pioneer USA in August 1997. Mr. Dove assumed the position of Chief Financial Officer of Pioneer and Pioneer USA effective February 1, 2000. Mr. Dove joined Parker & Parsley in May 1994 as Vice President - International and was promoted to Senior Vice President - Business Development in October 1996, in which position he served until August 1997. Prior to joining Parker & Parsley, Mr. Dove was employed with Diamond Shamrock Corp., and its successor, Maxus Energy Corp, in various capacities in international exploration and production, marketing, refining and marketing and planning and development.

Dennis E. Fagerstone. Mr. Fagerstone, a graduate of the Colorado School of Mines with a B.S. in Petroleum Engineering, became an Executive Vice President of Pioneer and Pioneer USA in August 1997. He was also appointed a director of Pioneer USA in August 1997. He served as Executive Vice President and Chief Operating Officer of MESA Inc. ("Mesa") from March 1, 1997 until August 1997.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

From October 1996 to February 1997, Mr. Fagerstone served as Senior Vice President and Chief Operating Officer of Mesa and from May 1991 to October 1996, he served as Vice President - Exploration and Production of Mesa. From June 1988 to May 1991, Mr. Fagerstone served as Vice President - Operations of Mesa.

Mark L. Withrow. Mr. Withrow, a graduate of Abilene Christian University with a B. S. in Accounting and Texas Tech University with a Juris Doctorate degree, became Executive Vice President, General Counsel and Secretary of Pioneer and Pioneer USA in August 1997. He was also appointed a director of Pioneer USA in August 1997. Mr. Withrow was Vice President - General Counsel of Parker & Parsley from January 1991, when he joined Parker & Parsley, to January 1995, when he was appointed Senior Vice President - General Counsel. He was Parker & Parsley's Secretary from August 1992 until August 1997. Prior to joining Parker & Parsley, Mr. Withrow was the managing partner of the law firm of Turpin, Smith, Dyer, Saxe & MacDonald, Midland, Texas.

Danny Kellum. Mr. Kellum, who received a Bachelor of Science degree in Petroleum Engineering from Texas Tech University in 1979, was elected Executive Vice President - Domestic Operations of Pioneer and Pioneer USA on May 18, 2000 and Director of Pioneer USA on February 1, 2000. From January 2000 until May 2000, Mr. Kellum served as Vice President - Domestic Operations of Pioneer and Pioneer USA. Mr. Kellum served as Vice President Permian Division of Pioneer and Pioneer USA from April 1998 until December 1999. From 1989 until 1994 he served as Spraberry District Manager and as Vice President of the Spraberry and Permian Division for Parker & Parsley until August of 1997. Mr. Kellum joined Parker & Parsley as an operations engineer in 1981 after a brief career with Mobil Oil Corporation.

Rich Dealy. Mr. Dealy is a graduate of Eastern New Mexico University with a B.B.A. in Accounting and Finance and is a Certified Public Accountant. He became Vice President and Chief Accounting Officer of Pioneer and Pioneer USA in February 1998. Mr. Dealy served as Controller of Pioneer USA from August 1997 to February 1998. He served as Controller of Parker & Parsley from August 1995 to August 1997. Mr. Dealy joined Parker & Parsley as an Accounting Manager in July, 1992. He was previously employed with KPMG Peat Marwick as an Audit Senior, in charge of Parker & Parsley's audit.

23

978

### ITEM 11. EXECUTIVE COMPENSATION

The Partnership does not have any directors or officers. Management of the Partnership is performed by Pioneer USA, the managing general partner. The Partnership participates in oil and gas activities through an income tax partnership (the "Program") pursuant to the Program agreement. Under the limited partnership agreement, Pioneer USA pays 1% of the Program's acquisition, drilling and completion costs and 1% of its operating and general and administrative expenses. In return, Pioneer USA is allocated 1% of the Program's revenues.

The Partnership does not directly pay any salaries of the executive officers of Pioneer USA, but does pay a portion of Pioneer USA's general and administrative expenses of which these salaries are a part.

See Notes 6 and 9 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" for information regarding fees and reimbursements paid to the managing general partner by the Partnership.

### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

(a) Beneficial owners of more than five percent

The Partnership is not aware of any person who beneficially owns 5% or more of the outstanding limited partnership interests of the Partnership. Pioneer USA owned 86 limited partnership interests at January 1, 2001.

(b) Security ownership of management

The Partnership does not have any officers or directors. The managing general partner of the Partnership, Pioneer USA, has the exclusive right and full authority to manage, control and administer the Partnership's business. Under the limited partnership agreement, limited partners holding a majority of the outstanding limited partnership interests have the right to take certain actions, including the removal of the managing general partner or any other general partner. The Partnership is not aware of any current arrangement or activity which may lead to such removal. The Partnership is not aware of any officer or director of Pioneer USA who beneficially owns limited partnership interests in the Partnership.

### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Transactions with the managing general partner

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

	2000	1999	1998
	-----	-----	-----
Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$268,224	\$ 254,244	\$292,539
Reimbursement of general and administrative expenses	\$ 29,711	\$ 1,550	\$ 10,723

Under the limited partnership agreement, the managing general partner pays 1% of the Partnership's acquisition, drilling and completion costs and 1% of its operating and general and administrative expenses. In return, it is allocated 1% of the Partnership's revenues. Also, see Notes 6 and 9 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data", regarding the Partnership's participation with the managing general partner in oil and gas activities of the Program.

979

24

### PART IV

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

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

(a) 1. Financial statements

The following are filed as part of this Report:

Independent Auditors' Report

Balance sheets as of December 31, 2000 and 1999

Statements of operations for the years ended December 31, 2000,  
1999 and 1998

Statements of partners' capital for the years ended December  
31, 2000, 1999 and 1998

Statements of cash flows for the years ended December 31, 2000,  
1999 and 1998

Notes to financial statements

2. Financial statement schedules

All financial statement schedules have been omitted since the  
required information is in the financial statements or notes thereto,  
or is not applicable nor required.

(b) Reports on Form 8-K

None.

(c) Exhibits

The exhibits listed on the accompanying index to exhibits are filed or  
incorporated by reference as part of this Report.

26

981

S I G N A T U R E S

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, thereunto duly authorized.

PARKER & PARSLEY PRODUCING  
PROPERTIES 87-A, LTD.

Dated: March 26, 2001

By: Pioneer Natural Resources USA, Inc.  
Managing General Partner

By: /s/ Scott D. Sheffield

-----  
Scott D. Sheffield, President

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

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

/s/ Scott D. Sheffield ----- Scott D. Sheffield	President of Pioneer USA	March 26, 2001
/s/ Timothy L. Dove ----- Timothy L. Dove	Executive Vice President, Chief Financial Officer and Director of Pioneer USA	March 26, 2001
/s/ Dennis E. Fagerstone ----- Dennis E. Fagerstone	Executive Vice President and Director of Pioneer USA	March 26, 2001
/s/ Mark L. Withrow ----- Mark L. Withrow	Executive Vice President, General Counsel and Director of Pioneer USA	March 26, 2001
/s/ Danny Kellum ----- Danny Kellum	Executive Vice President - Domestic Operations and Director of Pioneer USA	March 26, 2001
/s/ Rich Dealy ----- Rich Dealy	Vice President and Chief Accounting Officer of Pioneer USA	March 26, 2001

27

982

PARKER & PARSLEY PRODUCING PROPERTIES 87-A, LTD.

INDEX TO EXHIBITS

The following documents are incorporated by reference in response to Item 14(c):

Exhibit No. -----	Description -----	Page ----
3(a)	Amended and Restated Certificate of Limited Partnership of Parker & Parsley Producing Properties 87-A, Ltd. incorporated by reference to Exhibit 3a of Amendment No. 1 of the Partnership's Registration Statement on Form S-1 (Registration No. 33-11193)	-
4(a)	Agreement of Limited Partnership of Parker & Parsley Producing Properties 87-A, Ltd. incorporated by reference to Exhibit A of Amendment No, 1 of the Partnership's Registration Statement on Form S-1 (Registration No. 33-11193)	-

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

4(b)	Subscription Agreement incorporated by reference to Exhibit C of Amendment No. 1 of the Partnership's Registration Statement on Form S-1 (Registration No. 33-11193)	-
4(b)	Power of Attorney incorporated by reference to Exhibit B of Amendment No. 1 of the Partnership's Registration Statement on Form S-1 (Registration No. 33-11193)	-
4(c)	Specimen Certificate of Limited Partnership Interest incorporated by reference to Exhibit 4c of the Partnership's Registration Statement on Form S-1 (Registration No. 33-11193)	-
10(b)	Program Agreement incorporated by reference to Exhibit B of Amendment No. 1 of the Partnership's Registration Statement on Form S-1 (Registration No. 33-11193)	-

28

983

PARKER & PARSLEY PRODUCING PROPERTIES 87-A, LTD.

SELECTED FINANCIAL DATA

The following selected financial data for the Partnership should be read in connection with Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements included in the attached supplemental information.

	Six months ended June 31,		Years ended December		
	2001	2000	2000	1999	1998
Operating results:					
Oil and gas sales	\$ 708,005	\$ 695,926	\$1,514,918	\$ 860,305	\$ 807,421
	=====	=====	=====	=====	=====
Gain on litigation settlement, net	\$ --	\$ --	\$ --	\$ --	\$ --
	=====	=====	=====	=====	=====
Impairment of oil and gas properties	\$ --	\$ --	\$ 59,777	\$ 43,412	\$ 37,388
	=====	=====	=====	=====	=====
Net income (loss)	\$ 348,741	\$ 300,325	\$ 601,515	\$ 134,700	\$ (357,482)
	=====	=====	=====	=====	=====
Allocation of net income (loss):					
Managing general					

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

partner	\$ 3,487	\$ 3,003	\$ 6,015	\$ 1,347	\$ (3,575)
	=====	=====	=====	=====	=====
Limited partners	\$ 345,254	\$ 297,322	\$ 595,500	\$ 133,353	\$ (353,907)
	=====	=====	=====	=====	=====
Limited partners' net income (loss) per limited partnership interest	\$ 14.13	\$ 12.17	\$ 24.38	\$ 5.46	\$ (14.49)
	=====	=====	=====	=====	=====
Limited partners' cash distributions per limited partnership interest	\$ 10.75	\$ 12.21	\$ 25.33	\$ 9.17	\$ 9.31
	=====	=====	=====	=====	=====
As of period ended:					
Total assets	\$1,237,141	\$1,191,053	\$1,159,746	\$1,181,827	\$1,270,446
	=====	=====	=====	=====	=====

-----

(a) Including litigation settlement of \$.81 per limited partnership interest in 1996.

984

PIONEER NATURAL RESOURCES COMPANY  
PIONEER NATURAL RESOURCES USA, INC.  
5205 NORTH O'CONNOR BLVD., SUITE 1400  
IRVING, TEXAS 75039

SUPPLEMENTAL INFORMATION

OF

PARKER & PARSLEY PRODUCING PROPERTIES 87-B, LTD., A TEXAS LIMITED PARTNERSHIP

TO

PROXY STATEMENT/PROSPECTUS DATED , 2001

-----

THE DATE OF THIS SUPPLEMENT IS , 2001

-----

This document contains important information specific to Parker & Parsley Producing Properties 87-B, Ltd. and supplements the proxy statement/prospectus dated , 2001, of Pioneer Natural Resources Company and Pioneer Natural Resources USA, Inc., by which Pioneer USA is soliciting proxies to be voted at a special meeting of limited partners of the partnership. The purpose of the special meeting is for you to vote upon the merger of the partnership with and into Pioneer USA that, if completed, will result in your receiving common stock of Pioneer Natural Resources Company for your partnership interests.

This document contains the following information concerning Parker &

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Parsley Producing Properties 87-B, Ltd.:

- o A table containing:
  - the aggregate initial investment by the limited partners
  - the aggregate historical limited partner distributions through July 31, 2001
  - the merger value attributable to partnership interests of limited partners, excluding Pioneer USA
  - the merger value per \$1,000 limited partner investment
  - the merger value per \$1,000 limited partner investment as a multiple of distributions for the past four quarterly distributions including the distribution in July 2001
  
  - the book value per \$1,000 limited partner investment as of June 30, 2001 and as of December 31, 2000
  
  - the going concern value per \$1,000 limited partner investment
  - the liquidation value per \$1,000 limited partner investment
  - the ordinary tax loss per \$1,000 limited partner investment in year of initial investment
  
- o Information about:
  - the legal opinion for the limited partners
  - the term of the partnership
  
- o The partnership's quarterly report on Form 10-Q, including management's discussion and analysis of financial condition and results of operations, for the six months ended June 30, 2001
  
- o The partnership's annual report on Form 10-K, including management's discussion and analysis of financial condition and results of operations, for the year ended December 31, 2000
  
- o Selected historical financial data for the partnership for the six months ended June 30, 2001 and 2000 and the five years ended December 31, 2000

-1-

985

PARKER & PARSLEY PRODUCING PROPERTIES 87-B, LTD.

SUPPLEMENTAL INFORMATION TABLE

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Aggregate Initial Investment by the Limited Partners(a)

Aggregate Historical Limited Partner Distributions through July 31, 2001(a)

Merger Value Attributable to Partnership Interests of Limited Partners, Excluding Pioneer USA(a),

Merger Value per \$1,000 Limited Partner Investment(b), (c)

Merger Value per \$1,000 Limited Partner Investment as a Multiple of Distributions for the past four quarterly distributions including the distribution in July 2001(b), (c)

Book Value per \$1,000 Limited Partner Investment:

-- as of June 30, 2001(c)

-- as of December 31, 2000(c)

Going Concern Value per \$1,000 Limited Partner Investment(c), (d)

Liquidation Value per \$1,000 Limited Partner Investment(c), (e)

Ordinary Tax Loss per \$1,000 Limited Partner Investment in Year of Initial Investment(f)

-----

(a) Stated in thousands.

(b) The merger value for the partnership is equal to the sum of the present value of estimated future net revenues from the partnership's estimated oil and gas reserves and its net working capital, in each case as of March 31, 2001, less its pro rata share, based on its reserve value, of the estimated expenses and fees of the mergers of all of the partnerships and less the cash distribution on July 13, 2001, by the partnership to its partners.

(c) Interests in some partnerships were sold in units at prices other than \$1,000. We have presented this information based on a \$1,000 initial investment for ease of use and comparison among partnerships. You should not assume that the amount shown per \$1,000 investment is the same as the value or amount attributable to a single unit investment.

(d) The going concern value for the partnership is based upon: (1) the sum of (A) the estimated net cash flow from the sale of the partnership's reserves during a 10-year operating period and (B) the estimated residual value from the sale of the partnership's remaining reserves at the end of the operating period, in each case using the same pricing and discount rate as in the merger value calculation, less (2) (A) partnership level general and administrative expenses, and (B) the cash distribution on July 13, 2001 by the partnership to its partners.

(e) The liquidation value for the partnership is based upon the sale of the partnership's reserves at the reserve value, less (1) liquidation expenses which are estimated to be the sum of (A) the partnership's pro rata share of the merger expenses and fees described in footnote (b) above and (B) 3% of the partnership's reserve value, and (2) the cash distribution on July 13,

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

2001 by the partnership to its partners. The liquidation expenses represent estimated costs to retain an investment banker or broker to sell the assets of the partnership and the legal and other closing costs associated with such transaction, including the wind-down costs of the partnership.

(f) Not applicable. Since this partnership purchased producing properties, there were no intangible drilling and development costs nor any related write-off for tax purposes.

INFORMATION ABOUT THE LEGAL OPINION FOR THE LIMITED PARTNERS

The partnership agreement for the partnership requires that special legal counsel render an opinion on behalf of the limited partners to Pioneer USA that (1) neither the grant nor the exercise of the right to approve the merger of the partnership by its limited partners will adversely affect the federal income tax classification of the partnership or any of its limited partners; and (2) neither the grant nor exercise of such right will result in the loss of any limited partner's limited liability. In addition, the counsel designated to render the opinion must be counsel other than counsel to Pioneer USA or the partnership. Both the designated counsel and the legal opinion must be approved by the limited partners. Pioneer USA has retained \_\_\_\_\_ of Dallas, Texas for the purpose of rendering this legal opinion on behalf of the limited partners to Pioneer USA. The merger proposals include an approval of that counsel and the form of its opinion. A copy of the opinion is attached as an exhibit to the merger proposals.

INFORMATION ABOUT THE TERM OF THE PARTNERSHIP

The term of the partnership is until December 31, 2037, unless the partnership is earlier terminated in accordance with the applicable provisions of its partnership agreement.

-2-

986

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, 2001

Commission File No. 33-11193-2

PARKER & PARSLEY PRODUCING PROPERTIES 87-B, LTD.  
(Exact name of Registrant as specified in its charter)

Texas

75-2205943

-----  
(State or other jurisdiction of  
incorporation or organization)

-----  
(I.R.S. Employer  
Identification Number)



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

5205 N. O'Connor Blvd., Suite 1400, Irving, Texas

75039

-----  
(Address of principal executive offices)

-----  
(Zip code)

Registrant's Telephone Number, including area code : (972) 444-9001

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 / x / No / /

987

PARKER & PARSLEY PRODUCING PROPERTIES 87-B, LTD.

TABLE OF CONTENTS

	Page
Part I. Financial Information	
Item 1. Financial Statements	
Balance Sheets as of June 30, 2001 and December 31, 2000.....	3
Statements of Operations for the three and six months ended June 30, 2001 and 2000.....	4
Statement of Partners' Capital for the six months ended June 30, 2001.....	5
Statements of Cash Flows for the six months ended June 30, 2001 and 2000.....	6
Notes to Financial Statements.....	7
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.....	7

Part II. Other Information

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Item 6.	Exhibits and Reports on Form 8-K.....	11
	Signatures.....	12

988

PARKER & PARSLEY PRODUCING PROPERTIES 87-B, LTD.  
(A Texas Limited Partnership)

Part I. Financial Information

Item 1. Financial Statements

BALANCE SHEETS

	June 30, 2001	December 31, 2000
	-----	-----
	(Unaudited)	
ASSETS		
Current assets:		
Cash	\$ 113,962	\$ 19,277
Accounts receivable - oil and gas sales	139,187	194,002
	-----	-----
Total current assets	253,149	213,279
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	4,832,086	4,829,203
Accumulated depletion	(4,199,123)	(4,181,937)
	-----	-----
Net oil and gas properties	632,963	647,266
	-----	-----
	\$ 886,112	\$ 860,545
	=====	=====
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable - affiliate	\$ 18,189	\$ 20,375
Partners' capital:		
Managing general partner	8,939	8,661
Limited partners (12,191 interests)	858,984	831,509
	-----	-----
	867,923	840,170
	-----	-----
	\$ 886,112	\$ 860,545
	=====	=====

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The financial information included as of June 30, 2001 has been prepared by the managing general partner without audit by independent public accountants.

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

3

989

PARKER & PARSLEY PRODUCING PROPERTIES 87-B, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF OPERATIONS  
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2001	2000	2001	2000
Revenues:				
Oil and gas	\$ 197,119	\$ 205,745	\$ 435,162	\$ 469,537
Interest	1,073	1,465	2,253	2,536
Gain on disposition of assets	-	-	-	8,294
	-----	-----	-----	-----
	198,192	207,210	437,415	480,367
	-----	-----	-----	-----
Costs and expenses:				
Oil and gas production	122,377	82,693	209,886	192,129
General and administrative	5,914	6,172	13,055	14,086
Depletion	7,634	8,103	17,186	18,829
	-----	-----	-----	-----
	135,925	96,968	240,127	225,044
	-----	-----	-----	-----
Net income	\$ 62,267	\$ 110,242	\$ 197,288	\$ 255,323
	=====	=====	=====	=====
Allocation of net income:				
Managing general partner	\$ 623	\$ 1,102	\$ 1,973	\$ 2,553
	=====	=====	=====	=====
Limited partners	\$ 61,644	\$ 109,140	\$ 195,315	\$ 252,770
	=====	=====	=====	=====
Net income per limited partnership interest	\$ 5.06	\$ 8.95	\$ 16.02	\$ 20.73
	=====	=====	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

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

4

990

PARKER & PARSLEY PRODUCING PROPERTIES 87-B, LTD.  
(A Texas Limited Partnership)

STATEMENT OF PARTNERS' CAPITAL  
(Unaudited)

	Managing general partner -----	Limited partners -----	Total -----
Balance at January 1, 2001	\$ 8,661	\$ 831,509	\$ 840,170
Distributions	(1,695)	(167,840)	(169,535)
Net income	1,973 -----	195,315 -----	197,288 -----
Balance at June 30, 2001	\$ 8,939 =====	\$ 858,984 =====	\$ 867,923 =====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

5

991

PARKER & PARSLEY PRODUCING PROPERTIES 87-B, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF CASH FLOWS  
(Unaudited)

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	Six months ended June 30,	
	2001	2000
Cash flows from operating activities:		
Net income	\$ 197,288	\$ 255,323
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion	17,186	18,829
Gain on disposition of assets	-	(8,294)
Changes in assets and liabilities:		
Accounts receivable	54,815	17,448
Accounts payable	(2,186)	(789)
Net cash provided by operating activities	267,103	282,517
Cash flows from investing activities:		
Additions to oil and gas equipment	(2,883)	-
Proceeds from asset dispositions	-	13,944
Net cash provided by (used in) investing activities	(2,883)	13,944
Cash flows used in financing activities:		
Cash distributions to partners	(169,535)	(265,842)
Net increase in cash	94,685	30,619
Cash at beginning of period	19,277	21,724
Cash at end of period	\$ 113,962	\$ 52,343

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

PARKER & PARSLEY PRODUCING PROPERTIES 87-B, LTD.  
(A Texas Limited Partnership)

NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Unaudited)

Note 1. Organization and nature of operations

Parker & Parsley Producing Properties 87-B, Ltd. (the "Partnership") is a limited partnership organized in 1987 under the laws of the State of Texas.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

### Note 2. Basis of presentation

In the opinion of management, the unaudited financial statements of the Partnership as of June 30, 2001 and for the three and six months ended June 30, 2001 and 2000 include all adjustments and accruals consisting only of normal recurring accrual adjustments which are necessary for a fair presentation of the results for the interim period. These interim results are not necessarily indicative of results for a full year. Certain reclassifications may have been made to the June 30, 2000 financial statements to conform to the June 30, 2001 financial statement presentations.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in this Form 10-Q pursuant to the rules and regulations of the Securities and Exchange Commission. The financial statements should be read in conjunction with the financial statements and the notes thereto contained in the Partnership's Report on Form 10-K for the year ended December 31, 2000, as filed with the Securities and Exchange Commission, a copy of which is available upon request by writing to Rich Dealy, Vice President and Chief Accounting Officer, 5205 North O'Connor Boulevard, Suite 1400, Irving, Texas 75039-3746.

### Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (1)

#### Results of Operations

Six months ended June 30, 2001 compared with six months ended June 30, 2000

#### Revenues:

The Partnership's oil and gas revenues decreased 7% to \$435,162 for the six months ended June 30, 2001 as compared to \$469,537 for the same period in 2000. The decrease in revenues resulted from a decline in production and lower average prices received for oil, offset by higher average prices received for gas and

7

993

NGLs. For the six months ended June 30, 2001, 10,264 barrels of oil, 3,788 barrels of natural gas liquids ("NGLs") and 19,481 mcf of gas were sold, or 17,299 barrel of oil equivalents ("BOEs"). For the six months ended June 30, 2000, 11,962 barrels of oil, 5,429 barrels of NGLs and 26,130 mcf of gas were sold, or 21,746 BOEs. Of the decrease, 1,740 BOEs are attributable to the fact that on April 1, 2000 the Partnership's revenue and operating expense allocation reverted to 80.808081% from 95.959595% pursuant to the Program agreement governing the Partnership which provides for a reversionary interest of 80.808081% once cumulative distributions equal initial partners' capital ("Reversionary Interest").

The average price received per barrel of oil decreased \$1.07, or 4%, from \$27.96 for the six months ended June 30, 2000 to \$26.89 for the same period in 2001. The average price received per barrel of NGLs increased \$2.22, or 15%, from \$14.82 during the six months ended June 30, 2000 to \$17.04 for the same period in 2001. The average price received per mcf of gas increased 133% to \$4.86 for

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

the six months ended June 30, 2001 compared to \$2.09 for the same period in 2000. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received during the six months ended June 30, 2001.

Gain on disposition of assets of \$8,294 was recognized during the six months ended June 30, 2000. The gain was due to equipment credits received on fully depleted wells.

### Costs and Expenses:

Total costs and expenses increased to \$240,127 for the six months ended June 30, 2001 as compared to \$225,044 for the same period in 2000, an increase of \$15,083, or 7%. This increase was due to an increase in production costs, offset by declines in depletion and general and administrative expenses ("G&A").

Production costs were \$209,886 for the six months ended June 30, 2001 and \$192,129 for the same period in 2000, resulting in a \$17,757 increase, or 9%. A 20% increase in production costs resulted from higher well maintenance and workover costs incurred to stimulate well production, offset by an 11% decline in lease operating costs and production taxes attributable to the Reversionary Interest change.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A decreased 7% from \$14,086 for the six months ended June 30, 2000, to \$13,055 for the same period in 2001, primarily due to the Reversionary Interest change as noted above.

Depletion was \$17,186 for the six months ended June 30, 2001 as compared to \$18,829 for the same period in 2000, a decrease of \$1,643, or 9%. This decrease was primarily due to a decrease in oil production of 1,698 barrels for the six months ended June 30, 2001 as compared to the same period in 2000.

Three months ended June 30, 2001 compared with three months ended June 30, 2000

### Revenues:

The Partnership's oil and gas revenues decreased 4% to \$197,119 for the three months ended June 30, 2001 as compared to \$205,745 for the same period in 2000. The decrease in revenues resulted from lower average prices received for oil and a decrease in production, offset by higher average prices received for gas and NGLs. For the three months ended June 30, 2001, 4,872 barrels of oil, 2,038 barrels of NGLs and 9,647 mcf of gas were sold, or 8,518 BOEs. For the three months ended June 30, 2000, 4,955 barrels of oil, 2,418 barrels of NGLs and 11,575 mcf of gas were sold, or 9,302 BOEs.

The average price received per barrel of oil decreased \$1.93, or 7%, from \$28.54 for the three months ended June 30, 2000 to \$26.61 for the same period in 2001. The average price received per barrel of NGLs increased \$.61, or 4%, from \$14.68 during the three months ended June 30, 2000 to \$15.29 for the same period in 2001. The average price received per mcf of gas increased 51% from \$2.49 during

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

the three months ended June 30, 2000 to \$3.77 for the same period in 2001.

### Costs and Expenses:

Total costs and expenses increased to \$135,925 for the three months ended June 30, 2001 as compared to \$96,968 for the same period in 2000, an increase of \$38,957, or 40%. This increase was due to higher production costs, offset by decreases in depletion and G&A.

Production costs were \$122,377 for the three months ended June 30, 2001 and \$82,693 for the same period in 2000, resulting in a \$39,684 increase, or 48%. The increase was the result of additional well maintenance and workover costs incurred to stimulate well production.

During this period, G&A decreased 4% from \$6,172 for the three months ended June 30, 2000 to \$5,914 for the same period in 2001, primarily due to decreased audit and tax fees.

Depletion was \$7,634 for the three months ended June 30, 2001 as compared to \$8,103 for the same period in 2000, a decrease of \$469, or 6%.

### Liquidity and Capital Resources

#### Net Cash Provided by Operating Activities

Net cash provided by operating activities decreased \$15,414 during the six months ended June 30, 2001 from the same period in 2000. This decrease was due to a reduction in oil and gas receipts of \$34,658 and an increase in production costs of \$17,757, offset by a decrease in G&A expenses of \$1,031 and a reduction in working capital of \$35,970. The increase in production costs was primarily due to higher well maintenance and workover costs incurred to stimulate well production, offset by the Reversionary Interest change. The decrease in oil and gas sales receipts resulted from a decline of \$106,201 in production in 2001 as

compared to the same period in 2000 and a decline in oil prices of \$12,792, offset by an increase in gas and NGL prices of \$84,335 during 2001. The decrease in G&A was primarily due to the Reversionary Interest change.

#### Net Cash Provided by (Used in) Investing Activities

The Partnership's principal investing activities during the six months ended June 30, 2001 were related to expenditures for upgrades of oil and gas equipment on active properties.

Proceeds from asset dispositions of \$13,944 were received for the six months ending June 30, 2000. The proceeds were primarily from equipment credits on fully depleted wells.

#### Net Cash Used in Financing Activities

For the six months ended June 30, 2001, cash distributions to the partners were \$169,535, of which \$1,695 was distributed to the managing general partner and \$167,840 to the limited partners. For the same period ended June 30, 2000, cash distributions to the partners were \$265,842, of which \$2,658 was distributed to the managing general partner and \$263,184 to the limited partners.



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

For the three months ended June 30, 2001, no distributions were made by the partnership to its partners. Subsequent to June 30, 2001 the cash distribution that otherwise would have been mailed to partners in late June was made to holders of record as of July 9, 2001 and was mailed on July 13, 2001. For further information, see "Proposal to acquire partnerships" below.

### Proposal to acquire partnerships

On June 29, 2001, Pioneer Natural Resources Company ("Pioneer") filed with the Securities and Exchange Commission Amendment No. 1 to the Form S-4 Registration Statement (File No. 333-59094) (the "preliminary proxy statement/prospectus"), which proposes an agreement and plan of merger among Pioneer, Pioneer Natural Resources USA, Inc. ("Pioneer USA"), a wholly-owned subsidiary of Pioneer, and 46 Parker & Parsley limited partnerships. Each partnership that approves the agreement and plan of merger and the other related merger proposals will merge with and into Pioneer USA upon the closing of the transactions described in the preliminary proxy statement/prospectus, and the partnership interests of each such partnership will be converted into the right to receive Pioneer common stock. The Partnership is one of the 46 Parker & Parsley limited partnerships that will be asked to approve the agreement and plan of merger. The preliminary proxy statement/prospectus is non-binding and is subject to, among other things, consideration of offers from third parties to purchase any partnership or its assets and the majority approval of the limited partnership interests in each partnership.

Pioneer USA will solicit proxies from limited partners to approve the mergers only when the proxy statement/prospectus is final and declared effective. No solicitation will be made using preliminary materials. Nonetheless, copies of the preliminary proxy statement/prospectus may be obtained without charge upon request from Pioneer Natural Resources Company, 5205 North O'Connor Blvd., Suite 1400, Irving, Texas 75039, Attention: Investor Relations.

The limited partners are urged to read the proxy statement/prospectus of Pioneer filed with the Securities and Exchange Commission, when it is finalized, because

10

996

it contains important information about the proposed mergers, including information about the direct and indirect interests of Pioneer USA and Pioneer in the mergers. The limited partners may also obtain the preliminary and (when filed) final proxy statement/prospectus and other relevant documents relating to the proposed mergers free through the internet web site that the Securities and Exchange Commission maintains at [www.sec.gov](http://www.sec.gov).

-----

- (1) "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" contains forward looking statements that involve risks and uncertainties. Accordingly, no assurances can be given that the actual events and results will not be materially different than the anticipated results described in the forward looking statements.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Item 6. Exhibits and Reports on Form 8-K

- (a) Exhibits - none
- (b) Reports on Form 8-K - none

11

997

PARKER & PARSLEY PRODUCING PROPERTIES 87-B, LTD.  
(A Texas Limited Partnership)

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 thereunto duly authorized.

PARKER & PARSLEY PRODUCING  
PROPERTIES 87-B, LTD.

By: Pioneer Natural Resources USA, Inc.,  
Managing General Partner

Dated: August 7, 2001

By: /s/ Rich Dealy

-----  
Rich Dealy, Vice President and  
Chief Accounting Officer

12

998

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

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d)  
of the Securities Exchange Act of 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000

COMMISSION FILE NO. 33-11193-2

PARKER & PARSLEY PRODUCING PROPERTIES 87-B, LTD.  
(Exact name of Registrant as specified in its charter)

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

TEXAS

75-2205943

-----  
(State or other jurisdiction of  
incorporation or organization)

-----  
(I.R.S. Employer  
Identification Number)

-----  
1400 WILLIAMS SQUARE WEST, 5205 N. O'CONNOR BLVD., IRVING, TEXAS

75039  
-----

(Address of principal executive offices)

(Zip code)

Registrant's Telephone Number, including area code : (972) 444-9001

Securities registered pursuant to Section 12(b) of the Act: NONE

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

LIMITED PARTNERSHIP INTERESTS (\$500 PER UNIT)  
-----

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

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

No market currently exists for the limited partnership interests of the Registrant. Based on the original purchase price, the aggregate market value of limited partnership interests owned by non-affiliates of the Registrant is \$5,997,500.

As of March 8, 2001, the number of outstanding limited partnership interests was 12,191.

The following documents are incorporated by reference into the indicated parts of this Annual Report on Form 10-K: None

PARTS I AND II OF THIS ANNUAL REPORT ON FORM 10-K (THE "REPORT") CONTAIN FORWARD LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. ACCORDINGLY, NO ASSURANCES CAN BE GIVEN THAT THE ACTUAL EVENTS AND RESULTS WILL NOT BE MATERIALLY DIFFERENT THAN THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS. SEE "ITEM 1. BUSINESS" FOR A DESCRIPTION OF VARIOUS FACTORS THAT COULD MATERIALLY AFFECT THE ABILITY OF THE PARTNERSHIP TO ACHIEVE THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS.

999

PART I

ITEM 1. BUSINESS

Parker & Parsley Producing Properties 87-B, Ltd. (the "Partnership") is a limited partnership organized in 1987 under the laws of the state of Texas. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA"). Pioneer USA is a wholly-owned subsidiary of Pioneer Natural Resources Company ("Pioneer"). As of March 8, 2001, the Partnership had 12,191

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

limited partnership interests outstanding.

The Partnership does not have any employees of its own. Pioneer USA employs 701 persons, many of whom dedicated a part of their time to the conduct of the Partnership's business during the period for which this Report is filed. Pioneer USA supplies all management functions.

The Partnership engages in oil and gas development and production and is not involved in any industry segment other than oil and gas. The Partnership's production is geographically concentrated in West Texas.

The principal markets during 2000 for the oil produced by the Partnership were refineries and oil transmission companies that have facilities near the Partnership's oil producing properties. During 2000, Pioneer USA marketed the Partnership's gas to a variety of purchasers, none of which accounted for 10% or more of the Partnership's oil and gas revenues. Of the Partnership's total oil and gas revenues for 2000, approximately 32%, 22% and 20% were attributable to sales made to Plains Marketing, L.P., TEPPCO Crude Oil LLC and Phillips Petroleum Company, respectively. Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on its ability to sell its oil, natural gas liquids ("NGLs") and gas production.

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

Oil and gas production operations are subject to various types of regulations by local, state and federal agencies. The Partnership's operations are also subject to state conservation laws and regulations, including the establishment of maximum rates of production from wells and the regulation of spacing, plugging and abandonment of wells. Each state generally imposes a production or severance tax with respect to production and sale of oil and gas within their respective jurisdictions. Noncompliance with the laws and regulations may subject the Partnership to penalties, damages or other liabilities and compliance may increase the cost of the Partnership's operations.

The oil and gas business is also subject to environmental hazards such as oil spills, gas leaks and ruptures and discharges of toxic substances or gases that could expose the Partnership to substantial liability due to pollution and other environmental damages. Although the Partnership believes that

2

1000

its business operations do not impair environmental quality and that its costs of complying with any applicable environmental regulations are not currently significant, the Partnership cannot predict what, if any, effect these environmental regulations may have on its current or future operations.

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

No material part of the Partnership's business is seasonal and the Partnership

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

conducts no foreign operations.

### ITEM 2. PROPERTIES

The Partnership's properties consist of leasehold interests in properties on which oil and gas wells are located. Such property interests are often subject to landowner royalties, overriding royalties and other oil and gas leasehold interests.

The Partnership completed seven purchases of producing properties. These acquisitions involved the purchase of working interests in 54 properties. The Partnership also participated in the drilling of two oil and gas wells during 1988 which were completed as producers. Additionally, the Partnership purchased 15 overriding royalty interests effective January 1, 1990 and two additional overriding royalty interests during 1991. Twenty-two uneconomical wells have been abandoned. At December 31, 2000, the Partnership had 34 producing oil and gas wells.

For information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities for the years then ended, see Note 7 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" below. Such reserves have been evaluated by Williamson Petroleum Consultants, Inc., an independent petroleum consultant.

### ITEM 3. LEGAL PROCEEDINGS

The Partnership from time to time is a party to various legal proceedings incidental to its business involving claims in oil and gas leases or interests, other claims for damages in amounts not in excess of 10% of its current assets and other matters, none of which Pioneer USA believes to be material to the Partnership.

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

There were no matters submitted to a vote of the partners during the fourth quarter of 2000.

3

1001

## PART II

### ITEM 5. MARKET FOR LIMITED PARTNERSHIP INTERESTS AND LIMITED PARTNERSHIP DISTRIBUTIONS

At March 8, 2001, the Partnership had 12,191 outstanding limited partnership interests held of record by 550 subscribers. There is no established public trading market for the limited partnership interests. Under the limited partnership agreement, Pioneer USA has made certain commitments to purchase partnership interests at a computed value.

Revenues which, in the sole judgement of the managing general partner, are not required to meet the Partnership's obligations are distributed to the partners at least quarterly in accordance with the limited partnership agreement. During the years ended December 31, 2000 and 1999, \$586,016 and \$170,405, respectively, of such revenue-related distributions were made to the limited partners.

### ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth selected financial data for the years ended

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

December 31:

	2000 -----	1999 -----	1998 -----	1997 -----	1996 -----
Operating results:					
-----					
Oil and gas sales	\$ 982,604 =====	\$ 625,861 =====	\$ 532,606 =====	\$ 846,163 =====	\$ 980,232 =====
Impairment of oil and gas properties	\$ - =====	\$ - =====	\$ 35,017 =====	\$ 317,255 =====	\$ 42,277 =====
Net income (loss)	\$ 562,621 =====	\$ 163,148 =====	\$ (118,738) =====	\$ (142,439) =====	\$ 303,380 =====
Allocation of net income (loss):					
Managing general partner	\$ 5,626 =====	\$ 1,631 =====	\$ (1,187) =====	\$ (1,424) =====	\$ 3,034 =====
Limited partners	\$ 556,995 =====	\$ 161,517 =====	\$ (117,551) =====	\$ (141,015) =====	\$ 300,346 =====
Limited partners' net income (loss) per limited partnership interest	\$ 45.69 =====	\$ 13.25 =====	\$ (9.64) =====	\$ (11.57) =====	\$ 24.64 =====
Limited partners' cash distributions per limited partnership interest	\$ 48.07 =====	\$ 13.98 =====	\$ 16.41 =====	\$ 39.20 =====	\$ 35.59 =====
At year end:					
-----					
Identifiable assets	\$ 860,545 =====	\$ 892,550 =====	\$ 878,401 =====	\$1,241,161 =====	\$1,823,614 =====

4

1002

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

Results of operations

2000 compared to 1999

The Partnership's oil and gas revenues increased 57% to \$982,604 for 2000 as compared to \$625,861 in 1999. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 2000, 22,713 barrels of oil, 10,402 barrels of natural gas liquids ("NGLs") and 49,380 mcf of gas were sold, or 41,345 barrel of oil equivalents ("BOEs"). In 1999, 24,976 barrels of oil, 10,794 barrels of NGLs and 48,774 mcf of gas were sold, or 43,899 BOEs. Of the decrease, 5,393 BOEs are attributable to the fact that on

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

April 1, 2000, the Partnership's revenue and operating expense allocation reverted to 80.808081% from 95.959595% pursuant to the Program Agreement governing the Partnership which provides for a reversionary interest of 80.808081% once cumulative distributions equal initial partner's capital ("Reversionary Interest"). This is offset by a production increase of 2,839 BOEs. Due to the decline characteristics of the Partnership's oil and gas properties, management expects a certain amount of decline in production in the future until the Partnership's economically recoverable reserves are fully depleted.

The average price received per barrel of oil increased \$11.92, or 68%, from \$17.44 in 1999 to \$29.36 in 2000. The average price received per barrel of NGLs increased \$6.36, or 62%, from \$10.32 in 1999 to \$16.68 in 2000. The average price received per mcf of gas increased 78% from \$1.62 in 1999 to \$2.88 in 2000. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received in 2000.

Gains on disposition of assets of \$8,294 and \$11,482 were recognized in 2000 and 1999, respectively. The gain from 2000 was from equipment salvage on one well abandoned in a prior year. The gain from 1999 was from equipment salvage of \$12,955 on one well plugged and abandoned in a prior year, offset by a \$1,473 loss on the write-off of basis on one well plugged and abandoned during 1999.

Total costs and expenses decreased in 2000 to \$434,793 as compared to \$477,552 in 1999, a decrease of \$42,759, or 9%. The decrease was primarily attributable to declines in depletion, production costs and abandoned property costs, offset by an increase in general and administrative expenses ("G&A").

Production costs were \$347,938 in 2000 and \$364,187 in 1999, resulting in a decrease of \$16,249, or 4%. Lease operating costs and production taxes declined 12% which was attributable to the Reversionary Interest change, offset by an 8% increase in production costs resulting from high production taxes due to higher oil and gas prices and additional well maintenance costs incurred to stimulate well production.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 79%, from \$18,776 in 1999 to

5

1003

\$33,521 in 2000 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$27,424 in 2000 and \$8,400 in 1999 for G&A incurred on behalf of the Partnership. The remaining G&A was paid directly by the Partnership. The managing general partner determines the allocated expenses based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Depletion was \$53,334 in 2000 as compared to \$79,975 in 1999, a decrease of \$26,641, or 33%. This decrease was primarily due to a 51,092 barrels of oil increase in proved reserves during 2000 as a result of higher commodity prices.

Abandoned property costs of \$14,614 incurred in 1999 were related to the temporary abandonment of one well during 1999 and two wells plugged and abandoned in prior years.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

1999 compared to 1998

The Partnership's 1999 oil and gas revenues increased 18% to \$625,861 from \$532,606 in 1998. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 1999, 24,976 barrels of oil, 10,794 barrels of NGLs and 48,774 mcf of gas were sold, or 43,899 BOEs. In 1998, 29,481 barrels of oil, 11,315 barrels of NGLs and 50,220 mcf of gas were sold, or 49,166 BOEs.

The average price received per barrel of oil increased \$4.39, or 34%, from \$13.05 in 1998 to \$17.44 in 1999. The average price received per barrel of NGLs increased \$3.74, or 57%, from \$6.58 in 1998 to \$10.32 in 1999. The average price received per mcf of gas increased 11% from \$1.46 in 1998 to \$1.62 in 1999.

Gain on disposition of assets of \$11,482 was recognized in 1999 from equipment salvage of \$12,955 on one well plugged and abandoned in a prior year, offset by a \$1,473 loss on the write-off of basis on one well plugged and abandoned during 1999. In 1998, \$4,248 gain on disposition of assets was recognized from proceeds received from equipment salvage on wells plugged in prior years.

Total costs and expenses decreased in 1999 to \$477,552 as compared to \$659,670 in 1998, a decrease of \$182,118, or 28%. The decrease was primarily attributable to declines in depletion, the impairment of oil and gas properties, production costs and abandoned property costs, offset by an increase in G&A.

Production costs were \$364,187 in 1999 and \$385,648 in 1998, resulting in a \$21,461 decrease, or 6%. The decrease was the result of declines in well maintenance costs, ad valorem taxes and workover expenses.

During this period, G&A increased 18% from \$15,978 in 1998 to \$18,776 in 1999 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$8,400 in 1999 and \$9,662 in 1998 for G&A incurred on behalf of the Partnership.

6

1004

In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the managing general partner reviews the Partnership's oil and gas properties for impairment whenever events or circumstances indicate a decline in the recoverability of the carrying value of the Partnership's assets may have occurred. As a result of the review and evaluation of its long-lived assets for impairment, the Partnership recognized a non-cash charge of \$35,017 related to its oil and gas properties during 1998.

Depletion was \$79,975 in 1999 compared to \$206,289 in 1998, a decrease of \$126,314, or 61%. This decrease was primarily due to an increase in proved reserves of 180,622 barrels of oil during 1999 as a result of higher commodity prices, a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 1998 and a decline in oil production of 4,505 barrels for the period ended December 31, 1999 compared to the same period in 1998.

Abandoned property costs of \$14,614 incurred in 1999 were related to the temporary abandonment of one well during 1999 and two wells plugged and abandoned in prior years. Expenses of \$16,738 were incurred in 1998 to plug and abandon one oil and gas well which was temporarily abandoned in a prior year.

Petroleum industry



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The petroleum industry has been characterized by volatile oil, NGL and natural gas commodity prices and relatively stable supplier costs during the three years ended December 31, 2000. During 1998, weather patterns, regional economic recessions and political matters combined to cause worldwide oil supplies to exceed demand resulting in a substantial decline in oil prices. Also during 1998, but to a lesser extent, market prices for natural gas declined. During 1999 and 2000, the Organization of Petroleum Exporting Countries ("OPEC") and certain other crude oil exporting nations announced reductions in their planned export volumes. Those announcements, together with the enactment of the announced reductions in export volumes, had a positive impact on world oil prices, as have overall natural gas supply and demand fundamentals on North American natural gas prices. Although the favorable commodity price environment and stable field service cost environment is expected to continue during 2001, there is no assurance that commodity prices will not return to a less favorable level or that field service costs will not escalate in the future, both of which could negatively impact the Partnership's future results of operations and cash distributions.

7

1005

### Liquidity and capital resources

#### Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$392,559 during the year ended December 31, 2000 from 1999. This increase was due to an increase in oil and gas sales receipts of \$359,902 and declines in production costs paid of \$16,249, abandoned property costs paid of \$14,614 and working capital of \$16,539, offset by an increase in G&A expenses paid of \$14,745. The increase in oil and gas receipts resulted from the increase in commodity prices during 2000 which contributed an additional \$431,139 to oil and gas receipts, offset by \$71,237 resulting from the decline in production during 2000. The decrease in production costs was primarily due to the Reversionary Interest change, offset by higher production taxes associated with high oil and gas prices and additional well maintenance costs incurred to stimulate well production. The increase in G&A was primarily due to higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues.

#### Net Cash Provided by (Used in) Investing Activities

The Partnership's investing activities during 1999 were primarily for expenditures related to upgrades of equipment on various oil and gas properties.

Proceeds of \$13,943 and \$12,956 were recognized during 2000 and 1999, respectively, from equipment salvage on wells abandoned in prior years.

#### Net Cash Used in Financing Activities

In 2000, cash distributions to the partners were \$591,935, of which \$5,919 was distributed to the managing general partner and \$586,016 to the limited partners. In 1999, cash distributions to the partners were \$172,065, of which \$1,660 was distributed to the managing general partner and \$170,405 to the limited partners.

8

1006

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO FINANCIAL STATEMENTS

	Page
	----
Financial Statements of Parker & Parsley Producing Properties 87-B, Ltd.:	
Independent Auditors' Report.....	10
Balance Sheets as of December 31, 2000 and 1999.....	11
Statements of Operations for the Years Ended December 31, 2000, 1999 and 1998.....	12
Statements of Partners' Capital for the Years Ended December 31, 2000, 1999 and 1998.....	13
Statements of Cash Flows for the Years Ended December 31, 2000, 1999 and 1998.....	14
Notes to Financial Statements.....	15

9

1007

INDEPENDENT AUDITORS' REPORT

The Partners  
Parker & Parsley Producing Properties 87-B, Ltd.  
(A Texas Limited Partnership):

We have audited the balance sheets of Parker & Parsley Producing Properties 87-B, Ltd. as of December 31, 2000 and 1999, and the related statements of operations, partners' capital and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parker & Parsley Producing Properties 87-B, Ltd. as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Ernst & Young LLP

Dallas, Texas  
March 9, 2001

10

1008

PARKER & PARSLEY PRODUCING PROPERTIES 87-B, LTD.  
(A Texas Limited Partnership)

BALANCE SHEETS  
December 31

	2000	1999
	-----	-----
ASSETS		
-----		
Current assets:		
Cash	\$ 19,277	\$ 21,724
Accounts receivable - oil and gas sales	194,002	164,577
	-----	-----
Total current assets	213,279	186,301
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	4,829,203	4,837,591
Accumulated depletion	(4,181,937)	(4,131,342)
	-----	-----
Net oil and gas properties	647,266	706,249
	-----	-----
	\$ 860,545	\$ 892,550
	=====	=====
LIABILITIES AND PARTNERS' CAPITAL		
-----		
Current liabilities:		
Accounts payable - affiliate	\$ 20,375	\$ 23,066
Partners' capital:		
Managing general partner	8,661	8,954
Limited partners (12,191 interests)	831,509	860,530
	-----	-----
	840,170	869,484
	\$ 860,545	\$ 892,550
	=====	=====

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

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

11

1009

PARKER & PARSLEY PRODUCING PROPERTIES 87-B, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF OPERATIONS  
For the years ended December 31

	2000 -----	1999 -----	1998 -----
Revenues:			
Oil and gas	\$ 982,604	\$ 625,861	\$ 532,606
Interest	6,516	3,357	4,078
Gain on disposition of assets	8,294	11,482	4,248
	-----	-----	-----
	997,414	640,700	540,932
	-----	-----	-----
Costs and expenses:			
Oil and gas production	347,938	364,187	385,648
General and administrative	33,521	18,776	15,978
Impairment of oil and gas properties	-	-	35,017
Depletion	53,334	79,975	206,289
Abandoned property	-	14,614	16,738
	-----	-----	-----
	434,793	477,552	659,670
	-----	-----	-----
Net income (loss)	\$ 562,621 =====	\$ 163,148 =====	\$ (118,738) =====
Allocation of net income (loss):			
Managing general partner	\$ 5,626 =====	\$ 1,631 =====	\$ (1,187) =====
Limited partners	\$ 556,995 =====	\$ 161,517 =====	\$ (117,551) =====
Net income (loss) per limited partnership interest	\$ 45.69 =====	\$ 13.25 =====	\$ (9.64) =====

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

12

1010

PARKER & PARSLEY PRODUCING PROPERTIES 87-B, LTD.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

(A Texas Limited Partnership)

STATEMENTS OF PARTNERS' CAPITAL

	Managing general partner	Limited partners	Total
	-----	-----	-----
Partners' capital at January 1, 1998	\$ 11,934	\$1,186,985	\$1,198,919
Distributions	(1,764)	(200,016)	(201,780)
Net loss	(1,187)	(117,551)	(118,738)
	-----	-----	-----
Partners' capital at December 31, 1998	8,983	869,418	878,401
Distributions	(1,660)	(170,405)	(172,065)
Net income	1,631	161,517	163,148
	-----	-----	-----
Partners' capital at December 31, 1999	8,954	860,530	869,484
Distributions	(5,919)	(586,016)	(591,935)
Net income	5,626	556,995	562,621
	-----	-----	-----
Partners' capital at December 31, 2000	\$ 8,661	\$ 831,509	\$ 840,170
	=====	=====	=====

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

13

1011

PARKER & PARSLEY PRODUCING PROPERTIES 87-B, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF CASH FLOWS  
For the years ended December 31

	2000	1999	1998
	-----	-----	-----
Cash flows from operating activities:			
Net income (loss)	\$ 562,621	\$ 163,148	\$ (118,738)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Gain on disposition of assets	(8,294)	(11,482)	(4,248)
Impairment of oil and gas properties	-	-	35,017
Depletion	53,334	79,975	206,289
Changes in assets and liabilities			
Accounts receivable	(29,425)	(75,008)	65,047
Accounts payable	(2,691)	26,353	(42,242)
	-----	-----	-----
Net cash provided by operating activities	575,545	182,986	141,125
	-----	-----	-----
Cash flows from investing activities:			
Additions to oil and gas equipment	-	(12,012)	(8,617)
Proceeds from disposition of assets	13,943	12,956	4,248
	-----	-----	-----
Net cash provided by (used in) investing activities	13,943	944	(4,369)
	-----	-----	-----
Cash flows used in financing activities:			
Cash distributions to partners	(591,935)	(172,065)	(201,780)
	-----	-----	-----
Net increase (decrease) in cash	(2,447)	11,865	(65,024)
Cash at beginning of year	21,724	9,859	74,883
	-----	-----	-----
Cash at end of year	\$ 19,277	\$ 21,724	\$ 9,859
	=====	=====	=====

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

14

1012

PARKER & PARSLEY PRODUCING PROPERTIES 87-B, LTD.  
(A Texas Limited Partnership)

NOTES TO FINANCIAL STATEMENTS  
December 31, 2000, 1999 and 1998

NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS

Parker & Parsley Producing Properties 87-B, Ltd. (the "Partnership") is a limited partnership organized in 1987 under the laws of the State of Texas. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA").

The Partnership engages in oil and gas production in Texas and is not involved in any industry segment other than oil and gas.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

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

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

wells are capitalized while nonproductive exploration costs are expensed. Capitalized costs relating to proved properties are depleted using the unit-of-production method on a property-by-property basis based on proved oil (dominant mineral) reserves as evaluated by independent petroleum consultants. The carrying amounts of properties sold or otherwise disposed of and the related allowances for depletion are eliminated from the accounts and any gain or loss is included in results of operations.

Impairment of long-lived assets - In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the Partnership reviews its long-lived assets to be held and used on an individual property basis, including oil and gas properties accounted for under the successful efforts method of accounting, whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. An impairment loss is indicated if the sum of the expected future cash flows is less than the carrying amount of the assets. In this circumstance, the Partnership recognizes an impairment loss for the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset.

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

Net income (loss) per limited partnership interest - The net income (loss) per limited partnership interest is calculated by using the number of outstanding limited partnership interests.

Income taxes - A Federal income tax provision has not been included in the financial statements as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

15

1013

Statements of cash flows - For purposes of reporting cash flows, cash includes depository accounts held by banks.

General and administrative expenses - General and administrative expenses are allocated in part to the Partnership by the managing general partner. Allocated expenses are determined by the managing general partner based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Reclassifications - Certain reclassifications may have been made to the 1999 and 1998 financial statements to conform to the 2000 financial statement presentations.

Environmental - The Partnership is subject to extensive federal, state and local environmental laws and regulations. These laws, which are constantly changing, regulate the discharge of materials into the environment and may require the Partnership to remove or mitigate the environmental effects of the disposal or release of petroleum or chemical substances at various sites. Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

past operations and that have no future economic benefits are expensed. Liabilities for expenditures of a noncapital nature are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated. Such liabilities are generally undiscounted unless the timing of cash payments for the liability or component are fixed or reliably determinable. No such liabilities have been accrued as of December 31, 2000.

Revenue recognition - The Partnership uses the entitlements method of accounting for oil, natural gas liquids ("NGLs") and natural gas revenues.

### NOTE 3. IMPAIRMENT OF LONG-LIVED ASSETS

In accordance with SFAS 121, the Partnership reviews its proved oil and gas properties for impairment whenever events and circumstances indicate a decline in the recoverability of the carrying value of the Partnership's oil and gas properties. The Partnership has estimated the expected future cash flows of its oil and gas properties as of December 31, 2000, 1999 and 1998, based on proved reserves, and compared such estimated future cash flows to the respective carrying amount of the oil and gas properties to determine if the carrying amounts were likely to be recoverable. For those proved oil and gas properties for which the carrying amount exceeded the estimated future cash flows, an impairment was determined to exist; therefore, the Partnership adjusted the carrying amount of those oil and gas properties to their fair value as determined by discounting their expected future cash flows at a discount rate commensurate with the risks involved in the industry. As a result, the Partnership recognized a non-cash impairment provision of \$35,017 related to its proved oil and gas properties during 1998.

16

1014

### NOTE 4. INCOME TAXES

The financial statement basis of the Partnership's net assets and liabilities was \$838,681 less than the tax basis at December 31, 2000.

The following is a reconciliation of net income (loss) per statements of operations with the net income (loss) per Federal income tax returns for the years ended December 31:

	2000	1999	1998
Net income (loss) per statements of operations	\$ 562,621	\$ 163,148	\$ (118,738)
Depletion and depreciation provisions for tax reporting purposes (greater than) less than amounts for financial reporting purposes	(39,072)	7,412	(59,976)
Impairment of oil and gas properties for financial reporting purposes	-	-	35,017
Abandoned property dispositions for tax reporting greater than (less than) amounts for financial reporting purposes	-	-	(218,079)
Other, net	4,370	(7,638)	3,376
	-----	-----	-----
Net income (loss) per Federal income tax returns	\$ 527,919 =====	\$ 162,922 =====	\$ (358,400) =====



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

NOTE 5. OIL AND GAS PRODUCING ACTIVITIES

The following is a summary of the costs incurred, whether capitalized or expensed, related to the Partnership's oil and gas producing activities for the years ended December 31:

	2000 -----	1999 -----	1998 -----
Property acquisition costs	\$ - =====	\$ (2,313) =====	\$ 6,754 =====
Development costs	\$ - =====	\$ 4,136 =====	\$ 1,863 =====

Capitalized oil and gas properties consist of the following:

	2000 -----	1999 -----
Proved properties:		
Property acquisition costs	\$ 3,288,184	\$ 3,289,170
Completed wells and equipment	1,541,019 -----	1,548,421 -----
	4,829,203	4,837,591
Accumulated depletion	(4,181,937) -----	(4,131,342) -----
Net oil and gas properties	\$ 647,266 =====	\$ 706,249 =====

17

1015

NOTE 6. RELATED PARTY TRANSACTIONS

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

	2000 -----	1999 -----	1998 -----
Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$ 121,257	\$ 137,769	\$ 144,149
Reimbursement of general and administrative expenses	\$ 27,424	\$ 8,400	\$ 9,662

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The Partnership participates in oil and gas activities through an income tax partnership (the "Program") pursuant to the Program agreement. Pioneer USA, P&P Producing Properties 87-B Employees ("EMPL") and the Partnership are parties to the Program agreement. EMPL is a general partnership organized for the benefit of certain employees of Pioneer USA. EMPL was merged with Pioneer USA on December 28, 2000.

The costs and revenues of the Program are allocated to Pioneer USA and the Partnership as follows:

	Pioneer USA (1)	Partnership
	-----	-----
Revenues:		
Revenues from oil and gas production, proceeds from sales of producing properties and all other revenues:		
Before payout	4.040405%	95.959595%
After payout (2)	19.191920%	80.808080%
Costs and expenses:		
Property acquisition costs, operating costs, general and administrative expenses and other costs:		
Before payout	4.040405%	95.959595%
After payout (2)	19.191920%	80.808080%

(1) Excludes Pioneer USA's 1% general partner ownership which is allocated at the Partnership level and 196 limited partner interests owned by Pioneer USA.

(2) The Partnership reached payout in April 2000.

NOTE 7. OIL AND GAS INFORMATION (UNAUDITED)

The following table presents information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities during the years then ended. All of the Partnership's reserves are proved developed and located within the United States. The Partnership's reserves are based on an evaluation prepared by Williamson Petroleum Consultants, Inc., an independent petroleum consultant, using criteria established by the Securities and Exchange Commission.

	Oil and NGLs (bbls)	Gas (mcf)
	-----	-----
Net proved reserves at January 1, 1998	419,589	664,089
Revisions	(95,538)	(99,794)
Production	(40,796)	(50,220)
	-----	-----

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Net proved reserves at December 31, 1998	283,255	514,075
Revisions	292,082	490,347
Production	(35,770)	(48,774)
	-----	-----
Net proved reserves at December 31, 1999	539,567	955,648
Revisions	31,315	(45,195)
Production	(33,115)	(49,380)
	-----	-----
Net proved reserves at December 31, 2000	537,767	861,073
	=====	=====

As of December 31, 2000, the estimated present value of future net revenues of proved reserves, calculated using December 31, 2000 prices of \$26.63 per barrel of oil, \$13.33 per barrel of NGLs and \$7.67 per mcf of gas, discounted at 10% was approximately \$4,413,000 and undiscounted was \$9,495,000.

Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves. The Partnership emphasizes that reserve estimates are inherently imprecise and, accordingly, the estimates are expected to change as future information becomes available.

### Disclosures about Oil & Gas Producing Activities

#### Standardized Measure of Discounted Future Net Cash Flows

The standardized measure of discounted future net cash flows is computed by applying year-end prices of oil and gas (with consideration of price changes only to the extent provided by contractual arrangements) to the estimated future production of proved oil and gas reserves less estimated future expenditures (based on year-end costs) to be incurred in developing and producing the proved reserves, discounted using a rate of 10% per year to reflect the estimated timing of the future cash flows. A Federal income tax provision has not been calculated as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

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

	For the years ended December 31		
	2000	1999	1998
	(in thousands)		
Oil and gas producing activities:			
Future cash inflows	\$ 18,453	\$ 13,256	\$ 3,333
Future production costs	(8,958)	(7,154)	(2,111)
	-----	-----	-----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

10% annual discount factor	9,495 (5,082)	6,102 (3,024)	
Standardized measure of discounted future net cash flows	\$ 4,413	\$ 3,078	\$

19

1017

	For the years ended December 31,		
	2000	1999	1998
	(in thousands)		
<b>Oil and Gas Producing Activities:</b>			
Oil and gas sales, net of production costs	\$ (635)	\$ (262)	\$ (147)
Net changes in prices and production costs	1,865	1,419	(1,151)
Revisions of previous quantity estimates	168	2,042	(144)
Accretion of discount	308	56	185
Changes in production rates, timing and other	(371)	(736)	(32)
Change in present value of future net revenues	1,335	2,519	(1,289)
Balance, beginning of year	3,078	559	1,848
Balance, end of year	\$ 4,413	\$ 3,078	\$ 559

NOTE 8. MAJOR CUSTOMERS

The following table reflects the major customers of the Partnership's oil and gas sales (a major customer is defined as a customer whose sales exceed 10% of total sales) during the years ended December 31:

	2000	1999	1998
Plains Marketing, L.P.	32%	37%	-
TEPPCO Crude Oil LLC	22%	23%	-
Phillips Petroleum Company	20%	10%	9%
Genesis Crude Oil, L.P.	-	-	58%
Western Gas Resources, Inc.	6%	7%	23%

At December 31, 2000, the amounts receivable from Plains Marketing, L.P., TEPPCO Crude Oil LLC and Phillips Petroleum Company were \$25,204, \$31,416 and \$21,019, respectively, which are included in the caption "Accounts receivable - oil and gas sales" in the accompanying Balance Sheet.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on the ability of the Partnership to sell its oil, NGLs and gas production.

20

1018

### NOTE 9. PARTNERSHIP AGREEMENT

The following is a brief summary of the more significant provisions of the limited partnership agreement:

Managing general partner - The managing general partner of the Partnership is Pioneer USA. Pioneer USA has the power and authority to manage, control and administer all Partnership affairs. As managing general partner and operator of the Partnership's properties, all production expenses are incurred by Pioneer USA and billed to the Partnership. The majority of the Partnership's oil and gas revenues are received directly by the Partnership, however, a portion of the oil and gas revenue is initially received by Pioneer USA prior to being paid to the Partnership. Under the limited partnership agreement, the managing general partner pays 1% of the Partnership's acquisition, drilling and completion costs and 1% of its operating and general and administrative expenses. In return, it is allocated 1% of the Partnership's revenues.

Limited partner liability - The maximum amount of liability of any limited partner is the total contributions of such partner plus his share of any undistributed profits.

Initial capital contributions - The limited partners entered into subscription agreements for aggregate capital contributions of \$6,095,500. Pioneer USA is required to contribute amounts equal to 1% of initial Partnership capital less commission and offering expenses allocated to the limited partners and to contribute amounts necessary to pay costs and expenses allocated to it under the Partnership agreement to the extent its share of revenues does not cover such costs.

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

None.

21

1019

## PART III

### ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE PARTNERSHIP

The Partnership does not have any officers or directors. Under the limited partnership agreement, the Partnership's managing general partner, Pioneer USA, is granted the exclusive right and full authority to manage, control and administer the Partnership's business.

Set forth below are the names, ages and positions of the directors and executive officers of Pioneer USA. Directors of Pioneer USA are elected to serve until the next annual meeting of stockholders or until their successors are elected and qualified.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Name -----	Age at December 31, 2000 ----	Position -----
Scott D. Sheffield	48	President
Timothy L. Dove	44	Executive Vice President, Chief Financial Officer and Director
Dennis E. Fagerstone	51	Executive Vice President and Director
Mark L. Withrow	53	Executive Vice President, General Counsel and Director
Danny Kellum	46	Executive Vice President - Domestic Operations and Director
Rich Dealy	34	Vice President and Chief Accounting Officer

Scott D. Sheffield. Mr. Sheffield is a graduate of The University of Texas with a B.S. in Petroleum Engineering. Since August 1997, he has served as President, Chief Executive Officer and a director of Pioneer and President of Pioneer USA. Mr. Sheffield assumed the position of Chairman of the Board of Pioneer in August 1999. He served as a director of Pioneer USA from August 1997 until his resignation from the board in June 1999. Mr. Sheffield was the President and a director of Parker & Parsley Petroleum Company ("Parker & Parsley") from May 1990 until August 1997 and was the Chairman of the Board and Chief Executive Officer of Parker & Parsley from October 1990 until August 1997. He was the sole director of Parker & Parsley from May 1990 until October 1990. Mr. Sheffield joined Parker & Parsley Development Company ("PPDC"), a predecessor of Parker & Parsley, as a petroleum engineer in 1979. He served as Vice President - Engineering of PPDC from September 1981 until April 1985 when he was elected President and a director. In March 1989, Mr. Sheffield was elected Chairman of the Board and Chief Executive Officer of PPDC. Before joining PPDC's predecessor, Mr. Sheffield was employed as a production and reservoir engineer for Amoco Production Company.

22

1020

Timothy L. Dove. Mr. Dove earned a B.S. in Mechanical Engineering from Massachusetts Institute of Technology in 1979 and received his M.B.A. in 1981 from the University of Chicago. He became Executive Vice President - Business Development of Pioneer and Pioneer USA in August 1997 and was also appointed a director of Pioneer USA in August 1997. Mr. Dove assumed the position of Chief Financial Officer of Pioneer and Pioneer USA effective February 1, 2000. Mr. Dove joined Parker & Parsley in May 1994 as Vice President - International and was promoted to Senior Vice President - Business Development in October 1996, in which position he served until August 1997. Prior to joining Parker & Parsley, Mr. Dove was employed with Diamond Shamrock Corp., and its successor, Maxus Energy Corp, in various capacities in international exploration and production, marketing, refining and marketing and planning and development.

Dennis E. Fagerstone. Mr. Fagerstone, a graduate of the Colorado School of Mines with a B.S. in Petroleum Engineering, became an Executive Vice President of Pioneer and Pioneer USA in August 1997. He was also appointed a director of Pioneer USA in August 1997. He served as Executive Vice President and Chief

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Operating Officer of MESA Inc. ("Mesa") from March 1, 1997 until August 1997. From October 1996 to February 1997, Mr. Fagerstone served as Senior Vice President and Chief Operating Officer of Mesa and from May 1991 to October 1996, he served as Vice President - Exploration and Production of Mesa. From June 1988 to May 1991, Mr. Fagerstone served as Vice President - Operations of Mesa.

Mark L. Withrow. Mr. Withrow, a graduate of Abilene Christian University with a B. S. in Accounting and Texas Tech University with a Juris Doctorate degree, became Executive Vice President, General Counsel and Secretary of Pioneer and Pioneer USA in August 1997. He was also appointed a director of Pioneer USA in August 1997. Mr. Withrow was Vice President - General Counsel of Parker & Parsley from January 1991, when he joined Parker & Parsley, to January 1995, when he was appointed Senior Vice President - General Counsel. He was Parker & Parsley's Secretary from August 1992 until August 1997. Prior to joining Parker & Parsley, Mr. Withrow was the managing partner of the law firm of Turpin, Smith, Dyer, Saxe & MacDonald, Midland, Texas.

Danny Kellum. Mr. Kellum, who received a Bachelor of Science degree in Petroleum Engineering from Texas Tech University in 1979, was elected Executive Vice President - Domestic Operations of Pioneer and Pioneer USA on May 18, 2000 and Director of Pioneer USA on February 1, 2000. From January 2000 until May 2000, Mr. Kellum served as Vice President - Domestic Operations of Pioneer and Pioneer USA. Mr. Kellum served as Vice President Permian Division of Pioneer and Pioneer USA from April 1998 until December 1999. From 1989 until 1994 he served as Spraberry District Manager and as Vice President of the Spraberry and Permian Division for Parker & Parsley until August of 1997. Mr. Kellum joined Parker & Parsley as an operations engineer in 1981 after a brief career with Mobil Oil Corporation.

Rich Dealy. Mr. Dealy is a graduate of Eastern New Mexico University with a B.B.A. in Accounting and Finance and is a Certified Public Accountant. He became Vice President and Chief Accounting Officer of Pioneer and Pioneer USA in February 1998. Mr. Dealy served as Controller of Pioneer USA from August 1997 to February 1998. He served as Controller of Parker & Parsley from August 1995 to August 1997. Mr. Dealy joined Parker & Parsley as an Accounting Manager in July, 1992. He was previously employed with KPMG Peat Marwick as an Audit Senior, in charge of Parker & Parsley's audit.

23

1021

### ITEM 11. EXECUTIVE COMPENSATION

The Partnership does not have any directors or officers. Management of the Partnership is performed by Pioneer USA, the managing general partner. The Partnership participates in oil and gas activities through an income tax partnership (the "Program") pursuant to the Program agreement. Under the limited partnership agreement, Pioneer USA pays 1% of the Program's acquisition, drilling and completion costs and 1% of its operating and general and administrative expenses. In return, Pioneer USA is allocated 1% of the Program's revenues.

The Partnership does not directly pay any salaries of the executive officers of Pioneer USA, but does pay a portion of Pioneer USA's general and administrative expenses of which these salaries are a part.

See Notes 6 and 9 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" for information regarding fees and reimbursements paid to the managing general partner by the Partnership.

### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

(a) Beneficial owners of more than five percent

The Partnership is not aware of any person who beneficially owns 5% or more of the outstanding limited partnership interests of the Partnership. Pioneer USA owned 196 limited partner interests at January 1, 2001.

(b) Security ownership of management

The Partnership does not have any officers or directors. The managing general partner of the Partnership, Pioneer USA, has the exclusive right and full authority to manage, control and administer the Partnership's business. Under the limited partnership agreement, limited partners holding a majority of the outstanding limited partnership interests have the right to take certain actions, including the removal of the managing general partner or any other general partner. The Partnership is not aware of any current arrangement or activity which may lead to such removal. The Partnership is not aware of any officer or director of Pioneer USA who beneficially owns limited partnership interests in the Partnership.

24

1022

### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Transactions with the managing general partner

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

	2000	1999	1998
	-----	-----	-----
Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$121,257	\$ 137,769	\$144,149
Reimbursement of general and administrative expenses	\$ 27,424	\$ 8,400	\$ 9,662

Under the limited partnership agreement, the managing general partner pays 1% of the Partnership's acquisition, drilling and completion costs and 1% of its operating and general and administrative expenses. In return, it is allocated 1% of the Partnership's revenues. Also, see Notes 6 and 9 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" regarding the Partnership's participation with the managing general partner in oil and gas activities of the Program.

25

1023

### PART IV

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

(a) 1. Financial statements

The following are filed as part of this Report:



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Independent Auditors' Report

Balance sheets as of December 31, 2000 and 1999

Statements of operations for the years ended December 31, 2000,  
1999 and 1998

Statements of partners' capital for the years ended December 31,  
2000, 1999 and 1998

Statements of cash flows for the years ended December 31, 2000,  
1999 and 1998

Notes to financial statements

2. Financial statement schedules

All financial statement schedules have been omitted since the  
required information is in the financial statements or notes thereto,  
or is not applicable nor required.

(b) Reports on Form 8-K

None.

(c) Exhibits

The exhibits listed on the accompanying index to exhibits are filed or  
incorporated by reference as part of this Report.

26

1024

S I G N A T U R E S

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, thereunto duly authorized.

PARKER & PARSLEY PRODUCING  
PROPERTIES 87-B, LTD.

Dated: March 29, 2001

By: Pioneer Natural Resources USA, Inc.  
Managing General Partner

By: /s/ Scott D. Sheffield

-----  
Scott D. Sheffield, President

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

/s/ Scott D. Sheffield

President of Pioneer USA

March 29, 2001

-----  
Scott D. Sheffield

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

/s/ Timothy L. Dove ----- Timothy L. Dove	Executive Vice President, Chief Financial Officer and Director of Pioneer USA	March 29, 2001
/s/ Dennis E. Fagerstone ----- Dennis E. Fagerstone	Executive Vice President and Director of Pioneer USA	March 29, 2001
/s/ Mark L. Withrow ----- Mark L. Withrow	Executive Vice President, General Counsel and Director of Pioneer USA	March 29, 2001
/s/ Danny Kellum ----- Danny Kellum	Executive Vice President - Domestic Operations and Director of Pioneer USA	March 29, 2001
/s/ Rich Dealy ----- Rich Dealy	Vice President and Chief Accounting Officer of Pioneer USA	March 29, 2001

27

1025

PARKER & PARSLEY PRODUCING PROPERTIES 87-B, LTD.

INDEX TO EXHIBITS

The following documents are incorporated by reference in response to Item 14(c):

Exhibit No. -----	Description -----	Page ----
3 (a)	Amended and Restated Certificate of Limited Partnership of Parker & Parsley Producing Properties 87-B, Ltd. incorporated by reference to Exhibit 3a of Amendment No. 1 of the Partnership's Registration Statement on Form S-1 (Registration No. 33-11193)	-
4 (a)	Agreement of Limited Partnership of Parker & Parsley Producing Properties 87-B, Ltd. incorporated by reference to Exhibit A of Amendment No. 1 of the Partnership's Registration Statement on Form S-1 (Registration No. 33-11193)	-
4 (b)	Subscription Agreement incorporated by reference to Exhibit C of Amendment No. 1 of the Partnership's Registration Statement on Form S-1 (Registration No. 33-11193)	-

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

4(b)	Power of Attorney incorporated by reference to Exhibit B of Amendment No. 1 of the Partnership's Registration Statement on Form S-1 (Registration No. 33-11193)	-
4(c)	Specimen Certificate of Limited Partnership Interest incorporated by reference to Exhibit 4c of the Partnership's Registration Statement on Form S-1 (Registration No. 33-11193)	-
10(b)	Program Agreement incorporated by reference to Exhibit B of Amendment No. 1 of the Partnership's Registration Statement on Form S-1 (Registration No. 33-11193)	-

28

1026

PARKER & PARSLEY PRODUCING PROPERTIES 87-B, LTD.

SELECTED FINANCIAL DATA

The following selected financial data for the Partnership should be read in connection with Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements included in the attached supplemental information.

	Six months ended June 30,		Years ended December		
	2001	2000	2000	1999	1998
Operating results:					
Oil and gas sales	\$ 435,162	\$ 469,537	\$ 982,604	\$ 625,861	\$ 532,606
Impairment of oil and gas properties	\$ --	\$ --	\$ --	\$ --	\$ 35,017
Gain on litigation settlement, net	\$ --	\$ --	\$ --	\$ --	\$ --
Net income (loss)	\$ 197,288	\$ 255,323	\$ 562,621	\$ 163,148	\$ (118,738)
Allocation of net income (loss):					
Managing general partner	\$ 1,973	\$ 2,553	\$ 5,626	\$ 1,631	\$ (1,187)
Limited partners	\$ 195,315	\$ 252,770	\$ 556,995	\$ 161,517	\$ (117,551)

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Limited partners' net income (loss) per limited partnership interest	\$ 16.02	\$ 20.73	\$ 45.69	\$ 13.25	\$ (9.64)
	=====	=====	=====	=====	=====
Limited partners' cash distributions per limited partnership interest	\$ 13.77	\$ 21.59	\$ 48.07	\$ 13.98	\$ 16.41
	=====	=====	=====	=====	=====
As of period ended:					
Total assets	\$ 886,112	\$ 881,242	\$ 860,545	\$ 892,550	\$ 878,401
	=====	=====	=====	=====	=====

1027

PIONEER NATURAL RESOURCES COMPANY  
PIONEER NATURAL RESOURCES USA, INC.  
5205 NORTH O'CONNOR BLVD., SUITE 1400  
IRVING, TEXAS 75039

SUPPLEMENTAL INFORMATION

OF

PARKER & PARSLEY PRIVATE INVESTMENT 87, LTD., A TEXAS LIMITED PARTNERSHIP

TO

PROXY STATEMENT/PROSPECTUS DATED , 2001

-----

THE DATE OF THIS SUPPLEMENT IS , 2001

-----

This document contains important information specific to Parker & Parsley Private Investment 87, Ltd. and supplements the proxy statement/prospectus dated , 2001, of Pioneer Natural Resources Company and Pioneer Natural Resources USA, Inc., by which Pioneer USA is soliciting proxies to be voted at a special meeting of limited partners of the partnership. The purpose of the special meeting is for you to vote upon the merger of the partnership with and into Pioneer USA that, if completed, will result in your receiving common stock of Pioneer Natural Resources Company for your partnership interests.

This document contains the following information concerning Parker & Parsley Private Investment 87, Ltd.:

- o A table containing:
  - the aggregate initial investment by the limited partners
  - the aggregate historical limited partner distributions through July 31, 2001

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

- the merger value attributable to partnership interests of limited partners, excluding Pioneer USA
- the merger value per \$1,000 limited partner investment
- the merger value per \$1,000 limited partner investment as a multiple of distributions for the past four quarterly distributions including the distribution in July 2001
  
- the book value per \$1,000 limited partner investment as of June 30, 2001 and as of December 31, 2000
  
- the going concern value per \$1,000 limited partner investment
- the liquidation value per \$1,000 limited partner investment
- the ordinary tax loss per \$1,000 limited partner investment in year of initial investment
  
- o Information about:
  - the legal opinion for the limited partners
  - the term of the partnership
  
- o The partnership's financial statements, including management's discussion and analysis of financial condition and results of operations, for the six months ended June 30, 2001
  
- o The partnership's financial statements, including management's discussion and analysis of financial condition and results of operations, for the year ended December 31, 2000
  
- o Selected historical financial data for the partnership for the six months ended June 30, 2001 and 2000 and the five years ended December 31, 2000

-1-

1028

PARKER & PARSLEY PRIVATE INVESTMENT 87, LTD.

SUPPLEMENTAL INFORMATION TABLE

Aggregate Initial Investment by the Limited Partners(a)

Aggregate Historical Limited Partner Distributions through July 31, 2001(a)

Merger Value Attributable to Partnership Interests of Limited Partners, Excluding Pioneer USA(a),

Merger Value per \$1,000 Limited Partner Investment (b), (c)

1013

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Merger Value per \$1,000 Limited Partner Investment as a Multiple of Distributions for the past four quarterly distributions including the distribution in July 2001(b), (c)

Book Value per \$1,000 Limited Partner Investment:

-- as of June 30, 2001(c)

-- as of December 31, 2000(c)

Going Concern Value per \$1,000 Limited Partner Investment(c), (d)

Liquidation Value per \$1,000 Limited Partner Investment(c), (e)

Ordinary Tax Loss per \$1,000 Limited Partner Investment in Year of Initial Investment(c), (f)

-----

(a) Stated in thousands.

(b) The merger value for the partnership is equal to the sum of the present value of estimated future net revenues from the partnership's estimated oil and gas reserves and its net working capital, in each case as of March 31, 2001, less its pro rata share, based on its reserve value, of the estimated expenses and fees of the mergers of all of the partnerships and less the cash distribution on July 13, 2001, by the partnership to its partners.

(c) Interests in some partnerships were sold in units at prices other than \$1,000. We have presented this information based on a \$1,000 initial investment for ease of use and comparison among partnerships. You should not assume that the amount shown per \$1,000 investment is the same as the value or amount attributable to a single unit investment.

(d) The going concern value for the partnership is based upon: (1) the sum of (A) the estimated net cash flow from the sale of the partnership's reserves during a 10-year operating period and (B) the estimated residual value from the sale of the partnership's remaining reserves at the end of the operating period, in each case using the same pricing and discount rate as in the merger value calculation, less (2) (A) partnership level general and administrative expenses, and (B) the cash distribution on July 13, 2001 by the partnership to its partners.

(e) The liquidation value for the partnership is based upon the sale of the partnership's reserves at the reserve value, less (1) liquidation expenses which are estimated to be the sum of (A) the partnership's pro rata share of the merger expenses and fees described in footnote (b) above and (B) 3% of the partnership's reserve value, and (2) the cash distribution on July 13, 2001 by the partnership to its partners. The liquidation expenses represent estimated costs to retain an investment banker or broker to sell the assets of the partnership and the legal and other closing costs associated with such transaction, including the wind-down costs of the partnership.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

- (f) Your ability to use your distributive share of the partnership's loss to offset your other income may have been subject to certain limitations at your level as a partner, and you may therefore wish to consult your tax advisor to determine the additional value, if any, actually realized by you in your particular circumstances.

INFORMATION ABOUT THE LEGAL OPINION FOR THE LIMITED PARTNERS

The partnership agreement for the partnership requires that special legal counsel render an opinion on behalf of the limited partners to Pioneer USA that neither the grant nor the exercise of the right to approve the merger of the partnership by its limited partners will adversely affect the federal income tax classification of the partnership or any of its limited partners. Although not required by the partnership agreement, the opinion will also state that neither the grant nor exercise of such right will result in the loss of any limited partner's limited liability. In addition, the counsel designated to render the opinion must be counsel other than counsel to Pioneer USA or the partnership. Both the designated counsel and the legal opinion must be approved by the limited partners. Pioneer USA has retained \_\_\_\_\_ of Dallas, Texas for the purpose of rendering this legal opinion on behalf of the limited partners to Pioneer USA. The merger proposals include an approval of that counsel and the form of its opinion. A copy of the opinion is attached as an exhibit to the merger proposals.

INFORMATION ABOUT THE TERM OF THE PARTNERSHIP

The term of the partnership is until December 31, 2037, unless the partnership is earlier terminated in accordance with the applicable provisions of its partnership agreement.

-2-

1029

PARKER & PARSLEY PRIVATE INVESTMENT 87, LTD.

(A Texas Limited Partnership)

FINANCIAL STATEMENTS

June 30, 2001 and December 31, 2000

(Unaudited)

1030

PARKER & PARSLEY PRIVATE INVESTMENT 87, LTD.

(A Texas Limited Partnership)

BALANCE SHEETS

June 30, 2001	December 31, 2000
-----	-----
(Unaudited)	

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

ASSETS

Current assets:		
Cash	\$ 312,648	\$ 94,943
Accounts receivable - oil and gas sales	157,371	169,256
	-----	-----
Total current assets	470,019	264,199
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	7,223,861	7,234,802
Accumulated depletion	(6,005,470)	(5,959,961)
	-----	-----
Net oil and gas properties	1,218,391	1,274,841
	-----	-----
	\$ 1,688,410	\$ 1,539,040
	=====	=====

LIABILITIES AND PARTNERS' CAPITAL

Current liabilities:		
Accounts payable:		
Affiliate	25,192	14,344
Other	48,900	-
	-----	-----
Total current liabilities	74,092	14,344
	-----	-----
Partners' capital:		
Managing general partner	15,899	15,002
Limited partners (262 interests)	1,598,419	1,509,694
	-----	-----
	1,614,318	1,524,696
	-----	-----
	\$ 1,688,410	\$ 1,539,040
	=====	=====

The financial information included as of June 30, 2001 has been prepared by the managing general partner without audit by independent public accountants.

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

PARKER & PARSLEY PRIVATE INVESTMENT 87, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF OPERATIONS  
(Unaudited)

Three months ended                      Six months ended  
June 30,                                      June 30,



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	2001	2000	2001	2000
Revenues:				
Oil and gas	\$ 267,604	\$ 209,122	\$ 562,276	\$ 450,055
Interest	1,905	2,713	4,089	4,619
Gain on disposition of assets	-	262	-	15,200
	269,509	212,097	566,365	469,874
Costs and expenses:				
Oil and gas production	111,039	96,847	222,273	201,495
General and administrative	6,918	6,274	14,619	13,502
Depletion	24,615	17,477	45,509	39,251
	142,572	120,598	282,401	254,248
Net income	\$ 126,937	\$ 91,499	\$ 283,964	\$ 215,626
Allocation of net income:				
Managing general partner	\$ 1,270	\$ 915	\$ 2,840	\$ 2,156
Limited partners	\$ 125,667	\$ 90,584	\$ 281,124	\$ 213,470
Net income per limited partnership interest	\$ 479.64	\$ 345.74	\$1,072.99	\$ 814.77

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

PARKER & PARSLEY PRIVATE INVESTMENT 87, LTD.  
(A Texas Limited Partnership)

STATEMENT OF PARTNERS' CAPITAL  
(Unaudited)

Managing general partner	Limited partners	Total
-----	-----	-----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Balance at January 1, 2001	\$ 15,002	\$1,509,694	\$1,524,696
Distributions	(1,943)	(192,399)	(194,342)
Net income	2,840	281,124	283,964
	-----	-----	-----
Balance at June 30, 2001	\$ 15,899	\$1,598,419	\$1,614,318
	=====	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

4

1033

PARKER & PARSLEY PRIVATE INVESTMENT 87, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF CASH FLOWS  
(Unaudited)

	Six months ended June 30,	
	2001	2000
	-----	-----
Cash flows from operating activities:		
Net income	\$ 283,964	\$ 215,626
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion	45,509	39,251
Gain on disposition of assets	-	(15,200)
Changes in assets and liabilities:		
Accounts receivable	11,885	31,807
Accounts payable	59,748	10,825
	-----	-----
Net cash provided by operating activities	401,106	282,309
	-----	-----
Cash flows from investing activities:		
Addition to oil and gas properties	(2,766)	(8,504)
Proceeds from asset dispositions	13,707	25,096
	-----	-----
Net cash provided by investing activities	10,941	16,592
	-----	-----
Cash flows used in financing activities:		
Cash distributions to partners	(194,342)	(272,447)
	-----	-----

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Net increase in cash	217,705	26,454
Cash at beginning of period	94,943	134,914
	-----	-----
Cash at end of period	\$ 312,648	\$ 161,368
	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

5

1034

### PARKER & PARSLEY PRIVATE INVESTMENT 87, LTD. (A Texas Limited Partnership)

#### NOTES TO FINANCIAL STATEMENTS June 30, 2001 (Unaudited)

##### Note 1. Organization and nature of operations

Parker & Parsley Private Investment 87, Ltd. (the "Partnership") was organized in 1987 as a general partnership under the laws of the State of Texas and was converted to a Texas limited partnership in 1989.

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

##### Note 2. Basis of presentation

In the opinion of management, the unaudited financial statements of the Partnership as of June 30, 2001 and for the three and six months ended June 30, 2001 and 2000 include all adjustments and accruals consisting only of normal recurring accrual adjustments which are necessary for a fair presentation of the results for the interim period. These interim results are not necessarily indicative of results for a full year. Certain reclassifications may have been made to the June 30, 2000 financial statements to conform to the June 30, 2001 financial statement presentations.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in these interim financial statements. The financial statements should be read in conjunction with the financial statements and the notes thereto contained in the Partnership's report for the year ended December 31, 2000, a copy of which is available upon request by writing to Rich Dealy, Vice President and Chief Accounting Officer, 5205 North O'Connor Boulevard, Suite 1400, Irving, Texas 75039-3746.

##### Management's Discussion and Analysis of Financial Condition and Results of Operations (1)

##### Results of Operations

Six months ended June 30, 2001 compared with six months ended June 30, 2000

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

### Revenues:

The Partnership's oil and gas revenues increased 25% to \$562,276 for the six months ended June 30, 2001 as compared to \$450,055 for the same period in 2000. The increase in revenues resulted from higher average prices received for gas

6

1035

and NGLs and an increase in production, offset by a decline in average prices received for oil. For the six months ended June 30, 2001, 13,100 barrels of oil, 5,041 barrels of natural gas liquids ("NGLs") and 25,756 mcf of gas were sold, or 22,434 barrel of oil equivalents ("BOEs"). For the six months ended June 30, 2000, 11,148 barrels of oil, 5,758 barrels of NGLs and 23,896 mcf of gas were sold, or 20,889 BOEs.

The average price received per barrel of oil decreased \$1.15, or 4%, from \$28.16 for the six months ended June 30, 2000 to \$27.01 for the same period in 2001. The average price received per barrel of NGLs increased \$2.57, or 18%, from \$14.34 during the six months ended June 30, 2000 to \$16.91 for the same period in 2001. The average price received per mcf of gas increased 113% from \$2.24 during the six months ended June 30, 2000 to \$4.78 in 2001. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received during the six months ended June 30, 2001.

Gain on disposition of assets of \$15,200 was recognized during the six months ended June 30, 2000 resulting from equipment credits received on one fully depleted well.

### Costs and Expenses:

Total costs and expenses increased to \$282,401 for the six months ended June 30, 2001 as compared to \$254,248 for the same period in 2000, an increase of \$28,153, or 11%. This increase was due to increases in production costs, depletion and general and administrative expenses ("G&A").

Production costs were \$222,273 for the six months ended June 30, 2001 and \$201,495 for the same period in 2000, resulting in a \$20,778 increase, or 10%. The increase was due to additional well maintenance and workover costs incurred to stimulate well production and higher production taxes due to higher gas and NGL prices.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 8%, from \$13,502 for the six months ended June 30, 2000 to \$14,619 for the same period in 2001, primarily due to a higher allocation of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues and an increase in audit and tax fees.

Depletion was \$45,509 for the six months ended June 30, 2001 as compared to \$39,251 for the same period in 2000, an increase of \$6,258, or 16%. This increase was due to an increase in oil production of 1,952 barrels for the six months ended June 30, 2001 as compared to the same period in 2000.

1036

Three months ended June 30, 2001 compared with three months ended June 30, 2000

Revenues:

The Partnership's oil and gas revenues increased 28% to \$267,604 for the three months ended June 30, 2001 as compared to \$209,122 for the same period in 2000. The increase in revenues resulted from higher average prices received for gas and NGLs and an increase in production, offset by a decline in average prices received for oil. For the three months ended June 30, 2001, 6,252 barrels of oil, 3,003 barrels of NGLs and 14,371 mcf of gas were sold, or 11,650 BOEs. For the three months ended June 30, 2000, 4,518 barrels of oil, 3,059 barrels of NGLs and 12,350 mcf of gas were sold, or 9,635 BOEs.

The average price received per barrel of oil decreased \$2.84, or 10%, from \$29.73 for the three months ended June 30, 2000 to \$26.89 for the three months ended June 30, 2001. The average price received per barrel of NGLs increased \$1.17, or 8%, from \$13.97 during the three months ended June 30, 2000 to \$15.14 for the same period in 2001. The average price received per mcf of gas increased 45% to \$3.76 during the three months ended June 30, 2001 from \$2.60 during the same period in 2000.

Gain on disposition of assets of \$262 was recognized during the three months ended June 30, 2000 from equipment credits received on one fully depleted well.

Costs and Expenses:

Total costs and expenses increased to \$142,572 for the three months ended June 30, 2001 as compared to \$120,598 for the same period in 2000, an increase of \$21,974, or 18%. This increase was due to increases in production costs, depletion and G&A.

Production costs were \$111,039 for the three months ended June 30, 2001 and \$96,847 for the same period in 2000, resulting in a \$14,192 increase, or 15%. This increase was due to additional well maintenance and workover costs incurred to stimulate well production and higher production taxes due to higher gas and NGL prices.

During this period, G&A increased 10%, from \$6,274 for the three months ended June 30, 2000 to \$6,918 for the same period in 2001, primarily due to a higher allocation of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues.

Depletion was \$24,615 for the three months ended June 30, 2001 compared to \$17,477 for the same period in 2000, an increase of \$7,138, or 41%. This increase was attributable to an increase in oil production of 1,734 barrels for the three months ended June 30, 2001 compared to the same period in 2000.

1037

Liquidity and Capital Resources

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

### Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$118,797 during the six months ended June 30, 2001 from the same period ended June 30, 2000. This increase was due to an increase in oil and gas sales receipts of \$111,691 and a reduction in working capital of \$29,001, offset by increases in production costs of \$20,778 and G&A expenses of \$1,117. The increase in oil and gas receipts resulted from an increase in gas and NGL prices during 2001 which contributed an additional \$75,534 to oil and gas receipts and \$48,968 resulting from the increase in production during 2001 as compared to the same period in 2000, offset by a decline of \$12,811 due to decreased oil prices during 2001 as compared to the same period in 2000. The increase in production costs was primarily due to additional well maintenance and workover costs incurred to stimulate well production and increased production taxes associated with higher gas and NGL prices. The increase in G&A was primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues and an increase in audit and tax fees.

### Net Cash Provided by Investing Activities

The Partnership's investing activities during the six months ended June 30, 2001 and 2000 were for expenditures related to oil and gas equipment upgrades on various oil and gas properties.

Proceeds from asset dispositions of \$13,707 and \$25,096 recognized during the six months ended June 30, 2001 and 2000, respectively. The proceeds recognized during the period in 2001 were from equipment credits received on a temporarily abandoned well. The proceeds recognized during the period in 2000 consisted of \$15,200 from equipment credits on one fully depleted well and \$9,896 from credits on one active property.

### Net Cash Used in Financing Activities

For the six months ended June 30, 2001, cash distributions to the partners were \$194,342, of which \$1,943 was distributed to the managing general partner and \$192,399 to the limited partners. For the same period ended June 30, 2000, cash distributions to the partners were \$272,447, of which \$2,724 was distributed to the managing general partner and \$269,723 to the limited partners.

For the three months ended June 30, 2001, no distributions were made by the partnership to its partners. Subsequent to June 30, 2001 the cash distribution that otherwise would have been mailed to partners in late June was made to holders of record as of July 9, 2001 and was mailed on July 13, 2001. For further information, see "Proposal to acquire partnerships" below.

### Proposal to acquire partnerships

On June 29, 2001, Pioneer Natural Resources Company ("Pioneer") filed with the Securities and Exchange Commission Amendment No. 1 to the Form S-4 Registration Statement (File No. 333- 59094) (the "preliminary proxy statement/prospectus"), which proposes an agreement and plan of merger among Pioneer, Pioneer Natural Resources USA, Inc. ("Pioneer USA"), a wholly-owned subsidiary of Pioneer, and

46 Parker & Parsley limited partnerships. Each partnership that approves the agreement and plan of merger and the other related merger proposals will merge with and into Pioneer USA upon the closing of the transactions described in the

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

preliminary proxy statement/prospectus, and the partnership interests of each such partnership will be converted into the right to receive Pioneer common stock. The Partnership is one of the 46 Parker & Parsley limited partnerships that will be asked to approve the agreement and plan of merger. The preliminary proxy statement/prospectus is non-binding and is subject to, among other things, consideration of offers from third parties to purchase any partnership or its assets and the majority approval of the limited partnership interests in each partnership.

Pioneer USA will solicit proxies from limited partners to approve the mergers only when the proxy statement/prospectus is final and declared effective. No solicitation will be made using preliminary materials. Nonetheless, copies of the preliminary proxy statement/prospectus may be obtained without charge upon request from Pioneer Natural Resources Company, 5205 North O'Connor Blvd., Suite 1400, Irving, Texas 75039, Attention: Investor Relations.

The limited partners are urged to read the proxy statement/prospectus of Pioneer filed with the Securities and Exchange Commission, when it is finalized, because it contains important information about the proposed mergers, including information about the direct and indirect interests of Pioneer USA and Pioneer in the mergers. The limited partners may also obtain the preliminary and (when filed) final proxy statement/prospectus and other relevant documents relating to the proposed mergers free through the internet web site that the Securities and Exchange Commission maintains at [www.sec.gov](http://www.sec.gov).

-----

- (1) "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" contains forward looking statements that involve risks and uncertainties. Accordingly, no assurances can be given that the actual events and results will not be materially different than the anticipated results described in the forward looking statements.

10

1039

PARKER & PARSLEY PRIVATE INVESTMENT 87, LTD.  
(A Texas Limited Partnership)

FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITORS' REPORT

December 31, 2000 and 1999

1040

INDEPENDENT AUDITORS' REPORT

The Partners

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Parker & Parsley Private Investment 87, Ltd.  
(A Texas Limited Partnership):

We have audited the balance sheets of Parker & Parsley Private Investment 87, Ltd. as of December 31, 2000 and 1999, and the related statements of operations, partners' capital and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parker & Parsley Private Investment 87, Ltd. as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Dallas, Texas  
March 9, 2001

2

1041

PARKER & PARSLEY PRIVATE INVESTMENT 87, LTD.  
(A Texas Limited Partnership)

BALANCE SHEETS  
December 31

ASSETS  
-----

Current assets:

Cash  
Accounts receivable - oil and gas sales

-----  
\$  
-----



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Total current assets

Oil and gas properties - at cost, based on the  
 successful efforts accounting method  
 Accumulated depletion

Net oil and gas properties

LIABILITIES AND PARTNERS' CAPITAL  
 -----

Current liabilities:

Accounts payable - affiliate

Partners' capital:

Managing general partner

Limited partners (262 interests)

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

3

1042

PARKER & PARSLEY PRIVATE INVESTMENT 87, LTD.  
 (A Texas Limited Partnership)

STATEMENTS OF OPERATIONS  
 For the years ended December 31

	2000 -----	1999 -----	1998 -----
Revenues:			
Oil and gas	\$1,035,947	\$ 674,794	\$ 568,014
Interest	10,943	5,922	6,840

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Gain on disposition of assets	15,201	20,924	--
Miscellaneous income	--	--	27,020
	-----	-----	-----
	1,062,091	701,640	601,874
	-----	-----	-----
Costs and expenses:			
Oil and gas production	395,308	333,765	357,125
General and administrative	31,079	20,244	17,041
Impairment of oil and gas properties	--	--	176,587
Depletion	79,020	123,063	259,349
Abandoned property	--	20,129	--
	-----	-----	-----
	505,407	497,201	810,102
	-----	-----	-----
Net income (loss)	\$ 556,684	\$ 204,439	\$ (208,228)
	=====	=====	=====
Allocation of net income (loss):			
Managing general partner	\$ 5,567	\$ 2,044	\$ (2,082)
	=====	=====	=====
Limited partners	\$ 551,117	\$ 202,395	\$ (206,146)
	=====	=====	=====
Net income (loss) per limited partnership interest	\$ 2,103.50	\$ 772.50	\$ (786.82)
	=====	=====	=====

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

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	Managing general partner -----	L p -----
Partners' capital at January 1, 1998	\$ 20,565	\$
Distributions	(2,592)	
Net loss	(2,082)	---
	-----	
Partners' capital at December 31, 1998	15,891	
Distributions	(2,582)	
Net income	2,044	---
	-----	
Partners' capital at December 31, 1999	15,353	
Distributions	(5,918)	
Net income	5,567	---
	-----	
Partners' capital at December 31, 2000	\$ 15,002	\$
	=====	=====

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

PARKER & PARSLEY PRIVATE INVESTMENT 87, LTD.  
(A Texas Limited Partnership)

STATEMENTS OF CASH FLOWS  
For the years ended December 31

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Cash flows from operating activities:		
Net income (loss)	\$	556,684
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depletion		79,020
Impairment of oil and gas properties		-
Gain on disposition of assets		(15,201)
Changes in assets and liabilities:		
Accounts receivable		(79,404)
Accounts payable		7,580
		-----
Net cash provided by operating activities		548,679
		-----
Cash flows from investing activities:		
Additions to oil and gas properties		(12,021)
Proceeds from asset dispositions		15,201
		-----
Net cash provided by investing activities		3,180
		-----
Cash flows used in financing activities:		
Cash distributions to partners		(591,830)
		-----
Net increase (decrease) in cash		(39,971)
Cash at beginning of year		134,914
		-----
Cash at end of year	\$	94,943
		=====

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

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

NOTES TO FINANCIAL STATEMENTS  
December 31, 2000, 1999 and 1998

### NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS

Parker & Parsley Private Investment 87, Ltd. (the "Partnership") was organized in 1987 as a general partnership under the laws of the State of Texas and was converted to a Texas limited partnership in 1989. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA").

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Oil and gas properties - The Partnership utilizes the successful efforts method of accounting for its oil and gas properties and equipment. Under this method, all costs associated with productive wells and nonproductive development wells are capitalized while nonproductive exploration costs are expensed. Capitalized costs relating to proved properties are depleted using the unit-of-production method on a property-by-property basis based on proved oil (dominant mineral) reserves as evaluated by independent petroleum consultants. The carrying amounts of properties sold or otherwise disposed of and the related allowances for depletion are eliminated from the accounts and any gain or loss is included in results of operations.

Impairment of long-lived assets - In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the Partnership reviews its long-lived assets to be held and used on an individual property basis, including oil and gas properties accounted for under the successful efforts method of accounting, whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. An impairment loss is indicated if the sum of the expected future cash flows is less than the carrying amount of the assets. In this circumstance, the Partnership recognizes an impairment loss for the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset.

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

Net income (loss) per limited partnership interest - The net income (loss) per limited partnership interest is calculated by using the number of outstanding limited partnership interests.

Income taxes - A Federal income tax provision has not been included in the financial statements as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Statements of cash flows - For purposes of reporting cash flows, cash includes depository accounts held by banks.

General and administrative expenses - General and administrative expenses are allocated in part to the Partnership by the managing general partner. Allocated expenses are determined by the managing general partner based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Reclassifications - Certain reclassifications may have been made to the 1999 and 1998 financial statements to conform to the 2000 financial statement presentations.

Environmental - The Partnership is subject to extensive federal, state and local environmental laws and regulations. These laws, which are constantly changing, regulate the discharge of materials into the environment and may require the Partnership to remove or mitigate the environmental effects of the disposal or release of petroleum or chemical substances at various sites. Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Liabilities for expenditures of a noncapital nature are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated. Such liabilities are generally undiscounted and the timing of cash payments for the liability or component are fixed or reliably determinable. No such liabilities have been accrued as of December 31, 2000.

Revenue recognition - The Partnership uses the entitlements method of accounting for oil, natural gas liquids ("NGLs") and natural gas revenues.

### NOTE 3. IMPAIRMENT OF LONG-LIVED ASSETS

In accordance with SFAS 121, the Partnership reviews its proved oil and gas properties for impairment whenever events and circumstances indicate a decline in the recoverability of the carrying value of the Partnership's oil and gas properties. The Partnership has estimated the expected future cash flows of its oil and gas properties as of December 31, 2000, 1999 and 1998, based on proved reserves, and compared such estimated future cash flows to the respective carrying amount of the oil and gas properties to determine if the carrying amounts were likely to be recoverable. For those proved oil and gas properties for which the carrying amount exceeded the estimated future cash flows, an impairment was determined to exist; therefore, the Partnership adjusted the carrying amount of those oil and gas properties to their fair value as determined by discounting their expected future cash flows at a discount rate commensurate with the risks involved in the industry. As a result, the Partnership recognized a non-cash impairment provision of \$176,587 related to its proved oil and gas properties during 1998.

8

1047

### NOTE 4. INCOME TAXES

The financial statement basis of the Partnership's net assets and liabilities was \$72,098 greater than the tax basis at December 31, 2000.

The following is a reconciliation of net income (loss) per statements of

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

operations with the net income per Federal income tax returns for the years ended December 31:

	2000	
	-----	-----
Net income (loss) per statements of operations	\$ 556,684	\$
Depletion and depreciation provisions for tax reporting purposes less than amounts for financial reporting purposes	73,725	
Impairment of oil and gas properties for financial reporting purposes	-	
Salvage income	-	
Other, net	8,468	
	-----	-----
Net income per Federal income tax returns	\$ 638,877	\$
	=====	=====

### NOTE 5. OIL AND GAS PRODUCING ACTIVITIES

The following is a summary of the costs incurred, whether capitalized or expensed, related to the Partnership's oil and gas producing activities for the years ended December 31:

	2000	
	-----	-----
Development costs	\$ 12,021	\$
	=====	=====

Capitalized oil and gas properties consist of the following:

Proved properties:		
Property acquisition costs		\$
Completed wells and equipment		-----
Accumulated depletion		-----
Net oil and gas properties		\$
		=====

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

### NOTE 6. RELATED PARTY TRANSACTIONS

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

	2000	
Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$ 168,618	\$
Reimbursement of general and administrative expenses	\$ 27,190	\$

The Partnership participates in oil and gas activities through an income tax partnership (the "Program") pursuant to the Program agreement. Pioneer USA and the Partnership are parties to the Program agreement.

The costs and revenues of the Program are allocated to Pioneer USA and the Partnership as follows:

	Pioneer U
Revenues:	
Proceeds from disposition of depreciable properties	9.09
All other revenues	24.24
Costs and expenses:	
Lease acquisition costs, drilling and completion costs and all other costs	9.09
Operating costs, direct costs and general and administrative expenses	24.24

- (1) Excludes Pioneer USA's 1% general partner ownership which is allocated at the Partnership level.

### NOTE 7. OIL AND GAS INFORMATION (UNAUDITED)

The following table presents information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities during the years then ended. All of the Partnership's reserves are proved developed and located within the United States. The Partnership's reserves are based on an evaluation prepared by Williamson Petroleum Consultants, Inc., an independent petroleum consultant, using criteria established by the Securities and Exchange Commission.



	Oil and NGLs (bbls)
	-----
Net proved reserves at January 1, 1998	593,108
Revisions	(204,355)
Production	(42,801)
	-----
Net proved reserves at December 31, 1998	345,952
Revisions	377,937
Production	(40,495)
	-----
Net proved reserves at December 31, 1999	683,394
Revisions	114,936
Production	(35,242)
	-----
Net proved reserves at December 31, 2000	763,088
	=====

As of December 31, 2000, the estimated present value of future net revenues of proved reserves, calculated using December 31, 2000 prices of \$26.64 per barrel of oil, \$13.67 per barrel of NGLs and \$7.76 per mcf of gas, discounted at 10% was approximately \$5,193,000 and undiscounted was \$12,461,000.

Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves. The Partnership emphasizes that reserve estimates are inherently imprecise and, accordingly, the estimates are expected to change as future information becomes available.

#### Disclosures about Oil & Gas Producing Activities

##### Standardized Measure of Discounted Future Net Cash Flows

The standardized measure of discounted future net cash flows is computed by applying year-end prices of oil and gas (with consideration of price changes only to the extent provided by contractual arrangements) to the estimated future production of proved oil and gas reserves less estimated future expenditures (based on year-end costs) to be incurred in developing and producing the proved reserves, discounted using a rate of 10% per year to reflect the estimated timing of the future cash flows. A Federal income tax provision has not been calculated as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

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

	For the years ended	
	2000	1999
		(in thousands)
Oil and gas producing activities:		
Future cash inflows	\$ 24,836	\$ 19,440
Future production costs	(12,375)	(10,800)
	12,461	8,640
10% annual discount factor	(7,268)	(7,268)
	5,193	1,372
Standardized measure of discounted future net cash flows	\$ 5,193	\$ 1,372

11

1050

	For the years ended	
	2000	1999
		(in thousands)
Oil and Gas Producing Activities:		
Oil and gas sales, net of production costs	\$ (641)	\$ (641)
Net changes in prices and production costs	1,940	1,940
Revisions of previous quantity estimates	766	766
Accretion of discount	389	389
Changes in production rates, timing and other	(1,153)	(1,153)
	1,301	1,301
Change in present value of future net revenues	1,301	1,301
Balance, beginning of year	3,892	3,892
Balance, end of year	\$ 5,193	\$ 5,193

NOTE 8. MAJOR CUSTOMERS

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The following table reflects the major customers of the Partnership's oil and gas sales (a major customer is defined as a customer whose sales exceed 10% of total sales) during the years ended December 31:

	2000 -----
Plains Marketing, L.P.	42%
Genesis Crude Oil, L.P.	-
Western Gas Resources, Inc.	3%
Phillips Petroleum Company	17%
NGTS LLC	10%

At December 31, 2000, the amounts receivable from Plains Marketing, L.P., Phillips Petroleum Company and NGTS LLC were \$34,772, \$27,567 and \$3,043, respectively, which are included in the caption "Accounts receivable - oil and gas sales" in the accompanying Balance Sheet.

Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on the ability of the Partnership to sell its oil, NGLs and gas production.

### NOTE 9. PARTNERSHIP AGREEMENT

The following is a brief summary of the more significant provisions of the Partnership agreement:

Managing general partner - The managing general partner of the Partnership is Pioneer USA. Pioneer USA has the power and authority to manage, control and administer all Program and Partnership affairs. As managing general partner and operator of the Partnership's properties, all production expenses are incurred by Pioneer USA and billed to the Partnership. The majority of the Partnership's oil and gas revenues are received directly by the Partnership, however, a portion of the oil and gas revenue is initially received by Pioneer USA prior to being

12

1051

paid to the Partnership. Under the limited partnership agreement, the managing general partner pays 1% of the Partnership's acquisition, drilling and completion costs and 1% of its operating and general and administrative expenses. The managing general partner is also responsible for 1% of the guaranty and loan commitment fees. In return, it is allocated 1% of the Partnership's revenues.

Limited partner liability - The maximum amount of liability of any limited partner is the total contributions of such partner plus his share of any undistributed profits.

Initial capital contributions - The partners entered into subscription agreements for aggregate capital contributions of \$10,480,000. Contributions aggregating \$2,822,500 were received directly from the partners in cash and the remainder was made available to the limited partners by a financial institution. Pioneer USA is required to contribute amounts equal to 1% of initial Partnership capital less

1035

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

commission and organization and offering costs allocated to the limited partners and to contribute amounts necessary to pay costs and expenses allocated to it under the Partnership agreement to the extent its share of revenues does not cover such costs.

13

1052

PARKER & PARSLEY PRIVATE INVESTMENT 87, LTD.  
(A TEXAS LIMITED PARTNERSHIP)

THIS REPORT CONTAINS FORWARD LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. ACCORDINGLY, NO ASSURANCES CAN BE GIVEN THAT THE ACTUAL EVENTS AND RESULTS WILL NOT BE MATERIALLY DIFFERENT THAN THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of operations

2000 compared to 1999

The Partnership's oil and gas revenues increased 54% to \$1,035,947 for 2000 as compared to \$674,794 in 1999. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 2000, 24,016 barrels of oil, 11,226 barrels of natural gas liquids ("NGLs") and 48,307 mcf of gas were sold, or 43,293 barrel of oil equivalents ("BOEs"). In 1999, 27,432 barrels of oil, 13,063 barrels of NGLs and 52,874 mcf of gas were sold, or 49,307 BOEs. Due to the decline characteristics of the Partnership's oil and gas properties, management expects a certain amount of decline in production in the future until the Partnership's economically recoverable reserves are fully depleted.

The average price received per barrel of oil increased \$12.74, or 76%, from \$16.82 in 1999 to \$29.56 in 2000. The average price received per barrel of NGLs increased \$6.76, or 72%, from \$9.41 in 1999 to \$16.17 in 2000. The average price received per mcf of gas increased 75% from \$1.71 in 1999 to \$2.99 in 2000. The market price for oil and gas has been extremely volatile in the past decade, and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received in 2000.

Gain on disposition of assets of \$15,201 during 2000 was attributable to salvage income received on two wells plugged and abandoned during 1999. Gain on disposition of assets of \$20,924 during 1999 was from salvage value received on equipment from two wells plugged and abandoned during 1999. Abandoned property costs of \$20,129 were incurred during 1999 related to the plugging of these two wells.

Total costs and expenses increased in 2000 to \$505,407 as compared to \$497,201 in 1999, an increase of \$8,206, or 2%. The increase was primarily due to increases in production costs and general and administrative expenses ("G&A"), offset by declines in depletion and abandoned property costs.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Production costs were \$395,308 in 2000 and \$333,765 in 1999, resulting in a \$61,543 increase, or 18%. The increase was due to additional well maintenance costs incurred to stimulate well production and higher production taxes.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 54% from \$20,244 in 1999 to \$31,079 in 2000, primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$27,190 in 2000 and \$13,954 in 1999 for G&A incurred on behalf of the Partnership. The remaining G&A was paid directly by the Partnership. The managing general partner determines the allocated expenses based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Depletion was \$79,020 in 2000 as compared to \$123,063 in 1999, representing a decrease of \$44,043, or 36%. This decrease was primarily due to a 114,527 barrels of oil increase in proved reserves during 2000 as a result of higher commodity prices and a decline in oil production of 3,416 barrels for the period ended December 31, 2000 compared to the same period in 1999.

1053

1999 compared to 1998

The Partnership's 1999 oil and gas revenues increased 19% to \$674,794 from \$568,014 in 1998. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 1999, 27,432 barrels of oil, 13,063 barrels of NGLs and 52,874 mcf of gas were sold, or 49,307 BOEs. In 1998, 30,005 barrels of oil, 12,796 barrels of NGLs and 58,036 mcf of gas were sold, or 52,474 BOEs.

The average price received per barrel of oil increased \$3.77, or 29%, from \$13.05 in 1998 to \$16.82 in 1999. The average price received per barrel of NGLs increased \$2.86, or 44%, from \$6.55 in 1998 to \$9.41 in 1999. The average price received per mcf of gas increased 8% from \$1.59 in 1998 to \$1.71 in 1999.

Gain on disposition of assets of \$20,924 during 1999 was from salvage value received on equipment from two wells plugged and abandoned during 1999. Abandoned property costs of \$20,129 were incurred during 1999 related to the plugging of these two wells.

Miscellaneous income of \$27,020 during 1998 consisted of the write-off of amounts previously recorded as accounts payable. These amounts were set aside until the Partnership reconciled payments for the initial capital contributions. Once these payments were reconciled, the liability was eliminated and the cash distributed to the partners.

Total costs and expenses decreased in 1999 to \$497,201 as compared to \$810,102 in 1998, a decrease of \$312,901, or 39%. The decrease was primarily due to declines in the impairment of oil and gas properties, depletion and production costs, offset by increases in abandoned property costs and G&A.

Production costs were \$333,765 in 1999 and \$357,125 in 1998, resulting in a \$23,360 decrease, or 7%. The decrease was due to declines in well maintenance costs and ad valorem taxes.

During this period, G&A increased 19% from \$17,041 in 1998 to \$20,244 in 1999

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$13,954 in 1999 and \$13,315 in 1998 for G&A incurred on behalf of the Partnership.

In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the managing general partner reviews the Partnership's oil and gas properties for impairment whenever events or circumstances indicate a decline in the recoverability of the carrying value of the Partnership's assets may have occurred. As a result of the review and evaluation of its long-lived assets for impairment, the Partnership recognized a non-cash charge of \$176,587 related to its oil and gas properties during 1998.

Depletion was \$123,063 in 1999 compared to \$259,349 in 1998, representing a decrease of \$136,286, or 53%. This decrease was the result of an increase in proved reserves of 239,857 barrels of oil during 1999 as a result of higher commodity prices and a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 1998.

### Petroleum industry

The petroleum industry has been characterized by volatile oil, NGL and natural gas commodity prices and relatively stable supplier costs during the three years ended December 31, 2000. During 1998, weather patterns, regional economic recessions and political matters combined to cause worldwide oil supplies to exceed demand resulting in a substantial decline in oil prices. Also during 1998, but to a lesser extent, market prices for natural gas declined. During 1999 and 2000, the Organization of Petroleum Exporting Countries ("OPEC") and certain other crude oil exporting nations announced reductions in their planned export volumes. Those announcements, together with the enactment of the announced reductions in export volumes, had a positive impact on world oil prices, as have overall natural gas supply and demand fundamentals on North American natural gas prices. Although the favorable commodity price environment and stable field service cost environment is expected to continue during 2001, there is no assurance that commodity prices will not return to a less favorable level or that field service costs will not escalate in the future, both of which could negatively impact the Partnership's future results of operations and cash distributions.

1054

### Liquidity and capital resources

#### Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$254,339 during the year ended December 31, 2000 from 1999. This increase was due to an increase in oil and gas sales receipts of \$366,174 and a decline in abandoned property costs of \$20,129, offset by increases in production costs paid of \$61,543, G&A expenses paid of \$10,835 and working capital of \$59,586. The increase in oil and gas receipts resulted from the increase in commodity prices during 2000 which contributed an additional \$510,519 to oil and gas receipts, offset by \$144,345 resulting from the decline in production during 2000. The increase in production costs was primarily due to increased production taxes associated with higher oil and gas prices and additional well maintenance costs incurred to stimulate well production. The increase in G&A was primarily due to higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

### Net Cash Provided by Investing Activities

The Partnership's principal investing activities during 2000 and 1999 included expenditures related to equipment upgrades on several oil and gas properties.

Proceeds from asset dispositions of \$15,201 received in 2000 were related to salvage income received on two wells plugged and abandoned during 1999. Proceeds from asset dispositions of \$17,049 received in 1999 were from equipment credits of \$10,226 received on two wells plugged and abandoned during 1999 and equipment credits of \$6,823 received on two active wells.

### Net Cash Used in Financing Activities

In 2000, cash distributions to the partners were \$591,830, of which \$5,918 was distributed to the managing general partner and \$585,912 to the limited partners. In 1999, cash distributions to the partners were \$258,205, of which \$2,582 was distributed to the managing general partner and \$255,623 to the limited partners.

1055

### PARKER & PARSLEY PRIVATE INVESTMENT 87, LTD.

#### SELECTED FINANCIAL DATA

The following selected financial data for the Partnership should be read in connection with Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements included in the attached supplemental information.

	Six months ended June 30,		Years ended December		
	2001	2000	2000	1999	1998
Operating results:					
Oil and gas sales	\$ 562,276	\$ 450,055	\$1,035,947	\$ 674,794	\$ 568,014
Impairment of oil and gas properties	\$ --	\$ --	\$ --	\$ --	\$ 176,587
Gain on litigation settlement, net	\$ --	\$ --	\$ --	\$ --	\$ --
Net income (loss)	\$ 283,964	\$ 215,626	\$ 556,684	\$ 204,439	\$ (208,228)

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Allocation of net income (loss):					
Managing general partner	\$ 2,840	\$ 2,156	\$ 5,567	\$ 2,044	\$ (2,082)
	=====	=====	=====	=====	=====
Limited partners	\$ 281,124	\$ 213,470	\$ 551,117	\$ 202,395	\$ (206,146)
	=====	=====	=====	=====	=====
Limited partners' net income (loss) per limited partnership interest	\$ 1,072.99	\$ 814.77	\$ 2,103.50	\$ 772.50	\$ (786.82)
	=====	=====	=====	=====	=====
Limited partners' cash distributions per limited partnership interest	\$ 734.35	\$ 1,029.48	\$ 2,236.31	\$ 975.66	\$ 979.19
	=====	=====	=====	=====	=====
As of period ended:					
Total assets	\$1,688,410	\$1,530,506	\$1,539,040	\$1,566,606	\$1,622,597
	=====	=====	=====	=====	=====

-----

(a) Including litigation settlement per limited partnership interest of \$1,465.31 in 1996.

1056

PIONEER NATURAL RESOURCES COMPANY  
PIONEER NATURAL RESOURCES USA, INC.  
5205 NORTH O'CONNOR BLVD., SUITE 1400  
IRVING, TEXAS 75039

SUPPLEMENTAL INFORMATION

OF

PARKER & PARSLEY 88-A CONV., L.P., A DELAWARE LIMITED PARTNERSHIP

TO

PROXY STATEMENT/PROSPECTUS DATED , 2001

-----

THE DATE OF THIS SUPPLEMENT IS , 2001

-----

This document contains important information specific to Parker & Parsley 88-A Conv., L.P., and supplements the proxy statement/prospectus dated , 2001, of Pioneer Natural Resources Company and Pioneer Natural Resources USA, Inc., by which Pioneer USA is soliciting proxies to be voted at a special meeting of limited partners of the partnership. The purpose of the special meeting is for you to vote upon the merger of the partnership with and into



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Pioneer USA that, if completed, will result in your receiving common stock of Pioneer Natural Resources Company for your partnership interests.

This document contains the following information concerning Parker & Parsley 88-A Conv., L.P.:

- o A table containing:
  - the aggregate initial investment by the limited partners
  - the aggregate historical limited partner distributions through July 31, 2001
  - the merger value attributable to partnership interests of limited partners, excluding Pioneer USA
  - the merger value per \$1,000 limited partner investment
  - the merger value per \$1,000 limited partner investment as a multiple of distributions for the past four quarterly distributions including the distribution in July 2001
  - the book value per \$1,000 limited partner investment as of June 30, 2001 and as of December 31, 2000
  - the going concern value per \$1,000 limited partner investment
  - the liquidation value per \$1,000 limited partner investment
  - the ordinary tax loss per \$1,000 limited partner investment in year of initial investment
- o Information about:
  - the legal opinion for the limited partners
  - the term of the partnership
- o The partnership's financial statements, including management's discussion and analysis of financial condition and results of operations, for the six months ended June 30, 2001
- o The partnership's financial statements, including management's discussion and analysis of financial condition and results of operations, for the year ended December 31, 2000
- o Selected historical financial data for the partnership for the six months ended June 30, 2001 and 2000 and the five years ended December 31, 2000

# Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

## SUPPLEMENTAL INFORMATION TABLE

Aggregate Initial Investment by the Limited Partners (a)	\$
Aggregate Historical Limited Partner Distributions through July 31, 2001 (a)	\$
Merger Value Attributable to Partnership Interests of Limited Partners, Excluding Pioneer USA (a), (b)	\$
Merger Value per \$1,000 Limited Partner Investment (b), (c)	\$
Merger Value per \$1,000 Limited Partner Investment as a Multiple of Distributions for the past four quarterly distributions including the distribution in July 2001 (b), (c)	
Book Value per \$1,000 Limited Partner Investment:	
-- as of June 30, 2001 (c)	\$
-- as of December 31, 2000 (c)	\$
Going Concern Value per \$1,000 Limited Partner Investment (c), (d)	\$
Liquidation Value per \$1,000 Limited Partner Investment (c), (e)	\$
Ordinary Tax Loss per \$1,000 Limited Partner Investment in Year of Initial Investment (c), (f)	\$

-----

- (a) Stated in thousands.
  
- (b) The merger value for the partnership is equal to the sum of the present value of estimated future net revenues from the partnership's estimated oil and gas reserves and its net working capital, in each case as of March 31, 2001, less its pro rata share, based on its reserve value, of the estimated expenses and fees of the mergers of all of the partnerships and less the cash distribution on July 13, 2001, by the partnership to its partners.
  
- (c) Interests in some partnerships were sold in units at prices other than \$1,000. We have presented this information based on a \$1,000 initial investment for ease of use and comparison among partnerships. You should not assume that the amount shown per \$1,000 investment is the same as the value or amount attributable to a single unit investment.
  
- (d) The going concern value for the partnership is based upon: (1) the sum of (A) the estimated net cash flow from the sale of the partnership's reserves during a 10-year operating period and (B) the estimated residual value from the sale of the partnership's remaining reserves at the end of the operating period, in each case using the same pricing and discount rate as in the merger value calculation, less (2) (A) partnership level general and administrative expenses, and (B) the cash distribution on July 13, 2001 by the partnership to its partners.
  
- (e) The liquidation value for the partnership is based upon the sale of the

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

partnership's reserves at the reserve value, less (1) liquidation expenses which are estimated to be the sum of (A) the partnership's pro rata share of the merger expenses and fees described in footnote (b) above and (B) 3% of the partnership's reserve value, and (2) the cash distribution on July 13, 2001 by the partnership to its partners. The liquidation expenses represent estimated costs to retain an investment banker or broker to sell the assets of the partnership and the legal and other closing costs associated with such transaction, including the wind-down costs of the partnership.

- (f) Your ability to use your distributive share of the partnership's loss to offset your other income may have been subject to certain limitations at your level as a partner, and you may therefore wish to consult your tax advisor to determine the additional value, if any, actually realized by you in your particular circumstances.

INFORMATION ABOUT THE LEGAL OPINION FOR THE LIMITED PARTNERS

The partnership agreement for the partnership requires that special legal counsel render an opinion on behalf of the limited partners to Pioneer USA that neither the grant nor the exercise of the right to approve the merger of the partnership by its limited partners will adversely affect the federal income tax classification of the partnership or any of its limited partners. Although not required by the partnership agreement, the opinion will also state that neither the grant nor exercise of such right will result in the loss of any limited partner's limited liability. In addition, the counsel designated to render the opinion is not required to be counsel other than counsel to Pioneer USA or the partnership. Both the designated counsel and the legal opinion must be approved by the limited partners. Pioneer USA has retained \_\_\_\_\_ of Dallas, Texas for the purpose of rendering this legal opinion on behalf of the limited partners to Pioneer USA. The merger proposals include an approval of that counsel and the form of its opinion. A copy of the opinion is attached as an exhibit to the merger proposals.

INFORMATION ABOUT THE TERM OF THE PARTNERSHIP

The term of the partnership is until December 31, 2038, unless the partnership is earlier terminated in accordance with the applicable provisions of its partnership agreement.

-2-

1058

PARKER & PARSLEY 88-A CONV., L.P.

(A Delaware Limited Partnership)

FINANCIAL STATEMENTS

June 30, 2001 and December 31, 2000

(Unaudited)

1059

PARKER & PARSLEY 88-A CONV., L.P.

# Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

(A Delaware Limited Partnership)

## BALANCE SHEETS

	June 30, 2001	December 31, 2000
	-----	-----
	(Unaudited)	
ASSETS		
Current assets:		
Cash	\$ 131,616	\$ 54,706
Accounts receivable - oil and gas sales	47,862	65,812
	-----	-----
Total current assets	179,478	120,518
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	2,966,368	2,964,986
Accumulated depletion	(2,521,577)	(2,502,477)
	-----	-----
Net oil and gas properties	444,791	462,509
	-----	-----
	\$ 624,269	\$ 583,027
	=====	=====
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable - affiliate	\$ 10,459	\$ 5,544
Partners' capital:		
Managing general partner	6,210	5,847
Limited partners (3,793 interests)	607,600	571,636
	-----	-----
	613,810	577,483
	-----	-----
	\$ 624,269	\$ 583,027
	=====	=====

The financial information included as of June 30, 2001 has been prepared by the managing general partner without audit by independent public accountants.

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

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

STATEMENTS OF OPERATIONS  
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2001	2000	2001	2000
<b>Revenues:</b>				
Oil and gas	\$ 92,519	\$ 98,008	\$ 226,051	\$ 187,130
Interest	978	1,158	1,935	1,998
Gain on disposition of assets	-	-	-	76
	-----	-----	-----	-----
	93,497	99,166	227,986	189,204
	-----	-----	-----	-----
<b>Costs and expenses:</b>				
Oil and gas production	41,744	39,806	86,072	83,567
General and administrative	2,776	2,940	6,782	5,614
Depletion	9,787	6,812	19,100	14,327
	-----	-----	-----	-----
	54,307	49,558	111,954	103,508
	-----	-----	-----	-----
Net income	\$ 39,190	\$ 49,608	\$ 116,032	\$ 85,696
	=====	=====	=====	=====
<b>Allocation of net income:</b>				
Managing general partner	\$ 392	\$ 496	\$ 1,160	\$ 857
	=====	=====	=====	=====
Limited partners	\$ 38,798	\$ 49,112	\$ 114,872	\$ 84,839
	=====	=====	=====	=====
Net income per limited partnership interest	\$ 10.23	\$ 12.95	\$ 30.29	\$ 22.37
	=====	=====	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

PARKER & PARSLEY 88-A CONV., L.P.  
(A Delaware Limited Partnership)

STATEMENT OF PARTNERS' CAPITAL  
(Unaudited)

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	Managing general partner -----	Limited partners -----	Total -----
Balance at January 1, 2001	\$ 5,847	\$ 571,636	\$ 577,483
Distributions	(797)	(78,908)	(79,705)
Net income	1,160 -----	114,872 -----	116,032 -----
Balance at June 30, 2001	\$ 6,210 =====	\$ 607,600 =====	\$ 613,810 =====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

4

1062

PARKER & PARSLEY 88-A CONV., L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF CASH FLOWS  
(Unaudited)

	Six months ended June 30, -----	
	2001 -----	2000 -----
Cash flows from operating activities:		
Net income	\$ 116,032	\$ 85,696
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion	19,100	14,327
Gain on disposition of assets	-	(76)

1046

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Changes in assets and liabilities:		
Accounts receivable	17,950	(1,374)
Accounts payable	4,915	3,770
	-----	-----
Net cash provided by operating activities	157,997	102,343
	-----	-----
Cash flows from investing activities:		
Additions to oil and gas properties	(1,382)	(1,620)
Proceeds from asset dispositions	-	76
	-----	-----
Net cash used in investing activities	(1,382)	(1,544)
	-----	-----
Cash flows used in financing activities:		
Cash distributions to partners	(79,705)	(107,828)
	-----	-----
Net increase (decrease) in cash	76,910	(7,029)
Cash at beginning of period	54,706	66,104
	-----	-----
Cash at end of period	\$ 131,616	\$ 59,075
	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

5

1063

PARKER & PARSLEY 88-A CONV., L.P.  
(A Delaware Limited Partnership)

NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Unaudited)

Note 1. Organization and nature of operations

Parker & Parsley 88-A Conv., L.P. (the "Partnership") was organized in 1988 as a general partnership under the laws of the State of Texas and was converted to a Delaware limited partnership in 1989.

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

Note 2. Basis of presentation

In the opinion of management, the unaudited financial statements of the Partnership as of June 30, 2001 and for the three and six months ended June 30, 2001 and 2000 include all adjustments and accruals consisting only of normal recurring accrual adjustments which are necessary for a fair presentation of the results for the interim period. These interim results are not necessarily indicative of results for a full year. Certain reclassifications may have been made to the June 30, 2000 financial statements to conform to the June 30, 2001

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

financial statement presentations.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in these interim financial statements. The financial statements should be read in conjunction with the financial statements and the notes thereto contained in the Partnership's report for the year ended December 31, 2000, a copy of which is available upon request by writing to Rich Dealy, Vice President and Chief Accounting Officer, 5205 North O'Connor Boulevard, Suite 1400, Irving, Texas 75039-3746.

Management's Discussion and Analysis of Financial Condition  
and Results of Operations (1)

Results of Operations

Six months ended June 30, 2001 compared with six months ended June 30, 2000

Revenues:

The Partnership's oil and gas revenues increased 21% to \$226,051 for the six months ended June 30, 2001 as compared to \$187,130 for the same period in 2000. The increase in revenues resulted from higher average prices received for gas

6

1064

and NGLs and an increase in production, offset by lower average prices received for oil. For the six months ended June 30, 2001, 5,145 barrels of oil, 1,881 barrels of natural gas liquids ("NGLs") and 14,063 mcf of gas were sold, or 9,370 barrel of oil equivalents ("BOEs"). For the six months ended June 30, 2000, 4,413 barrels of oil, 2,745 barrels of NGLs and 10,700 mcf of gas were sold, or 8,941 BOEs.

The average price received per barrel of oil decreased \$2.10, or 7%, from \$28.50 for the six months ended June 30, 2000 to \$26.40 for the same period in 2001. The average price received per barrel of NGLs increased \$2.38, or 17%, from \$13.81 during the six months ended June 30, 2000 to \$16.19 for the same period in 2001. The average price received per mcf of gas increased 94% from \$2.19 for the six months ended June 30, 2000 to \$4.25 for the same period in 2001. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received during the six months ended June 30, 2001.

Gain on disposition of assets of \$76 was recognized during the six months ended June 30, 2000 resulting from equipment credits received on one fully depleted well.

Costs and Expenses:

Total costs and expenses increased to \$111,954 for the six months ended June 30, 2001 as compared to \$103,508 for the same period in 2000, an increase of \$8,446, or 8%. This increase was due to increases in depletion, production costs and general and administrative expenses ("G&A").

Production costs were \$86,072 for the six months ended June 30, 2001 and \$83,567 for the same period in 2000, resulting in a \$2,505 increase, or 3%. This



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

increase was due to additional well maintenance costs incurred to stimulate well production and higher production taxes due to higher oil and gas prices, offset by lower workover costs.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 21% from \$5,614 for the six months ended June 30, 2000 to \$6,782 for the same period in 2001, primarily due to a higher allocation of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues and an increase in audit and tax fees.

Depletion was \$19,100 for the six months ended June 30, 2001 as compared to \$14,327 for the same period in 2000, an increase of \$4,773, or 33%. This increase was due to a decrease in proved reserves during the period ended June 30, 2001 due to lower commodity prices and an increase in oil production of 732 barrels for the six months ended June 30, 2001 as compared to the same period in 2000.

7

1065

Three months ended June 30, 2001 compared with three months ended June 30, 2000

### Revenues:

The Partnership's oil and gas revenues decreased 6% to \$92,519 for the three months ended June 30, 2001 as compared to \$98,008 for the same period in 2000. The decrease in revenues resulted from lower average prices received for oil and a decrease in production, offset by higher average prices received for gas and NGLs. For the three months ended June 30, 2001, 2,189 barrels of oil, 954 barrels of NGLs and 5,418 mcf of gas were sold, or 4,046 BOEs. For the three months ended June 30, 2000, 2,104 barrels of oil, 1,558 barrels of NGLs and 6,015 mcf of gas were sold, or 4,665 BOEs.

The average price received per barrel of oil decreased \$2.22, or 8%, from \$29.17 for the three months ended June 30, 2000 to \$26.95 for the three months ended June 30, 2001. The average price received per barrel of NGLs increased \$.61, or 4%, from \$13.71 during the three months ended June 30, 2000 to \$14.32 for the same period in 2001. The average price received per mcf of gas increased 43% to \$3.65 during the three months ended June 30, 2001 from \$2.55 during the same period in 2000.

### Costs and Expenses:

Total costs and expenses increased to \$54,307 for the three months ended June 30, 2001 as compared to \$49,558 for the same period in 2000, an increase of \$4,749, or 10%. This increase was due to increases in depletion and production costs, offset by a decline in G&A.

Production costs were \$41,744 for the three months ended June 30, 2001 and \$39,806 for the same period in 2000 resulting in a \$1,938 increase, or 5%. The increase was primarily due to additional well maintenance and workover costs incurred to stimulate well production, offset by lower production taxes due to lower oil prices.

During this period, G&A decreased 6% from \$2,940 for the three months ended June 30, 2000 to \$2,776 for the same period in 2001, primarily due to a decrease in audit and tax fees.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Depletion was \$9,787 for the three months ended June 30, 2001 as compared to \$6,812 for the same period in 2000, an increase in depletion of \$2,975, or 44%. This increase was attributable to a decrease in proved reserves during the period ended June 30, 2001 as a result of lower commodity prices.

### Liquidity and Capital Resources

#### Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$55,654 during the six months ended June 30, 2001 from the same period ended June 30, 2000. This increase was due to an increase in oil and gas sales receipts of \$38,858 and a

8

1066

reduction in working capital of \$20,469, offset by increases in production costs of \$2,505 and G&A expenses of \$1,168. The increase in oil and gas receipts resulted from increases in gas and NGL prices of \$28,568 and \$19,630 resulting from the increase in production during 2001 as compared to the same period in 2000, offset by a decrease of \$9,340 in oil prices during 2001. The increase in production costs was primarily due to additional well maintenance costs incurred to stimulate well production and increased production taxes associated with higher oil and gas prices, offset by lower workover costs. The increase in G&A was primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues and an increase in audit and tax fees.

#### Net Cash Used in Investing Activities

The Partnership's principal investing activities during the six months ended June 30, 2001 and 2000 were related to expenditures for equipment upgrades on various oil and gas properties.

Proceeds of \$76 recognized during the six months ended June 30, 2000 were from equipment credits on one fully depleted well.

#### Net Cash Used in Financing Activities

For the six months ended June 30, 2001, cash distributions to the partners were \$79,705, of which \$797 was distributed to the managing general partner and \$78,908 to the limited partners. For the same period ended June 30, 2000, cash distributions to the partners were \$107,828, of which \$1,078 was distributed to the managing general partner and \$106,750 to the limited partners.

For the three months ended June 30, 2001, no distributions were made by the partnership to its partners. Subsequent to June 30, 2001 the cash distribution that otherwise would have been mailed to partners in late June was made to holders of record as of July 9, 2001 and was mailed on July 13, 2001. For further information, see "Proposal to acquire partnerships" below.

#### Proposal to acquire partnerships

On June 29, 2001, Pioneer Natural Resources Company ("Pioneer") filed with the Securities and Exchange Commission Amendment No. 1 to the Form S-4 Registration Statement (File No. 333- 59094) (the "preliminary proxy statement/prospectus"), which proposes an agreement and plan of merger among Pioneer, Pioneer Natural

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Resources USA, Inc. ("Pioneer USA"), a wholly-owned subsidiary of Pioneer, and 46 Parker & Parsley limited partnerships. Each partnership that approves the agreement and plan of merger and the other related merger proposals will merge with and into Pioneer USA upon the closing of the transactions described in the preliminary proxy statement/prospectus, and the partnership interests of each such partnership will be converted into the right to receive Pioneer common stock. The Partnership is one of the 46 Parker & Parsley limited partnerships that will be asked to approve the agreement and plan of merger. The preliminary proxy statement/prospectus is non-binding and is subject to, among other things, consideration of offers from third parties to purchase any partnership or its assets and the majority approval of the limited partnership interests in each partnership.

9

1067

Pioneer USA will solicit proxies from limited partners to approve the mergers only when the proxy statement/prospectus is final and declared effective. No solicitation will be made using preliminary materials. Nonetheless, copies of the preliminary proxy statement/prospectus may be obtained without charge upon request from Pioneer Natural Resources Company, 5205 North O'Connor Blvd., Suite 1400, Irving, Texas 75039, Attention: Investor Relations.

The limited partners are urged to read the proxy statement/prospectus of Pioneer filed with the Securities and Exchange Commission, when it is finalized, because it contains important information about the proposed mergers, including information about the direct and indirect interests of Pioneer USA and Pioneer in the mergers. The limited partners may also obtain the preliminary and (when filed) final proxy statement/prospectus and other relevant documents relating to the proposed mergers free through the internet web site that the Securities and Exchange Commission maintains at [www.sec.gov](http://www.sec.gov).

-----

- (1) "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" contains forward looking statements that involve risks and uncertainties. Accordingly, no assurances can be given that the actual events and results will not be materially different than the anticipated results described in the forward looking statements.

10

1068

PARKER & PARSLEY 88-A CONV., L.P.  
(A Delaware Limited Partnership)

FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITORS' REPORT

December 31, 2000 and 1999

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

1069

INDEPENDENT AUDITORS' REPORT

The Partners  
Parker & Parsley 88-A Conv., L.P.  
(A Delaware Limited Partnership):

We have audited the balance sheets of Parker & Parsley 88-A Conv., L.P. as of December 31, 2000 and 1999, and the related statements of operations, partners' capital and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parker & Parsley 88-A Conv., L.P. as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Dallas, Texas  
March 9, 2001

2

1070

PARKER & PARSLEY 88-A CONV., L.P.  
(A Delaware Limited Partnership)

BALANCE SHEETS  
December 31

2000

1999

ASSETS

1052

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Current assets:		
Cash	\$ 54,706	\$ 66,104
Accounts receivable - oil and gas sales	65,812	47,494
	-----	-----
Total current assets	120,518	113,598
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	2,964,986	2,962,354
Accumulated depletion	(2,502,477)	(2,471,979)
	-----	-----
Net oil and gas properties	462,509	490,375
	-----	-----
	\$ 583,027	\$ 603,973
	=====	=====
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable - affiliate	\$ 5,544	\$ 6,800
Partners' capital:		
Managing general partner	5,847	6,043
Limited partners (3,793 interests)	571,636	591,130
	-----	-----
	577,483	597,173
	-----	-----
	\$ 583,027	\$ 603,973
	=====	=====

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

PARKER & PARSLEY 88-A CONV., L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF OPERATIONS  
For the years ended December 31

Revenues:

2000	1999	1998
-----	-----	-----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Oil and gas	\$ 418,514	\$ 280,717	\$ 227,119
Interest	4,636	2,657	2,966
Gain on disposition of assets	76	--	1,875
Other income	--	--	29
	-----	-----	-----
	423,226	283,374	231,989
	-----	-----	-----
Costs and expenses:			
Oil and gas production	160,855	129,227	149,228
General and administrative	12,419	8,448	6,995
Impairment of oil and gas properties	--	--	118,823
Depletion	30,498	48,743	108,077
	-----	-----	-----
	203,772	186,418	383,123
	-----	-----	-----
Net income (loss)	\$ 219,454	\$ 96,956	\$ (151,134)
	=====	=====	=====
Allocation of net income (loss):			
Managing general partner	\$ 2,195	\$ 970	\$ (1,511)
	=====	=====	=====
Limited partners	\$ 217,259	\$ 95,986	\$ (149,623)
	=====	=====	=====
Net income (loss) per limited partnership interest	\$ 57.28	\$ 25.31	\$ (39.45)
	=====	=====	=====

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

4

1072

PARKER & PARSLEY 88-A CONV., L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF PARTNERS' CAPITAL

	Managing general partner	Limited partners	Total
	-----	-----	-----
Partners' capital at January 1, 1998	\$ 8,622	\$ 846,560	\$ 855,182
Distributions	(1,069)	(105,839)	(106,908)

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Net loss	(1,511)	(149,623)	(151,134)
	-----	-----	-----
Partners' capital at December 31, 1998	6,042	591,098	597,140
Distributions	(969)	(95,954)	(96,923)
Net income	970	95,986	96,956
	-----	-----	-----
Partners' capital at December 31, 1999	6,043	591,130	597,173
Distributions	(2,391)	(236,753)	(239,144)
Net income	2,195	217,259	219,454
	-----	-----	-----
Partners' capital at December 31, 2000	\$ 5,847	\$ 571,636	\$ 577,483
	=====	=====	=====

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

5

1073

PARKER & PARSLEY 88-A CONV., L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF CASH FLOWS  
For the years ended December 31

	2000	1999	1998
	-----	-----	-----
Cash flows from operating activities:			
Net income (loss)	\$ 219,454	\$ 96,956	\$ (151,134)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Impairment of oil and gas properties	--	--	118,823
Depletion	30,498	48,743	108,077
Gain on disposition of assets	(76)	--	(1,875)
Changes in assets and liabilities:			
Accounts receivable	(18,318)	(25,396)	25,872
Accounts payable	(1,256)	1,462	(4,318)
	-----	-----	-----
Net cash provided by operating activities	230,302	121,765	95,445
	-----	-----	-----
Cash flows used in investing activities:			
Additions to oil and gas properties	(2,632)	(3,474)	(5,091)

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Proceeds from disposition of assets	76	--	4,856
	-----	-----	-----
Net cash used in investing activities	(2,556)	(3,474)	(235)
	-----	-----	-----
Cash flows used in financing activities:			
Cash distributions to partners	(239,144)	(96,923)	(106,908)
	-----	-----	-----
Net increase (decrease) in cash	(11,398)	21,368	(11,698)
Cash at beginning of year	66,104	44,736	56,434
	-----	-----	-----
Cash at end of year	\$ 54,706	\$ 66,104	\$ 44,736
	=====	=====	=====

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

6

1074

PARKER & PARSLEY 88-A CONV., L.P.  
(A Delaware Limited Partnership)

NOTES TO FINANCIAL STATEMENTS  
December 31, 2000, 1999 and 1998

NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS

Parker & Parsley 88-A Conv., L.P. (the "Partnership") was organized in 1988 as a general partnership under the laws of the State of Texas and was converted to a Delaware limited partnership in 1989. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA").

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Oil and gas properties - The Partnership utilizes the successful efforts method of accounting for its oil and gas properties and equipment. Under this method, all costs associated with productive wells and nonproductive development wells are capitalized while nonproductive exploration costs are expensed. Capitalized costs relating to proved properties are depleted using the unit-of-production method on a property-by-property basis based on proved oil (dominant mineral) reserves as evaluated by independent petroleum consultants. The carrying amounts of properties sold or otherwise disposed of and the related allowances for depletion are eliminated from the accounts and any gain or loss is included in results of operations.

Impairment of long-lived assets - In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the Partnership reviews its long-lived assets to be held and used on an individual property basis, including oil and gas properties accounted for under the successful efforts method of accounting, whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. An impairment loss is indicated if the sum of the expected future cash flows is less than the carrying amount of the assets. In this circumstance, the Partnership recognizes an impairment loss for the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset.

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

Net income (loss) per limited partnership interest - The net income (loss) per limited partnership interest is calculated by using the number of outstanding limited partnership interests.

7

1075

Income taxes - A Federal income tax provision has not been included in the financial statements as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

Statements of cash flows - For purposes of reporting cash flows, cash includes depository accounts held by banks.

General and administrative expenses - General and administrative expenses are allocated in part to the Partnership by the managing general partner. Allocated expenses are determined by the managing general partner based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Reclassifications - Certain reclassifications may have been made to the 1999 and 1998 financial statements to conform to the 2000 financial statement presentations.

Environmental - The Partnership is subject to extensive federal, state and local environmental laws and regulations. These laws, which are constantly changing, regulate the discharge of materials into the environment and may require the Partnership to remove or mitigate the environmental effects of the disposal or release of petroleum or chemical substances at various sites. Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Liabilities for expenditures of a noncapital nature are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated. Such liabilities are generally undiscounted unless the timing of cash payments for the liability or component are fixed or reliably determinable. No such liabilities have been accrued as of December 31, 2000.

Revenue recognition - The Partnership uses the entitlements method of

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

accounting for oil, natural gas liquids ("NGLs") and natural gas revenues.

### NOTE 3. IMPAIRMENT OF LONG-LIVED ASSETS

In accordance with SFAS 121, the Partnership reviews its proved oil and gas properties for impairment whenever events and circumstances indicate a decline in the recoverability of the carrying value of the Partnership's oil and gas properties. The Partnership has estimated the expected future cash flows of its oil and gas properties as of December 31, 2000, 1999 and 1998, based on proved reserves, and compared such estimated future cash flows to the respective carrying amount of the oil and gas properties to determine if the carrying amounts were likely to be recoverable. For those proved oil and gas properties for which the carrying amount exceeded the estimated future cash flows, an impairment was determined to exist; therefore, the Partnership adjusted the carrying amount of those oil and gas properties to their fair value as determined by discounting their expected future cash flows at a discount rate commensurate with the risks involved in the industry. As a result, the Partnership recognized a non-cash impairment provision of \$118,823 related to its proved oil and gas properties during 1998.

8

1076

### NOTE 4. INCOME TAXES

The financial statement basis of the Partnership's net assets and liabilities was \$78,614 greater than the tax basis at December 31, 2000.

The following is a reconciliation of net income (loss) per statements of operations with the net income per Federal income tax returns for the years ended December 31:

	2000	
	-----	-----
Net income (loss) per statements of operations	\$ 219,454	\$
Depletion and depreciation amounts for tax reporting purposes less than provisions for financial reporting purposes	27,183	
Impairment of oil and gas properties for financial reporting purposes	-	
Other, net	(622)	
	-----	-----
Net income per Federal income tax returns	\$ 246,015	\$
	=====	=====

### NOTE 5. OIL AND GAS PRODUCING ACTIVITIES

The following is a summary of the costs incurred, whether capitalized or expensed, related to the Partnership's oil and gas producing activities for the years ended December 31:

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	2000	
	-----	-----
Development costs	\$ 2,632	\$
	=====	=====

Capitalized oil and gas properties consist of the following:

	2000	1999
	-----	-----
Proved properties:		
Property acquisition costs	\$ 143,766	\$ 143,766
Completed wells and equipment	2,821,220	2,818,588
	-----	-----
	2,964,986	2,962,354
Accumulated depletion	(2,502,477)	(2,471,979)
	-----	-----
Net oil and gas properties	\$ 462,509	\$ 490,375
	=====	=====

NOTE 6. RELATED PARTY TRANSACTIONS

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

	2000	
	-----	-----
Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$ 64,830	\$
Reimbursement of general and administrative expenses	\$ 10,947	\$

The Partnership participates in oil and gas activities through an income tax partnership (the "Program") pursuant to the Program agreement. Pioneer USA, Parker & Parsley 88-A, L.P. and the Partnership (the "Partnerships") are parties

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

to the Program agreement.

The costs and revenues of the Program are allocated to Pioneer USA and the Partnerships as follows:

	Pioneer
Revenues:	
Proceeds from disposition of depreciable properties	9.09
All other revenues	24.24
Costs and expenses:	
Lease acquisition costs, drilling and completion costs and all other costs	9.09
Operating costs, direct costs and general and administrative expenses	24.24

(1) Excludes Pioneer USA's 1% general partner ownership which is allocated at the Partnership level and 50 limited partner interests owned by Pioneer USA.

(2) The allocation between the Partnership and Parker & Parsley 88-A, L.P. is 22.674558% and 77.325442%, respectively.

### NOTE 7. OIL AND GAS INFORMATION (UNAUDITED)

The following table presents information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities during the years then ended. All of the Partnership's reserves are proved developed and located within the United States. The Partnership's reserves are based on an evaluation prepared by Williamson Petroleum Consultants, Inc., an independent petroleum consultant, using criteria established by the Securities and Exchange Commission.

	Oil and NGLs (bbls)	Gas (mcf)
Net proved reserves at January 1, 1998	245,336	365,36
Revisions	(90,082)	(90,31
Production	(16,899)	(25,36
	-----	-----
Net proved reserves at December 31, 1998	138,355	249,69
Revisions	118,130	203,39
Production	(17,052)	(27,41
	-----	-----
Net proved reserves at December 31, 1999	239,433	425,67
Revisions	3,043	(86,94
Production	(14,604)	(21,39

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	-----	-----
Net proved reserves at December 31, 2000	227,872	317,33
	=====	=====

10

1078

As of December 31, 2000, the estimated present value of future net revenues of proved reserves, calculated using December 31, 2000 prices of \$26.64 per barrel of oil, \$12.95 per barrel of NGLs and \$7.75 per mcf of gas, discounted at 10% was approximately \$1,723,000 and undiscounted was \$3,515,000.

Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves. The Partnership emphasizes that reserve estimates are inherently imprecise and, accordingly, the estimates are expected to change as future information becomes available.

Disclosures about Oil & Gas Producing Activities

Standardized Measure of Discounted Future Net Cash Flows

The standardized measure of discounted future net cash flows is computed by applying year-end prices of oil and gas (with consideration of price changes only to the extent provided by contractual arrangements) to the estimated future production of proved oil and gas reserves less estimated future expenditures (based on year-end costs) to be incurred in developing and producing the proved reserves, discounted using a rate of 10% per year to reflect the estimated timing of the future cash flows. A Federal income tax provision has not been calculated as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

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

	For the years ended December 31		
	2000	1999	1998
	-----	-----	-----
	(in thousands)		
Oil and gas producing activities:			
Future cash inflows	\$ 7,404	\$ 5,900	\$ 1,511
Future production costs	(3,889)	(3,311)	(1,087)

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	-----	-----	-----
10% annual discount factor	3,515 (1,792)	2,589 (1,238)	424 (161)
	-----	-----	-----
Standardized measure of discounted future net cash flows	\$ 1,723 =====	\$ 1,351 =====	\$ 263 =====

11

1079

	For the years ended December	
	2000	1999
	-----	-----
		(in thousands)
Oil and Gas Producing Activities:		
Oil and gas sales, net of production costs	\$ (258)	\$ (151)
Net changes in prices and production costs	694	658
Revisions of previous quantity estimates	(75)	786
Accretion of discount	135	26
Changes in production rates, timing and other	(124)	(231)
	-----	-----
Change in present value of future net revenues	372	1,088
	-----	-----
Balance, beginning of year	1,351	263
	-----	-----
Balance, end of year	\$ 1,723 =====	\$ 1,351 =====

NOTE 8. MAJOR CUSTOMERS

The following table reflects the major customers of the Partnership's oil and gas sales (a major customer is defined as a customer whose sales exceed 10% of total sales) during the years ended December 31:

	2000	1999
	-----	-----
Plains Marketing, L.P.	54%	50%
NGTS LLC	9%	10%
Genesis Crude Oil, L.P.	-	-
Western Gas Resources, Inc.	3%	6%

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

At December 31, 2000, the amounts receivable from Plains Marketing, L.P. was \$21,731, which is included in the caption "Accounts receivable - oil and gas sales" in the accompanying Balance Sheet.

Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on the ability of the Partnership to sell its oil, NGLs and gas production.

### NOTE 9. PARTNERSHIP AGREEMENT

The following is a brief summary of the more significant provisions of the Partnership agreement:

Managing general partner - The managing general partner of the Partnership is Pioneer USA. Pioneer USA has the power and authority to manage, control and administer all Program and Partnership affairs. As managing general partner and operator of the Partnership's properties, all production expenses are incurred by Pioneer USA and billed to the Partnership. The majority of the Partnership's oil and gas revenues are received directly by the Partnership, however, a portion of the oil and gas revenue is initially received by Pioneer USA prior to being

12

1080

paid to the Partnership. Under the limited partnership agreement, the managing general partner pays 1% of the Partnership's acquisition, drilling and completion costs and 1% of its operating and general and administrative expenses. In return, it is allocated 1% of the Partnership's revenues.

Limited partner liability - The maximum amount of liability of any limited partner is the total contributions of such partner plus his share of any undistributed profits.

Initial capital contributions - The partners entered into subscription agreements for aggregate capital contributions of \$3,793,000. Pioneer USA is required to contribute amounts equal to 1% of initial Partnership capital less commission and organization and offering costs allocated to the limited partners and to contribute amounts necessary to pay costs and expenses allocated to it under the Partnership agreement to the extent its share of revenues does not cover such costs.

13

1081

PARKER & PARSLEY 88-A CONV., L.P.  
(A DELAWARE LIMITED PARTNERSHIP)

THIS REPORT CONTAINS FORWARD LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. ACCORDINGLY, NO ASSURANCES CAN BE GIVEN THAT THE ACTUAL EVENTS

1063

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

AND RESULTS WILL NOT BE MATERIALLY DIFFERENT THAN THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS.

### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

2000 compared to 1999

The Partnership's oil and gas revenues increased 49% to \$418,514 for 2000 as compared to \$280,717 in 1999. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 2000, 9,403 barrels of oil, 5,201 barrels of natural gas liquids ("NGLs") and 21,399 mcf of gas were sold, or 18,171 barrel of oil equivalents ("BOEs"). In 1999, 9,977 barrels of oil, 7,075 barrels of NGLs and 27,417 mcf of gas were sold, or 21,622 BOEs. Due to the decline characteristics of the Partnership's oil and gas properties, management expects a certain amount of decline in production in the future until the Partnership's economically recoverable reserves are fully depleted.

The average price received per barrel of oil increased \$12.37, or 73%, from \$16.91 in 1999 to \$29.28 in 2000. The average price received per barrel of NGLs increased \$6.00, or 65%, from \$9.30 in 1999 to \$15.30 in 2000. The average price received per mcf of gas increased 77% from \$1.69 in 1999 to \$2.99 in 2000. The market price for oil and gas has been extremely volatile in the past decade, and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received in 2000.

A gain on disposition of assets of \$76 was recognized in 2000 resulting from equipment credits received on one fully depleted well.

Total costs and expenses increased in 2000 to \$203,772 as compared to \$186,418 in 1999, an increase of \$17,354, or 9%. The increase was primarily due to increases in production costs and general and administrative expenses ("G&A"), offset by a decline in depletion.

Production costs were \$160,855 in 2000 and \$129,227 in 1999, resulting in a \$31,628 increase, or 24%. The increase was primarily due to higher production taxes associated with higher oil and gas prices and additional well maintenance and workover costs incurred to stimulate well production.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 47% from \$8,448 in 1999 to \$12,419 in 2000, primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$10,947 in 2000 and \$5,872 in 1999 for G&A incurred on behalf of the Partnership. The remaining G&A was paid directly by the Partnership. The managing general partner determines the allocated expenses based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Depletion was \$30,498 in 2000 as compared to \$48,743 in 1999, representing a decrease of \$18,245, or 37%. This decrease was primarily due to a 13,403 barrels of oil increase in proved reserves during 2000 as a result of higher commodity prices.



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

1999 compared to 1998

The Partnership's 1999 oil and gas revenues increased 24% to \$280,717 from \$227,119 in 1998. The increase in revenues resulted from higher average prices received and an increase in production. In 1999, 9,977 barrels of oil, 7,075 barrels of NGLs and 27,417 mcf of gas were sold, or 21,622 BOEs. In 1998, 10,890 barrels of oil, 6,009 barrels of NGLs and 25,367 mcf of gas were sold, or 21,127 BOEs.

The average price received per barrel of oil increased \$3.32, or 24%, from \$13.59 in 1998 to \$16.91 in 1999. The average price received per barrel of NGLs increased \$2.73, or 42%, from \$6.57 in 1998 to \$9.30 in 1999. The average price received per mcf of gas increased 8% from \$1.56 in 1998 to \$1.69 in 1999.

A gain on disposition of assets of \$1,875 was recognized during 1998 for credits received from the disposal of oil and gas equipment on a fully depleted well.

Total costs and expenses decreased in 1999 to \$186,418 as compared to \$383,123 in 1998, a decrease of \$196,705, or 51%. The decrease was primarily due to declines in the impairment of oil and gas properties, depletion and production costs, offset by an increase in G&A.

Production costs were \$129,227 in 1999 and \$149,228 in 1998, resulting in a \$20,001 decrease, or 13%. The decrease was due to declines in well maintenance costs and ad valorem taxes, offset by an increase in production taxes due to increased oil and gas revenues.

During this period, G&A increased 21% from \$6,995 in 1998 to \$8,448 in 1999 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$5,872 in 1999 and \$5,659 in 1998 for G&A incurred on behalf of the Partnership.

In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the managing general partner reviews the Partnership's oil and gas properties for impairment whenever events or circumstances indicate a decline in the recoverability of the carrying value of the Partnership's assets may have occurred. As a result of the review and evaluation of its long-lived assets for impairment, the Partnership recognized a non-cash charge of \$118,823 related to its oil and gas properties during 1998.

Depletion was \$48,743 in 1999 compared to \$108,077 in 1998, representing a decrease of \$59,334, or 55%. This decrease was the result of an increase in proved reserves of 72,170 barrels of oil during 1999 as a result of higher commodity prices and a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 1998.

### Petroleum Industry

The petroleum industry has been characterized by volatile oil, NGL and natural gas commodity prices and relatively stable supplier costs during the three years ended December 31, 2000. During 1998, weather patterns, regional economic recessions and political matters combined to cause worldwide oil supplies to exceed demand resulting in a substantial decline in oil prices. Also during 1998, but to a lesser extent, market prices for natural gas declined. During 1999 and 2000, the Organization of Petroleum Exporting Countries ("OPEC") and certain other crude oil exporting nations announced reductions in their planned export volumes. Those announcements, together with the enactment of the announced reductions in export volumes, had a positive impact on world oil

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

prices, as have overall natural gas supply and demand fundamentals on North American natural gas prices. Although the favorable commodity price environment and stable field service cost environment is expected to continue during 2001, there is no assurance that commodity prices will not return to a less favorable level or that field service costs will not escalate in the future, both of which could negatively impact the Partnership's future results of operations and cash distributions.

1083

### Liquidity and capital resources

#### Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$108,537 during the year ended December 31, 2000 from 1999. This increase was due to an increase in oil and gas sales receipts of \$139,776 and a decline in working capital of \$4,360, offset by increases in production costs paid of \$31,628 and G&A expenses paid of \$3,971. The increase in oil and gas receipts resulted from the increase in commodity prices during 2000 which contributed an additional \$203,232 to oil and gas receipts, offset by \$63,456 resulting from the decline in production during 2000. The increase in production costs was primarily due to increased production taxes associated with higher oil and gas prices and well maintenance and workover costs incurred to stimulate well production. The increase in G&A was primarily due to higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues.

#### Net Cash Used in Investing Activities

The Partnership's principal investing activities during 2000 and 1999 included expenditures related to equipment upgrades on several oil and gas properties.

Proceeds from asset dispositions of \$76 received during 2000 were due to equipment credits received on one fully depleted well.

#### Net Cash Used in Financing Activities

In 2000, cash distributions to the partners were \$239,144, of which \$2,391 was distributed to the managing general partner and \$236,753 to the limited partners. In 1999, cash distributions to the partners were \$96,923, of which \$969 was distributed to the managing general partner and \$95,954 to the limited partners.

1084

PARKER & PARSLEY 88-A CONV., L.P.

### SELECTED FINANCIAL DATA

The following selected financial data for the Partnership should be read in connection with Management's Discussion and Analysis of Financial Condition and

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Results of Operations and the financial statements included in the attached supplemental information.

	Six months ended June 30,		Years ended December		
	2001	2000	2000	1999	1998
Operating results:					
Oil and gas sales	\$ 226,051	\$ 187,130	\$ 418,514	\$ 280,717	\$ 227,119
	=====	=====	=====	=====	=====
Impairment of oil and gas properties	\$ --	\$ --	\$ --	\$ --	\$ 118,823
	=====	=====	=====	=====	=====
Net income (loss)	\$ 116,032	\$ 85,696	\$ 219,454	\$ 96,956	\$ (151,134)
	=====	=====	=====	=====	=====
Allocation of net income (loss):					
Managing general partner	\$ 1,160	\$ 857	\$ 2,195	\$ 970	\$ (1,511)
	=====	=====	=====	=====	=====
Limited partners	\$ 114,872	\$ 84,839	\$ 217,259	\$ 95,986	\$ (149,623)
	=====	=====	=====	=====	=====
Limited partners' net income (loss) per limited partnership interest	\$ 30.29	\$ 22.37	\$ 57.28	\$ 25.31	\$ (39.45)
	=====	=====	=====	=====	=====
Limited partners' cash distributions per limited partnership interest	\$ 20.80	\$ 28.14	\$ 62.42	\$ 25.30	\$ 27.90
	=====	=====	=====	=====	=====
As of period ended:					
Total assets	\$ 624,269	\$ 585,611	\$ 583,027	\$ 603,973	\$ 602,478
	=====	=====	=====	=====	=====

1085

PIONEER NATURAL RESOURCES COMPANY  
PIONEER NATURAL RESOURCES USA, INC.  
5205 NORTH O'CONNOR BLVD., SUITE 1400  
IRVING, TEXAS 75039

SUPPLEMENTAL INFORMATION

OF

1067

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

PARKER & PARSELEY 88-A, L.P., A DELAWARE LIMITED PARTNERSHIP

TO

PROXY STATEMENT/PROSPECTUS DATED , 2001

-----

THE DATE OF THIS SUPPLEMENT IS , 2001

-----

This document contains important information specific to Parker & Parsley 88-A, L.P., and supplements the proxy statement/prospectus dated , 2001, of Pioneer Natural Resources Company and Pioneer Natural Resources USA, Inc., by which Pioneer USA is soliciting proxies to be voted at a special meeting of limited partners of the partnership. The purpose of the special meeting is for you to vote upon the merger of the partnership with and into Pioneer USA that, if completed, will result in your receiving common stock of Pioneer Natural Resources Company for your partnership interests.

This document contains the following information concerning Parker & Parsley 88-A, L.P.:

- o A table containing:
  - the aggregate initial investment by the limited partners
  - the aggregate historical limited partner distributions through July 31, 2001
  - the merger value attributable to partnership interests of limited partners, excluding Pioneer USA
  - the merger value per \$1,000 limited partner investment
  - the merger value per \$1,000 limited partner investment as a multiple of distributions for the past four quarterly distributions including the distribution in July 2001
  - the book value per \$1,000 limited partner investment as of June 30, 2001 and as of December 31, 2000
  - the going concern value per \$1,000 limited partner investment
  - the liquidation value per \$1,000 limited partner investment
  - the ordinary tax loss per \$1,000 limited partner investment in year of initial investment
- o Information about:
  - the legal opinion for the limited partners
  - the term of the partnership
- o The partnership's quarterly report on Form 10-Q, including management's discussion and analysis of financial condition and

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

results of operations, for the six months ended June 30, 2001

- o The partnership's annual report on Form 10-K, including management's discussion and analysis of financial condition and results of operations, for the year ended December 31, 2000
- o Selected historical financial data for the partnership for the six months ended June 30, 2001 and 2000 and the five years ended December 31, 2000

-1-

1086

PARKER & PARSLEY 88-A, L.P.

SUPPLEMENTAL INFORMATION TABLE

Aggregate Initial Investment by the Limited Partners	(a)	\$
Aggregate Historical Limited Partner Distributions through July 31, 2001	(a)	\$
Merger Value Attributable to Partnership Interests of Limited Partners, Excluding Pioneer USA	(a), (b)	\$
Merger Value per \$1,000 Limited Partner Investment	(b), (c)	\$
Merger Value per \$1,000 Limited Partner Investment as a Multiple of Distributions for the past four quarterly distributions including the distribution in July 2001	(b), (c)	
Book Value per \$1,000 Limited Partner Investment:		
-- as of June 30, 2001	(c)	\$
-- as of December 31, 2000	(c)	\$
Going Concern Value per \$1,000 Limited Partner Investment	(c), (d)	\$
Liquidation Value per \$1,000 Limited Partner Investment	(c), (e)	\$
Ordinary Tax Loss per \$1,000 Limited Partner Investment in Year of Initial Investment	(c), (f)	\$

-----

(a) Stated in thousands.

(b) The merger value for the partnership is equal to the sum of the present value of estimated future net revenues from the partnership's estimated oil and gas reserves and its net working capital, in each case as of March 31, 2001, less its pro rata share, based on its reserve value, of the estimated expenses and fees of the mergers of all of the partnerships and less the cash distribution on July 13, 2001, by the partnership to its partners.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

- (c) Interests in some partnerships were sold in units at prices other than \$1,000. We have presented this information based on a \$1,000 initial investment for ease of use and comparison among partnerships. You should not assume that the amount shown per \$1,000 investment is the same as the value or amount attributable to a single unit investment.
- (d) The going concern value for the partnership is based upon: (1) the sum of (A) the estimated net cash flow from the sale of the partnership's reserves during a 10-year operating period and (B) the estimated residual value from the sale of the partnership's remaining reserves at the end of the operating period, in each case using the same pricing and discount rate as in the merger value calculation, less (2) (A) partnership level general and administrative expenses, and (B) the cash distribution on July 13, 2001 by the partnership to its partners.
- (e) The liquidation value for the partnership is based upon the sale of the partnership's reserves at the reserve value, less (1) liquidation expenses which are estimated to be the sum of (A) the partnership's pro rata share of the merger expenses and fees described in footnote (b) above and (B) 3% of the partnership's reserve value, and (2) the cash distribution on July 13, 2001 by the partnership to its partners. The liquidation expenses represent estimated costs to retain an investment banker or broker to sell the assets of the partnership and the legal and other closing costs associated with such transaction, including the wind-down costs of the partnership.
- (f) Your ability to use your distributive share of the partnership's loss to offset your other income may have been subject to certain limitations at your level as a partner, and you may therefore wish to consult your tax advisor to determine the additional value, if any, actually realized by you in your particular circumstances.

### INFORMATION ABOUT THE LEGAL OPINION FOR THE LIMITED PARTNERS

The partnership agreement for the partnership requires that special legal counsel render an opinion on behalf of the limited partners to Pioneer USA that neither the grant nor the exercise of the right to approve the merger of the partnership by its limited partners will adversely affect the federal income tax classification of the partnership or any of its limited partners. Although not required by the partnership agreement, the opinion will also state that neither the grant nor exercise of such right will result in the loss of any limited partner's limited liability. In addition, the counsel designated to render the opinion is not required to be counsel other than counsel to Pioneer USA or the partnership. Both the designated counsel and the legal opinion must be approved by the limited partners. Pioneer USA has retained \_\_\_\_\_ of Dallas, Texas for the purpose of rendering this legal opinion on behalf of the limited partners to Pioneer USA. The merger proposals include an approval of that counsel and the form of its opinion. A copy of the opinion is attached as an exhibit to the merger proposals.

### INFORMATION ABOUT THE TERM OF THE PARTNERSHIP

The term of the partnership is until December 31, 2038, unless the partnership is earlier terminated in accordance with the applicable provisions of its partnership agreement.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

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, 2001

Commission File No. 33-19659-01

PARKER & PARSLEY 88-A, L.P.  
(Exact name of Registrant as specified in its charter)

Delaware

75-2225738

-----  
(State or other jurisdiction of  
incorporation or organization)

-----  
(I.R.S. Employer  
Identification Number)

5205 N. O'Connor Blvd., Suite 1400, Irving, Texas

75039

-----  
(Address of principal executive offices)

-----  
(Zip code)

Registrant's Telephone Number, including area code : (972) 444-9001

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 / x / No / /

1088

PARKER & PARSLEY 88-A, L.P.

TABLE OF CONTENTS

1071

Part I. Financial Information

Item 1.	Financial Statements	
	Balance Sheets as of June 30, 2001 and December 31, 2000.....	3
	Statements of Operations for the three and six months ended June 30, 2001 and 2000.....	4
	Statement of Partners' Capital for the six months ended June 30, 2001.....	5
	Statements of Cash Flows for the six months ended June 30, 2001 and 2000.....	6
	Notes to Financial Statements.....	7
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations.....	7

Part II. Other Information

Item 6.	Exhibits and Reports on Form 8-K.....	11
	Signatures.....	12

PARKER & PARSLEY 88-A, L.P.  
(A Delaware Limited Partnership)

Part I. Financial Information

Item 1. Financial Statements

BALANCE SHEETS

	June 30, 2001	December 31, 2000
	-----	-----
	(Unaudited)	
ASSETS		
Current assets:		
Cash	\$ 456,462	\$ 193,491
Accounts receivable - oil and gas sales	163,314	224,465



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Total current assets	619,776	417,956
Oil and gas properties - at cost, based on the successful efforts accounting method	10,115,996	10,111,281
Accumulated depletion	(8,599,430)	(8,534,409)
Net oil and gas properties	1,516,566	1,576,872
	\$ 2,136,342	\$ 1,994,828
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable - affiliate	\$ 35,993	\$ 18,724
Partners' capital:		
Managing general partner	21,246	20,003
Limited partners (12,935 interests)	2,079,103	1,956,101
	2,100,349	1,976,104
	\$ 2,136,342	\$ 1,994,828

The financial information included as of June 30, 2001 has been prepared by the managing general partner without audit by independent public accountants.

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

PARKER & PARSLEY 88-A, L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF OPERATIONS  
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2001	2000	2001	2000
Revenues:				
Oil and gas	\$ 315,590	\$ 334,067	\$ 770,951	\$ 638,135
Interest	3,450	3,963	6,784	7,078
Gain on disposition of assets	-	-	-	259
	319,040	338,030	777,735	645,472

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	-----	-----	-----	-----
Costs and expenses:				
Oil and gas production	142,364	135,737	293,527	285,013
General and administrative	9,467	10,022	23,128	19,144
Depletion	33,264	23,217	65,021	48,798
	-----	-----	-----	-----
	185,095	168,976	381,676	352,955
	-----	-----	-----	-----
Net income	\$ 133,945	\$ 169,054	\$ 396,059	\$ 292,517
	=====	=====	=====	=====
Allocation of net income:				
Managing general partner	\$ 1,340	\$ 1,690	\$ 3,961	\$ 2,925
	=====	=====	=====	=====
Limited partners	\$ 132,605	\$ 167,364	\$ 392,098	\$ 289,592
	=====	=====	=====	=====
Net income per limited partnership interest	\$ 10.25	\$ 12.94	\$ 30.31	\$ 22.39
	=====	=====	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

4

1091

PARKER & PARSLEY 88-A, L.P.  
(A Delaware Limited Partnership)

STATEMENT OF PARTNERS' CAPITAL  
(Unaudited)

	Managing general partner	Limited partners	Total
	-----	-----	-----
Balance at January 1, 2001	\$ 20,003	\$1,956,101	\$1,976,104
Distributions	(2,718)	(269,096)	(271,814)
Net income	3,961	392,098	396,059
	-----	-----	-----
Balance at June 30, 2001	\$ 21,246	\$2,079,103	\$2,100,349
	=====	=====	=====

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

5

1092

PARKER & PARSLEY 88-A, L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF CASH FLOWS  
(Unaudited)

	Six months ended June 30,	
	2001	2000
Cash flows from operating activities:		
Net income	\$ 396,059	\$ 292,517
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion	65,021	48,798
Gain on disposition of assets	-	(259)
Changes in assets and liabilities:		
Accounts receivable	61,151	12,158
Accounts payable	17,269	12,758
Net cash provided by operating activities	539,500	365,972
Cash flows from investing activities:		
Additions to oil and gas properties	(4,715)	(5,524)
Proceeds from asset dispositions	-	259
Net cash used in investing activities	(4,715)	(5,265)
Cash flows used in financing activities:		
Cash distributions to partners	(271,814)	(367,722)
Net increase (decrease) in cash	262,971	(7,015)
Cash at beginning of period	193,491	215,801
Cash at end of period	\$ 456,462	\$ 208,786

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

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

6

1093

PARKER & PARSLEY 88-A, L.P.  
(A Delaware Limited Partnership)

NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Unaudited)

### Note 1. Organization and nature of operations

Parker & Parsley 88-A, L.P. (the "Partnership") is a limited partnership organized in 1988 under the laws of the State of Delaware.

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

### Note 2. Basis of presentation

In the opinion of management, the unaudited financial statements of the Partnership as of June 30, 2001 and for the three and six months ended June 30, 2001 and 2000 include all adjustments and accruals consisting only of normal recurring accrual adjustments which are necessary for a fair presentation of the results for the interim period. These interim results are not necessarily indicative of results for a full year. Certain reclassifications may have been made to the June 30, 2000 financial statements to conform to the June 30, 2001 financial statement presentations.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in this Form 10-Q pursuant to the rules and regulations of the Securities and Exchange Commission. The financial statements should be read in conjunction with the financial statements and the notes thereto contained in the Partnership's Report on Form 10-K for the year ended December 31, 2000 as filed with the Securities and Exchange Commission, a copy of which is available upon request by writing to Rich Dealy, Vice President and Chief Accounting Officer, 5205 North O'Connor Boulevard, Suite 1400, Irving, Texas 75039-3746.

### Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (1)

#### Results of Operations

Six months ended June 30, 2001 compared with six months ended June 30, 2000

#### Revenues:

The Partnership's oil and gas revenues increased 21% to \$770,951 for the six months ended June 30, 2001 as compared to \$638,135 for the same period in 2000. The increase in revenues resulted from higher average prices received for gas and NGLs and an increase in production, offset by lower average prices received

7

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

1094

for oil. For the six months ended June 30, 2001, 17,555 barrels of oil, 6,415 barrels of natural gas liquids ("NGLs") and 47,966 mcf of gas were sold, or 31,964 barrel of oil equivalents ("BOEs"). For the six months ended June 30, 2000, 15,055 barrels of oil, 9,352 barrels of NGLs and 36,489 mcf of gas were sold, or 30,489 BOEs.

The average price received per barrel of oil decreased \$2.10, or 7%, from \$28.50 for the six months ended June 30, 2000 to \$26.40 for the same period in 2001. The average price received per barrel of NGLs increased \$2.38, or 17%, from \$13.81 during the six months ended June 30, 2000 to \$16.19 for the same period in 2001. The average price received per mcf of gas increased 94% from \$2.19 during the six months ended June 30, 2000 to \$4.25 for the same period in 2001. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received during the six months ended June 30, 2001.

Gain on disposition of assets of \$259 was recognized during the six months ended June 30, 2000 resulting from equipment credits received on one fully depleted well.

### Costs and Expenses:

Total costs and expenses increased to \$381,676 for the six months ended June 30, 2001 as compared to \$352,955 for the same period in 2000, an increase of \$28,721, or 8%. This increase was due to increases in depletion, production costs and general and administrative expenses ("G&A").

Production costs were \$293,527 for the six months ended June 30, 2001 and \$285,013 for the same period in 2000 resulting in an \$8,514 increase, or 3%. The increase was the result of additional well maintenance costs incurred to stimulate well production and higher production taxes due to higher oil and gas prices, offset by lower workover costs.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 21% from \$19,144 for the six months ended June 30, 2000 to \$23,128 for the same period in 2001, primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues and an increase in audit and tax fees.

Depletion was \$65,021 for the six months ended June 30, 2001 as compared to \$48,798 for the same period in 2000, an increase of \$16,223, or 33%. This increase was due to a decrease in proved reserves during the period ended June 30, 2001 due to lower commodity prices and an increase in oil production of 2,500 barrels for the six months ended June 30, 2001 as compared to the same period in 2000.

8

1095

Three months ended June 30, 2001 compared with three months ended June 30, 2000

1077

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

### Revenues:

The Partnership's oil and gas revenues decreased 6% to \$315,590 for the three months ended June 30, 2001 as compared to \$334,067 for the same period in 2000. The decrease in revenues resulted from lower average prices received for oil and a decrease in production, offset by higher average prices received for gas and NGLs. For the three months ended June 30, 2001, 7,473 barrels of oil, 3,259 barrels of NGLs and 18,471 mcf of gas were sold, or 13,811 BOEs. For the three months ended June 30, 2000, 7,177 barrels of oil, 5,284 barrels of NGLs and 20,502 mcf of gas were sold, or 15,878 BOEs.

The average price received per barrel of oil decreased \$2.22, or 8%, from \$29.17 for the three months ended June 30, 2000 to \$26.95 for the same period in 2001. The average price received per barrel of NGLs increased \$.61, or 4%, from \$13.71 during the three months ended June 30, 2000 to \$14.32 for the same period in 2001. The average price received per mcf of gas increased 43% from \$2.55 during the three months ended June 30, 2000 to \$3.65 for the same period in 2001.

### Costs and Expenses:

Total costs and expenses increased to \$185,095 for the three months ended June 30, 2001 as compared to \$168,976 for the same period in 2000, an increase of \$16,119, or 10%. This increase was due to increases in depletion and production costs, offset by a decline in G&A.

Production costs were \$142,364 for the three months ended June 30, 2001 and \$135,737 for the same period in 2000 resulting in a \$6,627 increase, or 5%. The increase was primarily due to additional well maintenance and workover costs incurred to stimulate well production, offset by lower production taxes due to lower oil prices.

During this period, G&A decreased 6% from \$10,022 for the three months ended June 30, 2000 to \$9,467 for the same period in 2001, primarily due to a decrease in audit and tax fees.

Depletion was \$33,264 for the three months ended June 30, 2001 as compared to \$23,217 for the same period in 2000, an increase of \$10,047, or 43%. This increase was due to a decrease in proved reserves during the period ended June 30, 2001 due to lower commodity prices.

### Liquidity and Capital Resources

#### Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$173,528 during the six months ended June 30, 2001 from the same period ended June 30, 2000. This increase was primarily due to an increase of \$132,522 in oil and gas sales receipts and a reduction in working capital of \$53,504, offset by increases in production costs of \$8,514 and G&A expenses of \$3,984. The increase in oil and gas receipts resulted from increases in gas and NGL prices of \$97,373 and \$67,182 resulting from an increase in production during 2001 as compared to the same period in 2000, offset by a decrease of \$32,033 in oil prices during 2001.

The increase in production costs was primarily due to additional well maintenance costs incurred to stimulate well production and increased production taxes associated with higher oil and gas prices, offset by lower workover costs.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The increase in G&A was primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues and an increase in audit and tax fees.

### Net Cash Used in Investing Activities

The Partnership's principal investing activities during the six months ended June 30, 2001 and 2000 were related to expenditures for oil and gas equipment upgrades on active properties.

Proceeds from asset dispositions of \$259 received during the six months ended June 30, 2000 were due to equipment credits received on one fully depleted well.

### Net Cash Used in Financing Activities

For the six months ended June 30, 2001, cash distributions to the partners were \$271,814, of which \$2,718 was distributed to the managing general partner and \$269,096 to the limited partners. For the same period ended June 30, 2000, cash distributions to the partners were \$367,722, of which \$3,677 was distributed to the managing general partner and \$364,045 to the limited partners.

For the three months ended June 30, 2001, no distributions were made by the partnership to its partners. Subsequent to June 30, 2001 the cash distribution that otherwise would have been mailed to partners in late June was made to holders of record as of July 9, 2001 and was mailed on July 13, 2001. For further information, see "Proposal to acquire partnerships" below.

### Proposal to acquire partnerships

On June 29, 2001, Pioneer Natural Resources Company ("Pioneer") filed with the Securities and Exchange Commission Amendment No. 1 to the Form S-4 Registration Statement (File No. 333-59094) (the "preliminary proxy statement/prospectus"), which proposes an agreement and plan of merger among Pioneer, Pioneer Natural Resources USA, Inc. ("Pioneer USA"), a wholly-owned subsidiary of Pioneer, and 46 Parker & Parsley limited partnerships. Each partnership that approves the agreement and plan of merger and the other related merger proposals will merge with and into Pioneer USA upon the closing of the transactions described in the preliminary proxy statement/prospectus, and the partnership interests of each such partnership will be converted into the right to receive Pioneer common stock. The Partnership is one of the 46 Parker & Parsley limited partnerships that will be asked to approve the agreement and plan of merger. The preliminary proxy statement/prospectus is non-binding and is subject to, among other things, consideration of offers from third parties to purchase any partnership or its assets and the majority approval of the limited partnership interests in each partnership.

Pioneer USA will solicit proxies from limited partners to approve the mergers only when the proxy statement/prospectus is final and declared effective. No

solicitation will be made using preliminary materials. Nonetheless, copies of the preliminary proxy statement/prospectus may be obtained without charge upon request from Pioneer Natural Resources Company, 5205 North O'Connor Blvd., Suite 1400, Irving, Texas 75039, Attention: Investor Relations.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The limited partners are urged to read the proxy statement/prospectus of Pioneer filed with the Securities and Exchange Commission, when it is finalized, because it contains important information about the proposed mergers, including information about the direct and indirect interests of Pioneer USA and Pioneer in the mergers. The limited partners may also obtain the preliminary and (when filed) final proxy statement/prospectus and other relevant documents relating to the proposed mergers free through the internet web site that the Securities and Exchange Commission maintains at [www.sec.gov](http://www.sec.gov).

-----

- (1) "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" contains forward looking statements that involve risks and uncertainties. Accordingly, no assurances can be given that the actual events and results will not be materially different than the anticipated results described in the forward looking statements.

Part II. Other Information

Item 6. Exhibits and Reports on Form 8-K

- (a) Exhibits - none  
(b) Reports on Form 8-K - none

11

1098

PARKER & PARSLEY 88-A, L.P.  
(A Delaware Limited Partnership)

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 thereunto duly authorized.

PARKER & PARSLEY 88-A, L.P.

By: Pioneer Natural Resources USA, Inc.  
Managing General Partner

Dated: August 6, 2001

By: /s/ Rich Dealy

-----  
Rich Dealy, Vice President and  
Chief Accounting Officer



1099

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

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d)  
of the Securities Exchange Act of 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000

COMMISSION FILE NO. 33-19659-01

PARKER & PARSLEY 88-A, L.P.  
(Exact name of Registrant as specified in its charter)

DELAWARE	75-2225738
-----	-----
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

1400 WILLIAMS SQUARE WEST, 5205 N. O'CONNOR BLVD., IRVING, TEXAS	75039
-----	-----
(Address of principal executive offices)	(Zip code)

Registrant's Telephone Number, including area code : (972) 444-9001

Securities registered pursuant to Section 12(b) of the Act: NONE  
Securities registered pursuant to Section 12(g) of the Act:  
LIMITED PARTNERSHIP INTERESTS (\$1,000 PER UNIT)  
-----

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

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

No market currently exists for the limited partnership interests of the Registrant. Based on the original purchase price, the aggregate market value of limited partnership interests owned by non-affiliates of the Registrant is \$12,762,000.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

As of March 8, 2001, the number of outstanding limited partnership interests was 12,935.

The following documents are incorporated by reference into the indicated parts of this Annual Report on Form 10-K: None

PARTS I AND II OF THIS ANNUAL REPORT ON FORM 10-K (THE "REPORT") CONTAIN FORWARD LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. ACCORDINGLY, NO ASSURANCES CAN BE GIVEN THAT THE ACTUAL EVENTS AND RESULTS WILL NOT BE MATERIALLY DIFFERENT THAN THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS. SEE "ITEM 1. BUSINESS" FOR A DESCRIPTION OF VARIOUS FACTORS THAT COULD MATERIALLY AFFECT THE ABILITY OF THE PARTNERSHIP TO ACHIEVE THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS.

1100

### PART I

#### ITEM 1. BUSINESS

Parker & Parsley 88-A, L.P. (the "Partnership") is a limited partnership organized in 1988 under the laws of the State of Delaware. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA"). Pioneer USA is a wholly-owned subsidiary of Pioneer Natural Resources Company ("Pioneer"). As of March 8, 2001, the Partnership had 12,935 limited partnership interests outstanding.

The Partnership does not have any employees of its own. Pioneer USA employs 701 persons, many of whom dedicated a part of their time to the conduct of the Partnership's business during the period for which this Report is filed. Pioneer USA is responsible for all management functions.

The Partnership engages in oil and gas development and production and is not involved in any industry segments other than oil and gas. The Partnership's production is geographically concentrated in West Texas.

The principal markets during 2000 for the oil produced by the Partnership were refineries and oil transmission companies that have facilities near the Partnership's oil producing properties. During 2000, Pioneer USA marketed the Partnership's gas to a variety of purchasers, none of which accounted for 10% or more of the Partnership's oil and gas revenues. Of the Partnership's total oil and gas revenues for 2000, approximately 54% was attributable to sales made to Plains Marketing, L.P. Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on its ability to sell its oil, natural gas liquids ("NGLs") and gas production.

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

Oil and gas production operations are subject to various types of regulations by local, state and federal agencies. The Partnership's operations are also subject to state conservation laws and regulations, including the establishment of maximum rates of production from wells and the regulation of spacing, plugging and abandonment of wells. Each state generally imposes a production or severance tax with respect to production and sale of oil and gas within their respective jurisdictions. Noncompliance with the laws and regulations may subject the Partnership to penalties, damages or other liabilities and compliance may increase the cost of the Partnership's operations.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The oil and gas business is also subject to environmental hazards such as oil spills, gas leaks and

2

1101

ruptures and discharges of toxic substances or gases that could expose the Partnership to substantial liability due to pollution and other environmental damages. Although the Partnership believes that its business operations do not impair environmental quality and that its costs of complying with any applicable environmental regulations are not currently significant, the Partnership cannot predict what, if any, effect these environmental regulations may have on its current or future operations.

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

No material part of the Partnership's business is seasonal and the Partnership conducts no foreign operations.

### ITEM 2. PROPERTIES

The Partnership's properties consist of leasehold interests in properties on which oil and gas wells are located. Such property interests are often subject to landowner royalties, overriding royalties and other oil and gas leasehold interests.

Fractional working interests in developmental oil and gas prospects located in the Spraberry Trend area of West Texas were acquired by the Partnership, resulting in the Partnership's participation in the drilling of 40 oil and gas wells. At December 31, 2000, 39 wells were producing with one well plugged and abandoned.

For information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998, and changes in such quantities for the years then ended, see Note 7 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" below. Such reserves have been evaluated by Williamson Petroleum Consultants, Inc., an independent petroleum consultant.

### ITEM 3. LEGAL PROCEEDINGS

The Partnership from time to time is a party to various legal proceedings incidental to its business involving claims in oil and gas leases or interests, other claims for damages in amounts not in excess of 10% of its current assets and other matters, none of which Pioneer USA believes to be material to the Partnership.

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

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

There were no matters submitted to a vote of the partners during the fourth quarter of 2000.

3

1102

### PART II

#### ITEM 5. MARKET FOR LIMITED PARTNERSHIP INTERESTS AND LIMITED PARTNERSHIP DISTRIBUTIONS

At March 8, 2001, the Partnership had 12,935 outstanding limited partnership interests held of record by 981 subscribers. There is no established public trading market for the limited partnership interests. Under the limited partnership agreement, Pioneer USA has made certain commitments to purchase partnership interests at a computed value.

Revenues which, in the sole judgement of the managing general partner, are not required to meet the Partnership's obligations, are distributed to the partners at least quarterly in accordance with the limited partnership agreement. During the years ended December 31, 2000 and 1999, \$807,385 and \$327,220, respectively, of such revenue-related distributions were made to the limited partners.

#### ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth selected financial data for the years ended December 31:

	2000	1999	1998	1997	1996
	-----	-----	-----	-----	-----
Operating results:					
-----					
Oil and gas sales	\$ 1,428,374	\$ 957,278	\$ 774,533	\$ 1,157,862	\$ 1,411,5
	=====	=====	=====	=====	=====
Impairment of oil and gas properties	\$ -	\$ -	\$ 405,308	\$ 699,976	\$
	=====	=====	=====	=====	=====
Net income (loss)	\$ 749,290	\$ 331,033	\$ (514,812)	\$ (331,171)	\$ 600,6
	=====	=====	=====	=====	=====
Allocation of net income (loss):					
Managing general partner	\$ 7,493	\$ 3,310	\$ (5,148)	\$ (3,312)	\$ 6,0
	=====	=====	=====	=====	=====
Limited partners	\$ 741,797	\$ 327,723	\$ (509,664)	\$ (327,859)	\$ 594,6
	=====	=====	=====	=====	=====
Limited partners' net income (loss) per limited partnership interest	\$ 57.35	\$ 25.34	\$ (39.40)	\$ (25.35)	\$ 45.
	=====	=====	=====	=====	=====

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Limited partners' cash distributions per limited partnership interest	\$ 62.42	\$ 25.30	\$ 27.90	\$ 50.68	\$ 57.
	=====	=====	=====	=====	=====
At year end:					
-----					
Identifiable assets	\$ 1,994,828	\$ 2,065,363	\$ 2,059,502	\$ 2,953,618	\$3,940,2
	=====	=====	=====	=====	=====

4

1103

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

Results of operations

2000 compared to 1999

The Partnership's oil and gas revenues increased 49% to \$1,428,374 for 2000 as compared to \$957,278 in 1999. The increase in revenues resulted from higher average prices received, offset by a decrease in production. In 2000, 32,063 barrels of oil, 17,745 barrels of natural gas liquids ("NGLs") and 72,965 mcf of gas were sold, or 61,969 barrel of oil equivalents ("BOEs"). In 1999, 34,020 barrels of oil, 24,121 barrels of NGLs and 93,498 mcf of gas were sold, or 73,724 BOEs. Due to the decline characteristics of the Partnership's oil and gas properties, management expects a certain amount of decline in production in the future until the Partnership's economically recoverable reserves are fully depleted.

The average price received per barrel of oil increased \$12.37, or 73%, from \$16.91 in 1999 to \$29.28 in 2000. The average price received per barrel of NGLs increased \$6.00, or 65%, from \$9.30 in 1999 to \$15.30 in 2000. The average price received per mcf of gas increased 77% from \$1.69 in 1999 to \$2.99 in 2000. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received in 2000.

Gain on disposition of assets of \$259 was recognized in 2000 resulting from equipment credits received on one fully depleted well.

Total costs and expenses increased in 2000 to \$695,576 as compared to \$635,628 in 1999, an increase of \$59,948, or 9%. The increase was primarily due to increases in production costs and general and administrative expenses ("G&A"), offset by a decline in depletion.

Production costs were \$548,561 in 2000 and \$440,670 in 1999, resulting in an increase of \$107,891, or 24%. The increase was primarily due to additional well maintenance costs incurred to stimulate well production and higher production taxes associated with higher oil and gas prices.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 50% from \$28,692 in 1999 to \$42,987 in 2000 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$37,340 in 2000 and \$20,027 in 1999 for G&A incurred on behalf of the Partnership. The remaining G&A was paid directly by the Partnership. The managing general partner determines the allocated expenses based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Depletion was \$104,028 in 2000 as compared to \$166,266 in 1999, representing a decrease of \$62,238, or 37%. This decrease was primarily due to a 45,809 barrels of oil increase in proved reserves during 2000 as a result of higher commodity prices.

1999 compared to 1998

The Partnership's 1999 oil and gas revenues increased 24% to \$957,278 from \$774,533 in 1998.

5

1104

The increase in revenues resulted from higher average prices received and an increase in production. In 1999, 34,020 barrels of oil, 24,121 barrels of NGLs and 93,498 mcf of gas were sold, or 73,724 BOEs. In 1998, 37,135 barrels of oil, 20,500 barrels of NGLs and 86,501 mcf of gas were sold, or 72,052 BOEs.

The average price received per barrel of oil increased \$3.32, or 24%, from \$13.59 in 1998 to \$16.91 in 1999. The average price received per barrel of NGLs increased \$2.73, or 42%, from \$6.57 in 1998 to \$9.30 in 1999. The average price received per mcf of gas increased 8% from \$1.56 in 1998 to \$1.69 in 1999.

A gain on disposition of assets of \$6,393 was recognized in 1998 for credits received from the disposal of oil and gas equipment on a fully depleted well.

Total costs and expenses decreased in 1999 to \$635,628 as compared to \$1,306,368 in 1998, a decrease of \$670,740, or 51%. The decrease was primarily due to declines in the impairment of oil and gas properties, depletion and production costs, offset by an increase in G&A expenses.

Production costs were \$440,670 in 1999 and \$508,919 in 1998, resulting in a \$68,249 decrease, or 13%. The decrease was due to reductions in well maintenance costs and ad valorem taxes, offset by an increase in production taxes due to increased oil and gas revenues.

During this period, G&A increased 22% from \$23,611 in 1998 to \$28,692 in 1999 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$20,027 in 1999 and \$19,297 in 1998 for G&A incurred on behalf of the Partnership.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the managing general partner reviews the Partnership's oil and gas properties for impairment whenever events or circumstances indicate a decline in the recoverability of the carrying value of the Partnership's assets may have occurred. As a result of the review and evaluation of its long-lived assets for impairment, the Partnership recognized a non-cash charge of \$405,308 related to its oil and gas properties during 1998.

Depletion was \$166,266 in 1999 compared to \$368,530 in 1998, representing a decrease of \$202,264, or 55%. This decrease was the result of an increase in proved reserves of 246,048 barrels of oil during 1999 as a result of higher commodity prices and a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 1998.

### Petroleum industry

The petroleum industry has been characterized by volatile oil, NGL and natural gas commodity prices and relatively stable supplier costs during the three years ended December 31, 2000. During 1998, weather patterns, regional economic recessions and political matters combined to cause worldwide oil supplies to exceed demand resulting in a substantial decline in oil prices. Also during 1998, but

to a lesser extent, market prices for natural gas declined. During 1999 and 2000, the Organization of Petroleum Exporting Countries ("OPEC") and certain other crude oil exporting nations announced reductions in their planned export volumes. Those announcements, together with the enactment of the announced reductions in export volumes, had a positive impact on world oil prices, as have overall natural gas supply and demand fundamentals on North American natural gas prices. Although the favorable commodity price environment and stable field service cost environment is expected to continue during 2001, there is no assurance that commodity prices will not return to a less favorable level or that field service costs will not escalate in the future, both of which could negatively impact the Partnership's future results of operations and cash distributions.

### Liquidity and capital resources

#### Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$401,553 during the year ended December 31, 2000 from 1999. This increase was due to an increase in oil and gas sales receipts of \$477,946 and a decline in working capital of \$45,793, offset by increases in production costs paid of \$107,891 and G&A expenses paid of \$14,295. The increase in oil and gas receipts resulted from the increase in commodity prices during 2000 which contributed an additional \$694,183 to oil and gas receipts, offset by \$216,237 resulting from the decline in production during 2000. The increase in production costs was primarily due to increased production taxes associated with higher oil and gas prices and well maintenance and workover costs incurred to stimulate well production. The increase in G&A was primarily due to higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

and gas revenues.

Net Cash Used in Investing Activities

The Partnership's investing activities during 2000 and 1999 were related to expenditures for oil and gas equipment upgrades on active properties.

Proceeds from asset dispositions of \$259 received in 2000 were due to equipment credits received on one fully depleted well.

Net Cash Used in Financing Activities

In 2000, cash distributions to the partners were \$815,540, of which \$8,155 was distributed to the managing general partner and \$807,385 to the limited partners. In 1999, cash distributions to the partners were \$330,525, of which \$3,305 was distributed to the managing general partner and \$327,220 to the limited partners.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO FINANCIAL STATEMENTS

	Page
	----
Financial Statements of Parker & Parsley 88-A, L.P.:	
Independent Auditors' Report.....	9
Balance Sheets as of December 31, 2000 and 1999.....	10
Statements of Operations for the Years Ended December 31,	
2000, 1999 and 1998.....	11
Statements of Partners' Capital for the Years Ended	
December 31, 2000, 1999 and 1998.....	12
Statements of Cash Flows for the Years Ended December 31,	
2000, 1999 and 1998.....	13
Notes to Financial Statements.....	14



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

INDEPENDENT AUDITORS' REPORT

The Partners  
Parker & Parsley 88-A, L.P.  
(A Delaware Limited Partnership):

We have audited the balance sheets of Parker & Parsley 88-A, L.P. as of December 31, 2000 and 1999, and the related statements of operations, partners' capital and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parker & Parsley 88-A, L.P. as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Dallas, Texas  
March 9, 2001

PARKER & PARSLEY 88-A, L.P.  
(A Delaware Limited Partnership)

BALANCE SHEETS  
December 31

ASSETS  
-----

2000  
-----

1999  
-----

Current assets:

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Cash	\$ 193,491	\$ 215,801
Accounts receivable - oil and gas sales	224,465	177,635
	-----	-----
Total current assets	417,956	393,436
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	10,111,281	10,102,308
Accumulated depletion	(8,534,409)	(8,430,381)
	-----	-----
Net oil and gas properties	1,576,872	1,671,927
	-----	-----
	\$ 1,994,828	\$ 2,065,363
	=====	=====
LIABILITIES AND PARTNERS' CAPITAL		
-----		
Current liabilities:		
Accounts payable - affiliate	\$ 18,724	\$ 23,009
Partners' capital:		
Managing general partner	20,003	20,665
Limited partners (12,935 interests)	1,956,101	2,021,689
	-----	-----
	1,976,104	2,042,354
	-----	-----
	\$ 1,994,828	\$ 2,065,363
	=====	=====

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

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

STATEMENTS OF OPERATIONS  
For the years ended December 31

	2000 -----	1999 -----	1998 -----
Revenues:			
Oil and gas	\$1,428,374	\$ 957,278	\$ 774,533
Interest	16,233	9,383	10,531
Gain on disposition of assets	259	-	6,393
Other	-	-	99
	-----	-----	-----
	1,444,866	966,661	791,556
	-----	-----	-----
Costs and expenses:			
Oil and gas production	548,561	440,670	508,919
General and administrative	42,987	28,692	23,611
Impairment of oil and gas properties	-	-	405,308
Depletion	104,028	166,266	368,530
	-----	-----	-----
	695,576	635,628	1,306,368
	-----	-----	-----
Net income (loss)	\$ 749,290 =====	\$ 331,033 =====	\$ (514,812) =====
Allocation of net income (loss):			
Managing general partner	\$ 7,493 =====	\$ 3,310 =====	\$ (5,148) =====
Limited partners	\$ 741,797 =====	\$ 327,723 =====	\$ (509,664) =====
Net income (loss) per limited partnership interest	\$ 57.35 =====	\$ 25.34 =====	\$ (39.40) =====

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

PARKER & PARSLEY 88-A, L.P.  
(A Delaware Limited Partnership)

## STATEMENTS OF PARTNERS' CAPITAL

	Managing general partner -----	Limited partners -----	Total -----
Partners' capital at January 1, 1998	\$ 29,454	\$ 2,891,783	\$ 2,921,237
Distributions	(3,646)	(360,933)	(364,579)
Net loss	(5,148)	(509,664)	(514,812)
	-----	-----	-----
Partners' capital at December 31, 1998	20,660	2,021,186	2,041,846
Distributions	(3,305)	(327,220)	(330,525)
Net income	3,310	327,723	331,033
	-----	-----	-----
Partners' capital at December 31, 1999	20,665	2,021,689	2,042,354
Distributions	(8,155)	(807,385)	(815,540)
Net income	7,493	741,797	749,290
	-----	-----	-----
Partners' capital at December 31, 2000	\$ 20,003 =====	\$ 1,956,101 =====	\$ 1,976,104 =====

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

PARKER & PARSLEY 88-A, L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF CASH FLOWS  
For the years ended December 31

	2000	1999	1998
	-----	-----	-----
Cash flows from operating activities:			
Net income (loss)	\$ 749,290	\$ 331,033	\$ (514,812)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Impairment of oil and gas properties	-	-	405,308
Depletion	104,028	166,266	368,530
Gain on disposition of assets	(259)	-	(6,393)
Changes in assets and liabilities:			
Accounts receivable	(46,830)	(102,261)	78,333
Accounts payable	(4,285)	5,353	(14,725)
	-----	-----	-----
Net cash provided by operating activities	801,944	400,391	316,241
	-----	-----	-----
Cash flows from investing activities:			
Additions to oil and gas properties	(8,973)	(11,847)	(17,362)
Proceeds from asset dispositions	259	-	16,559
	-----	-----	-----
Net cash used in investing activities	(8,714)	(11,847)	(803)
	-----	-----	-----
Cash flows used in financing activities:			
Cash distributions to partners	(815,540)	(330,525)	(364,579)
	-----	-----	-----
Net increase (decrease) in cash	(22,310)	58,019	(49,141)
Cash at beginning of year	215,801	157,782	206,923
	-----	-----	-----
Cash at end of year	\$ 193,491	\$ 215,801	\$ 157,782
	=====	=====	=====

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

13

1112

PARKER & PARSLEY 88-A, L.P.  
(A Delaware Limited Partnership)

NOTES TO FINANCIAL STATEMENTS  
December 31, 2000, 1999 and 1998

NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS

Parker & Parsley 88-A, L.P. (the "Partnership") is a limited partnership organized in 1988 under the laws of the State of Delaware. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA").

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Oil and gas properties - The Partnership utilizes the successful efforts method of accounting for its oil and gas properties and equipment. Under this method, all costs associated with productive wells and nonproductive development wells are capitalized while nonproductive exploration costs are expensed. Capitalized costs relating to proved properties are depleted using the unit-of-production method on a property-by-property basis based on proved oil (dominant mineral) reserves as evaluated by independent petroleum consultants. The carrying amounts of properties sold or otherwise disposed of and the related allowances for depletion are eliminated from the accounts and any gain or loss is included in results of operations.

Impairment of long-lived assets - In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the Partnership reviews its long-lived assets to be held and used on an individual property basis, including oil and gas properties accounted for under the successful efforts method of accounting, whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. An impairment loss is indicated if the sum of the expected future cash flows is less than the carrying amount of the assets. In this circumstance, the Partnership recognizes an impairment loss for the amount by which the carrying

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

amount of the asset exceeds the estimated fair value of the asset.

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

Net income (loss) per limited partnership interest - The net income (loss) per limited partnership interest is calculated by using the number of outstanding limited partnership interests.

Income taxes - A Federal income tax provision has not been included in the financial statements as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

14

1113

Statements of cash flows - For purposes of reporting cash flows, cash includes depository accounts held by banks.

General and administrative expenses - General and administrative expenses are allocated in part to the Partnership by the managing general partner. Allocated expenses are determined by the managing general partner based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Reclassifications - Certain reclassifications may have been made to the 1999 and 1998 financial statements to conform to the 2000 financial statement presentations.

Environmental - The Partnership is subject to extensive federal, state and local environmental laws and regulations. These laws, which are constantly changing, regulate the discharge of materials into the environment and may require the Partnership to remove or mitigate the environmental effects of the disposal or release of petroleum or chemical substances at various sites. Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Liabilities for expenditures of a noncapital nature are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated. Such liabilities are generally undiscounted unless the timing of cash payments for the liability or component are fixed or reliably determinable. No such liabilities have been accrued as of December 31, 2000.

Revenue recognition - The Partnership uses the entitlements method of accounting for oil, natural gas liquids ("NGLs") and natural gas revenues.

### NOTE 3. IMPAIRMENT OF LONG-LIVED ASSETS

In accordance with SFAS 121, the Partnership reviews its proved oil and gas

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

properties for impairment whenever events and circumstances indicate a decline in the recoverability of the carrying value of the Partnership's oil and gas properties. The Partnership has estimated the expected future cash flows of its oil and gas properties as of December 31, 2000, 1999 and 1998, based on proved reserves, and compared such estimated future cash flows to the respective carrying amount of the oil and gas properties to determine if the carrying amounts were likely to be recoverable. For those proved oil and gas properties for which the carrying amount exceeded the estimated future cash flows, an impairment was determined to exist; therefore, the Partnership adjusted the carrying amount of those oil and gas properties to their fair value as determined by discounting their expected future cash flows at a discount rate commensurate with the risks involved in the industry. As a result, the Partnership recognized a non-cash impairment provision of \$405,308 related to its proved oil and gas properties during 1998.

### NOTE 4. INCOME TAXES

The financial statement basis of the Partnership's net assets and liabilities was \$267,761 greater than the tax basis at December 31, 2000.

15

1114

The following is a reconciliation of net income (loss) per statements of operations with the net income per Federal income tax returns for the years ended December 31:

	2000 -----	1999 -----	1998 -----
Net income (loss) per statements of operations	\$ 749,290	\$ 331,033	\$ (514,812)
Depletion and depreciation for tax reporting purposes less than provisions for financial reporting purposes	92,722	154,558	357,942
Impairment of oil and gas properties for financial reporting purposes	-	-	405,308
Other, net	(2,176)	(2,693)	13,320
	-----	-----	-----
Net income per Federal income tax returns	\$ 839,836 =====	\$ 482,898 =====	\$ 261,758 =====

### NOTE 5. OIL AND GAS PRODUCING ACTIVITIES

The following is a summary of the costs incurred, whether capitalized or expensed, related to the Partnership's oil and gas producing activities for the years ended December 31:

	2000 -----	1999 -----	1998 -----
--	---------------	---------------	---------------



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Development costs	\$ 8,973	\$ 11,847	\$ 17,362
	=====	=====	=====

Capitalized oil and gas properties consist of the following:

	2000	1999
	-----	-----
Proved properties:		
Property acquisition costs	\$ 490,279	\$ 490,279
Completed wells and equipment	9,621,002	9,612,029
	-----	-----
	10,111,281	10,102,308
Accumulated depletion	(8,534,409)	(8,430,381)
	-----	-----
Net oil and gas properties	\$ 1,576,872	\$ 1,671,927
	=====	=====

16

1115

NOTE 6. RELATED PARTY TRANSACTIONS

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

	2000	1999	1998
	-----	-----	-----
Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$ 221,084	\$ 211,623	\$ 215,684
Reimbursement of general and administrative expenses	\$ 37,340	\$ 20,027	\$ 19,297

The Partnership participates in oil and gas activities through an income tax partnership (the "Program") pursuant to the Program agreement. Pioneer USA, Parker & Parsley 88-A Conv., L.P. and the Partnership (the "Partnerships") are parties to the Program agreement.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The costs and revenues of the Program are allocated to Pioneer USA and the Partnerships as follows:

	Pioneer USA (1)	Partnership
Revenues:		
Proceeds from disposition of depreciable properties	9.09091%	90.9090
All other revenues	24.242425%	75.75757
Costs and expenses:		
Lease acquisition costs, drilling and completion costs and all other costs	9.09091%	90.9090
Operating costs, direct costs and general and administrative expenses	24.242425%	75.75757

(1) Excludes Pioneer USA's 1% general partner ownership which is allocated at the Partnership level and 173 limited partner interests owned by Pioneer USA.

(2) The allocation between the Partnership and Parker & Parsley 88-A Conv., L.P. is 77.325442% and 22.674558%, respectively.

### NOTE 7. OIL AND GAS INFORMATION (UNAUDITED)

The following table presents information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities during the years then ended. All of the Partnership's reserves are proved developed and located within the United States. The Partnership's reserves are based on an evaluation prepared by Williamson Petroleum Consultants, Inc., an independent petroleum consultant, using criteria established by the Securities and Exchange Commission.

17

1116

	Oil and NGLs (bbls)	Gas (mcf)
Net proved reserves at January 1, 1998	836,39	1,245,602
Revisions	(307,084)	(307,863)
Production	(57,635)	(86,501)
	-----	-----
Net proved reserves at December 31, 1998	471,675	851,238
Revisions	402,731	693,436
Production	(58,141)	(93,498)
	-----	-----

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Net proved reserves at December 31, 1999	816,265	1,451,176
Revisions	10,578	(296,099)
Production	(49,808)	(72,965)
	-----	-----
Net proved reserves at December 31, 2000	777,035	1,082,112
	=====	=====

As of December 31, 2000, the estimated present value of future net revenues of proved reserves, calculated using December 31, 2000 prices of \$26.64 per barrel of oil, \$12.95 per barrel of NGLs and \$7.75 per mcf of gas, discounted at 10% was approximately \$5,875,000 and undiscounted was \$11,988,000.

Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves. The Partnership emphasizes that reserve estimates are inherently imprecise and, accordingly, the estimates are expected to change as future information becomes available.

### Disclosures about Oil & Gas Producing Activities

#### Standardized Measure of Discounted Future Net Cash Flows

The standardized measure of discounted future net cash flows is computed by applying year-end prices of oil and gas (with consideration of price changes only to the extent provided by contractual arrangements) to the estimated future production of proved oil and gas reserves less estimated future expenditures (based on year-end costs) to be incurred in developing and producing the proved reserves, discounted using a rate of 10% per year to reflect the estimated timing of the future cash flows. A Federal income tax provision has not been calculated as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

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

	For the years ended December 31		
	2000	1999	1998
	-----	-----	-----
	(in thousands)		
Oil and gas producing activities:			
Future cash inflows	\$ 25,247	\$ 20,115	\$ 5,115
Future production costs	(13,258)	(11,289)	(3,115)
	-----	-----	-----
10% annual discount factor	11,989	8,826	1,000
	(6,114)	(4,222)	-----
	-----	-----	-----



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

sales" in the accompanying Balance Sheet.

Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on the ability of the Partnership to sell its oil, NGLs and gas production.

### NOTE 9. PARTNERSHIP AGREEMENT

The following is a brief summary of the more significant provisions of the limited partnership agreement:

Managing general partner - The managing general partner of the Partnership is Pioneer USA. Pioneer USA has the power and authority to manage, control and administer all Program and Partnership affairs. As managing general partner and operator of the Partnership's properties, all production expenses are incurred by Pioneer USA and billed to the Partnership. The majority of the Partnership's oil and gas revenues are received directly by the Partnership, however, a portion of the oil and gas revenue is initially received by Pioneer USA prior to being paid to the Partnership. Under the limited partnership agreement, the managing general

19

1118

partner pays 1% of the Partnership's acquisition, drilling and completion costs and 1% of its operating and general and administrative expenses. In return, it is allocated 1% of the Partnership's revenues.

Limited partner liability - The maximum amount of liability of any limited partner is the total contributions of such partner plus his share of any undistributed profits.

Initial capital contributions - The limited partners entered into subscription agreements for aggregate capital contributions of \$12,935,000. Pioneer USA is required to contribute amounts equal to 1% of initial Partnership capital less commission and offering expenses allocated to the limited partners and to contribute amounts necessary to pay costs and expenses allocated to it under the Partnership agreement to the extent its share of revenues does not cover such costs.

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

None.

20

1101

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

1119

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE PARTNERSHIP

The Partnership does not have any officers or directors. Under the limited partnership agreement, the Partnership's managing general partner, Pioneer USA, is granted the exclusive right and full authority to manage, control and administer the Partnership's business.

Set forth below are the names, ages and positions of the directors and executive officers of Pioneer USA. Directors of Pioneer USA are elected to serve until the next annual meeting of stockholders or until their successors are elected and qualified.

Name -----	Age at December 31, 2000 ----	Position -----
Scott D. Sheffield	48	President
Timothy L. Dove	44	Executive Vice President, Chief Financial Officer and Director
Dennis E. Fagerstone	51	Executive Vice President and Director
Mark L. Withrow	53	Executive Vice President, General Counsel and Director
Danny Kellum	46	Executive Vice President - Domestic Operations and Director
Rich Dealy	34	Vice President and Chief Accounting Officer

Scott D. Sheffield. Mr. Sheffield is a graduate of The University of Texas with a B.S. in Petroleum Engineering. Since August 1997, he has served as President, Chief Executive Officer and a director of Pioneer and President of Pioneer USA. Mr. Sheffield assumed the position of Chairman of the Board of Pioneer in August 1999. He served as a director of Pioneer USA from August 1997 until his resignation from the board in June 1999. Mr. Sheffield was the President and a director of Parker & Parsley Petroleum Company ("Parker & Parsley") from May 1990 until August 1997 and was the Chairman of the Board and Chief Executive Officer of Parker & Parsley from October 1990 until August 1997. He was the sole director of Parker & Parsley from May 1990 until October 1990. Mr. Sheffield joined Parker & Parsley Development Company ("PPDC"), a predecessor of Parker & Parsley, as a petroleum engineer in 1979. He served as Vice President - Engineering of PPDC from September 1981 until April 1985 when he was elected President and a director. In March 1989, Mr. Sheffield was elected Chairman of the Board and Chief Executive Officer of PPDC. Before joining PPDC's predecessor, Mr. Sheffield was employed as a production and reservoir engineer for Amoco Production Company.

Timothy L. Dove. Mr. Dove earned a B.S. in Mechanical Engineering from Massachusetts Institute of Technology in 1979 and received his M.B.A. in 1981 from the University of Chicago. He became Executive Vice President - Business Development of Pioneer and Pioneer USA in August 1997 and was also appointed a director of Pioneer USA in August 1997. Mr. Dove assumed the position of Chief Financial Officer of Pioneer and Pioneer USA effective February 1, 2000. Mr. Dove joined Parker & Parsley in May 1994 as Vice President - International and was promoted to Senior Vice President - Business Development in October 1996, in which position he served until August 1997. Prior to joining Parker & Parsley, Mr. Dove was employed with Diamond Shamrock Corp., and its successor, Maxus Energy Corp, in various capacities in international exploration and production, marketing, refining and marketing and planning and development.

Dennis E. Fagerstone. Mr. Fagerstone, a graduate of the Colorado School of Mines with a B.S. in Petroleum Engineering, became an Executive Vice President of Pioneer and Pioneer USA in August 1997. He was also appointed a director of Pioneer USA in August 1997. He served as Executive Vice President and Chief Operating Officer of MESA Inc. ("Mesa") from March 1, 1997 until August 1997. From October 1996 to February 1997, Mr. Fagerstone served as Senior Vice President and Chief Operating Officer of Mesa and from May 1991 to October 1996, he served as Vice President - Exploration and Production of Mesa. From June 1988 to May 1991, Mr. Fagerstone served as Vice President - Operations of Mesa.

Mark L. Withrow. Mr. Withrow, a graduate of Abilene Christian University with a B. S. in Accounting and Texas Tech University with a Juris Doctorate degree, became Executive Vice President, General Counsel and Secretary of Pioneer and Pioneer USA in August 1997. He was also appointed a director of Pioneer USA in August 1997. Mr. Withrow was Vice President - General Counsel of Parker & Parsley from January 1991, when he joined Parker & Parsley, to January 1995, when he was appointed Senior Vice President - General Counsel. He was Parker & Parsley's Secretary from August 1992 until August 1997. Prior to joining Parker & Parsley, Mr. Withrow was the managing partner of the law firm of Turpin, Smith, Dyer, Saxe & MacDonald, Midland, Texas.

Danny Kellum. Mr. Kellum, who received a Bachelor of Science degree in Petroleum Engineering from Texas Tech University in 1979, was elected Executive Vice President - Domestic Operations of Pioneer and Pioneer USA on May 18, 2000 and Director of Pioneer USA on February 1, 2000. From January 2000 until May 2000, Mr. Kellum served as Vice President - Domestic Operations of Pioneer and Pioneer USA. Mr. Kellum served as Vice President Permian Division of Pioneer and Pioneer USA from April 1998 until December 1999. From 1989 until 1994 he served as Spraberry District Manager and as Vice President of the Spraberry and Permian Division for Parker & Parsley until August of 1997. Mr. Kellum joined Parker & Parsley as an operations engineer in 1981 after a brief career with Mobil Oil Corporation.

Rich Dealy. Mr. Dealy is a graduate of Eastern New Mexico University with a B.B.A. in Accounting and Finance and is a Certified Public Accountant. He became Vice President and Chief Accounting Officer of Pioneer and Pioneer USA in February 1998. Mr. Dealy served as Controller of Pioneer USA from August 1997 to February 1998. He served as Controller of Parker & Parsley from August 1995 to August 1997. Mr. Dealy joined Parker & Parsley as an Accounting Manager in July, 1992. He was previously employed with KPMG Peat Marwick as an Audit Senior, in charge of Parker & Parsley's audit.

1121

ITEM 11. EXECUTIVE COMPENSATION

The Partnership does not have any directors or officers. Management of the Partnership is performed by Pioneer USA, the managing general partner. The Partnership participates in oil and gas activities through an income tax partnership (the "Program") pursuant to the Program agreement. Under the Program agreement, Pioneer USA pays approximately 10% of the Program's acquisition, drilling and completion costs and approximately 25% of its operating and general and administrative expenses. In return, Pioneer USA is allocated approximately 25% of the Program's revenues.

The Partnership does not directly pay any salaries of the executive officers of Pioneer USA, but does pay a portion of Pioneer USA's general and administrative expenses of which these salaries are a part.

See Notes 6 and 9 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" for information regarding fees and reimbursements paid to the managing general partner by the Partnership.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

(a) Beneficial owners of more than five percent

The Partnership is not aware of any person who beneficially owns 5% or more of the outstanding limited partnership interests of the Partnership. Pioneer USA owned 173 limited partner interests at January 1, 2001.

(b) Security ownership of management

The Partnership does not have any officers or directors. The managing general partner of the Partnership, Pioneer USA, has the exclusive right and full authority to manage, control and administer the Partnership's business. Under the limited partnership agreement, limited partners holding a majority of the outstanding limited partnership interests have the right to take certain actions, including the removal of the managing general partner or any other general partner. The Partnership is not aware of any current arrangement or activity which may lead to such removal. The Partnership is not aware of any officer or director of Pioneer USA who beneficially owns limited partnership interests in the Partnership.

1122

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Transactions with the managing general partner

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

	2000 -----	1999 -----	1998 -----
Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$ 221,084	\$ 211,623	\$ 215,684
Reimbursement of general and administrative expenses	\$ 37,340	\$ 20,027	\$ 19,297

Under the limited partnership agreement, the managing general partner pays 1% of the Partnership's acquisition, drilling and completion costs and 1% of its operating and general and administrative expenses. In return, it is allocated 1% of the Partnership's revenues. Also, see Notes 6 and 9 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data", regarding the Partnership's participation with the managing general partner in oil and gas activities of the Program.

24

1123

### PART IV

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

(a) 1. Financial statements

The following are filed as part of this Report:

Independent Auditors' Report

Balance sheets as of December 31, 2000 and 1999

Statements of operations for the years ended December 31,  
2000, 1999 and 1998

Statements of partners' capital for the years ended December  
31, 2000, 1999 and 1998

Statements of cash flows for the years ended December 31, 2000,



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

/s/ Dennis E. Fagerstone ----- Dennis E. Fagerstone	Executive Vice President and Director of Pioneer USA	March 23, 2001
/s/ Mark L. Withrow ----- Mark L. Withrow	Executive Vice President, General Counsel and Director of Pioneer USA	March 23, 2001
/s/ Danny Kellum ----- Danny Kellum	Executive Vice President - Domestic Operations and Director of Pioneer USA	March 23, 2001
/s/ Rich Dealy ----- Rich Dealy	Vice President and Chief Accounting Officer of Pioneer USA	March 23, 2001

PARKER & PARSLEY 88-A, L.P.

INDEX TO EXHIBITS

The following documents are incorporated by reference in response to Item 14(c):

Exhibit No. -----	Description -----	Page ----
3(a)	Amended and Restated Certificate and Agreement of Limited Partnership of Parker & Parsley 88-A, L.P. incorporated by reference to Exhibit A of Amendment No. 1 of the Partnership's Registration Statement on Form S-1 (Registration No. 33-19659)	-
4(b)	Form of Subscription Agreement and Power of Attorney incorporated by reference to Exhibit D of the Partnership's Registration Statement on Form S-1 (Registration No. 33-19659) (hereinafter called the Partnership's Registration Statement)	-
4(c)	Specimen Certificate of Limited Partnership	-

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Interest incorporated by reference to Exhibit D of the Partnership's Registration Statement

10 (b) Exploration and Development Program Agreement incorporated by reference to Exhibit C of the Partnership's Registration Statement -

PARKER & PARSLEY 88-A, L.P.

SELECTED FINANCIAL DATA

The following selected financial data for the Partnership should be read in connection with Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements included in the attached supplemental information.

	Six months ended June 30,		Years ended December		
	2001	2000	2000	1999	1998
Operating results:					
Oil and gas sales	\$ 770,951	\$ 638,135	\$1,428,374	\$ 957,278	\$ 774,533
Impairment of oil and gas properties	\$ --	\$ --	\$ --	\$ --	\$ 405,308
Net income (loss)	\$ 396,059	\$ 292,517	\$ 749,290	\$ 331,033	\$ (514,812)
Allocation of net income (loss):					
Managing general partner	\$ 3,961	\$ 2,925	\$ 7,493	\$ 3,310	\$ (5,148)
Limited partners	\$ 392,098	\$ 289,592	\$ 741,797	\$ 327,723	\$ (509,664)
Limited partners' net income (loss) per limited					

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

partnership interest	\$ 30.31	\$ 22.39	\$ 57.35	\$ 25.34	\$ (39.40)
	=====	=====	=====	=====	=====
Limited partners' cash distributions per limited partnership interest	\$ 20.80	\$ 28.14	\$ 62.42	\$ 25.30	\$ 27.90
	=====	=====	=====	=====	=====
As of period ended:					
Total assets	\$2,136,342	\$2,002,916	\$1,994,828	\$2,065,363	\$2,059,502
	=====	=====	=====	=====	=====

1127

PIONEER NATURAL RESOURCES COMPANY  
PIONEER NATURAL RESOURCES USA, INC.  
5205 NORTH O'CONNOR BLVD., SUITE 1400  
IRVING, TEXAS 75039

SUPPLEMENTAL INFORMATION

OF

PARKER & PARSLEY 88-B CONV., L.P., A DELAWARE LIMITED PARTNERSHIP

TO

PROXY STATEMENT/PROSPECTUS DATED , 2001

-----

THE DATE OF THIS SUPPLEMENT IS , 2001

-----

This document contains important information specific to Parker & Parsley 88-B Conv., L.P., and supplements the proxy statement/prospectus dated , 2001, of Pioneer Natural Resources Company and Pioneer Natural Resources USA, Inc., by which Pioneer USA is soliciting proxies to be voted at a special meeting of limited partners of the partnership. The purpose of the special meeting is for you to vote upon the merger of the partnership with and into Pioneer USA that, if completed, will result in your receiving common stock of Pioneer Natural Resources Company for your partnership interests.

This document contains the following information concerning Parker & Parsley 88-B Conv., L.P.:

- o A table containing:
  - the aggregate initial investment by the limited partners
  - the aggregate historical limited partner distributions through July 31, 2001
  - the merger value attributable to partnership interests of limited partners, excluding Pioneer USA
  - the merger value per \$1,000 limited partner investment
  - the merger value per \$1,000 limited partner investment as a

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

multiple of distributions for the past four quarterly distributions including the distribution in July 2001

- the book value per \$1,000 limited partner investment as of June 30, 2001 and as of December 31, 2000
- the going concern value per \$1,000 limited partner investment
- the liquidation value per \$1,000 limited partner investment
- the ordinary tax loss per \$1,000 limited partner investment in year of initial investment
- o Information about:
  - the legal opinion for the limited partners
  - the term of the partnership
- o The partnership's financial statements, including management's discussion and analysis of financial condition and results of operations, for the six months ended June 30, 2001
- o The partnership's financial statements, including management's discussion and analysis of financial condition and results of operations, for the year ended December 31, 2000
- o Selected historical financial data for the partnership for the six months ended June 30, 2001 and 2000 and the five years ended December 31, 2000

-1-

1128

PARKER & PARSLEY 88-B CONV., L.P.

### SUPPLEMENTAL INFORMATION TABLE

Aggregate Initial Investment by the Limited Partners (a)	\$
Aggregate Historical Limited Partner Distributions through July 31, 2001 (a)	\$
Merger Value Attributable to Partnership Interests of Limited Partners, Excluding Pioneer USA (a), (b)	\$
Merger Value per \$1,000 Limited Partner Investment (b), (c)	\$
Merger Value per \$1,000 Limited Partner Investment as a Multiple of Distributions for the past four quarterly distributions including the distribution in July 2001 (b), (c)	
Book Value per \$1,000 Limited Partner Investment:	

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

--	as of June 30, 2001	(c)	\$
--	as of December 31, 2000	(c)	\$
Going Concern Value per \$1,000 Limited Partner Investment	(c), (d)	\$	
Liquidation Value per \$1,000 Limited Partner Investment	(c), (e)	\$	
Ordinary Tax Loss per \$1,000 Limited Partner Investment in Year of Initial Investment	(c), (f)	\$	

-----

- (a) Stated in thousands.
- (b) The merger value for the partnership is equal to the sum of the present value of estimated future net revenues from the partnership's estimated oil and gas reserves and its net working capital, in each case as of March 31, 2001, less its pro rata share, based on its reserve value, of the estimated expenses and fees of the mergers of all of the partnerships and less the cash distribution on July 13, 2001, by the partnership to its partners.
- (c) Interests in some partnerships were sold in units at prices other than \$1,000. We have presented this information based on a \$1,000 initial investment for ease of use and comparison among partnerships. You should not assume that the amount shown per \$1,000 investment is the same as the value or amount attributable to a single unit investment.
- (d) The going concern value for the partnership is based upon: (1) the sum of (A) the estimated net cash flow from the sale of the partnership's reserves during a 10-year operating period and (B) the estimated residual value from the sale of the partnership's remaining reserves at the end of the operating period, in each case using the same pricing and discount rate as in the merger value calculation, less (2) (A) partnership level general and administrative expenses, and (B) the cash distribution on July 13, 2001 by the partnership to its partners.
- (e) The liquidation value for the partnership is based upon the sale of the partnership's reserves at the reserve value, less (1) liquidation expenses which are estimated to be the sum of (A) the partnership's pro rata share of the merger expenses and fees described in footnote (b) above and (B) 3% of the partnership's reserve value, and (2) the cash distribution on July 13, 2001 by the partnership to its partners. The liquidation expenses represent estimated costs to retain an investment banker or broker to sell the assets of the partnership and the legal and other closing costs associated with such transaction, including the wind-down costs of the partnership.
- (f) Your ability to use your distributive share of the partnership's loss to offset your other income may have been subject to certain limitations at your level as a partner, and you may therefore wish to consult your tax advisor to determine the additional value, if any, actually realized by you in your particular circumstances.

# Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

## INFORMATION ABOUT THE LEGAL OPINION FOR THE LIMITED PARTNERS

The partnership agreement for the partnership requires that special legal counsel render an opinion on behalf of the limited partners to Pioneer USA that neither the grant nor the exercise of the right to approve the merger of the partnership by its limited partners will adversely affect the federal income tax classification of the partnership or any of its limited partners. Although not required by the partnership agreement, the opinion will also state that neither the grant nor exercise of such right will result in the loss of any limited partner's limited liability. In addition, the counsel designated to render the opinion is not required to be counsel other than counsel to Pioneer USA or the partnership. Both the designated counsel and the legal opinion must be approved by the limited partners. Pioneer USA has retained \_\_\_\_\_ of Dallas, Texas for the purpose of rendering this legal opinion on behalf of the limited partners to Pioneer USA. The merger proposals include an approval of that counsel and the form of its opinion. A copy of the opinion is attached as an exhibit to the merger proposals.

## INFORMATION ABOUT THE TERM OF THE PARTNERSHIP

The term of the partnership is until December 31, 2038, unless the partnership is earlier terminated in accordance with the applicable provisions of its partnership agreement.

-2-

1129

PARKER & PARSLEY 88-B CONV., L.P.

(A Delaware Limited Partnership)

## FINANCIAL STATEMENTS

June 30, 2001 and December 31, 2000

(Unaudited)

1130

PARKER & PARSLEY 88-B CONV., L.P.

(A Delaware Limited Partnership)

## BALANCE SHEETS

	June 30, 2001	December 31, 2000
	-----	-----
	(Unaudited)	

ASSETS



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Current assets:			
Cash	\$	127,199	\$ 58,050
Accounts receivable - oil and gas sales		56,185	80,619
		-----	-----
Total current assets		183,384	138,669
		-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method		2,749,980	2,824,029
Accumulated depletion		(2,364,231)	(2,424,313)
		-----	-----
Net oil and gas properties		385,749	399,716
		-----	-----
	\$	569,133	\$ 538,385
		=====	=====
LIABILITIES AND PARTNERS' CAPITAL			
Current liabilities:			
Accounts payable - affiliate	\$	9,122	\$ 6,684
Partners' capital:			
Managing general partner		5,591	5,308
Limited partners (3,636 interests)		554,420	526,393
		-----	-----
		560,011	531,701
		-----	-----
	\$	569,133	\$ 538,385
		=====	=====

The financial information included as of June 30, 2001 has been prepared by the managing general partner without audit by independent public accountants.

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

2

1131

PARKER & PARSLEY 88-B CONV., L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF OPERATIONS  
(Unaudited)

Three months ended June 30,		Six months ended June 30,	
-----	-----	-----	-----
2001	2000	2001	2000
-----	-----	-----	-----

Revenues:

1113

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Oil and gas	\$ 116,624	\$ 122,939	\$ 249,201	\$ 240,056
Interest	880	1,231	1,982	2,078
Gain on disposition of assets	3,190	3,592	3,190	3,592
	-----	-----	-----	-----
	120,694	127,762	254,373	245,726
	-----	-----	-----	-----
Costs and expenses:				
Oil and gas production	52,202	46,638	94,594	83,261
General and administrative expenses	2,916	3,575	6,230	7,202
Depletion	8,579	6,411	14,915	14,415
Abandoned property	4,159	-	4,159	-
	-----	-----	-----	-----
	67,856	56,624	119,898	104,878
	-----	-----	-----	-----
Net income	\$ 52,838	\$ 71,138	\$ 134,475	\$ 140,848
	=====	=====	=====	=====
Allocation of net income:				
Managing general partner	\$ 529	\$ 711	\$ 1,345	\$ 1,408
	=====	=====	=====	=====
Limited partners	\$ 52,309	\$ 70,427	\$ 133,130	\$ 139,440
	=====	=====	=====	=====
Net income per limited partnership interest	\$ 14.38	\$ 19.37	\$ 36.61	\$ 38.35
	=====	=====	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

3

1132

PARKER & PARSLEY 88-B CONV., L.P.  
(A Delaware Limited Partnership)

STATEMENT OF PARTNERS' CAPITAL  
(Unaudited)

	Managing general partner	Limited partners	Total
	-----	-----	-----
Balance at January 1, 2001	\$ 5,308	\$ 526,393	\$ 531,701
Distributions	(1,062)	(105,103)	(106,165)
Net income	1,345	133,130	134,475

1114

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	-----	-----	-----
Balance at June 30, 2001	\$ 5,591	\$ 554,420	\$ 560,011
	=====	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

4

1133

PARKER & PARSLEY 88-B CONV., L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF CASH FLOWS  
(Unaudited)

	Six months ended June 30,	
	2001	2000
	-----	-----
Cash flows from operating activities:		
Net income	\$ 134,475	\$ 140,848
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion	14,915	14,415
Gain on disposition of assets	(3,190)	(3,592)
Changes in assets and liabilities:		
Accounts receivable	24,434	(12,387)
Accounts payable	3,424	3,746
	-----	-----
Net cash provided by operating activities	174,058	143,030
	-----	-----
Cash flows from investing activities:		
Additions to oil and gas properties	(1,184)	(2,208)
Proceeds from asset dispositions	2,440	3,592
	-----	-----
Net cash provided by investing activities	1,256	1,384
	-----	-----
Cash flows used in financing activities:		
Cash distributions to partners	(106,165)	(142,879)
	-----	-----
Net increase in cash	69,149	1,535
Cash at beginning of period	58,050	59,846
	-----	-----
Cash at end of period	\$ 127,199	\$ 61,381
	=====	=====

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

5

1134

PARKER & PARSLEY 88-B CONV., L.P.  
(A Delaware Limited Partnership)

NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Unaudited)

### Note 1. Organization and nature of operations

Parker & Parsley 88-B Conv., L.P. (the "Partnership") was organized in 1988 as a general partnership under the laws of the State of Texas and was converted to a Delaware limited partnership in 1989.

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

### Note 2. Basis of presentation

In the opinion of management, the unaudited financial statements of the Partnership as of June 30, 2001 and for the three and six months ended June 30, 2001 and 2000 include all adjustments and accruals consisting only of normal recurring accrual adjustments which are necessary for a fair presentation of the results for the interim period. These interim results are not necessarily indicative of results for a full year. Certain reclassifications may have been made to the June 30, 2000 financial statements to conform to the June 30, 2001 financial statement presentations.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in these interim financial statements. The financial statements should be read in conjunction with the financial statements and the notes thereto contained in the Partnership's report for the year ended December 31, 2000, a copy of which is available upon request by writing to Rich Dealy, Vice President and Chief Accounting Officer, 5205 North O'Connor Boulevard, Suite 1400, Irving, Texas 75039-3746.

### Management's Discussion and Analysis of Financial Condition and Results of Operations (1)

#### Results of Operations

#### Revenues:

Six months ended June 30, 2001 compared with six months ended June 30, 2000

The Partnership's oil and gas revenues increased 4% to \$249,201 for the six months ended June 30, 2001 as compared to \$240,056 for the same period in 2000. The increase in revenues resulted from higher average prices received, offset by

1135

a decrease in production. For the six months ended June 30, 2001, 5,840 barrels of oil, 1,903 barrels of natural gas liquids ("NGLs") and 8,437 mcf of gas were sold, or 9,149 barrel of oil equivalents ("BOEs"). For the six months ended June 30, 2000, 6,703 barrels of oil, 2,606 barrels of NGLs and 10,843 mcf of gas were sold, or 11,116 BOEs.

The average price received per barrel of oil increased \$1.33, or 5%, from \$26.91 for the six months ended June 30, 2000 to \$28.24 for the same period in 2001. The average price received per barrel of NGLs increased \$3.39, or 24%, from \$14.08 during the six months ended June 30, 2000 to \$17.47 for the same period in 2001. The average price received per mcf of gas increased 184% from \$2.12 during the six months ended June 30, 2000 to \$6.03 in 2001. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received during the six months ended June 30, 2001.

Gain on disposition of assets of \$3,190 was received during the six months ended June 30, 2001 due to the sale of equipment on one well plugged and abandoned during the current period. Abandoned property costs of \$4,159 were also incurred during the same period to plug and abandon this well. A gain of \$3,592 was recognized during the same period in 2000 from equipment credits received on one fully depleted well.

#### Costs and Expenses:

Total costs and expenses increased to \$119,898 for the six months ended June 30, 2001 as compared to \$104,878 for the same period in 2000, an increase of \$15,020, or 14%. This increase was due to increases in production costs, abandoned property costs and depletion, offset by a decline in general and administrative expenses ("G&A").

Production costs were \$94,594 for the six months ended June 30, 2001 and \$83,261 for the same period in 2000, resulting in an \$11,333 increase, or 14%. The increase was due to additional well maintenance and workover costs incurred to stimulate well production and higher production taxes due to higher oil and gas prices.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A decreased 13% from \$7,202 for the six months ended June 30, 2000 to \$6,230 for the same period in 2001. This decrease was due to a decline in audit and tax fees.

Depletion was \$14,915 for the six months ended June 30, 2001 as compared to \$14,415 for the same period in 2000, an increase of \$500, or 3%. This increase was due to a decrease in proved reserves during the period ended June 30, 2000 due to lower commodity prices, offset by a decrease in oil production of 863 barrels for the six months ended June 30, 2001 as compared to the same period in 2000.

1136

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Three months ended June 30, 2001 compared with three months ended June 30, 2000

### Revenues:

The Partnership's oil and gas revenues decreased 5% to \$116,624 for the three months ended June 30, 2001 as compared to \$122,939 for the same period in 2000. The decrease in revenues resulted from lower average prices received for oil and a decrease in production, offset by higher average prices received for gas and NGLs. For the three months ended June 30, 2001, 3,097 barrels of oil, 963 barrels of NGLs and 4,937 mcf of gas were sold, or 4,883 BOEs. For the three months ended June 30, 2000, 3,357 barrels of oil, 1,285 barrels of NGLs and 5,144 mcf of gas were sold, or 5,499 BOEs.

The average price received per barrel of oil decreased \$.56, or 2%, from \$27.42 for the three months ended June 30, 2000 to \$26.86 for the same period in June 30, 2001. The average price received per barrel of NGLs increased \$1.22, or 9%, from \$13.81 during the three months ended June 30, 2000 to \$15.03 for the same period in 2001. The average price received per mcf of gas increased 50% to \$3.83 during the three months ended June 30, 2001 from \$2.55 during the same period in 2000.

Gain on disposition of assets of \$3,190 was received during the three months ended June 30, 2001 due to the sale of equipment on one well plugged and abandoned during the current period. Abandoned property costs of \$4,159 were also incurred during the same period to plug and abandon this well. A gain of \$3,592 was recognized during the same period in 2000 from equipment credits received on one fully depleted well.

### Costs and Expenses:

Total costs and expenses increased to \$67,856 for the three months ended June 30, 2001 as compared to \$56,624 for the same period in 2000, an increase of \$11,232, or 20%. This increase was due to increases in production costs, abandoned property costs and depletion, offset by a decline in G&A.

Production costs were \$52,202 for the three months ended June 30, 2001 and \$46,638 for the same period in 2000, resulting in a \$5,564 increase, or 12%. The increase was due to additional well maintenance and workover costs incurred to stimulate well production.

During this period, G&A decreased 18% from \$3,575 for the three months ended June 30, 2000 to \$2,916 for the same period in 2001 primarily due to a lower allocation of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of decreased oil and gas revenues and a decrease in audit and tax fees.

Depletion was \$8,579 for the three months ended June 30, 2001 as compared to \$6,411 for the same period in 2000, an increase of \$2,168, or 34%. This increase was attributable to a decrease in proved reserves during the period ended June 30, 2001 as a result of lower commodity prices, offset by a decline in oil production of 260 barrels for the three months ended June 30, 2001 as compared to the same period in 2000.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

### Liquidity and Capital Resources

#### Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$31,028 during the six months ended June 30, 2001 from the same period ended June 30, 2000. This increase was due to an increase in oil and gas sales receipts of \$9,049 and reductions of \$972 in G&A expenses and \$36,499 in working capital, offset by increases in production costs of \$11,333 and abandoned property costs of \$4,159. The increase in oil and gas receipts resulted from the increase in commodity prices during 2001 which contributed an additional \$60,241 to oil and gas receipts, offset by \$51,192 resulting from the decline in production during 2001 as compared to the same period in 2000. The increase in production costs was primarily due to additional well maintenance and workover costs incurred to stimulate well production and increased production taxes associated with higher oil and gas prices. The decrease in G&A was due to a decline in audit and tax fees.

#### Net Cash Provided by Investing Activities

The Partnership's principal investing activities during the six months ended June 30, 2001 and 2000 were related to expenditures for equipment upgrades on various oil and gas properties.

Proceeds from disposition of assets of \$2,440 was recognized during the six months ended June 30, 2001. The gain was comprised of \$2,227 received from the sale of equipment on one well plugged and abandoned during the current period and \$213 from equipment credits received on two active wells. Proceeds of \$3,592 were received during the same period in 2000 from equipment credits on one fully depleted well.

#### Net Cash Used in Financing Activities

For the six months ended June 30, 2001, cash distributions to the partners were \$106,165, of which \$1,062 was distributed to the managing general partner and \$105,103 to the limited partners. For the same period ended June 30, 2000, cash distributions to the partners were \$142,879, of which \$1,429 was distributed to the managing general partner and \$141,450 to the limited partners.

For the three months ended June 30, 2001, no distributions were made by the partnership to its partners. Subsequent to June 30, 2001 the cash distribution that otherwise would have been mailed to partners in late June was made to holders of record as of July 9, 2001 and was mailed on July 13, 2001. For further information, see "Proposal to acquire partnerships" below.

#### Proposal to acquire partnerships

On June 29, 2001, Pioneer Natural Resources Company ("Pioneer") filed with the Securities and Exchange Commission Amendment No. 1 to the Form S-4 Registration Statement (File No. 333- 59094) (the "preliminary proxy statement/prospectus"), which proposes an agreement and plan of merger among Pioneer, Pioneer Natural Resources USA, Inc. ("Pioneer USA"), a wholly-owned subsidiary of Pioneer, and 46 Parker & Parsley limited partnerships. Each partnership that approves the agreement and plan of merger and the other related merger proposals will merge

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

with and into Pioneer USA upon the closing of the transactions described in the preliminary proxy statement/prospectus, and the partnership interests of each such partnership will be converted into the right to receive Pioneer common stock. The Partnership is one of the 46 Parker & Parsley limited partnerships that will be asked to approve the agreement and plan of merger. The preliminary proxy statement/prospectus is non-binding and is subject to, among other things, consideration of offers from third parties to purchase any partnership or its assets and the majority approval of the limited partnership interests in each partnership.

Pioneer USA will solicit proxies from limited partners to approve the mergers only when the proxy statement/prospectus is final and declared effective. No solicitation will be made using preliminary materials. Nonetheless, copies of the preliminary proxy statement/prospectus may be obtained without charge upon request from Pioneer Natural Resources Company, 5205 North O'Connor Blvd., Suite 1400, Irving, Texas 75039, Attention: Investor Relations.

The limited partners are urged to read the proxy statement/prospectus of Pioneer filed with the Securities and Exchange Commission, when it is finalized, because it contains important information about the proposed mergers, including information about the direct and indirect interests of Pioneer USA and Pioneer in the mergers. The limited partners may also obtain the preliminary and (when filed) final proxy statement/prospectus and other relevant documents relating to the proposed mergers free through the internet web site that the Securities and Exchange Commission maintains at [www.sec.gov](http://www.sec.gov).

-----

- (1) "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" contains forward looking statements that involve risks and uncertainties. Accordingly, no assurances can be given that the actual events and results will not be materially different than the anticipated results described in the forward looking statements.

10

1139

PARKER & PARSLEY 88-B CONV., L.P.  
(A Delaware Limited Partnership)

FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITORS' REPORT

December 31, 2000 and 1999

1140



INDEPENDENT AUDITORS' REPORT

The Partners  
Parker & Parsley 88-B Conv., L.P.  
(A Delaware Limited Partnership):

We have audited the balance sheets of Parker & Parsley 88-B Conv., L.P. as of December 31, 2000 and 1999, and the related statements of operations, partners' capital and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parker & Parsley 88-B Conv., L.P. as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Dallas, Texas  
March 9, 2001

PARKER & PARSLEY 88-B CONV., L.P.  
(A Delaware Limited Partnership)

BALANCE SHEETS  
December 31

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

ASSETS

-----

Current assets:

Cash	\$ 58,050
Accounts receivable - oil and gas sales	80,619

-----

Total current assets	138,669
----------------------	---------

-----

Oil and gas properties - at cost, based on the  
successful efforts accounting method  
Accumulated depletion

2,824,029
(2,424,313)

-----

Net oil and gas properties	399,716
----------------------------	---------

-----

\$ 538,385
------------

=====

LIABILITIES AND PARTNERS' CAPITAL

-----

Current liabilities:

Accounts payable - affiliate	\$ 6,684
------------------------------	----------

Partners' capital:

Managing general partner	5,308
Limited partners (3,636 interests)	526,393

-----

531,701
---------

-----

\$ 538,385
------------

=====

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

PARKER & PARSLEY 88-B CONV., L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF OPERATIONS  
For the years ended December 31

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	2000 -----	1999 -----
Revenues:		
Oil and gas	\$ 535,228	\$ 291,390
Interest	5,043	2,697
Gain on disposition of assets	7,186	-
	-----	-----
	547,457	294,087
	-----	-----
Costs and expenses:		
Oil and gas production	174,071	146,805
General and administrative	15,875	8,615
Impairment of oil and gas properties	-	-
Depletion	27,450	42,399
Abandoned property	2,755	-
	-----	-----
	220,151	197,819
	-----	-----
Net income (loss)	\$ 327,306 =====	\$ 96,268 =====
Allocation of net income (loss):		
Managing general partner	\$ 3,273 =====	\$ 963 =====
Limited partners	\$ 324,033 =====	\$ 95,305 =====
Net income (loss) per limited partnership interest	\$ 89.12 =====	\$ 26.21 =====

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

PARKER & PARSLEY 88-B CONV., L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF PARTNERS' CAPITAL

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	general partner -----	Limited partners -----
Partners' capital at January 1, 1998	\$ 8,195	\$ 812,239
Distributions	(882)	(87,329)
Net loss	(1,987)	(196,725)
	-----	-----
Partners' capital at December 31, 1998	5,326	528,185
Distributions	(1,062)	(105,146)
Net income	963	95,305
	-----	-----
Partners' capital at December 31, 1999	5,227	518,344
Distributions	(3,192)	(315,984)
Net income	3,273	324,033
	-----	-----
Partners' capital at December 31, 2000	\$ 5,308	\$ 526,393
	=====	=====

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

5

1144

PARKER & PARSLEY 88-B CONV., L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF CASH FLOWS  
For the years ended December 31

	2000 -----	1999 -----
Cash flows from operating activities:		
Net income (loss)	\$ 327,306	\$ 96,268
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		

1124

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Impairment of oil and gas properties	-	-
Depletion	27,450	42,399
Gain on disposition of assets	(7,186)	-
Changes in assets and liabilities:		
Accounts receivable	(32,777)	(18,949)
Accounts payable	(1,988)	1,575
	-----	-----
Net cash provided by operating activities	312,805	121,293
	-----	-----
Cash flows from investing activities:		
Additions to oil and gas properties	(2,611)	(3,396)
Proceeds from disposition of assets	7,186	4,369
	-----	-----
Net cash provided by (used in) investing activities	4,575	973
	-----	-----
Cash flows used in financing activities:		
Cash distributions to partners	(319,176)	(106,208)
	-----	-----
Net increase (decrease) in cash	(1,796)	16,058
Cash at beginning of year	59,846	43,788
	-----	-----
Cash at end of year	\$ 58,050	\$ 59,846
	=====	=====

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

6

1145

PARKER & PARSLEY 88-B CONV., L.P.  
(A Delaware Limited Partnership)

NOTES TO FINANCIAL STATEMENTS  
December 31, 2000, 1999 and 1998

NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS

Parker & Parsley 88-B Conv., L.P. (the "Partnership") was organized in 1988 as a general partnership under the laws of the State of Texas and was converted to a Delaware limited partnership in 1989. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA").

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1125

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Oil and gas properties - The Partnership utilizes the successful efforts method of accounting for its oil and gas properties and equipment. Under this method, all costs associated with productive wells and nonproductive development wells are capitalized while nonproductive exploration costs are expensed. Capitalized costs relating to proved properties are depleted using the unit-of-production method on a property-by-property basis based on proved oil (dominant mineral) reserves as evaluated by independent petroleum consultants. The carrying amounts of properties sold or otherwise disposed of and the related allowances for depletion are eliminated from the accounts and any gain or loss is included in results of operations.

Impairment of long-lived assets - In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the Partnership reviews its long-lived assets to be held and used on an individual property basis, including oil and gas properties accounted for under the successful efforts method of accounting, whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. An impairment loss is indicated if the sum of the expected future cash flows is less than the carrying amount of the assets. In this circumstance, the Partnership recognizes an impairment loss for the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset.

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

Net income (loss) per limited partnership interest - The net income (loss) per limited partnership interest is calculated by using the number of outstanding limited partnership interests.

7

1146

Income taxes - A Federal income tax provision has not been included in the financial statements as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

Statements of cash flows - For purposes of reporting cash flows, cash includes depository accounts held by banks.

General and administrative expenses - General and administrative expenses are allocated in part to the Partnership by the managing general partner. Allocated expenses are determined by the managing general partner based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Reclassifications - Certain reclassifications may have been made to the

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

1999 and 1998 financial statements to conform to the 2000 financial statement presentations.

Environmental - The Partnership is subject to extensive federal, state and local environmental laws and regulations. These laws, which are constantly changing, regulate the discharge of materials into the environment and may require the Partnership to remove or mitigate the environmental effects of the disposal or release of petroleum or chemical substances at various sites. Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Liabilities for expenditures of a noncapital nature are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated. Such liabilities are generally undiscounted unless the timing of cash payments for the liability or component are fixed or reliably determinable. No such liabilities have been accrued as of December 31, 2000.

Revenue recognition - The Partnership uses the entitlements method of accounting for oil, natural gas liquids ("NGLs") and natural gas revenues.

### NOTE 3. IMPAIRMENT OF LONG-LIVED ASSETS

In accordance with SFAS 121, the Partnership reviews its proved oil and gas properties for impairment whenever events and circumstances indicate a decline in the recoverability of the carrying value of the Partnership's oil and gas properties. The Partnership has estimated the expected future cash flows of its oil and gas properties as of December 31, 2000, 1999 and 1998, based on proved reserves, and compared such estimated future cash flows to the respective carrying amount of the oil and gas properties to determine if the carrying amounts were likely to be recoverable. For those proved oil and gas properties for which the carrying amount exceeded the estimated future cash flows, an impairment was determined to exist; therefore, the Partnership adjusted the carrying amount of those oil and gas properties to their fair value as determined by discounting their expected future cash flows at a discount rate commensurate with the risks involved in the industry. As a result, the Partnership recognized a non-cash impairment provision of \$156,111 related to its proved oil and gas properties during 1998.

8

1147

### NOTE 4. INCOME TAXES

The financial statement basis of the Partnership's net assets and liabilities was \$30,771 greater than the tax basis at December 31, 2000.

The following is a reconciliation of net income (loss) per statements of operations with the net income per Federal income tax returns for the years ended December 31:

	2000 -----	1999 -----
Net income (loss) per statements of operations	\$ 327,306	\$ 96,268
Depletion and depreciation provisions for tax reporting		

1127

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

purposes less than amounts for financial reporting purposes	23,646	38,232
Impairment of oil and gas properties for financial reporting purposes	-	-
Other, net	(1,011)	3,526
	-----	-----
Net income per Federal income tax returns	\$ 349,941	\$ 138,026
	=====	=====

NOTE 5. OIL AND GAS PRODUCING ACTIVITIES

The following is a summary of the costs incurred, whether capitalized or expensed, related to the Partnership's oil and gas producing activities for the years ended December 31:

	2000	1999
	-----	-----
Development costs	\$ 2,611	\$ 3,396
	=====	=====

Capitalized oil and gas properties consist of the following:

	2000
	-----
Proved properties:	
Property acquisition costs	\$ 173,265
Completed wells and equipment	2,650,764
	-----
Accumulated depletion	2,824,029
	(2,424,313)
	-----
Net oil and gas properties	\$ 399,716
	=====

NOTE 6. RELATED PARTY TRANSACTIONS

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$ 64,694	\$ 63,771	\$
Reimbursement of general and administrative expenses	\$ 13,920	\$ 5,293	\$

The Partnership participates in oil and gas activities through an income tax partnership (the "Program") pursuant to the Program agreement. Pioneer USA, Parker & Parsley 88-B, L.P. and the Partnership (the "Partnerships") are parties to the Program agreement.

The costs and revenues of the Program are allocated to Pioneer USA and the Partnerships as follows:

	Pioneer USA (1)
Revenues:	
Proceeds from disposition of depreciable properties	9.09091%
All other revenues	24.242425%
Costs and expenses:	
Lease acquisition costs, drilling and completion costs	9.09091%
Operating costs, direct costs and general and administrative expenses	24.242425%

(1) Excludes Pioneer USA's 1% general partner ownership which is allocated at the Partnership level and 20 limited partner interests owned by Pioneer USA.

(2) The allocation between the Partnership and Parker & Parsley 88-B, L.P. is 28.880064% and 71.119936%, respectively.

NOTE 7. OIL AND GAS INFORMATION (UNAUDITED)

The following table presents information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities during the years then ended. All of the Partnership's reserves are proved developed and located within the United States. The Partnership's reserves are based on an evaluation prepared by Williamson Petroleum Consultants, Inc., an independent petroleum consultant, using criteria established by the Securities and Exchange Commission.

Oil and NGLs  
(bbls)

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Net proved reserves at January 1, 1998	214,797
Revisions	(87,571)
Production	(17,610)
	-----
Net proved reserves at December 31, 1998	109,616
Revisions	152,579
Production	(16,986)
	-----
Net proved reserves at December 31, 1999	245,209
Revisions	46,611
Production	(18,572)
	-----
Net proved reserves at December 31, 2000	273,248
	=====

10

1149

As of December 31, 2000, the estimated present value of future net revenues of proved reserves, calculated using December 31, 2000 prices of \$26.64 per barrel of oil, \$13.59 per barrel of NGLs and \$7.85 per mcf of gas, discounted at 10% was approximately \$2,098,000 and undiscounted was \$4,398,000.

Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves. The Partnership emphasizes that reserve estimates are inherently imprecise and, accordingly, the estimates are expected to change as future information becomes available.

### Disclosures about Oil & Gas Producing Activities

#### Standardized Measure of Discounted Future Net Cash Flows

The standardized measure of discounted future net cash flows is computed by applying year-end prices of oil and gas (with consideration of price changes only to the extent provided by contractual arrangements) to the estimated future production of proved oil and gas reserves less estimated future expenditures (based on year-end costs) to be incurred in developing and producing the proved reserves, discounted using a rate of 10% per year to reflect the estimated timing of the future cash flows. A Federal income tax provision has not been calculated as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

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

1130

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	For the years ended Dec	
	2000	1999
	(in thousands)	
Oil and gas producing activities:		
Future cash inflows	\$ 8,963	\$ 6,119
Future production costs	(4,565)	(3,521)
	-----	-----
	4,398	2,598
10% annual discount factor	(2,300)	(1,240)
	-----	-----
Standardized measure of discounted future net cash flows	\$ 2,098	\$ 1,358
	=====	=====

11

1150

	For the years ended Dec	
	2000	1999
	(in thousands)	
Oil and Gas Producing Activities:		
Oil and gas sales, net of production costs	\$ (361)	\$ (144)
Net changes in prices and production costs	775	595
Revisions of previous quantity estimates	350	1,112
Accretion of discount	136	19
Changes in production rates, timing and other	(160)	(410)
	-----	-----
Change in present value of future net revenues	740	1,172
	-----	-----
Balance, beginning of year	1,358	186
	-----	-----
Balance, end of year	\$ 2,098	\$ 1,358
	=====	=====

NOTE 8. MAJOR CUSTOMERS

The following table reflects the major customers of the Partnership's oil and gas sales (a major customer is defined as a customer whose sales exceed 10% of total sales) during the years ended December 31:

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	2000 -----	1999 -----
Plains Marketing, L.P.	50%	44%
Genesis Crude Oil, L.P.	-	-
Western Gas Resources, Inc.	3%	5%

At December 31, 2000, the amount receivable from Plains Marketing, L.P. was \$25,238 which is included in the caption "Accounts receivable - oil and gas sales" in the accompanying Balance Sheet.

Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on the ability of the Partnership to sell its oil, NGLs and gas production.

NOTE 9. PARTNERSHIP AGREEMENT

The following is a brief summary of the more significant provisions of the Partnership agreement:

Managing general partner - The managing general partner of the Partnership is Pioneer USA. Pioneer USA has the power and authority to manage, control and administer all Program and Partnership affairs. As managing general partner and operator of the Partnership's properties, all production expenses are incurred by Pioneer USA and billed to the Partnership. The majority of the Partnership's oil and gas revenues are received directly by the Partnership, however, a portion of the oil and gas revenue is initially received by Pioneer USA prior to being paid to the Partnership. Under the limited partnership agreement, the managing general partner pays 1% of the Partnership's acquisition, drilling and completion costs and 1% of its operating and general and administrative expenses. In return, it is allocated 1% of the Partnership's revenues.

12

1151

Limited partner liability - The maximum amount of liability of any limited partner is the total contributions of such partner plus his share of any undistributed profits.

Initial capital contributions - The partners entered into subscription agreements for aggregate capital contributions of \$3,636,000. Pioneer USA is required to contribute amounts equal to 1% of initial Partnership capital less commission and organization and offering costs allocated to the limited partners and to contribute amounts necessary to pay costs and expenses allocated to it under the Partnership agreement to the extent its share of revenues does not cover such costs.

13

1152

1132

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

PARKER & PARSLEY 88-B CONV., L.P.  
(A DELAWARE LIMITED PARTNERSHIP)

THIS REPORT CONTAINS FORWARD LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. ACCORDINGLY, NO ASSURANCES CAN BE GIVEN THAT THE ACTUAL EVENTS AND RESULTS WILL NOT BE MATERIALLY DIFFERENT THAN THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS.

### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

#### Results of operations

##### 2000 compared to 1999

The Partnership's oil and gas revenues increased 84% to \$535,228 for 2000 as compared to \$291,390 in 1999. The increase in revenues resulted from higher average prices received and an increase in production. In 2000, 13,209 barrels of oil, 5,363 barrels of natural gas liquids ("NGLs") and 21,781 mcf of gas were sold, or 22,202 barrel of oil equivalents ("BOEs"). In 1999, 11,400 barrels of oil, 5,586 barrels of NGLs and 23,221 mcf of gas were sold, or 20,856 BOEs. Due to the decline characteristics of the Partnership's oil and gas properties, management expects a certain amount of decline in production in the future until the Partnership's economically recoverable reserves are fully depleted.

The average price received per barrel of oil increased \$12.12, or 71%, from \$17.17 in 1999 to \$29.29 in 2000. The average price received per barrel of NGLs increased \$5.99, or 60%, from \$10.03 in 1999 to \$16.02 in 2000. The average price received per mcf of gas increased 69% from \$1.70 in 1999 to \$2.87 in 2000. The market price for oil and gas has been extremely volatile in the past decade, and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received in 2000.

Gain on disposition of assets of \$7,186 was recognized during 2000. The gain was comprised of \$5,981 received from the sale of equipment on one well plugged and abandoned during the current period and \$1,205 from equipment credits received on one fully depleted well.

Total costs and expenses increased in 2000 to \$220,151 as compared to \$197,819 in 1999, an increase of \$22,332, or 11%. The increase was due to increases in production costs, general and administrative expenses ("G&A") and abandoned property costs, offset by a decline in depletion.

Production costs were \$174,071 in 2000 and \$146,805 in 1999, resulting in a \$27,266 increase, or 19%. The increase was primarily due to higher production taxes associated with higher oil and gas prices and additional workover and well maintenance costs incurred to stimulate well production.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 84% from \$8,615 in 1999 to \$15,875 in 2000, primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$13,920 in 2000 and \$5,293 in 1999 for G&A incurred on behalf of the Partnership. The remaining G&A was paid directly by the Partnership. The managing general partner determines the allocated expenses based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

activities.

Depletion was \$27,450 in 2000 as compared to \$42,399 in 1999, representing a decrease of \$14,949, or 35%. This decrease was primarily due to a 35,962 barrels of oil increase in proved reserves during 2000 due to higher commodity prices, offset by an increase in oil production of 1,809 barrels for the period ended December 31, 2000 compared to the same period in 1999.

Abandoned property costs of \$2,755 were incurred during 2000 due to the plugging and abandonment of one well during

1153

the current period.

1999 compared to 1998

The Partnership's 1999 oil and gas revenues increased 24% to \$291,390 from \$234,942 in 1998. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 1999, 11,400 barrels of oil, 5,586 barrels of NGLs and 23,221 mcf of gas were sold, or 20,856 BOEs. In 1998, 12,653 barrels of oil, 4,957 barrels of NGLs and 21,214 mcf of gas were sold, or 21,146 BOEs.

The average price received per barrel of oil increased \$3.93, or 30%, from \$13.24 in 1998 to \$17.17 in 1999. The average price received per barrel of NGLs increased \$3.12, or 45%, from \$6.91 in 1998 to \$10.03 in 1999. The average price received per mcf of gas increased 9% from \$1.56 in 1998 to \$1.70 in 1999.

Total costs and expenses decreased in 1999 to \$197,819 as compared to \$436,801 in 1998, a decrease of \$238,982, or 55%. The decrease was primarily due to declines in the impairment of oil and gas properties, depletion and production costs, offset by an increase in G&A.

Production costs were \$146,805 in 1999 and \$158,704 in 1998, resulting in an \$11,899 decrease, or 7%. The decrease was due to declines in well maintenance costs, workover costs and ad valorem taxes, offset by an increase in production taxes due to increased oil and gas revenues.

During this period, G&A increased 21% from \$7,091 in 1998 to \$8,615 in 1999 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$5,293 in 1999 and \$5,608 in 1998 for G&A incurred on behalf of the Partnership.

In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the managing general partner reviews the Partnership's oil and gas properties for impairment whenever events or circumstances indicate a decline in the recoverability of the carrying value of the Partnership's assets may have occurred. As a result of the review and evaluation of its long-lived assets for impairment, the Partnership recognized a non-cash charge of \$156,111 related to its oil and gas properties during 1998.

Depletion was \$42,399 in 1999 compared to \$114,895 in 1998, representing a decrease of \$72,496, or 63%. This decrease was the result of a combination of factors that included an increase in proved reserves of 100,955 barrels of oil during 1999 as a result of higher commodity prices, a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 1998 and a decline in oil production of 1,253

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

barrels for the period ended December 31, 1999 compared to the same period in 1998.

### Petroleum industry

The petroleum industry has been characterized by volatile oil, NGL and natural gas commodity prices and relatively stable supplier costs during the three years ended December 31, 2000. During 1998, weather patterns, regional economic recessions and political matters combined to cause worldwide oil supplies to exceed demand resulting in a substantial decline in oil prices. Also during 1998, but to a lesser extent, market prices for natural gas declined. During 1999 and 2000, the Organization of Petroleum Exporting Countries ("OPEC") and certain other crude oil exporting nations announced reductions in their planned export volumes. Those announcements, together with the enactment of the announced reductions in export volumes, had a positive impact on world oil prices, as have overall natural gas supply and demand fundamentals on North American natural gas prices. Although the favorable commodity price environment and stable field service cost environment is expected to continue during 2001, there is no assurance that commodity prices will not return to a less favorable level or that field service costs will not escalate in the future, both of which could negatively impact the Partnership's future results of operations and cash distributions.

1154

### Liquidity and capital resources

#### Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$191,512 during the year ended December 31, 2000 from 1999. This increase was due to an increase in oil and gas sales receipts of \$246,184, offset by increases in production costs paid of \$27,266, G&A expenses paid of \$7,260 abandoned property costs paid of \$2,755 and working capital of \$17,391. The increase in oil and gas receipts resulted from the increase in commodity prices during 2000 which contributed an additional \$200,923 to oil and gas receipts and an increase of \$45,261 resulting from the increase in production during 2000. The increase in production costs was primarily due to increased production taxes associated with higher oil and gas prices and additional well maintenance and workover costs incurred to stimulate well production. The increase in G&A was primarily due to higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues.

#### Net Cash Provided by (Used in) Investing Activities

The Partnership's principal investing activities during 2000 and 1999 were related to equipment upgrades on active properties.

Proceeds from disposition of assets of \$7,186 were recognized during 2000. The proceeds were comprised of \$5,981 received from the sale of equipment on one well plugged and abandoned during the current period and \$1,205 from equipment credits received on one active well. Proceeds of \$4,369 during 1999 were primarily related to equipment dispositions on one oil and gas well that is temporarily abandoned.

#### Net Cash Used in Financing Activities

In 2000, cash distributions to the partners were \$319,176, of which \$3,192 was distributed to the managing general partner and \$315,984 to the limited partners. In 1999, cash distributions to the partners were \$106,208, of which

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

\$1,062 was distributed to the managing general partner and \$105,146 to the limited partners.

1155

### PARKER & PARSLEY 88-B CONV., L.P.

#### SELECTED FINANCIAL DATA

The following selected financial data for the Partnership should be read in connection with Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements included in the attached supplemental information.

	Six months ended June 30,		Years ended December 31		
	2001	2000	2000	1999	1998
Operating results:					
Oil and gas sales	\$ 249,201	\$ 240,056	\$ 535,228	\$ 291,390	\$ 234,942
Impairment of oil and gas properties	\$ --	\$ --	\$ --	\$ --	\$ 156,111
Net income (loss)	\$ 134,475	\$ 140,848	\$ 327,306	\$ 96,268	\$ (198,712)
Allocation of net income (loss):					
Managing general partner	\$ 1,345	\$ 1,408	\$ 3,273	\$ 963	\$ (1,987)
Limited partners	\$ 133,130	\$ 139,440	\$ 324,033	\$ 95,305	\$ (196,725)
Limited partners' net income (loss) per limited partnership interest	\$ 36.61	\$ 38.35	\$ 89.12	\$ 26.21	\$ (54.10)
Limited partners' cash distributions per limited partnership interest	\$ 28.91	\$ 38.90	\$ 86.90	\$ 28.92	\$ 24.02
As of period ended:					
Total assets	\$ 569,133	\$ 533,958	\$ 538,385	\$ 532,243	\$ 540,608



1156

PIONEER NATURAL RESOURCES COMPANY  
PIONEER NATURAL RESOURCES USA, INC.  
5205 NORTH O'CONNOR BLVD., SUITE 1400  
IRVING, TEXAS 75039

SUPPLEMENTAL INFORMATION

OF

PARKER & PARSLEY 88-B, L.P., A DELAWARE LIMITED PARTNERSHIP

TO

PROXY STATEMENT/PROSPECTUS DATED           , 2001

-----

THE DATE OF THIS SUPPLEMENT IS           , 2001

-----

This document contains important information specific to Parker & Parsley 88-B, L.P., and supplements the proxy statement/prospectus dated           , 2001, of Pioneer Natural Resources Company and Pioneer Natural Resources USA, Inc., by which Pioneer USA is soliciting proxies to be voted at a special meeting of limited partners of the partnership. The purpose of the special meeting is for you to vote upon the merger of the partnership with and into Pioneer USA that, if completed, will result in your receiving common stock of Pioneer Natural Resources Company for your partnership interests.

This document contains the following information concerning Parker & Parsley 88-B, L.P.:

- o A table containing:
  - the aggregate initial investment by the limited partners
  - the aggregate historical limited partner distributions through July 31, 2001
  - the merger value attributable to partnership interests of limited partners, excluding Pioneer USA
  - the merger value per \$1,000 limited partner investment
  - the merger value per \$1,000 limited partner investment as a multiple of distributions for the past four quarterly distributions including the distribution in July 2001
  - the book value per \$1,000 limited partner investment as of June 30, 2001 and as of December 31, 2000

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

- the going concern value per \$1,000 limited partner investment
- the liquidation value per \$1,000 limited partner investment
- the ordinary tax loss per \$1,000 limited partner investment in year of initial investment
- o Information about:
  - the legal opinion for the limited partners
  - the term of the partnership
- o The partnership's quarterly report on Form 10-Q, including management's discussion and analysis of financial condition and results of operations, for the six months ended June 30, 2001
- o The partnership's annual report on Form 10-K, including management's discussion and analysis of financial condition and results of operations, for the year ended December 31, 2000
- o Selected historical financial data for the partnership for the six months ended June 30, 2001 and 2000 and the five years ended December 31, 2000

-1-

1157

PARKER & PARSLEY 88-B, L.P.

SUPPLEMENTAL INFORMATION TABLE

Aggregate Initial Investment by the Limited Partners (a)	\$
Aggregate Historical Limited Partner Distributions through July 31, 2001 (a)	\$
Merger Value Attributable to Partnership Interests of Limited Partners, Excluding Pioneer USA (a), (b)	\$
Merger Value per \$1,000 Limited Partner Investment (b), (c)	\$
Merger Value per \$1,000 Limited Partner Investment as a Multiple of Distributions for the past four quarterly distributions including the distribution in July 2001 (b), (c)	
Book Value per \$1,000 Limited Partner Investment:	
-- as of June 30, 2001 (c)	\$
-- as of December 31, 2000 (c)	\$
Going Concern Value per \$1,000 Limited Partner Investment (c), (d)	\$
Liquidation Value per \$1,000 Limited Partner Investment (c), (e)	\$
Ordinary Tax Loss per \$1,000 Limited Partner Investment in Year of Initial Investment (c), (f)	\$

- 
- (a) Stated in thousands.
  - (b) The merger value for the partnership is equal to the sum of the present value of estimated future net revenues from the partnership's estimated oil and gas reserves and its net working capital, in each case as of March 31, 2001, less its pro rata share, based on its reserve value, of the estimated expenses and fees of the mergers of all of the partnerships and less the cash distribution on July 13, 2001, by the partnership to its partners.
  - (c) Interests in some partnerships were sold in units at prices other than \$1,000. We have presented this information based on a \$1,000 initial investment for ease of use and comparison among partnerships. You should not assume that the amount shown per \$1,000 investment is the same as the value or amount attributable to a single unit investment.
  - (d) The going concern value for the partnership is based upon: (1) the sum of (A) the estimated net cash flow from the sale of the partnership's reserves during a 10-year operating period and (B) the estimated residual value from the sale of the partnership's remaining reserves at the end of the operating period, in each case using the same pricing and discount rate as in the merger value calculation, less (2) (A) partnership level general and administrative expenses, and (B) the cash distribution on July 13, 2001 by the partnership to its partners.
  - (e) The liquidation value for the partnership is based upon the sale of the partnership's reserves at the reserve value, less (1) liquidation expenses which are estimated to be the sum of (A) the partnership's pro rata share of the merger expenses and fees described in footnote (b) above and (B) 3% of the partnership's reserve value, and (2) the cash distribution on July 13, 2001 by the partnership to its partners. The liquidation expenses represent estimated costs to retain an investment banker or broker to sell the assets of the partnership and the legal and other closing costs associated with such transaction, including the wind-down costs of the partnership.
  - (f) Your ability to use your distributive share of the partnership's loss to offset your other income may have been subject to certain limitations at your level as a partner, and you may therefore wish to consult your tax advisor to determine the additional value, if any, actually realized by you in your particular circumstances.

INFORMATION ABOUT THE LEGAL OPINION FOR THE LIMITED PARTNERS

The partnership agreement for the partnership requires that special legal counsel render an opinion on behalf of the limited partners to Pioneer USA that neither the grant nor the exercise of the right to approve the merger of the partnership by its limited partners will adversely affect the federal income tax classification of the partnership or any of its limited partners. Although not required by the partnership agreement, the opinion will also state that neither the grant nor exercise of such right will result in the loss of any limited partner's limited liability. In addition, the counsel designated to render the

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

opinion is not required to be counsel other than counsel to Pioneer USA or the partnership. Both the designated counsel and the legal opinion must be approved by the limited partners. Pioneer USA has retained \_\_\_\_\_ of Dallas, Texas for the purpose of rendering this legal opinion on behalf of the limited partners to Pioneer USA. The merger proposals include an approval of that counsel and the form of its opinion. A copy of the opinion is attached as an exhibit to the merger proposals.

INFORMATION ABOUT THE TERM OF THE PARTNERSHIP

The term of the partnership is until December 31, 2038, unless the partnership is earlier terminated in accordance with the applicable provisions of its partnership agreement.

-2-

1158

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, 2001

Commission File No. 33-19659-02

PARKER & PARSLEY 88-B, L.P.  
(Exact name of Registrant as specified in its charter)

Delaware

75-2240121

-----  
(State or other jurisdiction of  
incorporation or organization)

-----  
(I.R.S. Employer  
Identification Number)

5205 N. O'Connor Blvd., Suite 1400, Irving, Texas

75039

-----  
(Address of principal executive offices)

-----  
(Zip code)

Registrant's Telephone Number, including area code : (972) 444-9001

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 / x / No / /

1159

PARKER & PARSLEY 88-B, L.P.

TABLE OF CONTENTS

	Page
Part I. Financial Information	
Item 1. Financial Statements	
Balance Sheets as of June 30, 2001 and December 31, 2000.....	3
Statements of Operations for the three and six months ended June 30, 2001 and 2000.....	4
Statement of Partners' Capital for the six months ended June 30, 2001.....	5
Statements of Cash Flows for the six months ended June 30, 2001 and 2000.....	6
Notes to Financial Statements.....	7
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.....	7
Part II. Other Information	
Item 6. Exhibits and Reports on Form 8-K.....	11
Signatures.....	12

2

1160

PARKER & PARSLEY 88-B, L.P.  
(A Delaware Limited Partnership)

Part I. Financial Information

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Item 1. Financial Statements

BALANCE SHEETS

	June 30, 2001	December 31, 2000
	----- (Unaudited)	-----
ASSETS		
Current assets:		
Cash	\$ 315,293	\$ 144,763
Accounts receivable - oil and gas sales	138,533	198,467
	-----	-----
Total current assets	453,826	343,230
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	6,772,191	6,954,545
Accumulated depletion	(5,822,040)	(5,969,972)
	-----	-----
Net oil and gas properties	950,151	984,573
	-----	-----
	\$ 1,403,977	\$ 1,327,803
	=====	=====
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable - affiliate	\$ 22,604	\$ 16,350
Partners' capital:		
Managing general partner	13,783	13,083
Limited partners (8,954 interests)	1,367,590	1,298,370
	-----	-----
	1,381,373	1,311,453
	-----	-----
	\$ 1,403,977	\$ 1,327,803
	=====	=====

The financial information included as of June 30, 2001 has been prepared by the managing general partner without audit by independent public accountants.

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

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	Three months ended June 30,		Six months ended June 30,	
	2001	2000	2001	2000
Revenues:				
Oil and gas	\$ 287,569	\$ 302,734	\$ 613,966	\$ 591,346
Interest	2,193	3,085	4,914	5,177
Gain on disposition of assets	7,855	8,845	7,855	8,845
	-----	-----	-----	-----
	297,617	314,664	626,735	605,368
	-----	-----	-----	-----
Costs and expenses:				
Oil and gas production	128,587	114,842	233,029	205,053
General and administrative	7,189	8,802	15,349	17,740
Depletion	21,178	15,809	36,755	35,517
Abandoned property	10,241	-	10,241	-
	-----	-----	-----	-----
	167,195	139,453	295,374	258,310
	-----	-----	-----	-----
Net income	\$ 130,422	\$ 175,211	\$ 331,361	\$ 347,058
	=====	=====	=====	=====
Allocation of net income:				
Managing general partner	\$ 1,305	\$ 1,753	\$ 3,314	\$ 3,471
	=====	=====	=====	=====
Limited partners	\$ 129,117	\$ 173,458	\$ 328,047	\$ 343,587
	=====	=====	=====	=====
Net income per limited partnership interest	\$ 14.42	\$ 19.37	\$ 36.64	\$ 38.37
	=====	=====	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

PARKER & PARSLEY 88-B, L.P.  
(A Delaware Limited Partnership)

STATEMENT OF PARTNERS' CAPITAL  
(Unaudited)

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	Managing general partner -----	Limited partners -----	Total -----
Balance at January 1, 2001	\$ 13,083	\$1,298,370	\$1,311,453
Distributions	(2,614)	(258,827)	(261,441)
Net income	3,314	328,047	331,361
	-----	-----	-----
Balance at June 30, 2001	\$ 13,783	\$1,367,590	\$1,381,373
	=====	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

5

1163

PARKER & PARSLEY 88-B, L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF CASH FLOWS  
(Unaudited)

	Six months ended June 30,	
	2001	2000
	-----	-----
Cash flows from operating activities:		
Net income	\$ 331,361	\$ 347,058
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion	36,755	35,517
Gain on disposition of assets	(7,855)	(8,845)
Changes in assets and liabilities:		
Accounts receivable	59,934	(10,351)
Accounts payable	8,682	9,046
	-----	-----

1144



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Net cash provided by operating activities	428,877	372,425
	-----	-----
Cash flows from investing activities:		
Additions to oil and gas properties	(2,916)	(5,439)
Proceeds from asset dispositions	6,010	8,845
	-----	-----
Net cash provided by investing activities	3,094	3,406
	-----	-----
Cash flows used in financing activities:		
Cash distributions to partners	(261,441)	(351,856)
	-----	-----
Net increase in cash	170,530	23,975
Cash at beginning of period	144,763	129,430
	-----	-----
Cash at end of period	\$ 315,293	\$ 153,405
	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

6

1164

PARKER & PARSLEY 88-B, L.P.  
(A Delaware Limited Partnership)

NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Unaudited)

### Note 1. Organization and nature of operations

Parker & Parsley 88-B, L.P. (the "Partnership") is a limited partnership organized in 1988 under the laws of the State of Delaware.

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

### Note 2. Basis of presentation

In the opinion of management, the unaudited financial statements of the Partnership as of June 30, 2001 and for the three and six months ended June 30, 2001 and 2000 include all adjustments and accruals consisting only of normal recurring accrual adjustments which are necessary for a fair presentation of the results for the interim period. These interim results are not necessarily indicative of results for a full year. Certain reclassifications may have been made to the June 30, 2000 financial statements to conform to the June 30, 2001 financial statement presentations.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in this Form 10-Q pursuant to the rules and regulations of the Securities and Exchange Commission. The financial statements

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

should be read in conjunction with the financial statements and the notes thereto contained in the Partnership's Report on Form 10-K for the year ended December 31, 2000, as filed with the Securities and Exchange Commission, a copy of which is available upon request by writing to Rich Dealy, Vice President and Chief Accounting Officer, 5205 North O'Connor Boulevard, Suite 1400, Irving, Texas 75039-3746.

### Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (1)

#### Results of Operations

Six months ended June 30, 2001 compared with six months ended June 30, 2000

#### Revenues:

The Partnership's oil and gas revenues increased 4% to \$613,966 for the six months ended June 30, 2001 as compared to \$591,346 for the same period in 2000. The increase in revenues resulted from higher average prices received, offset by a decrease in production. For the six months ended June 30, 2001, 14,397 barrels

7

1165

of oil, 4,692 barrels of natural gas liquids ("NGLs") and 20,792 mcf of gas were sold, or 22,554 barrel of oil equivalents ("BOEs"). For the six months ended June 30, 2000, 16,511 barrels of oil, 6,423 barrels of NGLs and 26,695 mcf of gas were sold, or 27,383 BOEs.

The average price received per barrel of oil increased \$1.33, or 5%, from \$26.91 for the six months ended June 30, 2000 to \$28.24 for the same period in 2001. The average price received per barrel of NGLs increased \$3.39, or 24%, from \$14.08 during the six months ended June 30, 2000 to \$17.47 for the same period in 2001. The average price received per mcf of gas increased 184% from \$2.12 during the six months ended June 30, 2000 to \$6.03 for the same period in 2001. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received during the six months ended June 30, 2001.

Gain on disposition of assets of \$7,855 was received during the six months ended June 30, 2001 due to the sale of equipment on one well plugged and abandoned during the current period. Abandoned property costs of \$10,241 were also incurred during the same period to plug and abandon this well. A gain of \$8,845 was recognized during the same period in 2000 resulting from equipment credits received on one fully depleted well.

#### Costs and Expenses:

Total costs and expenses increased to \$295,374 for the six months ended June 30, 2001 as compared to \$258,310 for the same period in 2000, an increase of \$37,064, or 14%. This increase was due to increases in production costs, abandoned property costs and depletion, offset by a decline in general and administrative expenses ("G&A").

Production costs were \$233,029 for the six months ended June 30, 2001 and \$205,053 for the same period in 2000 resulting in a \$27,976 increase, or 14%. This increase was primarily due to additional workover and well maintenance

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

costs incurred to stimulate well production and increased production taxes associated with higher oil and gas prices.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A decreased 13% from \$17,740 for the six months ended June 30, 2000 to \$15,349 for the same period in 2001, primarily due to decreased audit and tax fees.

Depletion was \$36,755 for the six months ended June 30, 2001 as compared to \$35,517 for the same period in 2000, an increase of \$1,238, or 3%. This increase was primarily due to a reduction in proved reserves during the period ended June 30, 2001 as a result of lower commodity prices, offset by a decrease in oil production of 2,114 barrels for the six months ended June 30, 2001 as compared to the same period in 2000.

8

1166

Three months ended June 30, 2001 compared with three months ended June 30, 2000

### Revenues:

The Partnership's oil and gas revenues decreased 5% to \$287,569 for the three months ended June 30, 2001 as compared to \$302,734 for the same period in 2000. The decrease in revenues resulted from lower average prices received for oil and a decline in production, offset by higher average prices received for gas and NGLs. For the three months ended June 30, 2001, 7,644 barrels of oil, 2,377 barrels of NGLs and 12,161 mcf of gas were sold, or 12,048 BOEs. For the three months ended June 30, 2000, 8,275 barrels of oil, 3,156 barrels of NGLs and 12,676 mcf of gas were sold, or 13,544 BOEs.

The average price received per barrel of oil decreased \$.56, or 2%, from \$27.42 for the three months ended June 30, 2000 to \$26.86 for the same period in 2001. The average price received per barrel of NGLs increased \$1.22, or 9%, from \$13.81 during the three months ended June 30, 2000 to \$15.03 for the same period in 2001. The average price received per mcf of gas increased 50% from \$2.55 during the three months ended June 30, 2000 to \$3.83 for the same period in 2001.

Gain on disposition of assets of \$7,855 was received during the three months ended June 30, 2001 due to the sale of equipment on one well plugged and abandoned during the current period. Abandoned property costs of \$10,241 were also incurred during the same period to plug and abandon this well. A gain of \$8,845 was recognized during the same period in 2000 resulting from equipment credits received on one fully depleted well.

### Costs and Expenses:

Total costs and expenses increased to \$167,195 for the three months ended June 30, 2001 as compared to \$139,453 for the same period in 2000, an increase of \$27,742, or 20%. This increase was due to increases in production costs, abandoned property costs and depletion, offset by a decline in G&A.

Production costs were \$128,587 for the three months ended June 30, 2001 and \$114,842 for the same period in 2000 resulting in a \$13,745 increase, or 12%. The increase was primarily due to additional workover and well maintenance costs incurred to stimulate well production.

During this period, G&A decreased 18% from \$8,802 for the three months ended

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

June 30, 2000 to \$7,189 for the same period in 2001 due to lower percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of a decline in oil and gas revenues and a decrease in audit and tax fees.

Depletion was \$21,178 for the three months ended June 30, 2001 as compared to \$15,809 for the same period in 2000, an increase of \$5,369, or 34%. This increase was primarily due to a reduction in proved reserves during the period ended June 30, 2001 as a result of lower commodity prices, offset by a decline in oil production of 631 barrels for the three months ended June 30, 2001 as compared to the same period in 2000.

9

1167

### Liquidity and Capital Resources

#### Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$56,452 during the six months ended June 30, 2001 from the same period ended June 30, 2000. This increase was primarily due to an increase of \$22,357 in oil and gas sales receipts and reductions of \$2,391 in G&A expenses and \$69,921 in working capital, offset by increases in production costs of \$27,976 and abandoned property costs of \$10,241. The increase in oil and gas receipts resulted from the increase in commodity prices during 2001 which contributed an additional \$147,904 to oil and gas receipts, offset by \$125,547 resulting from the decline in production during 2001 as compared to the same period in 2000. The increase in production costs was primarily due to additional workover and well maintenance costs incurred to stimulate well production and increased production taxes associated with higher oil and gas prices. The decrease in G&A was primarily due to decreased audit and tax fees.

#### Net Cash Provided by Investing Activities

The Partnership's principal investing activities during the six months ended June 30, 2001 and 2000 were for equipment upgrades on active oil and gas properties.

Proceeds from disposition of assets of \$6,010 was recognized during the six months ended June 30, 2001. The proceeds were comprised of \$5,485 received from the sale of equipment on one well plugged and abandoned during the current period and \$525 from equipment credits received on two active wells. Proceeds of \$8,845 recognized during the same period in 2000 were from equipment credits on one fully depleted well.

#### Net Cash Used in Financing Activities

For the six months ended June 30, 2001, cash distributions to the partners were \$261,441, of which \$2,614 was distributed to the managing general partner and \$258,827 to the limited partners. For the same period ended June 30, 2000, cash distributions to the partners were \$351,856, of which \$3,519 was distributed to the managing general partner and \$348,337 to the limited partners.

For the three months ended June 30, 2001, no distributions were made by the partnership to its partners. Subsequent to June 30, 2001 the cash distribution that otherwise would have been mailed to partners in late June was made to

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

holders of record as of July 9, 2001 and was mailed on July 13, 2001. For further information, see "Proposal to acquire partnerships" below.

### Proposal to acquire partnerships

On June 29, 2001, Pioneer Natural Resources Company ("Pioneer") filed with the Securities and Exchange Commission Amendment No. 1 to the Form S-4 Registration Statement (File No. 333- 59094) (the "preliminary proxy statement/prospectus"), which proposes an agreement and plan of merger among Pioneer, Pioneer Natural Resources USA, Inc. ("Pioneer USA"), a wholly-owned subsidiary of Pioneer, and 46 Parker & Parsley limited partnerships. Each partnership that approves the agreement and plan of merger and the other related merger proposals will merge

10

1168

with and into Pioneer USA upon the closing of the transactions described in the preliminary proxy statement/prospectus, and the partnership interests of each such partnership will be converted into the right to receive Pioneer common stock. The Partnership is one of the 46 Parker & Parsley limited partnerships that will be asked to approve the agreement and plan of merger. The preliminary proxy statement/prospectus is non-binding and is subject to, among other things, consideration of offers from third parties to purchase any partnership or its assets and the majority approval of the limited partnership interests in each partnership.

Pioneer USA will solicit proxies from limited partners to approve the mergers only when the proxy statement/prospectus is final and declared effective. No solicitation will be made using preliminary materials. Nonetheless, copies of the preliminary proxy statement/prospectus may be obtained without charge upon request from Pioneer Natural Resources Company, 5205 North O'Connor Blvd., Suite 1400, Irving, Texas 75039, Attention: Investor Relations.

The limited partners are urged to read the proxy statement/prospectus of Pioneer filed with the Securities and Exchange Commission, when it is finalized, because it contains important information about the proposed mergers, including information about the direct and indirect interests of Pioneer USA and Pioneer in the mergers. The limited partners may also obtain the preliminary and (when filed) final proxy statement/prospectus and other relevant documents relating to the proposed mergers free through the internet web site that the Securities and Exchange Commission maintains at [www.sec.gov](http://www.sec.gov).

-----

- (1) "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" contains forward looking statements that involve risks and uncertainties. Accordingly, no assurances can be given that the actual events and results will not be materially different than the anticipated results described in the forward looking statements.

### Part II. Other Information

Item 6. Exhibits and Reports on Form 8-K

- (a) Exhibits - none

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

(b) Reports on Form 8-K - none

11

1169

PARKER & PARSLEY 88-B, L.P.  
(A Delaware Limited Partnership)

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 thereunto duly authorized.

PARKER & PARSLEY 88-B, L.P.

By: Pioneer Natural Resources USA, Inc.,  
Managing General Partner

Dated: August 8, 2001

By: /s/ Rich Dealy

-----  
Rich Dealy, Vice President and  
Chief Accounting Officer

12

1170

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

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d)  
of the Securities Exchange Act of 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000

COMMISSION FILE NO. 33-19659-02

PARKER & PARSLEY 88-B, L.P.  
(Exact name of Registrant as specified in its charter)

DELAWARE

75-2240121

-----  
(State or other jurisdiction of

-----  
(I.R.S. Employer

1150

# Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

incorporation or organization)

Identification Number)

1400 WILLIAMS SQUARE WEST, 5205 N. O'CONNOR BLVD., IRVING, TEXAS  
(Address of principal executive offices)

75039  
(Zip code)

Registrant's Telephone Number, including area code : (972) 444-9001

Securities registered pursuant to Section 12(b) of the Act: NONE  
Securities registered pursuant to Section 12(g) of the Act:  
LIMITED PARTNERSHIP INTERESTS (\$1,000 PER UNIT)

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

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

No market currently exists for the limited partnership interests of the Registrant. Based on the original purchase price, the aggregate market value of limited partnership interests owned by non-affiliates of the Registrant is \$8,860,000.

As of March 8, 2001, the number of outstanding limited partnership interests was 8,954.

The following documents are incorporated by reference into the indicated parts of this Annual Report on Form 10-K: None

PARTS I AND II OF THIS ANNUAL REPORT ON FORM 10-K (THE "REPORT") CONTAIN FORWARD LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. ACCORDINGLY, NO ASSURANCES CAN BE GIVEN THAT THE ACTUAL EVENTS AND RESULTS WILL NOT BE MATERIALLY DIFFERENT THAN THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS. SEE "ITEM 1. BUSINESS" FOR A DESCRIPTION OF VARIOUS FACTORS THAT COULD MATERIALLY AFFECT THE ABILITY OF THE PARTNERSHIP TO ACHIEVE THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS.

1171

## PART I

### ITEM 1. BUSINESS

Parker & Parsley 88-B, L.P. (the "Partnership") is a limited partnership organized in 1988 under the laws of the State of Delaware. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA"). Pioneer USA is a wholly-owned subsidiary of Pioneer Natural Resources Company ("Pioneer"). As of March 8, 2001, the Partnership had 8,954 limited partnership interests outstanding.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The Partnership does not have any employees of its own. Pioneer USA employs 701 persons, many of whom dedicated a part of their time to the conduct of the Partnership's business during the period for which this Report is filed. Pioneer USA is responsible for all management functions.

The Partnership engages in oil and gas development and production and is not involved in any industry segment other than oil and gas. The Partnership's production is geographically concentrated in West Texas.

The principal markets during 2000 for the oil produced by the Partnership were refineries and oil transmission companies that have facilities near the Partnership's oil producing properties. During 2000, Pioneer USA marketed the Partnership's gas to a variety of purchasers, none of which accounted for 10% or more of the Partnership's oil and gas revenues. Of the Partnership's total oil and gas revenues for 2000, approximately 50% was attributable to sales made to Plains Marketing, L.P. Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on its ability to sell its oil, natural gas liquids ("NGLs") and gas production.

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

Oil and gas production operations are subject to various types of regulations by local, state and federal agencies. The Partnership's operations are also subject to state conservation laws and regulations, including the establishment of maximum rates of production from wells and the regulation of spacing, plugging and abandonment of wells. Each state generally imposes a production or severance tax with respect to production and sale of oil and gas within their respective jurisdictions. Noncompliance with the laws and regulations may subject the Partnership to penalties, damages or other liabilities and compliance may increase the cost of the Partnership's operations.

The oil and gas business is also subject to environmental hazards such as oil spills, gas leaks and ruptures and discharges of toxic substances or gases that could expose the Partnership to substantial

liability due to pollution and other environmental damages. Although the Partnership believes that its business operations do not impair environmental quality and that its costs of complying with any applicable environmental regulations are not currently significant, the Partnership cannot predict what, if any, effect these environmental regulations may have on its current or future operations.

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



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

No material part of the Partnership's business is seasonal and the Partnership conducts no foreign operations.

### ITEM 2. PROPERTIES

The Partnership's properties consist of leasehold interests in properties on which oil and gas wells are located. Such property interests are often subject to landowner royalties, overriding royalties and other oil and gas leasehold interests.

Fractional working interests in developmental oil and gas prospects located in the Spraberry Trend area of West Texas were acquired by the Partnership, resulting in the Partnership's participation in the drilling of 43 oil and gas wells. Two wells have been plugged and abandoned. At December 31, 2000, 41 wells were producing.

For information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities for the years then ended see Note 7 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" below. Such reserves have been evaluated by Williamson Petroleum Consultants, Inc., an independent petroleum consultant.

### ITEM 3. LEGAL PROCEEDINGS

The Partnership from time to time is a party to various legal proceedings incidental to its business involving claims in oil and gas leases or interests, other claims for damages in amounts not in excess of 10% of its current assets and other matters, none of which Pioneer USA believes to be material to the Partnership.

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

There were no matters submitted to a vote of the partners during the fourth quarter of 2000.

3

1173

## PART II

### ITEM 5. MARKET FOR LIMITED PARTNERSHIP INTERESTS AND LIMITED PARTNERSHIP DISTRIBUTIONS

At March 8, 2001, the Partnership had 8,954 outstanding limited partnership interests held of record by 690 subscribers. There is no established public trading market for the limited partnership interests. Under the limited partnership agreement, Pioneer USA has made certain commitments to purchase partnership interests at a computed value.

Revenues which, in the sole judgement of the managing general partner, are not required to meet the Partnership's obligations are distributed to the partners at least quarterly in accordance with the limited partnership agreement. During the years ended December 31, 2000 and 1999, \$778,145 and \$258,933, respectively, of such revenue-related distributions were made to the limited partners.

### ITEM 6. SELECTED FINANCIAL DATA

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The following table sets forth selected financial data for the years ended December 31:

	2000 -----	1999 -----	1998 -----	1997 -----	
Operating results:					
-----					
Oil and gas sales	\$1,318,092 =====	\$ 717,449 =====	\$ 578,573 =====	\$ 810,500 =====	\$1, =====
Impairment of oil and gas properties	\$ - =====	\$ - =====	\$ 383,951 =====	\$ 547,793 =====	\$ =====
Net income (loss)	\$ 805,539 =====	\$ 236,642 =====	\$ (488,631) =====	\$ (344,997) =====	\$ =====
Allocation of net income (loss):					
Managing general partner	\$ 8,055 =====	\$ 2,366 =====	\$ (4,887) =====	\$ (3,450) =====	\$ =====
Limited partners	\$ 797,484 =====	\$ 234,276 =====	\$ (483,744) =====	\$ (341,547) =====	\$ =====
Limited partners' net income (loss) per limited partnership interest	\$ 89.06 =====	\$ 26.16 =====	\$ (54.03) =====	\$ (38.14) =====	\$ =====
Limited partners' cash distributions per limited partnership interest	\$ 86.90 =====	\$ 28.92 =====	\$ 24.02 =====	\$ 50.67 =====	\$ =====
At year end:					
-----					
Identifiable assets	\$1,327,803 =====	\$1,313,164 =====	\$1,334,302 =====	\$2,051,284 =====	\$2, =====

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

#### Results of operations

#### 2000 compared to 1999

The Partnership's oil and gas revenues increased 84% to \$1,318,092 for 2000 as compared to \$717,449 in 1999. The increase in revenues resulted from higher

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

average prices received and an increase in production. In 2000, 32,524 barrels of oil, 13,205 barrels of natural gas liquids ("NGLs") and 53,620 mcf of gas were sold, or 54,666 barrel of oil equivalents ("BOEs"). In 1999, 28,078 barrels of oil, 13,752 NGLs and 57,190 mcf of gas were sold, or 51,362 BOEs. Due to the decline characteristics of the Partnership's oil and gas properties, management expects a certain amount of decline in production in the future until the Partnership's economically recoverable reserves are fully depleted.

The average price received per barrel of oil increased \$12.12, or 71%, from \$17.17 in 1999 to \$29.29 in 2000. The average price received per barrel of NGLs increased \$5.99, or 60%, from \$10.03 in 1999 to \$16.02 in 2000. The average price received per mcf of gas increased 69% from \$1.70 in 1999 to \$2.87 in 2000. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received in 2000.

Gain on disposition of assets of \$17,697 was recognized during 2000. The gain was comprised of \$14,729 received from the sale of equipment on one well plugged and abandoned during the current period and \$2,968 from equipment credits received on one fully depleted well.

Total costs and expenses increased in 2000 to \$542,703 as compared to \$487,566 in 1999, an increase of \$55,137, or 11%. The increase was due to increases in production costs, general and administrative expenses ("G&A") and abandoned property costs, offset by a decline in depletion.

Production costs were \$428,633 in 2000 and \$361,482 in 1999, resulting in an increase of \$67,151, or 19%. The increase was primarily due to higher production taxes associated with higher oil and gas prices and additional well maintenance and workover costs incurred to stimulate well production.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 83% from \$21,650 in 1999 to \$39,725 in 2000 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$34,281 in 2000 and \$13,039 in 1999 for G&A incurred on behalf of the Partnership. The remaining G&A was paid directly by the Partnership. The managing general partner determines the allocated expenses based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Depletion was \$67,561 in 2000 as compared to \$104,434 in 1999, representing a decrease of \$36,873, or 35%. This decrease was primarily due to a 88,489 barrels of oil increase in proved reserves during 2000 as a result of higher commodity prices, offset by an increase in oil production of 4,446 barrels for the period ended December 31, 2000 compared to the same period in 1999.

Abandoned property costs of \$6,784 incurred in 2000 were related to the plugging and abandonment of one well during the current year.

1999 compared to 1998

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The Partnership's 1999 oil and gas revenues increased 24% to \$717,449 from \$578,573 in 1998. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 1999, 28,078 barrels of oil, 13,752 barrels of NGLs and 57,190 mcf of gas were sold, or 51,362 BOEs. In 1998, 31,155 barrels of oil, 12,210 NGLs and 52,254 mcf of gas were sold, or 52,074 BOEs.

The average price received per barrel of oil increased \$3.93, or 30%, from \$13.24 in 1998 to \$17.17 in 1999. The average price received per barrel of NGLs increased \$3.12, or 45%, from \$6.91 in 1998 to \$10.03 in 1999. The average price received per mcf of gas increased 9% from \$1.56 in 1998 to \$1.70 in 1999.

Total costs and expenses decreased in 1999 to \$487,566 as compared to \$1,075,163 in 1998, a decrease of \$587,597, or 55%. The decrease was primarily due to declines in the impairment of oil and gas properties, depletion and production costs, offset by an increase in G&A.

Production costs were \$361,482 in 1999 and \$390,835 in 1998, resulting in a \$29,353 decrease, or 8%. The decrease was primarily due to declines in well maintenance costs, workover costs and ad valorem taxes, offset by an increase in production taxes due to increased oil and gas revenues.

During this period, G&A increased 25% from \$17,315 in 1998 to \$21,650 in 1999 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$13,039 in 1999 and \$13,810 in 1998 for G&A incurred on behalf of the Partnership.

In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the managing general partner reviews the Partnership's oil and gas properties for impairment whenever events or circumstances indicate a decline in the recoverability of the carrying value of the Partnership's assets may have occurred. As a result of the review and evaluation of its long-lived assets for impairment, the Partnership recognized a non-cash charge of \$383,951 related to its oil and gas properties during 1998.

Depletion was \$104,434 in 1999 compared to \$283,062 in 1998. This represented a decrease of \$178,628, or 63%. This decrease was the result of a combination of factors that included an increase in proved reserves of 248,642 barrels of oil during 1999 as a result of higher commodity prices, a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 1998 and a decline in oil production of 3,077 barrels for the period ended

December 31, 1999 compared to the same period in 1998.

### Petroleum industry

The petroleum industry has been characterized by volatile oil, NGL and natural gas commodity prices and relatively stable supplier costs during the three years ended December 31, 2000. During 1998, weather patterns, regional economic recessions and political matters combined to cause worldwide oil supplies to exceed demand resulting in a substantial decline in oil prices. Also during 1998, but to a lesser extent, market prices for natural gas declined. During 1999 and 2000, the Organization of Petroleum Exporting Countries ("OPEC") and

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

certain other crude oil exporting nations announced reductions in their planned export volumes. Those announcements, together with the enactment of the announced reductions in export volumes, had a positive impact on world oil prices, as have overall natural gas supply and demand fundamentals on North American natural gas prices. Although the favorable commodity price environment and stable field service cost environment is expected to continue during 2001, there is no assurance that commodity prices will not return to a less favorable level or that field service costs will not escalate in the future, both of which could negatively impact the Partnership's future results of operations and cash distributions.

### Liquidity and capital resources

#### Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$512,129 during the year ended December 31, 2000 from 1999. This increase was due to an increase in oil and gas sales receipts of \$606,337, offset by increases in production costs paid of \$67,151, G&A expenses paid of \$18,075, abandoned property costs paid of \$6,784 and working capital of \$2,198. The increase in oil and gas receipts resulted from the increase in commodity prices during 2000 which contributed an additional \$495,153 to oil and gas receipts and an increase of \$111,184 resulting from the increase in production during 2000. The increase in production costs was primarily due to increased production taxes associated with higher oil and gas prices and additional well maintenance and workover costs incurred to stimulate well production. The increase in G&A was primarily due to higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues.

#### Net Cash Provided by (Used in) Investing Activities

The Partnership's investing activities during 2000 and 1999 were related to the upgrades of oil and gas equipment on active properties.

Proceeds from disposition of assets of \$17,697 were recognized during 2000. The proceeds were comprised of \$14,729 received from the sale of equipment on one well plugged and abandoned during the current period and \$2,968 from equipment credits received on active wells. Proceeds of \$10,758 recognized during 1999 were related to equipment disposals on one temporarily abandoned oil and gas well.

#### Net Cash Used in Financing Activities

7

1177

In 2000, cash distributions to the partners were \$786,005, of which \$7,860 was distributed to the managing general partner and \$778,145 to the limited partners. In 1999, cash distributions to the partners were \$261,548, of which \$2,615 was distributed to the managing general partner and \$258,933 to the limited partners.

8

1178

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO FINANCIAL STATEMENTS

	Page
	----
Financial Statements of Parker & Parsley 88-B, L.P.:	
Independent Auditors' Report.....	10
Balance Sheets as of December 31, 2000 and 1999.....	11
Statements of Operations for the Years Ended December 31, 2000, 1999 and 1998.....	12
Statements of Partners' Capital for the Years Ended December 31, 2000, 1999 and 1998.....	13
Statements of Cash Flows for the Years Ended December 31, 2000, 1999 and 1998.....	14
Notes to Financial Statements.....	15

INDEPENDENT AUDITORS' REPORT

The Partners  
Parker & Parsley 88-B, L.P.  
(A Delaware Limited Partnership):

We have audited the balance sheets of Parker & Parsley 88-B, L.P. as of December 31, 2000 and 1999, and the related statements of operations, partners' capital and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parker & Parsley 88-B, L.P. as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Ernst & Young LLP

Dallas, Texas  
March 9, 2001

10

1180

PARKER & PARSLEY 88-B, L.P.  
(A Delaware Limited Partnership)

BALANCE SHEETS  
December 31

	2000	1999
	-----	-----
ASSETS		
-----		
Current assets:		
Cash	\$ 144,763	\$ 129,430
Accounts receivable - oil and gas sales	198,467	138,030
	-----	-----
Total current assets	343,230	267,460
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	6,954,545	7,129,071
Accumulated depletion	(5,969,972)	(6,083,367)
	-----	-----
Net oil and gas properties	984,573	1,045,704
	-----	-----
	\$ 1,327,803	\$ 1,313,164
	=====	=====
LIABILITIES AND PARTNERS' CAPITAL		
-----		
Current liabilities:		
Accounts payable - affiliate	\$ 16,350	\$ 21,245
Partners' capital:		
Managing general partner	13,083	12,888
Limited partners (8,954 interests)	1,298,370	1,279,031
	-----	-----
	1,311,453	1,291,919
	-----	-----
	\$ 1,327,803	\$ 1,313,164

=====

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

11

1181

PARKER & PARSLEY 88-B, L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF OPERATIONS  
For the years ended December 31

	2000	1999	1998
	-----	-----	-----
Revenues:			
Oil and gas	\$1,318,092	\$ 717,449	\$ 578,577
Interest	12,453	6,759	7,800
Other	-	-	15
Gain on disposition of assets	17,697	-	-
	-----	-----	-----
	1,348,242	724,208	586,532
	-----	-----	-----
Costs and expenses:			
Oil and gas production	428,633	361,482	390,833
General and administrative	39,725	21,650	17,311
Impairment of oil and gas properties	-	-	383,950
Depletion	67,561	104,434	283,060
Abandoned property	6,784	-	-
	-----	-----	-----
	542,703	487,566	1,075,160
	-----	-----	-----
Net income (loss)	\$ 805,539	\$ 236,642	\$ (488,628)
	=====	=====	=====
Allocation of net income (loss):			
Managing general partner	\$ 8,055	\$ 2,366	\$ (4,880)
	=====	=====	=====
Limited partners	\$ 797,484	\$ 234,276	\$ (483,748)
	=====	=====	=====
Net income (loss) per limited partnership interest	\$ 89.06	\$ 26.16	\$ (54.00)
	=====	=====	=====



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

12

1182

PARKER & PARSLEY 88-B, L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF PARTNERS' CAPITAL

	Managing general partner -----	Limited partners -----	Total -----
Partners' capital at January 1, 1998	\$ 20,196	\$ 2,002,489	\$ 2,022,685
Distributions	(2,172)	(215,057)	(217,229)
Net loss	(4,887)	(483,744)	(488,631)
	-----	-----	-----
Partners' capital at December 31, 1998	13,137	1,303,688	1,316,825
Distributions	(2,615)	(258,933)	(261,548)
Net income	2,366	234,276	236,642
	-----	-----	-----
Partners' capital at December 31, 1999	12,888	1,279,031	1,291,919
Distributions	(7,860)	(778,145)	(786,005)
Net income	8,055	797,484	805,539
	-----	-----	-----
Partners' capital at December 31, 2000	\$ 13,083 =====	\$ 1,298,370 =====	\$ 1,311,453 =====

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

PARKER & PARSLEY 88-B, L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF CASH FLOWS  
For the years ended December 31

	2000	1999	1998
	-----	-----	-----
Cash flows from operating activities:			
Net income (loss)	\$ 805,539	\$ 236,642	\$ (488,631)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Impairment of oil and gas properties	-	-	383,951
Depletion	67,561	104,434	283,062
Other	-	-	(156)
Gain on disposition of assets	(17,697)	-	-
Changes in assets and liabilities:			
Accounts receivable	(60,437)	(66,902)	26,411
Accounts payable	(4,895)	3,768	(11,122)
	-----	-----	-----
Net cash provided by operating activities	790,071	277,942	193,515
	-----	-----	-----
Cash flows from investing activities:			
Additions to oil and gas properties	(6,430)	(8,363)	(15,067)
Proceeds from asset dispositions	17,697	10,758	156
	-----	-----	-----
Net cash provided by (used in) investing activities	11,267	2,395	(14,911)
	-----	-----	-----
Cash flows from financing activities:			
Cash distributions to partners	(786,005)	(261,548)	(217,229)
	-----	-----	-----
Net increase (decrease) in cash	15,333	18,789	(38,625)
Cash at beginning of year	129,430	110,641	149,266
	-----	-----	-----
Cash at end of year	\$ 144,763	\$ 129,430	\$ 110,641
	=====	=====	=====

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

PARKER & PARSLEY 88-B, L.P.  
(A Delaware Limited Partnership)

NOTES TO FINANCIAL STATEMENTS  
December 31, 2000, 1999 and 1998

NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS

Parker & Parsley 88-B, L.P. (the "Partnership") is a limited partnership organized in 1988 under the laws of the State of Delaware. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA").

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Oil and gas properties - The Partnership utilizes the successful efforts method of accounting for its oil and gas properties and equipment. Under this method, all costs associated with productive wells and nonproductive development wells are capitalized while nonproductive exploration costs are expensed. Capitalized costs relating to proved properties are depleted using the unit-of-production method on a property-by-property basis based on proved oil (dominant mineral) reserves as evaluated by independent petroleum consultants. The carrying amounts of properties sold or otherwise disposed of and the related allowances for depletion are eliminated from the accounts and any gain or loss is included in results of operations.

Impairment of long-lived assets - In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the Partnership reviews its long-lived assets to be held and used on an individual property basis, including oil and gas properties accounted for under the successful efforts method of accounting, whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. An impairment loss is indicated if the sum of the expected future cash flows is less than the carrying amount of the assets. In this circumstance, the Partnership recognizes an impairment loss for the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset.

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

Net income (loss) per limited partnership interest - The net income (loss) per limited partnership interest is calculated by using the number of outstanding limited partnership interests.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Income taxes - A Federal income tax provision has not been included in the financial statements as the income of the Partnership is included in the individual Federal income tax returns of the

15

1185

respective partners.

Statements of cash flows - For purposes of reporting cash flows, cash includes depository accounts held by banks.

General and administrative expenses - General and administrative expenses are allocated in part to the Partnership by the managing general partner. Allocated expenses are determined by the managing general partner based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Reclassifications - Certain reclassifications may have been made to the 1999 and 1998 financial statements to conform to the 2000 financial statement presentations.

Environmental - The Partnership is subject to extensive federal, state and local environmental laws and regulations. These laws, which are constantly changing, regulate the discharge of materials into the environment and may require the Partnership to remove or mitigate the environmental effects of the disposal or release of petroleum or chemical substances at various sites. Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Liabilities for expenditures of a noncapital nature are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated. Such liabilities are generally undiscounted unless the timing of cash payments for the liability or component are fixed or reliably determinable. No such liabilities have been accrued as of December 31, 2000.

Revenue recognition - The Partnership uses the entitlements method of accounting for oil, natural gas liquids ("NGLs") and natural gas revenues.

### NOTE 3. IMPAIRMENT OF LONG-LIVED ASSETS

In accordance with SFAS 121, the Partnership reviews its proved oil and gas properties for impairment whenever events and circumstances indicate a decline in the recoverability of the carrying value of the Partnership's oil and gas properties. The Partnership has estimated the expected future cash flows of its oil and gas properties as of December 31, 2000, 1999 and 1998, based on proved reserves, and compared such estimated future cash flows to the respective carrying amount of the oil and gas properties to determine if the carrying amounts were likely to be recoverable. For those proved oil and gas properties for which the carrying amount exceeded the estimated future cash flows, an impairment was determined to exist; therefore, the Partnership adjusted the carrying amount of those oil and gas properties to their fair value as determined by discounting their expected future cash flows at a discount rate commensurate with the risks involved in the industry. As a result, the Partnership recognized a non-cash impairment provision of \$383,951 related to its proved oil and gas properties during 1998.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

16

1186

NOTE 4. INCOME TAXES

The financial statement basis of the Partnership's net assets and liabilities was \$77,883 greater than the tax basis at December 31, 2000.

The following is a reconciliation of net income (loss) per statements of operations with the net income per Federal income tax returns for the years ended December 31:

	2000 -----	1999 -----	1998 -----
Net income (loss) per statements of operations	\$ 805,539	\$236,642	\$ (488,631)
Depletion and depreciation provisions for tax reporting purposes less than amounts for financial reporting purposes	58,194	94,173	274,063
Impairment of oil and gas properties for financial reporting purposes	-	-	383,951
Other	(2,494)	8,701	1,161
	-----	-----	-----
Net income per Federal income tax returns	\$ 861,239 =====	\$339,516 =====	\$ 170,544 =====

NOTE 5. OIL AND GAS PRODUCING ACTIVITIES

The following is a summary of the costs incurred, whether capitalized or expensed, related to the Partnership's oil and gas producing activities for the years ended December 31:

	2000 -----	1999 -----	1998 -----
Development costs	\$ 6,430 =====	\$ 8,363 =====	\$ 15,067 =====

Capitalized oil and gas properties consist of the following:

	2000 -----	1999 -----
Proved properties:		
Property acquisition costs	\$ 426,682	\$ 439,249
Completed wells and equipment	6,527,863	6,689,822
	-----	-----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Accumulated depletion	6,954,545 (5,969,972)	7,129,071 (6,083,367)
	-----	-----
Net oil and gas properties	\$ 984,573	\$ 1,045,704
	=====	=====

17

1187

NOTE 6. RELATED PARTY TRANSACTIONS

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

	2000	1999	1998
	-----	-----	-----
Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$159,314	\$157,042	\$150,985
Reimbursement of general and administrative expenses	\$ 34,281	\$ 13,039	\$ 13,810

The Partnership participates in oil and gas activities through an income tax partnership (the "Program") pursuant to the Program agreement. Pioneer USA, Parker & Parsley 88-B Conv., L.P. and the Partnership (the "Partnerships") are parties to the Program agreement.

The costs and revenues of the Program are allocated to Pioneer USA and the Partnerships as follows:

	Pioneer USA (1)	Partnership
	-----	-----
Revenues:		
Proceeds from disposition of depreciable properties	9.09091%	90.90909
All other revenues	24.242425%	75.757575
Costs and expenses:		
Lease acquisition costs, drilling and completion costs and all other costs	9.09091%	90.90909
Operating costs, direct costs and general and administrative expenses	24.242425%	75.757575

(1) Excludes Pioneer USA's 1% general partner ownership which is allocated at the Partnership level and 94 limited partner interests owned by Pioneer USA.

(2) The allocation between the Partnership and Parker & Parsley 88-B Conv., L.P. is 71.119936% and 28.880064%, respectively.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

### NOTE 7. OIL AND GAS INFORMATION (UNAUDITED)

The following table presents information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities during the years then ended. All of the Partnership's reserves are proved developed and located within the United States. The Partnership's reserves are based on an evaluation prepared Williamson Petroleum Consultants, Inc., an independent petroleum consultant, using criteria established by the Securities and Exchange Commission.

18

1188

	Oil and NGLs (bbls)	Gas (mcf)
	-----	-----
Net proved reserves at January 1, 1998	528,956	612,323
Revisions	(215,651)	(183,598)
Production	(43,365)	(52,254)
	-----	-----
Net proved reserves at December 31, 1998	269,940	376,471
Revisions	375,777	553,985
Production	(41,830)	(57,190)
	-----	-----
Net proved reserves at December 31, 1999	603,887	873,266
Revisions	114,704	59,721
Production	(45,729)	(53,620)
	-----	-----
Net proved reserves at December 31, 2000	672,862	879,367
	=====	=====

As of December 31, 2000, the estimated present value of future net revenues of proved reserves, calculated using December 31, 2000 prices of \$26.64 per barrel of oil, \$13.59 per barrel of NGLs and \$7.85 per mcf of gas, discounted at 10% was approximately \$5,167,000 and undiscounted was \$10,831,000.

Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves. The Partnership emphasizes that reserve estimates are inherently imprecise and, accordingly, the estimates are expected to change as future information becomes available.

#### Disclosures about Oil & Gas Producing Activities

##### Standardized Measure of Discounted Future Net Cash Flows

The standardized measure of discounted future net cash flows is computed by applying year-end prices of oil and gas (with consideration of price changes

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

only to the extent provided by contractual arrangements) to the estimated future production of proved oil and gas reserves less estimated future expenditures (based on year-end costs) to be incurred in developing and producing the proved reserves, discounted using a rate of 10% per year to reflect the estimated timing of the future cash flows. A Federal income tax provision has not been calculated as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

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

	For the years ended December 31,		
	2000	1999	1998
	(in thousands)		
Oil and gas producing activities:			
Future cash inflows	\$ 22,071	\$ 15,072	\$ 2,95
Future production costs	(11,240)	(8,674)	(2,28
	-----	-----	-----
	10,831	6,398	66
10% annual discount factor	(5,664)	(3,054)	(21
	-----	-----	-----
Standardized measure of discounted future net cash flows	\$ 5,167	\$ 3,344	\$ 45
	=====	=====	=====

19

1189

	For the years ended December 31,		
	2000	1999	1998
	(in thousands)		
Oil and Gas Producing Activities:			
Oil and gas sales, net of production costs	\$ (889)	\$ (356)	\$ (188)
Net changes in prices and production costs	1,910	1,466	(1,276)
Revisions of previous quantity estimates	862	2,739	(280)
Accretion of discount	334	46	207
Changes in production rates, timing and other	(394)	(1,009)	(77)
	-----	-----	-----
Change in present value of future net revenues	1,823	2,886	(1,614)
	-----	-----	-----
Balance, beginning of year	3,344	458	2,072
	-----	-----	-----

1168



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Balance, end of year	\$ 5,167	\$ 3,344	\$ 458
	=====	=====	=====

### NOTE 8. MAJOR CUSTOMERS

The following table reflects the major customers of the Partnership's oil and gas sales (a major customer is defined as a customer whose sales exceed 10% of total sales) during the years ended December 31:

	2000	1999	1998
	-----	-----	-----
Plains Marketing, L.P.	50%	44%	-
Genesis Crude Oil, L.P.	-	-	49%
Western Gas Resources, Inc.	3%	5%	17%

At December 31, 2000, the amount receivable from Plains Marketing, L.P. was \$62,153 which is included in the caption "Accounts receivable - oil and gas sales" in the accompanying Balance Sheet.

Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on the ability of the Partnership to sell its oil, NGLs and gas production.

### NOTE 9. PARTNERSHIP AGREEMENT

The following is a brief summary of the more significant provisions of the limited partnership agreement:

**Managing general partner** - The managing general partner of the Partnership is Pioneer USA. Pioneer USA has the power and authority to manage, control and administer all Program and Partnership affairs. As managing general partner and operator of the Partnership's properties, all production expenses are incurred by Pioneer USA and billed to the Partnership. The majority of the Partnership's oil and gas revenues are received directly by the Partnership, however, a portion of the oil and gas revenue is initially received by Pioneer USA prior to being paid to the Partnership. Under the limited partnership agreement, the managing general partner pays 1% of the Partnership's acquisition, drilling and completion costs and 1% of its operating and general and administrative expenses. In return, it is allocated 1% of the Partnership's revenues.

**Limited partner liability** - The maximum amount of liability of any limited partner is the total contributions of such partner plus his share of any undistributed profits.

**Initial capital contributions** - The limited partners entered into subscription agreements for aggregate capital contributions of \$8,954,000. Pioneer USA is required to contribute amounts equal to 1% of initial Partnership capital less commission and offering expenses allocated to the limited partners and to contribute amounts necessary to pay costs and expenses allocated to it under the Partnership agreement to the extent its

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

share of revenues does not cover such costs.

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

None.

21

1191

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE PARTNERSHIP

The Partnership does not have any officers or directors. Under the limited partnership agreement, the Partnership's managing general partner, Pioneer USA, is granted the exclusive right and full authority to manage, control and administer the Partnership's business.

Set forth below are the names, ages and positions of the directors and executive officers of Pioneer USA. Directors of Pioneer USA are elected to serve until the next annual meeting of stockholders or until their successors are elected and qualified.

Name	Age at December 31, 2000	Position
----	----	-----
Scott D. Sheffield	48	President
Timothy L. Dove	44	Executive Vice President, Chief Financial Officer and Director
Dennis E. Fagerstone	51	Executive Vice President and Director
Mark L. Withrow	53	Executive Vice President, General Counsel and Director
Danny Kellum	46	Executive Vice President - Domestic Operations and Director
Rich Dealy	34	Vice President and Chief Accounting Officer

Scott D. Sheffield. Mr. Sheffield is a graduate of The University of Texas with a B.S. in Petroleum Engineering. Since August 1997, he has served as President, Chief Executive Officer and a director of Pioneer and President of Pioneer USA. Mr. Sheffield assumed the position of Chairman of the Board of Pioneer in August 1999. He served as a director of Pioneer USA from August 1997 until his resignation from the board in June 1999. Mr. Sheffield was the President and a director of Parker & Parsley Petroleum Company ("Parker &

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Parsley") from May 1990 until August 1997 and was the Chairman of the Board and Chief Executive Officer of Parker & Parsley from October 1990 until August 1997. He was the sole director of Parker & Parsley from May 1990 until October 1990. Mr. Sheffield joined Parker & Parsley Development Company ("PPDC"), a predecessor of Parker & Parsley, as a petroleum engineer in 1979. He served as Vice President - Engineering of PPDC from September 1981 until April 1985 when he was elected President and a director. In March 1989, Mr. Sheffield was elected Chairman of the Board and Chief Executive Officer of PPDC. Before joining PPDC's predecessor, Mr. Sheffield was employed as a production and reservoir engineer for Amoco Production Company.

22

1192

Timothy L. Dove. Mr. Dove earned a B.S. in Mechanical Engineering from Massachusetts Institute of Technology in 1979 and received his M.B.A. in 1981 from the University of Chicago. He became Executive Vice President - Business Development of Pioneer and Pioneer USA in August 1997 and was also appointed a director of Pioneer USA in August 1997. Mr. Dove assumed the position of Chief Financial Officer of Pioneer and Pioneer USA effective February 1, 2000. Mr. Dove joined Parker & Parsley in May 1994 as Vice President - International and was promoted to Senior Vice President - Business Development in October 1996, in which position he served until August 1997. Prior to joining Parker & Parsley, Mr. Dove was employed with Diamond Shamrock Corp., and its successor, Maxus Energy Corp, in various capacities in international exploration and production, marketing, refining and marketing and planning and development.

Dennis E. Fagerstone. Mr. Fagerstone, a graduate of the Colorado School of Mines with a B.S. in Petroleum Engineering, became an Executive Vice President of Pioneer and Pioneer USA in August 1997. He was also appointed a director of Pioneer USA in August 1997. He served as Executive Vice President and Chief Operating Officer of MESA Inc. ("Mesa") from March 1, 1997 until August 1997. From October 1996 to February 1997, Mr. Fagerstone served as Senior Vice President and Chief Operating Officer of Mesa and from May 1991 to October 1996, he served as Vice President - Exploration and Production of Mesa. From June 1988 to May 1991, Mr. Fagerstone served as Vice President - Operations of Mesa.

Mark L. Withrow. Mr. Withrow, a graduate of Abilene Christian University with a B. S. in Accounting and Texas Tech University with a Juris Doctorate degree, became Executive Vice President, General Counsel and Secretary of Pioneer and Pioneer USA in August 1997. He was also appointed a director of Pioneer USA in August 1997. Mr. Withrow was Vice President - General Counsel of Parker & Parsley from January 1991, when he joined Parker & Parsley, to January 1995, when he was appointed Senior Vice President - General Counsel. He was Parker & Parsley's Secretary from August 1992 until August 1997. Prior to joining Parker & Parsley, Mr. Withrow was the managing partner of the law firm of Turpin, Smith, Dyer, Saxe & MacDonald, Midland, Texas.

Danny Kellum. Mr. Kellum, who received a Bachelor of Science degree in Petroleum Engineering from Texas Tech University in 1979, was elected Executive Vice President - Domestic Operations of Pioneer and Pioneer USA on May 18, 2000 and Director of Pioneer USA on February 1, 2000. From January 2000 until May 2000, Mr. Kellum served as Vice President - Domestic Operations of Pioneer and Pioneer USA. Mr. Kellum served as Vice President Permian Division of Pioneer and Pioneer USA from April 1998 until December 1999. From 1989 until 1994 he served as Spraberry District Manager and as Vice President of the Spraberry and Permian Division for Parker & Parsley until August of 1997. Mr. Kellum joined Parker & Parsley as an operations engineer in 1981 after a brief career with Mobil Oil

1171

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Corporation.

Rich Dealy. Mr. Dealy is a graduate of Eastern New Mexico University with a B.B.A. in Accounting and Finance and is a Certified Public Accountant. He became Vice President and Chief Accounting Officer of Pioneer and Pioneer USA in February 1998. Mr. Dealy served as Controller of Pioneer USA from August 1997 to February 1998. He served as Controller of Parker & Parsley from August 1995 to August 1997. Mr. Dealy joined Parker & Parsley as an Accounting Manager in July, 1992. He was previously employed with KPMG Peat Marwick as an Audit Senior, in charge of Parker & Parsley's audit.

23

1193

### ITEM 11. EXECUTIVE COMPENSATION

The Partnership does not have any directors or officers. Management of the Partnership is performed by Pioneer USA, the managing general partner. The Partnership participates in oil and gas activities through an income tax partnership (the "Program") pursuant to the Program agreement. Under the Program agreement, Pioneer USA pays approximately 10% of the Program's acquisition, drilling and completion costs and approximately 25% of its operating and general and administrative expenses. In return, Pioneer USA is allocated approximately 25% of the Program's revenues.

The Partnership does not directly pay any salaries of the executive officers of Pioneer USA, but does pay a portion of Pioneer USA's general and administrative expenses of which these salaries are a part.

See Notes 6 and 9 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" for information regarding fees and reimbursements paid to the managing general partner by the Partnership.

### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

#### a) Beneficial owners of more than five percent

The Partnership is not aware of any person who beneficially owns 5% or more of the outstanding limited partnership interests of the Partnership. Pioneer USA owned 94 limited partner interests at January 1, 2001.

#### (b) Security ownership of management

The Partnership does not have any officers or directors. The managing general partner of the Partnership, Pioneer USA, has the exclusive right and full authority to manage, control and administer the Partnership's business. Under the limited partnership agreement, limited partners holding a majority of the outstanding limited partnership interests have the right to take certain actions, including the removal of the managing general partner or any other general partner. The Partnership is not aware of any current arrangement or activity which may lead to such removal. The Partnership is not aware of any officer or director of Pioneer USA who beneficially owns limited partnership interests in the Partnership.

### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Transactions with the managing general partner

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

1194

24

	2000	1999	1998
	-----	-----	-----
Payment of lease operating and supervision charges in accordance with standard industry operating agreement	\$159,314	\$ 157,042	\$150,985
Reimbursement of general and administrative expenses	\$ 34,281	\$ 13,039	\$ 13,810

Under the limited partnership agreement, the managing general partner pays 1% of the Partnership's acquisition, drilling and completion costs and 1% of its operating and general and administrative expenses. In return, it is allocated 1% of the Partnership's revenues. Also, see Notes 6 and 9 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" regarding the Partnership's participation with the managing general partner in oil and gas activities of the Program.

1195

25

### PART IV

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

##### (a) 1. Financial statements

The following are filed as part of this Report:

Independent Auditors' Report

Balance sheets as of December 31, 2000 and 1999

Statements of operations for the years ended December 31, 2000, 1999 and 1998

Statements of partners' capital for the years ended December 31, 2000, 1999 and 1998

Statements of cash flows for the years ended December 31, 2000, 1999 and 1998

Notes to financial statements



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Mark L. Withrow

/s/ Danny Kellum ----- Danny Kellum	Executive Vice President - Domestic Operations and Director of Pioneer USA	March 29, 2001
---	--	----------------

/s/ Rich Dealy ----- Rich Dealy	Vice President and Chief Accounting Officer of Pioneer USA	March 29, 2001
---------------------------------------	---	----------------

27

1197

PARKER & PARSLEY 88-B, L.P.

INDEX TO EXHIBITS

The following documents are incorporated by reference in response to Item 14(c) :

Exhibit No. -----	Description -----	Page ----
3(a)	Amended and Restated Certificate and Agreement of Limited Partnership of Parker & Parsley 88-B, L.P. incorporated by reference to Exhibit A of Amendment No. 1 of the Partnership's Registration Statement on Form S-1 (Registration No. 33-19659)	-
4(b)	Form of Subscription Agreement and Power of Attorney incorporated by reference to Exhibit D of the Partnership's Registration Statement on Form S-1 (Registration No. 33-19659) (hereinafter called the Partnership's Registration Statement)	-
4(c)	Specimen Certificate of Limited Partnership Interest incorporated by reference to Exhibit D of the Partnership's Registration Statement	-
10(b)	Exploration and Development Program Agreement incorporated by reference to Exhibit C of the Partnership's Registration Statement	-

## PARKER &amp; PARSLEY 88-B, L.P.

## SELECTED FINANCIAL DATA

The following selected financial data for the Partnership should be read in connection with Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements included in the attached supplemental information.

	Six months ended June 30,		Years ended December 31,		
	2001	2000	2000	1999	1998
Operating results:					
Oil and gas sales	\$ 613,966	\$ 591,346	\$1,318,092	\$ 717,449	\$ 578,573
Impairment of oil and gas properties	\$ --	\$ --	\$ --	\$ --	\$ 383,951
Net income (loss)	\$ 331,361	\$ 347,058	\$ 805,539	\$ 236,642	\$ (488,631)
Allocation of net income (loss):					
Managing general partner	\$ 3,314	\$ 3,471	\$ 8,055	\$ 2,366	\$ (4,887)
Limited partners	\$ 328,047	\$ 343,587	\$ 797,484	\$ 234,276	\$ (483,744)
Limited partners' net income (loss) per limited partnership interest	\$ 36.64	\$ 38.37	\$ 89.06	\$ 26.16	\$ (54.03)
Limited partners' cash distributions per limited partnership interest	\$ 28.91	\$ 38.90	\$ 86.90	\$ 28.92	\$ 24.02
As of period ended:					
Total assets	\$1,403,977	\$1,317,412	\$1,327,803	\$1,313,164	\$1,334,302



1199

PIONEER NATURAL RESOURCES COMPANY  
PIONEER NATURAL RESOURCES USA, INC.  
5205 NORTH O'CONNOR BLVD., SUITE 1400  
IRVING, TEXAS 75039

SUPPLEMENTAL INFORMATION

OF

PARKER & PARSLEY 88-C CONV., L.P., A DELAWARE LIMITED PARTNERSHIP

TO

PROXY STATEMENT/PROSPECTUS DATED , 2001

-----

THE DATE OF THIS SUPPLEMENT IS , 2001

-----

This document contains important information specific to Parker & Parsley 88-C Conv., L.P., and supplements the proxy statement/prospectus dated , 2001, of Pioneer Natural Resources Company and Pioneer Natural Resources USA, Inc., by which Pioneer USA is soliciting proxies to be voted at a special meeting of limited partners of the partnership. The purpose of the special meeting is for you to vote upon the merger of the partnership with and into Pioneer USA that, if completed, will result in your receiving common stock of Pioneer Natural Resources Company for your partnership interests.

This document contains the following information concerning Parker & Parsley 88-C Conv., L.P.:

- o A table containing:
  - the aggregate initial investment by the limited partners
  - the aggregate historical limited partner distributions through July 31, 2001
  - the merger value attributable to partnership interests of limited partners, excluding Pioneer USA
  - the merger value per \$1,000 limited partner investment
  - the merger value per \$1,000 limited partner investment as a multiple of distributions for the past four quarterly distributions including the distribution in July 2001
  - the book value per \$1,000 limited partner investment as of June 30, 2001 and as of December 31, 2000
  - the going concern value per \$1,000 limited partner investment
  - the liquidation value per \$1,000 limited partner investment
  - the ordinary tax loss per \$1,000 limited partner investment in

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

year of initial investment

- o Information about:
  - the legal opinion for the limited partners
  - the term of the partnership
  
- o The partnership's financial statements, including management's discussion and analysis of financial condition and results of operations, for the six months ended June 30, 2001
  
- o The partnership's financial statements, including management's discussion and analysis of financial condition and results of operations, for the year ended December 31, 2000
  
- o Selected historical financial data for the partnership for the six months ended June 30, 2001 and 2000 and the five years ended December 31, 2000

-1-

1200

PARKER & PARSLEY 88-C CONV., L.P.

SUPPLEMENTAL INFORMATION TABLE

Aggregate Initial Investment by the Limited Partners (a)

Aggregate Historical Limited Partner Distributions through July 31, 2001 (a)

Merger Value Attributable to Partnership Interests of Limited Partners, Excluding Pioneer USA (a),

Merger Value per \$1,000 Limited Partner Investment (b), (c)

Merger Value per \$1,000 Limited Partner Investment as a Multiple of Distributions for the past four quarterly distributions including the distribution in July 2001 (b), (c)

Book Value per \$1,000 Limited Partner Investment:

-- as of June 30, 2001 (c)

-- as of December 31, 2000 (c)

Going Concern Value per \$1,000 Limited Partner Investment (c), (d)

Liquidation Value per \$1,000 Limited Partner Investment (c), (e)

Ordinary Tax Loss per \$1,000 Limited Partner Investment in Year of Initial Investment (c), (f)

-----

(a) Stated in thousands.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

- (b) The merger value for the partnership is equal to the sum of the present value of estimated future net revenues from the partnership's estimated oil and gas reserves and its net working capital, in each case as of March 31, 2001, less its pro rata share, based on its reserve value, of the estimated expenses and fees of the mergers of all of the partnerships and less the cash distribution on July 13, 2001, by the partnership to its partners.
- (c) Interests in some partnerships were sold in units at prices other than \$1,000. We have presented this information based on a \$1,000 initial investment for ease of use and comparison among partnerships. You should not assume that the amount shown per \$1,000 investment is the same as any value or amount attributable to a single unit investment.
- (d) The going concern value for the partnership is based upon: (1) the sum of (A) the estimated net cash flow from the sale of the partnership's reserves during a 10-year operating period and (B) the estimated residual value from the sale of the partnership's remaining reserves at the end of the operating period, in each case using the same pricing and discount rate as in the merger value calculation, less (2) (A) partnership level general and administrative expenses, and (B) the cash distribution on July 13, 2001 by the partnership to its partners.
- (e) The liquidation value for the partnership is based upon the sale of the partnership's reserves at the reserve value, less (1) liquidation expenses which are estimated to be the sum of (A) the partnership's pro rata share of the merger expenses and fees described in footnote (b) above and (B) 3% of the partnership's reserve value, and (2) the cash distribution on July 13, 2001 by the partnership to its partners. The liquidation expenses represent estimated costs to retain an investment banker or broker to sell the assets of the partnership and the legal and other closing costs associated with such transaction, including the wind-down costs of the partnership.
- (f) Your ability to use your distributive share of the partnership's loss to offset your other income may have been subject to certain limitations at your level as a partner, and you may therefore wish to consult your tax advisor to determine the additional value, if any, actually realized by you in your particular circumstances.

### INFORMATION ABOUT THE LEGAL OPINION FOR THE LIMITED PARTNERS

The partnership agreement for the partnership requires that special legal counsel render an opinion on behalf of the limited partners to Pioneer USA that neither the grant nor the exercise of the right to approve the merger of the partnership by its limited partners will adversely affect the federal income tax classification of the partnership or any of its limited partners. Although not required by the partnership agreement, the opinion will also state that neither the grant nor exercise of such right will result in the loss of any limited partner's limited liability. In addition, the counsel designated to render the opinion is not required to be counsel other than counsel to Pioneer USA or the partnership. Both the designated counsel and the legal opinion must be approved by the limited partners. Pioneer USA has retained \_\_\_\_\_ of Dallas, Texas for the purpose of rendering this legal opinion on behalf of the limited partners to Pioneer USA. The merger proposals include an approval of that counsel and the form of its opinion. A copy of the opinion is attached as an exhibit to the merger proposals.

### INFORMATION ABOUT THE TERM OF THE PARTNERSHIP

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The term of the partnership is until December 31, 2038, unless the partnership is earlier terminated in accordance with the applicable provisions of its partnership agreement.

-2-

1201

PARKER & PARSLEY 88-C CONV., L.P.

(A Delaware Limited Partnership)

FINANCIAL STATEMENTS

June 30, 2001 and December 31, 2000

(Unaudited)

1202

PARKER & PARSLEY 88-C CONV., L.P.

(A Delaware Limited Partnership)

BALANCE SHEETS

	June 30, 2001	December 31, 2000
	----- (Unaudited)	-----
ASSETS		
Current assets:		
Cash	\$ 110,984	\$ 51,156
Accounts receivable - oil and gas sales	51,595	66,963
	-----	-----
Total current assets	162,579	118,119
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	2,399,899	2,458,118
Accumulated depletion	(2,032,952)	(2,078,258)
	-----	-----
Net oil and gas properties	366,947	379,860
	-----	-----
	\$ 529,526	\$ 497,979
	=====	=====
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable - affiliate	\$ 10,309	\$ 5,927
Partners' capital:		

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Managing general partner	5,177	4,905
Limited partners (3,411 interests)	514,040	487,147
	-----	-----
	519,217	492,052
	-----	-----
	\$ 529,526	\$ 497,979
	=====	=====

The financial information included herein as of June 30, 2001 has been prepared by the managing general partner without audit by independent public accountants.

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

2

1203

PARKER & PARSLEY 88-C CONV., L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF OPERATIONS  
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2001	2000	2001	2000
	-----	-----	-----	-----
Revenues:				
Oil and gas	\$ 102,918	\$ 103,726	\$ 215,104	\$ 198,755
Interest	789	1,027	1,734	1,783
Gain on disposition of assets	2,508	2,824	2,508	2,824
	-----	-----	-----	-----
	106,215	107,577	219,346	203,362
	-----	-----	-----	-----
Costs and expenses:				
Oil and gas production	47,040	39,337	82,788	73,398
General and administrative	2,912	3,112	6,678	5,963
Depletion	7,817	6,008	13,659	12,975
Abandoned property	3,230	-	3,230	-
	-----	-----	-----	-----
	60,999	48,457	106,355	92,336
	-----	-----	-----	-----
Net income	\$ 45,216	\$ 59,120	\$ 112,991	\$ 111,026
	=====	=====	=====	=====
Allocation of net income:				
Managing general partner	\$ 452	\$ 591	\$ 1,130	\$ 1,110
	=====	=====	=====	=====
Limited partners	\$ 44,764	\$ 58,529	\$ 111,861	\$ 109,916
	=====	=====	=====	=====
Net income per limited partnership interest	\$ 13.12	\$ 17.15	\$ 32.79	\$ 32.22
	=====	=====	=====	=====

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

3

1204

PARKER & PARSLEY 88-C CONV., L.P.  
(A Delaware Limited Partnership)

STATEMENT OF PARTNERS' CAPITAL  
(Unaudited)

	Managing general partner -----	Limited partners -----	Total -----
Balance at January 1, 2001	\$ 4,905	\$ 487,147	\$ 492,052
Distributions	(858)	(84,968)	(85,826)
Net income	1,130	111,861	112,991
	-----	-----	-----
Balance at June 30, 2001	\$ 5,177 =====	\$ 514,040 =====	\$ 519,217 =====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

4

1205

PARKER & PARSLEY 88-C CONV., L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF CASH FLOWS  
(Unaudited)

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	Six months ended June 30,	
	2001	2000
Cash flows from operating activities:		
Net income	\$ 112,991	\$ 111,026
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion	13,659	12,975
Gain on disposition of assets	(2,508)	(2,824)
Changes in assets and liabilities:		
Accounts receivable	15,368	(11,879)
Accounts payable	5,157	2,361
Net cash provided by operating activities	144,667	111,659
Cash flows from investing activities:		
Additions to oil and gas properties	(931)	(1,751)
Proceeds from asset dispositions	1,918	2,824
Net cash provided by investing activities	987	1,073
Cash flows used in financing activities:		
Cash distributions to partners	(85,826)	(119,650)
Net increase (decrease) in cash	59,828	(6,918)
Cash at beginning of period	51,156	56,353
Cash at end of period	\$ 110,984	\$ 49,435

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

PARKER & PARSLEY 88-C CONV., L.P.  
(A Delaware Limited Partnership)

NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Unaudited)

Note 1. Organization and nature of operations

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Parker & Parsley 88-C Conv., L.P. (the "Partnership") was organized in 1988 as a general partnership under the laws of the State of Texas and was converted to a Delaware limited partnership in 1989.

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

### Note 2. Basis of presentation

In the opinion of management, the unaudited financial statements of the Partnership as of June 30, 2001 and for the three and six months ended June 30, 2001 and 2000 include all adjustments and accruals consisting only of normal recurring accrual adjustments which are necessary for a fair presentation of the results for the interim period. These interim results are not necessarily indicative of results for a full year. Certain reclassifications may have been made to the June 30, 2000 financial statements to conform to the June 30, 2001 financial statement presentations.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in these interim financial statements. The financial statements should be read in conjunction with the financial statements and the notes thereto contained in the Partnership's report for the year ended December 31, 2000, a copy of which is available upon request by writing to Rich Dealy, Vice President and Chief Accounting Officer, 5205 North O'Connor Boulevard, Suite 1400, Irving, Texas 75039-3746.

### Management's Discussion and Analysis of Financial Condition and Results of Operations (1)

#### Results of Operations

Six months ended June 30, 2001 compared with six months ended June 30, 2000

#### Revenues:

The Partnership's oil and gas revenues increased 8% to \$215,104 for the six months ended June 30, 2001 as compared to \$198,755 for the same period in 2000. The increase in revenues resulted from higher average prices received, offset by

a decline in production. For the six months ended June 30, 2001, 4,777 barrels of oil, 1,958 barrels of natural gas liquids ("NGLs") and 8,160 mcf of gas were sold, or 8,095 barrel of oil equivalents ("BOEs"). For the six months ended June 30, 2000, 5,355 barrels of oil, 2,398 barrels of NGLs and 9,952 mcf of gas were sold, or 9,412 BOEs.

The average price received per barrel of oil increased \$1.44, or 5%, from \$26.96 for the six months ended June 30, 2000 to \$28.40 for the same period in 2001. The average price received per barrel of NGLs increased \$3.13, or 22%, from \$13.94 during the six months ended June 30, 2000 to \$17.07 for the same period in 2001. The average price received per mcf of gas increased 169% from \$2.10 during the six months ended June 30, 2000 to \$5.64 for the same period in 2001. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received during the six



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

months ended June 30, 2001.

Gains on disposition of assets of \$2,508 and \$2,824 were recognized during the six months ended June 30, 2001 and 2000, respectively. The gain recognized during the period ended June 30, 2001 was due to salvage income received on one well plugged and abandoned during the current period. The gain recognized during the period ended June 30, 2000 resulted from equipment credits received on one fully depleted well.

### Costs and Expenses:

Total costs and expenses increased to \$106,355 for the six months ended June 30, 2001 as compared to \$92,336 for the same period in 2000, an increase of \$14,019, or 15%. The increase was due to increases in production costs, general and administrative expenses ("G&A"), depletion and abandoned property costs.

Production costs were \$82,788 for the six months ended June 30, 2001 and \$73,398 for the same period in 2000 resulting in a \$9,390 increase, or 13%. The increase was due to additional workover and well maintenance costs incurred to stimulate well production and increased production taxes due to higher oil and gas prices.

G&A's components are independent accounting and engineering fees and managing general partner personnel costs. During this period, G&A increased 12%, from \$5,963 for the six months ended June 30, 2000 to \$6,678 for the same period in 2001, primarily due to increased audit and tax fees.

Depletion was \$13,659 for the six months ended June 30, 2001 as compared to \$12,975 for the same period in 2000, an increase of \$684, or 5%. This increase was due to a reduction in proved reserves during the period ended June 30, 2001 due to lower commodity prices, offset by a decline in oil production of 578 barrels for the six months ended June 30, 2001 as compared to the same period in 2000.

Abandoned property costs of \$3,230 were incurred for the six months ended June 30, 2001 to plug and abandon one well.

7

1208

Three months ended June 30, 2001 compared with three months ended June 30, 2000

### Revenues:

The Partnership's oil and gas revenues decreased slightly to \$102,918 for the three months ended June 30, 2001 as compared to \$103,726 for the same period in 2000. The decrease in revenues resulted from a decline in production and lower average prices received for oil, offset by higher average prices received for gas and NGLs. For the three months ended June 30, 2001, 2,619 barrels of oil, 1,005 barrels of NGLs and 4,630 mcf of gas were sold, or 4,396 BOEs. For the three months ended June 30, 2000, 2,662 barrels of oil, 1,276 barrels of NGLs and 5,183 mcf of gas were sold, or 4,802 BOEs.

The average price received per barrel of oil decreased \$.58, or 2%, from \$27.57 for the three months ended June 30, 2000 to \$26.99 for the three months ended June 30, 2001. The average price received per barrel of NGLs increased \$1.16, or 8%, from \$13.67 during the three months ended June 30, 2000 to \$14.83 for the same period in 2001. The average price received per mcf of gas increased 51% to \$3.74 during the three months ended June 30, 2001 from \$2.47 during the same period in 2000.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Gains on disposition of assets of \$2,508 and \$2,824 were recognized during the three months ended June 30, 2001 and 2000, respectively. The gain recognized during the period ended June 30, 2001 was due to salvage income received on one well plugged and abandoned during the current period. The gain recognized during the period ended June 30, 2000 resulted from equipment credits received on one fully depleted well.

### Costs and Expenses:

Total costs and expenses increased to \$60,999 for the three months ended June 30, 2001 as compared to \$48,457 for the same period in 2000, an increase of \$12,542, or 26%. This increase was due to increases in production costs, depletion and abandoned property costs, offset by a decline in G&A.

Production costs were \$47,040 for the three months ended June 30, 2001 and \$39,337 for the same period in 2000, resulting in a \$7,703 increase, or 20%. The increase was due to additional workover and well maintenance costs incurred to stimulate well production.

During this period, G&A decreased 6%, from \$3,112 for the three months ended June 30, 2000 to \$2,912 for the same period in 2001, primarily due to a decline in audit and tax fees.

Depletion was \$7,817 for the three months ended June 30, 2001 as compared to \$6,008 for the same period in 2000, an increase of \$1,809, or 30%. This increase was attributable to a reduction in proved reserves during the period ended June 30, 2001 due to lower commodity prices, offset by a decline in oil production of 43 barrels for the three months ended June 30, 2001 as compared to the same period in 2000.

8

1209

Abandoned property costs of \$3,230 were incurred for the three months ended June 30, 2001 to plug and abandon one well.

### Liquidity and Capital Resources

#### Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$33,008 during the six months ended June 30, 2001 from the same period ended June 30, 2000. This increase was due to an increase in oil and gas sales receipts of \$16,300 and a reduction in working capital of \$30,043, offset by increases in production costs of \$9,390, G&A expenses of \$715 and abandoned property costs of \$3,230. The increase in oil and gas receipts resulted from the increase in commodity prices during 2001 which contributed an additional \$50,373 to oil and gas receipts, offset by \$34,073 resulting from the decline in production during 2001 as compared to the same period in 2000. The increase in production costs was primarily due to additional workover and well maintenance costs incurred to stimulate well production and increased production taxes associated with higher oil and gas prices. The increase in G&A was primarily due to increased audit and tax fees.

#### Net Cash Provided by Investing Activities

The Partnership's principal investing activities during the six months ended June 30, 2001 and 2000 included expenditures related to equipment upgrades on

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

various oil and gas properties.

Proceeds of \$1,918 and \$2,824 were recognized during the six months ended June 30, 2001 and 2000, respectively. The gain recognized during the period ended June 30, 2001 was due to salvage income received on one well plugged and abandoned during the current period. The gain recognized during the period ended June 30, 2000 resulted from equipment credits received on one fully depleted well.

### Net Cash Used in Financing Activities

For the six months ended June 30, 2001, cash distributions to the partners were \$85,826, of which \$858 was distributed to the managing general partner and \$84,968 to the limited partners. For the same period ended June 30, 2000, cash distributions to the partners were \$119,650, of which \$1,197 was distributed to the managing general partner and \$118,453 to the limited partners.

For the three months ended June 30, 2001, no distributions were made by the partnership to its partners. Subsequent to June 30, 2001 the cash distribution that otherwise would have been mailed to partners in late June was made to holders of record as of July 9, 2001 and was mailed on July 13, 2001. For further information, see "Proposal to acquire partnerships" below.

### Proposal to acquire partnerships

On June 29, 2001, Pioneer Natural Resources Company ("Pioneer") filed with the Securities and Exchange Commission Amendment No. 1 to the Form S-4 Registration Statement (File No. 333- 59094) (the "preliminary proxy statement/prospectus"), which proposes an agreement and plan of merger among Pioneer, Pioneer Natural Resources USA, Inc. ("Pioneer USA"), a wholly-owned subsidiary of Pioneer, and

9

1210

46 Parker & Parsley limited partnerships. Each partnership that approves the agreement and plan of merger and the other related merger proposals will merge with and into Pioneer USA upon the closing of the transactions described in the preliminary proxy statement/prospectus, and the partnership interests of each such partnership will be converted into the right to receive Pioneer common stock. The Partnership is one of the 46 Parker & Parsley limited partnerships that will be asked to approve the agreement and plan of merger. The preliminary proxy statement/prospectus is non-binding and is subject to, among other things, consideration of offers from third parties to purchase any partnership or its assets and the majority approval of the limited partnership interests in each partnership.

Pioneer USA will solicit proxies from limited partners to approve the mergers only when the proxy statement/prospectus is final and declared effective. No solicitation will be made using preliminary materials. Nonetheless, copies of the preliminary proxy statement/prospectus may be obtained without charge upon request from Pioneer Natural Resources Company, 5205 North O'Connor Blvd., Suite 1400, Irving, Texas 75039, Attention: Investor Relations.

The limited partners are urged to read the proxy statement/prospectus of Pioneer filed with the Securities and Exchange Commission, when it is finalized, because it contains important information about the proposed mergers, including information about the direct and indirect interests of Pioneer USA and Pioneer in the mergers. The limited partners may also obtain the preliminary and (when filed) final proxy statement/prospectus and other relevant documents relating to the proposed mergers free through the internet web site that the Securities and

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Exchange Commission maintains at [www.sec.gov](http://www.sec.gov).

-----

- (1) "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" contains forward looking statements that involve risks and uncertainties. Accordingly, no assurances can be given that the actual events and results will not be materially different than the anticipated results described in the forward looking statements.

10

1211

PARKER & PARSLEY 88-C CONV., L.P.  
(A Delaware Limited Partnership)

FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITORS' REPORT

December 31, 2000 and 1999

1212

INDEPENDENT AUDITORS' REPORT

The Partners  
Parker & Parsley 88-C Conv., L.P.  
(A Delaware Limited Partnership):

We have audited the balance sheets of Parker & Parsley 88-C Conv., L.P. as of December 31, 2000 and 1999, and the related statements of operations, partners' capital and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parker & Parsley 88-C Conv.,

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

L.P. as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Dallas, Texas  
March 9, 2001

2

1213

PARKER & PARSLEY 88-C CONV., L.P.  
(A Delaware Limited Partnership)

BALANCE SHEETS  
December 31

	2000 -----	1999 -----
ASSETS -----		
Current assets:		
Cash	\$ 51,156	\$ 56,353
Accounts receivable - oil and gas sales	66,963	40,622
	-----	-----
Total current assets	118,119	96,975
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	2,458,118	2,513,824
Accumulated depletion	(2,078,258)	(2,110,906)
	-----	-----
Net oil and gas properties	379,860	402,918
	-----	-----
	\$ 497,979	\$ 499,893
	=====	=====
LIABILITIES AND PARTNERS' CAPITAL -----		
Current liabilities:		
Accounts payable - affiliate	\$ 5,927	\$ 8,955
Partners' capital:		
Managing general partner	4,905	4,894
Limited partners (3,411 interests)	487,147	486,044

-----	-----
492,052	490,938
-----	-----
\$ 497,979	\$ 499,893
=====	=====

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

3

1214

PARKER & PARSLEY 88-C CONV., L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF OPERATIONS  
For the years ended December 31

	2000	1999	1998
	-----	-----	-----
Revenues:			
Oil and gas	\$ 443,642	\$ 246,242	200,460
Interest	4,268	2,112	2,970
Gain on disposition of assets	5,650	-	2,175
	-----	-----	-----
	453,560	248,354	205,605
	-----	-----	-----
Costs and expenses:			
Oil and gas production	151,650	131,165	142,438
General and administrative	13,129	7,217	5,997
Impairment of oil and gas properties	-	-	119,715
Depletion	25,125	40,513	97,851
Abandoned property	2,166	-	-
	-----	-----	-----
	192,070	178,895	366,001
	-----	-----	-----
Net income (loss)	\$ 261,490	\$ 69,459	\$ (160,396)
	=====	=====	=====
Allocation of net income (loss):			
Managing general partner	\$ 2,615	\$ 695	\$ (1,604)
	=====	=====	=====
Limited partners	\$ 258,875	\$ 68,764	\$ (158,792)
	=====	=====	=====

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Net income (loss) per limited partnership interest	\$ 75.89	\$ 20.16	\$ (46.55)
	=====	=====	=====

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

4

1215

PARKER & PARSLEY 88-C CONV., L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF PARTNERS' CAPITAL

	Managing general partner	Limited partners	Total
	-----	-----	-----
Partners' capital at January 1, 1998	\$ 7,326	\$ 726,841	\$ 734,167
Distributions	(777)	(76,894)	(77,671)
Net loss	(1,604)	(158,792)	(160,396)
	-----	-----	-----
Partners' capital at December 31, 1998	4,945	491,155	496,100
Distributions	(746)	(73,875)	(74,621)
Net income	695	68,764	69,459
	-----	-----	-----
Partners' capital at December 31, 1999	4,894	486,044	490,938
Distributions	(2,604)	(257,772)	(260,376)
Net income	2,615	258,875	261,490
	-----	-----	-----
Partners' capital at December 31, 2000	\$ 4,905	\$ 487,147	\$ 492,052
	=====	=====	=====

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

PARKER & PARSLEY 88-C CONV., L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF CASH FLOWS  
For the years ended December 31

	2000	1999	1998
	-----	-----	-----
Cash flows from operating activities:			
Net income (loss)	\$ 261,490	\$ 69,459	\$ (160,3
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Impairment of oil and gas properties	-	-	119,7
Depletion	25,125	40,513	97,8
Gain on disposition of assets	(5,650)	-	(2,1
Changes in assets and liabilities:			
Accounts receivable	(26,341)	(16,186)	10,1
Accounts payable	(3,028)	2,588	(7,9
	-----	-----	-----
Net cash provided by operating activities	251,596	96,374	57,1
	-----	-----	-----
Cash flows from investing activities:			
Additions to oil and gas properties	(2,067)	(3,851)	(5,3
Proceeds from disposition of assets	5,650	3,435	2,1
	-----	-----	-----
Net cash provided by (used in) investing activities	3,583	(416)	(3,1
	-----	-----	-----
Cash flows used in financing activities:			
Cash distributions to partners	(260,376)	(74,621)	(77,6
	-----	-----	-----
Net increase (decrease) in cash	(5,197)	21,337	(23,6
Cash at beginning of year	56,353	35,016	58,6
	-----	-----	-----
Cash at end of year	\$ 51,156	\$ 56,353	\$ 35,0
	=====	=====	=====

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



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

PARKER & PARSLEY 88-C CONV., L.P.  
(A Delaware Limited Partnership)

NOTES TO FINANCIAL STATEMENTS  
December 31, 2000, 1999 and 1998

### NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS

Parker & Parsley 88-C Conv., L.P. (the "Partnership") was organized in 1988 as a general partnership under the laws of the State of Texas and was converted to a Delaware limited partnership in 1989. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA").

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Oil and gas properties - The Partnership utilizes the successful efforts method of accounting for its oil and gas properties and equipment. Under this method, all costs associated with productive wells and nonproductive development wells are capitalized while nonproductive exploration costs are expensed. Capitalized costs relating to proved properties are depleted using the unit-of-production method on a property-by-property basis based on proved oil (dominant mineral) reserves as evaluated by independent petroleum consultants. The carrying amounts of properties sold or otherwise disposed of and the related allowances for depletion are eliminated from the accounts and any gain or loss is included in results of operations.

Impairment of long-lived assets - In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the Partnership reviews its long-lived assets to be held and used on an individual property basis, including oil and gas properties accounted for under the successful efforts method of accounting, whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. An impairment loss is indicated if the sum of the expected future cash flows is less than the carrying amount of the assets. In this circumstance, the Partnership recognizes an impairment loss for the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset.

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

Net income (loss) per limited partnership interest - The net income (loss) per limited partnership interest is calculated by using the number of outstanding limited partnership interests.

1218

Income taxes - A Federal income tax provision has not been included in the financial statements as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

Statements of cash flows - For purposes of reporting cash flows, cash includes depository accounts held by banks.

General and administrative expenses - General and administrative expenses are allocated in part to the Partnership by the managing general partner. Allocated expenses are determined by the managing general partner based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Reclassifications - Certain reclassifications may have been made to the 1999 and 1998 financial statements to conform to the 2000 financial statement presentations.

Environmental - The Partnership is subject to extensive federal, state and local environmental laws and regulations. These laws, which are constantly changing, regulate the discharge of materials into the environment and may require the Partnership to remove or mitigate the environmental effects of the disposal or release of petroleum or chemical substances at various sites. Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Liabilities for expenditures of a noncapital nature are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated. Such liabilities are generally undiscounted unless the timing of cash payments for the liability or component are fixed or reliably determinable. No such liabilities have been accrued as of December 31, 2000.

Revenue recognition - The Partnership uses the entitlements method of accounting for oil, natural gas liquids ("NGLs") and natural gas revenues.

NOTE 3. IMPAIRMENT OF LONG-LIVED ASSETS

In accordance with SFAS 121, the Partnership reviews its proved oil and gas properties for impairment whenever events and circumstances indicate a decline in the recoverability of the carrying value of the Partnership's oil and gas properties. The Partnership has estimated the expected future cash flows of its oil and gas properties as of December 31, 2000, 1999 and 1998, based on proved reserves, and compared such estimated future cash flows to the respective carrying amount of the oil and gas properties to determine if the carrying amounts were likely to be recoverable. For those proved oil and gas properties for which the carrying amount exceeded the estimated future cash flows, an impairment was determined to exist; therefore, the Partnership adjusted the carrying amount of those oil and gas properties to their fair value as determined by discounting their expected future cash flows at a discount rate commensurate with the risks involved in the industry. As a result, the Partnership recognized a non-cash impairment provision of \$119,715 related to its proved oil and gas properties during 1998.

1219

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

NOTE 4. INCOME TAXES

The financial statement basis of the Partnership's net assets and liabilities was \$35,215 greater than the tax basis at December 31, 2000.

The following is a reconciliation of net income (loss) per statements of operations with the net income per Federal income tax returns for the years ended December 31:

	2000	1999	1998
	-----	-----	-----
Net income (loss) per statements of operations	\$ 261,490	\$ 69,459	\$ (1,000)
Depletion and depreciation provisions for tax reporting purposes less than amounts for financial reporting purposes	21,929	37,157	
Impairment of oil and gas properties for financial reporting purposes	-	-	1,000
Other, net	(822)	3,106	
	-----	-----	-----
Net income per Federal income tax returns	\$ 282,597	\$ 109,722	\$ (1,000)
	=====	=====	=====

NOTE 5. OIL AND GAS PRODUCING ACTIVITIES

The following is a summary of the costs incurred, whether capitalized or expensed, related to the Partnership's oil and gas producing activities for the years ended December 31:

	2000	1999	1998
	-----	-----	-----
Development costs	\$ 2,067	\$ 3,851	\$ 5,337
	=====	=====	=====

Capitalized oil and gas properties consist of the following:

	2000	1999
	-----	-----
Proved properties:		
Property acquisition costs	\$ 124,434	\$ 128,446
Completed wells and equipment	2,333,684	2,385,378
	-----	-----
Accumulated depletion	2,458,118	2,513,824
	(2,078,258)	(2,110,906)
	-----	-----
Net oil and gas properties	\$ 379,860	\$ 402,918

=====

1220

## NOTE 6. RELATED PARTY TRANSACTIONS

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

	2000	1999	1
	-----	-----	-----
Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$ 58,509	\$ 56,225	\$ 5
Reimbursement of general and administrative expenses	\$ 9,514	\$ 1,096	\$

The Partnership participates in oil and gas activities through an income tax partnership (the "Program") pursuant to the Program agreement. Pioneer USA, Parker & Parsley 88-C, L.P. and the Partnership (the "Partnerships") are parties to the Program agreement.

The costs and revenues of the Program are allocated to Pioneer USA and the Partnerships as follows:

	Pioneer USA (1)	Partnerships (2)
	-----	-----
Revenues:		
Proceeds from disposition of depreciable properties	9.09091%	90.90909%
All other revenues	24.242425%	75.757575%
Costs and expenses:		
Lease acquisition costs, drilling and completion costs and all other costs	9.09091%	90.90909%
Operating costs, direct costs and general and administrative expenses	24.242425%	75.757575%

(1) Excludes Pioneer USA's 1% general partner ownership which is allocated at the Partnership level and ten limited partner interests owned by Pioneer USA.

(2) The allocation between the Partnership and Parker & Parsley 88-C, L.P. is 58.387538% and 41.612462%, respectively.

## NOTE 7. OIL AND GAS INFORMATION (UNAUDITED)

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The following table presents information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities during the years then ended. All of the Partnership's reserves are proved developed and located within the United States. The Partnership's reserves are based on an evaluation prepared by Williamson Petroleum Consultants, Inc., an independent petroleum consultant, using criteria established by the Securities and Exchange Commission.

10

1221

	Oil and NGLs (bbls)	Gas (mcf)
	-----	-----
Net proved reserves at January 1, 1998	181,762	227,096
Revisions	(75,078)	(70,056)
Production	(14,859)	(19,764)
	-----	-----
Net proved reserves at December 31, 1998	91,825	137,276
Revisions	124,253	193,483
Production	(14,136)	(21,119)
	-----	-----
Net proved reserves at December 31, 1999	201,942	309,640
Revisions	35,970	23,002
Production	(15,453)	(19,618)
	-----	-----
Net proved reserves at December 31, 2000	222,459	313,024
	=====	=====

As of December 31, 2000, the estimated present value of future net revenues of proved reserves, calculated using December 31, 2000 prices of \$26.64 per barrel of oil, \$13.56 per barrel of NGLs and \$7.78 per mcf of gas, discounted at 10% was approximately \$1,724,000 and undiscounted was approximately \$3,597,000.

Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves. The Partnership emphasizes that reserve estimates are inherently imprecise and, accordingly, the estimates are expected to change as future information becomes available.

### Disclosures about Oil & Gas Producing Activities

#### Standardized Measure of Discounted Future Net Cash Flows

The standardized measure of discounted future net cash flows is computed by applying year-end prices of oil and gas (with consideration of price changes only to the extent provided by contractual arrangements) to the estimated future

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

production of proved oil and gas reserves less estimated future expenditures (based on year-end costs) to be incurred in developing and producing the proved reserves, discounted using a rate of 10% per year to reflect the estimated timing of the future cash flows. A Federal income tax provision has not been calculated as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

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

	For the years ended	
	2000	1999
	(in thousand)	
Oil and gas producing activities:		
Future cash inflows	\$ 7,379	\$ 5,029
Future production costs	(3,782)	(2,920)
	3,597	2,109
10% annual discount factor	(1,873)	(998)
	\$ 1,724	\$ 1,111
	\$ 1,724	\$ 1,111

11

1222

	For the years ended December 31		
	2000	1999	1998
	(in thousands)		
Oil and Gas Producing Activities:			
Oil and gas sales, net of production costs	\$ (292)	\$ (115)	\$ (115)
Net changes in prices and production costs	661	496	(496)
Revisions of previous quantity estimates	275	900	(900)
Accretion of discount	111	15	(15)
Changes in production rates, timing and other	(142)	(339)	(339)
	613	957	(5)
Change in present value of future net revenues	613	957	(5)

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Balance, beginning of year	1,111	154	7
	-----	-----	-----
Balance, end of year	\$ 1,724	\$ 1,111	\$ 1
	=====	=====	=====

NOTE 8. MAJOR CUSTOMERS

The following table reflects the major customers of the Partnership's oil and gas sales (a major customer is defined as a customer whose sales exceed 10% of total sales) during the years ended December 31:

	2000	1999	1998
	-----	-----	-----
Plains Marketing, L.P.	52%	46%	-
Genesis Crude Oil, L.P.	-	-	51%
Western Gas Resources, Inc.	4%	6%	21%

At December 31, 2000, the amount receivable from Plains Marketing, L.P. was \$21,565 which is included in the caption "Accounts receivable - oil and gas sales" in the accompanying Balance Sheet.

Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on the ability of the Partnership to sell its oil, NGLs and gas production.

NOTE 9. PARTNERSHIP AGREEMENT

The following is a brief summary of the more significant provisions of the Partnership agreement:

Managing general partner - The managing general partner of the Partnership is Pioneer USA. Pioneer USA has the power and authority to manage, control and administer all Program and Partnership affairs. As managing general partner and operator of the Partnership's properties, all production expenses are incurred by Pioneer USA and billed to the Partnership. The majority of the Partnership's oil and gas revenues are received directly by the Partnership, however, a portion of the oil and gas revenue is initially received by Pioneer USA prior to being paid to the Partnership. Under the limited partnership agreement, the managing general partner pays 1% of the Partnership's acquisition, drilling and completion costs and 1% of its operating and general and administrative expenses. In return, it is allocated 1% of the Partnership's

revenues.

Limited partner liability - The maximum amount of liability of any limited partner is the total contributions of such partner plus his share of any undistributed profits.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Initial capital contributions - The partners entered into subscription agreements for aggregate capital contributions of \$3,411,000. Pioneer USA is required to contribute amounts equal to 1% of initial Partnership capital less commission and organization and offering costs allocated to the limited partners and to contribute amounts necessary to pay costs and expenses allocated to it under the Partnership agreement to the extent its share of revenues does not cover such costs.

13

1224

### PARKER & PARSLEY 88-C CONV., L.P. (A DELAWARE LIMITED PARTNERSHIP)

THIS REPORT CONTAINS FORWARD LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. ACCORDINGLY, NO ASSURANCES CAN BE GIVEN THAT THE ACTUAL EVENTS AND RESULTS WILL NOT BE MATERIALLY DIFFERENT THAN THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS.

#### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

##### Results of operations

##### 2000 compared to 1999

The Partnership's oil and gas revenues increased 80% to \$443,642 for 2000 as compared to \$246,242 in 1999. The increase in revenues resulted from higher average prices received and an increase in production. In 2000, 10,646 barrels of oil, 4,807 barrels of natural gas liquids ("NGLs") and 19,618 mcf of gas were sold, or 18,723 barrel of oil equivalents ("BOEs"). In 1999, 9,260 barrels of oil, 4,876 barrels of NGLs and 21,119 mcf of gas were sold, or 17,656 BOEs. Due to the decline characteristics of the Partnership's oil and gas properties, management expects a certain amount of decline in production in the future until the Partnership's economically recoverable reserves are fully depleted.

The average price received per barrel of oil increased \$12.09, or 70%, from \$17.24 in 1999 to \$29.33 in 2000. The average price received per barrel of NGLs increased \$5.41, or 52%, from \$10.42 in 1999 to \$15.83 in 2000. The average price received per mcf of gas increased 66% from \$1.70 in 1999 to \$2.82 in 2000. The market price for oil and gas has been extremely volatile in the past decade, and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received in 2000.

Gain on disposition of assets of \$5,650 recognized in 2000 was due to equipment credits received from salvage income of \$4,703 on one well plugged and abandoned during the current year and \$947 on one fully depleted well.

Total costs and expenses increased in 2000 to \$192,070 as compared to \$178,895 in 1999, an increase of \$13,175, or 7%. The increase was primarily due to increases in production costs, general and administrative expenses ("G&A") and abandoned property costs, offset by a decline in depletion.

Production costs were \$151,650 in 2000 and \$131,165 in 1999, resulting in a \$20,485 increase, or 16%. The increase was primarily due to higher production



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

taxes associated with higher oil and gas prices and additional well maintenance and workover costs incurred to stimulate well production.

Abandoned property costs of \$2,166 during 2000 were related to the plugging and abandonment of one well during the current year.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 82% from \$7,217 in 1999 to \$13,129 in 2000, primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$9,514 in 2000 and \$1,096 in 1999 for G&A incurred on behalf of the Partnership. The remaining G&A was paid directly by the Partnership. The managing general partner determines the allocated expenses based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Depletion was \$25,125 in 2000 as compared to \$40,513 in 1999, representing a decrease of \$15,388, or 38%. This decrease was primarily due to a 26,409 barrels of oil increase in proved reserves during 2000 as a result of higher commodity prices, offset by an increase in oil production of 1,386 barrels for the period ended December 31, 2000 compared to the same period in 1999.

1225

1999 compared to 1998

The Partnership's 1999 oil and gas revenues increased 23% to \$246,242 from \$200,460 in 1998. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 1999, 9,260 barrels of oil, 4,876 barrels of NGLs and 21,119 mcf of gas were sold, or 17,656 BOEs. In 1998, 10,457 barrels of oil, 4,402 barrels of NGLs and 19,764 mcf of gas were sold, or 18,153 BOEs.

The average price received per barrel of oil increased \$3.94, or 30%, from \$13.30 in 1998 to \$17.24 in 1999. The average price received per barrel of NGLs increased \$3.48, or 50%, from \$6.94 in 1998 to \$10.42 in 1999. The average price received per mcf of gas increased 10% from \$1.55 in 1998 to \$1.70 in 1999.

A gain on disposition of assets of \$2,175 was recognized during 1998 from equipment credits on a well plugged and abandoned in 1997.

Total costs and expenses decreased in 1999 to \$178,895 as compared to \$366,001 in 1998, a decrease of \$187,106, or 51%. The decrease was primarily due to declines in the impairment of oil and gas properties, depletion and production costs, offset by an increase in G&A.

Production costs were \$131,165 in 1999 and \$142,438 in 1998, resulting in an \$11,273 decrease, or 8%. The decrease was due to declines in well maintenance costs, workover expenses and ad valorem taxes, offset by an increase in production taxes due to increased oil and gas revenues.

During this period, G&A increased 20% from \$5,997 in 1998 to \$7,217 in 1999 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$1,096 in 1999 and \$2,651 in 1998 for G&A incurred on behalf of the Partnership.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the managing general partner reviews the Partnership's oil and gas properties for impairment whenever events or circumstances indicate a decline in the recoverability of the carrying value of the Partnership's assets may have occurred. As a result of the review and evaluation of its long-lived assets for impairment, the Partnership recognized a non-cash charge of \$119,715 related to its oil and gas properties during 1998.

Depletion was \$40,513 in 1999 compared to \$97,851 in 1998, representing a decrease of \$57,338, or 59%. This decrease was the result of a combination of factors that included an increase in proved reserves of 79,930 barrels of oil during 1999 as a result of higher commodity prices, a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 1998 and a decline in oil production of 1,197 barrels for the period ended December 31, 1999 compared to the same period in 1998.

### Petroleum industry

The petroleum industry has been characterized by volatile oil, NGL and natural gas commodity prices and relatively stable supplier costs during the three years ended December 31, 2000. During 1998, weather patterns, regional economic recessions and political matters combined to cause worldwide oil supplies to exceed demand resulting in a substantial decline in oil prices. Also during 1998, but to a lesser extent, market prices for natural gas declined. During 1999 and 2000, the Organization of Petroleum Exporting Countries ("OPEC") and certain other crude oil exporting nations announced reductions in their planned export volumes. Those announcements, together with the enactment of the announced reductions in export volumes, had a positive impact on world oil prices, as have overall natural gas supply and demand fundamentals on North American natural gas prices. Although the favorable commodity price environment and stable field service cost environment is expected to continue during 2001, there is no assurance that commodity prices will not return to a less favorable level or that field service costs will not escalate in the future, both of which could negatively impact the Partnership's future results of operations and cash distributions.

1226

### Liquidity and capital resources

#### Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$155,222 during the year ended December 31, 2000 from 1999. This increase was due to an increase in oil and gas sales receipts of \$199,556, offset by increases in production costs paid of \$20,485, G&A expenses paid of \$5,912, abandoned property costs paid of \$2,166 and working capital of \$15,771. The increase in oil and gas receipts resulted from the increase in commodity prices during 2000 which contributed an additional \$164,214 to oil and gas receipts and an increase of \$35,342 resulting from the increase in production during 2000. The increase in production costs was primarily due to increased production taxes associated with higher oil and gas prices and additional well maintenance and workover costs incurred to stimulate well production. The increase in G&A was primarily due to higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

### Net Cash Provided by (Used in) Investing Activities

The Partnership's principal investing activities during 2000 and 1999 included expenditures related to equipment upgrades on several oil and gas properties.

Proceeds from disposition of assets of \$5,650 recognized in 2000 was due to equipment credits received from salvage income of \$4,703 on one well plugged and abandoned during the current year and \$947 on one fully depleted well. Proceeds from disposition of assets of \$3,435 during 1999 were received from equipment credits on active wells.

### Net Cash Used in Financing Activities

For 2000, cash distributions to the partners were \$260,376, of which \$2,604 was distributed to the managing general partner and \$257,772 to the limited partners. In 1999, cash distributions to the partners were \$74,621, of which \$746 was distributed to the managing general partner and \$73,875 to the limited partners.

1227

PARKER & PARSLEY 88-C CONV., L.P.

### SELECTED FINANCIAL DATA

The following selected financial data for the Partnership should be read in connection with Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements included in the attached supplemental information.

	Six months ended June 30,		Years ended December		
	2001	2000	2000	1999	1998
Operating results:					
Oil and gas sales	\$ 215,104	\$ 198,755	\$ 443,642	\$ 246,242	\$ 200,460
	=====	=====	=====	=====	=====
Impairment of oil and gas properties	\$ --	\$ --	\$ --	\$ --	\$ 119,715
	=====	=====	=====	=====	=====
Net income (loss)	\$ 112,991	\$ 111,026	\$ 261,490	\$ 69,459	\$ (160,396)
	=====	=====	=====	=====	=====
Allocation of net income (loss):					
Managing general partner	\$ 1,130	\$ 1,110	\$ 2,615	\$ 695	\$ (1,604)
	=====	=====	=====	=====	=====

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Limited partners	\$ 111,861	\$ 109,916	\$ 258,875	\$ 68,764	\$ (158,792)
	=====	=====	=====	=====	=====
Limited partners' net income (loss) per limited partnership interest	\$ 32.79	\$ 32.22	\$ 75.89	\$ 20.16	\$ (46.55)
	=====	=====	=====	=====	=====
Limited partners' cash distributions per limited partnership interest	\$ 24.91	\$ 34.73	\$ 75.57	\$ 21.66	\$ 22.54
	=====	=====	=====	=====	=====
As of period ended:					
Total assets	\$ 529,526	\$ 493,630	\$ 497,979	\$ 499,893	\$ 502,467
	=====	=====	=====	=====	=====

1228

PIONEER NATURAL RESOURCES COMPANY  
PIONEER NATURAL RESOURCES USA, INC.  
5205 NORTH O'CONNOR BLVD., SUITE 1400  
IRVING, TEXAS 75039

SUPPLEMENTAL INFORMATION

OF

PARKER & PARSLEY 88-C, L.P., A DELAWARE LIMITED PARTNERSHIP

TO

PROXY STATEMENT/PROSPECTUS DATED , 2001

-----

THE DATE OF THIS SUPPLEMENT IS , 2001

-----

This document contains important information specific to Parker & Parsley 88-C, L.P., and supplements the proxy statement/prospectus dated , 2001, of Pioneer Natural Resources Company and Pioneer Natural Resources USA, Inc., by which Pioneer USA is soliciting proxies to be voted at a special meeting of limited partners of the partnership. The purpose of the special meeting is for you to vote upon the merger of the partnership with and into Pioneer USA that, if completed, will result in your receiving common stock of Pioneer Natural Resources Company for your partnership interests.

This document contains the following information concerning Parker & Parsley 88-C, L.P.:

o A table containing:

-- the aggregate initial investment by the limited partners

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

- the aggregate historical limited partner distributions through July 31, 2001
- the merger value attributable to partnership interests of limited partners, excluding Pioneer USA
- the merger value per \$1,000 limited partner investment
- the merger value per \$1,000 limited partner investment as a multiple of distributions for the past four quarterly distributions including the distribution in July 2001
  
- the book value per \$1,000 limited partner investment as of June 30, 2001 and as of December 31, 2000
  
- the going concern value per \$1,000 limited partner investment
- the liquidation value per \$1,000 limited partner investment
- the ordinary tax loss per \$1,000 limited partner investment in year of initial investment
  
- o Information about:
  - the legal opinion for the limited partners
  - the term of the partnership
  
- o The partnership's financial statements, including management's discussion and analysis of financial condition and results of operations, for the six months ended June 30, 2001
  
- o The partnership's financial statements, including management's discussion and analysis of financial condition and results of operations, for the year ended December 31, 2000
  
- o Selected historical financial data for the partnership for the six months ended June 30, 2001 and 2000 and the five years ended December 31, 2000

-1-

1229

PARKER & PARSLEY 88-C, L.P.

SUPPLEMENTAL INFORMATION TABLE

Aggregate Initial Investment by the Limited Partners (a)	\$
Aggregate Historical Limited Partner Distributions through July 31, 2001 (a)	\$
Merger Value Attributable to Partnership Interests of Limited Partners, Excluding Pioneer USA (a), (b)	\$
Merger Value per \$1,000 Limited Partner Investment (b), (c)	\$

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Merger Value per \$1,000 Limited Partner Investment as a Multiple of Distributions for the past four quarterly distributions including the distribution in July 2001(b), (c)

Book Value per \$1,000 Limited Partner Investment:

-- as of June 30, 2001(c)

\$

-- as of December 31, 2000(c)

\$

Going Concern Value per \$1,000 Limited Partner Investment(c), (d)

\$

Liquidation Value per \$1,000 Limited Partner Investment(c), (e)

\$

Ordinary Tax Loss per \$1,000 Limited Partner Investment in Year of Initial Investment(c), (f)

\$

-----

(a) Stated in thousands.

(b) The merger value for the partnership is equal to the sum of the present value of estimated future net revenues from the partnership's estimated oil and gas reserves and its net working capital, in each case as of March 31, 2001, less its pro rata share, based on its reserve value, of the estimated expenses and fees of the mergers of all of the partnerships and less the cash distribution on July 13, 2001, by the partnership to its partners.

(c) Interests in some partnerships were sold in units at prices other than \$1,000. We have presented this information based on a \$1,000 initial investment for ease of use and comparison among partnerships. You should not assume that the amount shown per \$1,000 investment is the same as the value or amount attributable to a single unit investment.

(d) The going concern value for the partnership is based upon: (1) the sum of (A) the estimated net cash flow from the sale of the partnership's reserves during a 10-year operating period and (B) the estimated residual value from the sale of the partnership's remaining reserves at the end of the operating period, in each case using the same pricing and discount rate as in the merger value calculation, less (2) (A) partnership level general and administrative expenses, and (B) the cash distribution on July 13, 2001 by the partnership to its partners.

(e) The liquidation value for the partnership is based upon the sale of the partnership's reserves at the reserve value, less (1) liquidation expenses which are estimated to be the sum of (A) the partnership's pro rata share of the merger expenses and fees described in footnote (b) above and (B) 3% of the partnership's reserve value, and (2) the cash distribution on July 13, 2001 by the partnership to its partners. The liquidation expenses represent estimated costs to retain an investment banker or broker to sell the assets of the partnership and the legal and other closing costs associated with such transaction, including the wind-down costs of the partnership.

(f) Your ability to use your distributive share of the partnership's loss to offset your other income may have been subject to certain limitations at your level as a partner, and you may therefore wish to consult your tax advisor to determine the additional value, if any, actually realized by you

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

in your particular circumstances.

INFORMATION ABOUT THE LEGAL OPINION FOR THE LIMITED PARTNERS

The partnership agreement for the partnership requires that special legal counsel render an opinion on behalf of the limited partners to Pioneer USA that neither the grant nor the exercise of the right to approve the merger of the partnership by its limited partners will adversely affect the federal income tax classification of the partnership or any of its limited partners. Although not required by the partnership agreement, the opinion will also state that neither the grant nor exercise of such right will result in the loss of any limited partner's limited liability. In addition, the counsel designated to render the opinion is not required to be counsel other than counsel to Pioneer USA or the partnership. Both the designated counsel and the legal opinion must be approved by the limited partners. Pioneer USA has retained \_\_\_\_\_ of Dallas, Texas for the purpose of rendering this legal opinion on behalf of the limited partners to Pioneer USA. The merger proposals include an approval of that counsel and the form of its opinion. A copy of the opinion is attached as an exhibit to the merger proposals.

INFORMATION ABOUT THE TERM OF THE PARTNERSHIP

The term of the partnership is until December 31, 2038, unless the partnership is earlier terminated in accordance with the applicable provisions of its partnership agreement.

-2-

1230

PARKER & PARSLEY 88-C , L.P.

(A Delaware Limited Partnership)

FINANCIAL STATEMENTS

June 30, 2001 and December 31, 2000

(Unaudited)

1231

PARKER & PARSLEY 88-C, L.P.

(A Delaware Limited Partnership)

BALANCE SHEETS

	June 30, 2001	December 31, 2000
	-----	-----
	(Unaudited)	

ASSETS

Current assets:

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Cash	\$ 74,126	\$ 31,689
Accounts receivable - oil and gas sales	36,776	47,902
	-----	-----
Total current assets	110,902	79,591
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	1,710,394	1,751,887
Accumulated depletion	(1,449,252)	(1,481,594)
	-----	-----
Net oil and gas properties	261,142	270,293
	-----	-----
	\$ 372,044	\$ 349,884
	=====	=====

LIABILITIES AND PARTNERS' CAPITAL

Current liabilities:		
Accounts payable - affiliate	\$ 7,371	\$ 4,246
Partners' capital:		
Managing general partner	3,633	3,443
Limited partners (2,431 interests)	361,040	342,195
	-----	-----
	364,673	345,638
	-----	-----
	\$ 372,044	\$ 349,884
	=====	=====

The financial information included as of June 30, 2001 has been prepared by the managing general partner without audit by independent public accountants.

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

2

1232

PARKER & PARSLEY 88-C, L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF OPERATIONS  
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2001	2000	2001	2000
	-----	-----	-----	-----
Revenues:				
Oil and gas	\$ 73,295	\$ 73,472	\$ 153,108	\$ 141,499
Interest	514	677	1,033	1,174
Gain on disposition of assets	1,788	2,013	1,788	2,013



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	-----	-----	-----	-----
	75,597	76,162	155,929	144,686
	-----	-----	-----	-----
Costs and expenses:				
Oil and gas production	33,489	28,016	58,961	52,306
General and administrative	2,359	2,204	4,753	4,245
Depletion	5,534	4,268	9,682	9,251
Abandoned property	2,330	-	2,330	-
	-----	-----	-----	-----
	43,712	34,488	75,726	65,802
	-----	-----	-----	-----
Net income	\$ 31,885	\$ 41,674	\$ 80,203	\$ 78,884
	=====	=====	=====	=====
Allocation of net income:				
Managing general partner	\$ 319	\$ 417	\$ 802	\$ 789
	=====	=====	=====	=====
Limited partners	\$ 31,566	\$ 41,257	\$ 79,401	\$ 78,095
	=====	=====	=====	=====
Net income per limited partnership interest	\$ 12.98	\$ 16.97	\$ 32.66	\$ 32.12
	=====	=====	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

PARKER & PARSLEY 88-C, L.P.  
(A Delaware Limited Partnership)

STATEMENT OF PARTNERS' CAPITAL  
(Unaudited)

	Managing general partner	Limited partners	Total
	-----	-----	-----
Balance at January 1, 2001	\$ 3,443	\$ 342,195	\$ 345,638
Distributions	(612)	(60,556)	(61,168)
Net income	802	79,401	80,203
	-----	-----	-----
Balance at June 30, 2001	\$ 3,633	\$ 361,040	\$ 364,673

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

4

1234

PARKER & PARSLEY 88-C, L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF CASH FLOWS  
(Unaudited)

	Six months ended June 30,	
	2001	2000
	-----	-----
Cash flows from operating activities:		
Net income	\$ 80,203	\$ 78,884
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion	9,682	9,251
Gain on disposition of assets	(1,788)	(2,013)
Changes in assets and liabilities:		
Accounts receivable	11,126	(8,319)
Accounts payable	3,678	1,630
	-----	-----
Net cash provided by operating activities	102,901	79,433
	-----	-----
Cash flows from investing activities:		
Additions to oil and gas properties	(663)	(1,248)
Proceeds from asset dispositions	1,367	2,013
	-----	-----
Net cash provided by investing activities	704	765
	-----	-----
Cash flows used in financing activities:		
Cash distributions to partners	(61,168)	(85,274)
	-----	-----
Net increase (decrease) in cash	42,437	(5,076)
Cash at beginning of period	31,689	35,943
	-----	-----
Cash at end of period	\$ 74,126	\$ 30,867
	=====	=====

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

5

1235

PARKER & PARSLEY 88-C, L.P.  
(A Delaware Limited Partnership)

NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Unaudited)

Note 1. Organization and nature of operations

Parker & Parsley 88-C, L.P. (the "Partnership") is a limited partnership organized in 1988 under the laws of the State of Delaware.

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

Note 2. Basis of presentation

In the opinion of management, the unaudited financial statements of the Partnership as of June 30, 2001 and for the three and six months ended June 30, 2001 and 2000 include all adjustments and accruals consisting only of normal recurring accrual adjustments which are necessary for a fair presentation of the results for the interim period. These interim results are not necessarily indicative of results for a full year. Certain reclassifications may have been made to the June 30, 2000 financial statements to conform to the June 30, 2001 financial statement presentations.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in these interim financial statements. The financial statements should be read in conjunction with the financial statements and the notes thereto contained in the Partnership's report for the year ended December 31, 2000, a copy of which is available upon request by writing to Rich Dealy, Vice President and Chief Accounting Officer, 5205 North O'Connor Boulevard, Suite 1400, Irving, Texas 75039-3746.

Management's Discussion and Analysis of Financial Condition  
and Results of Operations (1)

Results of Operations

Six months ended June 30, 2001 compared with six months ended June 30, 2000

Revenues:

The Partnership's oil and gas revenues increased 8% to \$153,108 for the six months ended June 30, 2001 as compared to \$141,499 for the same period in 2000. The increase in revenues resulted from higher average prices received, offset by a decline in production. For the six months ended June 30, 2001, 3,403 barrels

6

1211

1236

of oil, 1,389 barrels of natural gas liquids ("NGLs") and 5,811 mcf of gas were sold, or 5,761 barrel of oil equivalents ("BOEs"). For the six months ended June 30, 2000, 3,814 barrels of oil, 1,706 barrels of NGLs and 7,086 mcf of gas were sold, or 6,701 BOEs.

The average price received per barrel of oil increased \$1.44, or 5%, from \$26.96 for the six months ended June 30, 2000 to \$28.40 for the same period in 2001. The average price received per barrel of NGLs increased \$3.13, or 22%, from \$13.94 during the six months ended June 30, 2000 to \$17.07 for the same period in 2001. The average price received per mcf of gas increased 169% from \$2.10 during the six months ended June 30, 2000 to \$5.64 for the same period in 2001. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received during the six months ended June 30, 2001.

Gains on disposition of assets of \$1,788 and \$2,013 were recognized during the six months ended June 30, 2001 and 2000, respectively. The gain recognized during the period ended June 30, 2001 was due to salvage income received on one well plugged and abandoned during the current period. The gain recognized during the period ended June 30, 2000 was due to equipment credits received on one fully depleted well.

Costs and Expenses:

Total costs and expenses increased to \$75,726 for the six months ended June 30, 2001 as compared to \$65,802 for the same period in 2000, an increase of \$9,924, or 15%. This increase was due to increases in production costs, general and administrative expenses ("G&A"), depletion and abandoned property costs.

Production costs were \$58,961 for the six months ended June 30, 2001 and \$52,306 for the same period in 2000 resulting in a \$6,655 increase, or 13%. The increase was due to additional workover and well maintenance costs incurred to stimulate well production and increased production taxes due to higher oil and gas prices.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 12%, from \$4,245 for the six months ended June 30, 2000 to \$4,753 for the same period in 2001, primarily due to increased audit and tax fees.

Depletion was \$9,682 for the six months ended June 30, 2001 as compared to \$9,251 for the same period in 2000, an increase of \$431, or 5%. This increase was due to a reduction in proved reserves during the period ended June 30, 2001 due to lower commodity prices, offset by a decline in oil production of 411 barrels for the six months ended June 30, 2001 as compared to the same period in 2000.

Abandoned property costs of \$2,330 were incurred for the six months ended June 30, 2001 to plug and abandon one well.

1237

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Three months ended June 30, 2001 compared with three months ended June 30, 2000

### Revenues:

The Partnership's oil and gas revenues decreased slightly to \$73,295 for the three months ended June 30, 2001 as compared to \$73,472 for the same period in 2000. The decrease in revenues resulted from a decline in production and lower average prices received for oil, offset by higher average prices received for gas and NGLs. For the three months ended June 30, 2001, 1,866 barrels of oil, 716 barrels of NGLs and 3,294 mcf of gas were sold, or 3,131 BOEs. For the three months ended June 30, 2000, 1,884 barrels of oil, 907 barrels of NGLs and 3,694 mcf of gas were sold, or 3,407 BOEs.

The average price received per barrel of oil decreased \$.58, or 2%, from \$27.57 for the three months ended June 30, 2000 to \$26.99 for the three months ended June 30, 2001. The average price received per barrel of NGLs increased \$1.16, or 8%, from \$13.67 during the three months ended June 30, 2000 to \$14.83 for the same period in 2001. The average price received per mcf of gas increased 51% to \$3.74 during the three months ended June 30, 2001 from \$2.47 during the same period in 2000.

Gains on disposition of assets of \$1,788 and \$2,013 were recognized during the three months ended June 30, 2001 and 2000, respectively. The gain recognized during the period ended June 30, 2001 was due to salvage income received on one well plugged and abandoned during the current period. The gain recognized during the period ended June 30, 2000 was due to equipment credits received on one fully depleted well.

### Costs and Expenses:

Total costs and expenses increased to \$43,712 for the three months ended June 30, 2001 as compared to \$34,488 for the same period in 2000, an increase of \$9,224, or 27%. This increase was due to increases in production costs, G&A, depletion and abandoned property costs.

Production costs were \$33,489 for the three months ended June 30, 2001 and \$28,016 for the same period in 2000, resulting in a \$5,473 increase, or 20%. The increase was due to additional workover and well maintenance costs incurred to stimulate well production.

During this period, G&A increased 7%, from \$2,204 for the three months ended June 30, 2000 to \$2,359 for the same period in 2001, primarily due to increased audit and tax fees.

Depletion was \$5,534 for the three months ended June 30, 2001 as compared to \$4,268 for the same period in 2000, an increase of \$1,266, or 30%. This increase was attributable to a reduction in proved reserves during the period ended June 30, 2001 due to lower commodity prices, offset by a decline in oil production of 18 barrels for the three months ended June 30, 2001 as compared to the same period in 2000.

Abandoned property costs of \$2,330 were incurred for the three months ended June 30, 2001 to plug and abandon one well.

### Liquidity and Capital Resources

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

### Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$23,468 during the six months ended June 30, 2001 from the same period ended June 30, 2000. This increase was due to an increase in oil and gas sales receipts of \$11,468 and a reduction in working capital of \$21,493, offset by increases in production costs of \$6,655, G&A expenses of \$508 and abandoned property costs of \$2,330. The increase in oil and gas receipts resulted from the increase in commodity prices during 2001 which contributed an additional \$35,738 to oil and gas receipts, offset by \$24,270 resulting from the decline in production during 2001 as compared to the same period in 2000. The increase in production costs was primarily due to additional workover and well maintenance costs incurred to stimulate well production and increased production taxes due to higher oil and gas prices. The increase in G&A was primarily due to increased audit and tax fees.

### Net Cash Provided by Investing Activities

The Partnership's principal investing activities during the six months ended June 30, 2001 and 2000 included expenditures related to equipment upgrades on various oil and gas properties.

Proceeds from asset dispositions of \$1,367 and \$2,013 were recognized during the six months ended June 30, 2001 and 2000, respectively. The proceeds recognized during 2001 were due to salvage income received on a well plugged and abandoned during the current year. The proceeds recognized during 2000 were due to equipment credits received on one fully depleted well.

### Net Cash Used in Financing Activities

For the six months ended June 30, 2001, cash distributions to the partners were \$61,168, of which \$612 was distributed to the managing general partner and \$60,556 to the limited partners. For the same period ended June 30, 2000, cash distributions to the partners were \$85,274, of which \$853 was distributed to the managing general partner and \$84,421 to the limited partners.

For the three months ended June 30, 2001, no distributions were made by the partnership to its partners. Subsequent to June 30, 2001 the cash distribution that otherwise would have been mailed to partners in late June was made to holders of record as of July 9, 2001 and was mailed on July 13, 2001. For further information, see "Proposal to acquire partnerships" below.

### Proposal to acquire partnerships

On June 29, 2001, Pioneer Natural Resources Company ("Pioneer") filed with the Securities and Exchange Commission Amendment No. 1 to the Form S-4 Registration Statement (File No. 333- 59094) (the "preliminary proxy statement/prospectus"), which proposes an agreement and plan of merger among Pioneer, Pioneer Natural Resources USA, Inc. ("Pioneer USA"), a wholly-owned subsidiary of Pioneer, and 46 Parker & Parsley limited partnerships. Each partnership that approves the

agreement and plan of merger and the other related merger proposals will merge with and into Pioneer USA upon the closing of the transactions described in the preliminary proxy statement/prospectus, and the partnership interests of each such partnership will be converted into the right to receive Pioneer common stock. The Partnership is one of the 46 Parker & Parsley limited partnerships that will be asked to approve the agreement and plan of merger. The preliminary

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

proxy statement/prospectus is non-binding and is subject to, among other things, consideration of offers from third parties to purchase any partnership or its assets and the majority approval of the limited partnership interests in each partnership.

Pioneer USA will solicit proxies from limited partners to approve the mergers only when the proxy statement/prospectus is final and declared effective. No solicitation will be made using preliminary materials. Nonetheless, copies of the preliminary proxy statement/prospectus may be obtained without charge upon request from Pioneer Natural Resources Company, 5205 North O'Connor Blvd., Suite 1400, Irving, Texas 75039, Attention: Investor Relations.

The limited partners are urged to read the proxy statement/prospectus of Pioneer filed with the Securities and Exchange Commission, when it is finalized, because it contains important information about the proposed mergers, including information about the direct and indirect interests of Pioneer USA and Pioneer in the mergers. The limited partners may also obtain the preliminary and (when filed) final proxy statement/prospectus and other relevant documents relating to the proposed mergers free through the internet web site that the Securities and Exchange Commission maintains at [www.sec.gov](http://www.sec.gov).

-----

- (1) "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" contains forward looking statements that involve risks and uncertainties. Accordingly, no assurances can be given that the actual events and results will not be materially different than the anticipated results described in the forward looking statements.

10

1240

PARKER & PARSLEY 88-C, L.P.  
(A Delaware Limited Partnership)

FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITORS' REPORT

December 31, 2000 and 1999

1241

INDEPENDENT AUDITORS' REPORT

The Partners  
Parker & Parsley 88-C, L.P.  
(A Delaware Limited Partnership):

We have audited the balance sheets of Parker & Parsley 88-C, L.P. as of December

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

31, 2000 and 1999, and the related statements of operations, partners' capital and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parker & Parsley 88-C, L.P. as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Dallas, Texas  
March 9, 2001

2

1242

PARKER & PARSLEY 88-C, L.P.  
(A Delaware Limited Partnership)

BALANCE SHEETS  
December 31

	2000	1999
	-----	-----
ASSETS		
Current assets:		
Cash	\$ 31,689	\$ 35,943
Accounts receivable - oil and gas sales	47,902	28,942
	-----	-----
Total current assets	79,591	64,885
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	1,751,887	1,791,588
Accumulated depletion	(1,481,594)	(1,504,855)



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	-----	-----
Net oil and gas properties	270,293	286,733
	-----	-----
	\$ 349,884	\$ 351,618
	=====	=====
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable - affiliate	\$ 4,246	\$ 6,404
Partners' capital:		
Managing general partner	3,443	3,439
Limited partners (2,431 interests)	342,195	341,775
	-----	-----
	345,638	345,214
	-----	-----
	\$ 349,884	\$ 351,618
	=====	=====

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

3

1243

PARKER & PARSLEY 88-C, L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF OPERATIONS  
For the years ended December 31

	2000	1999	1998
	-----	-----	-----
Revenues:			
Oil and gas	\$ 316,382	\$ 175,483	142,874
Interest	2,805	1,335	1,945
Gain on disposition of assets	4,027	--	1,550
	-----	-----	-----
	323,214	176,818	146,369
	-----	-----	-----
Costs and expenses:			
Oil and gas production	108,093	93,481	101,514
General and administrative	9,672	5,434	4,303
Impairment of oil and gas properties	--	--	85,160

1217

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Depletion	17,913	28,843	69,935
Abandoned property	1,544	--	--
	-----	-----	-----
	137,222	127,758	260,912
	-----	-----	-----
Net income (loss)	\$ 185,992	\$ 49,060	\$ (114,543)
	=====	=====	=====
Allocation of net income (loss):			
Managing general partner	\$ 1,860	\$ 491	\$ (1,145)
	=====	=====	=====
Limited partners	\$ 184,132	\$ 48,569	\$ (113,398)
	=====	=====	=====
Net income (loss) per limited partnership interest	\$ 75.74	\$ 19.98	\$ (46.65)
	=====	=====	=====

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

4

1244

PARKER & PARSLEY 88-C, L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF PARTNERS' CAPITAL

	Managing general partner	Limited partners	Total
	-----	-----	-----
Partners' capital at January 1, 1998	\$ 5,179	\$ 514,055	\$ 519,234
Distributions	(554)	(54,801)	(55,355)
Net loss	(1,145)	(113,398)	(114,543)
	-----	-----	-----
Partners' capital at December 31, 1998	3,480	345,856	349,336
Distributions	(532)	(52,650)	(53,182)
Net income	491	48,569	49,060
	-----	-----	-----
Partners' capital at December 31, 1999	3,439	341,775	345,214

1218

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Distributions	(1,856)	(183,712)	(185,568)
Net income	1,860	184,132	185,992
	-----	-----	-----
Partners' capital at December 31, 2000	\$ 3,443	\$ 342,195	\$ 345,638
	=====	=====	=====

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

5

1245

PARKER & PARSLEY 88-C, L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF CASH FLOWS  
For the years ended December 31

	2000	1999	1998
	-----	-----	-----
Cash flows from operating activities:			
Net income (loss)	\$ 185,992	\$ 49,060	\$ (114,543)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Impairment of oil and gas properties	--	--	85,160
Depletion	17,913	28,843	69,935
Gain on disposition of assets	(4,027)	--	(1,550)
Changes in assets and liabilities:			
Accounts receivable	(18,960)	(11,532)	7,229
Accounts payable	(2,158)	1,866	(5,686)
	-----	-----	-----
Net cash provided by operating activities	178,760	68,237	40,545
	-----	-----	-----
Cash flows from investing activities:			
Additions to oil and gas properties	(1,473)	(2,744)	(3,804)
Proceeds from disposition of assets	4,027	2,448	1,550
	-----	-----	-----
Net cash provided by (used in) investing activities	2,554	(296)	(2,254)
	-----	-----	-----
Cash flows used in financing activities:			
Cash distributions to partners	(185,568)	(53,182)	(55,355)
	-----	-----	-----
Net increase (decrease) in cash	(4,254)	14,759	(17,064)

1219

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Cash at beginning of year	35,943	21,184	38,248
	-----	-----	-----
Cash at end of year	\$ 31,689	\$ 35,943	\$ 21,184
	=====	=====	=====

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

6

1246

PARKER & PARSLEY 88-C, L.P.  
(A Delaware Limited Partnership)

NOTES TO FINANCIAL STATEMENTS  
December 31, 2000, 1999 and 1998

### NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS

Parker & Parsley 88-C, L.P. (the "Partnership") is a limited partnership organized in 1988 under the laws of the State of Delaware. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA").

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

**Oil and gas properties** - The Partnership utilizes the successful efforts method of accounting for its oil and gas properties and equipment. Under this method, all costs associated with productive wells and nonproductive development wells are capitalized while nonproductive exploration costs are expensed. Capitalized costs relating to proved properties are depleted using the unit-of-production method on a property-by-property basis based on proved oil (dominant mineral) reserves as evaluated by independent petroleum consultants. The carrying amounts of properties sold or otherwise disposed of and the related allowances for depletion are eliminated from the accounts and any gain or loss is included in results of operations.

**Impairment of long-lived assets** - In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the Partnership reviews its long-lived assets to be held and used on an individual property basis, including oil and gas properties accounted for under the successful efforts method of accounting, whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. An impairment loss is indicated if the sum of the expected future cash flows is less than the carrying amount of the assets. In this circumstance, the Partnership recognizes an impairment loss for the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset.

**Use of estimates in the preparation of financial statements** - Preparation of the accompanying financial statements in conformity with generally accepted accounting principles requires management to make estimates

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Net income (loss) per limited partnership interest - The net income (loss) per limited partnership interest is calculated by using the number of outstanding limited partnership interests.

Income taxes - A Federal income tax provision has not been included in the financial statements as the income of the Partnership is included in the individual Federal income tax returns of the

7

1247

respective partners.

Statements of cash flows - For purposes of reporting cash flows, cash includes depository accounts held by banks.

General and administrative expenses - General and administrative expenses are allocated in part to the Partnership by the managing general partner. Allocated expenses are determined by the managing general partner based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Reclassifications - Certain reclassifications may have been made to the 1999 and 1998 financial statements to conform to the 2000 financial statement presentations.

Environmental - The Partnership is subject to extensive federal, state and local environmental laws and regulations. These laws, which are constantly changing, regulate the discharge of materials into the environment and may require the Partnership to remove or mitigate the environmental effects of the disposal or release of petroleum or chemical substances at various sites. Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Liabilities for expenditures of a noncapital nature are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated. Such liabilities are generally undiscounted unless the timing of cash payments for the liability or component are fixed or reliably determinable. No such liabilities have been accrued as of December 31, 2000.

Revenue recognition - The Partnership uses the entitlements method of accounting for oil, natural gas liquids ("NGLs") and natural gas revenues.

### NOTE 3. IMPAIRMENT OF LONG-LIVED ASSETS

In accordance with SFAS 121, the Partnership reviews its proved oil and gas properties for impairment whenever events and circumstances indicate a decline in the recoverability of the carrying value of the Partnership's oil and gas properties. The Partnership has estimated the expected future cash flows of its oil and gas properties as of December 31, 2000, 1999 and 1998, based on proved reserves, and compared such estimated future cash flows to the respective carrying amount of the oil and gas properties to determine if the carrying amounts were likely to be recoverable. For those proved oil and gas properties

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

for which the carrying amount exceeded the estimated future cash flows, an impairment was determined to exist; therefore, the Partnership adjusted the carrying amount of those oil and gas properties to their fair value as determined by discounting their expected future cash flows at a discount rate commensurate with the risks involved in the industry. As a result, the Partnership recognized a non-cash impairment provision of \$85,160 related to its proved oil and gas properties during 1998.

8

1248

### NOTE 4. INCOME TAXES

The financial statement basis of the Partnership's net assets and liabilities was \$24,633 greater than the tax basis at December 31, 2000.

The following is a reconciliation of net income (loss) per statements of operations with the net income per Federal income tax returns for the years ended December 31:

	2000	1999	1998
Net income (loss) per statements of operations	\$ 185,992	\$ 49,060	\$ (114,54
Depletion and depreciation provisions for tax reporting purposes less than amounts for financial reporting purposes	15,635	26,451	67,89
Impairment of oil and gas properties for financial reporting purposes	--	--	85,16
Other, net	(560)	2,209	(3,30
	-----	-----	-----
Net income per Federal income tax returns	\$ 201,067	\$ 77,720	\$ 35,20
	=====	=====	=====

### NOTE 5. OIL AND GAS PRODUCING ACTIVITIES

The following is a summary of the costs incurred, whether capitalized or expensed, related to the Partnership's oil and gas producing activities for the years ended December 31:

	2000	
Development costs	\$ 1,473	\$
	=====	=====

Capitalized oil and gas properties consist of the following:

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	2000 -----	1999 -----
Proved properties:		
Property acquisition costs	\$ 88,684	\$ 91,543
Completed wells and equipment	1,663,203	1,700,045
	-----	-----
	1,751,887	1,791,588
Accumulated depletion	(1,481,594)	(1,504,855)
	-----	-----
Net oil and gas properties	\$ 270,293 =====	\$ 286,733 =====

9

1249

NOTE 6. RELATED PARTY TRANSACTIONS

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

	2000 -----	1999 -----	1998 -----
Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$41,699	\$40,071	\$39,194
Reimbursement of general and administrative expenses	\$ 6,776	\$ 782	\$ 1,889

The Partnership participates in oil and gas activities through an income tax partnership (the "Program") pursuant to the Program agreement. Pioneer USA, Parker & Parsley 88-C Conv., L.P. and the Partnership (the "Partnerships") are parties to the Program agreement.

The costs and revenues of the Program are allocated to Pioneer USA and the Partnerships as follows:

Pioneer USA(1) -----	Partnerships (2) -----
-------------------------	---------------------------

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Revenues:

Proceeds from disposition of depreciable properties	9.09091%	90.90909%
All other revenues	24.242425%	75.757575%

Costs and expenses:

Lease acquisition costs, drilling and completion costs and all other costs	9.09091%	90.90909%
Operating costs, direct costs and general and administrative expenses	24.242425%	75.757575%

- (1) Excludes Pioneer USA's 1% general partner ownership which is allocated at the Partnership level and five limited partner interests owned by Pioneer USA.
- (2) The allocation between the Partnership and Parker & Parsley 88-C Conv., L.P. is 41.612462% and 58.387538%, respectively.

NOTE 7. OIL AND GAS INFORMATION (UNAUDITED)

The following table presents information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities during the years then ended. All of the Partnership's reserves are proved developed and located within the United States. The Partnership's reserves are based on an evaluation prepared by Williamson Petroleum Consultants, Inc., an independent petroleum consultant, using criteria established by the Securities and Exchange Commission.

10

1250

	Oil and NGLs (bbls)	Gas (mcf)
	-----	-----
Net proved reserves at January 1, 1998	129,544	161,856
Revisions	(53,503)	(49,926)
Production	(10,596)	(14,091)
	-----	-----
Net proved reserves at December 31, 1998	65,445	97,839
Revisions	88,560	137,904
Production	(10,071)	(15,049)
	-----	-----
Net proved reserves at December 31, 1999	143,934	220,694
Revisions	25,631	16,368
Production	(11,023)	(13,979)
	-----	-----
Net proved reserves at December 31, 2000	158,542	223,083
	=====	=====



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

As of December 31, 2000 the estimated present value of future net revenues of proved reserves, calculated using December 31, 2000 prices of \$26.64 per barrel of oil, \$13.56 per barrel of NGLs and \$7.78 per mcf of gas, discounted at 10% was approximately \$1,229,000 and undiscounted was \$2,564,000.

Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves. The Partnership emphasizes that reserve estimates are inherently imprecise and, accordingly, the estimates are expected to change as future information becomes available.

### Disclosures about Oil & Gas Producing Activities

#### Standardized Measure of Discounted Future Net Cash Flows

The standardized measure of discounted future net cash flows is computed by applying year-end prices of oil and gas (with consideration of price changes only to the extent provided by contractual arrangements) to the estimated future production of proved oil and gas reserves less estimated future expenditures (based on year-end costs) to be incurred in developing and producing the proved reserves, discounted using a rate of 10% per year to reflect the estimated timing of the future cash flows. A Federal income tax provision has not been calculated as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

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

	For the years ended December 31		
	2000	1999	1998
	(in thousands)		
Oil and gas producing activities:			
Future cash inflows	\$ 5,259	\$ 3,584	\$ 717
Future production costs	(2,695)	(2,081)	(558)
	2,564	1,503	159
10% annual discount factor	(1,335)	(711)	(49)
	\$ 1,229	\$ 792	\$ 110

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

1251

	For the years ended December 31		
	2000	1999	1998
	(in thousands)		
Oil and Gas Producing Activities:			
Oil and gas sales, net of production costs	\$ (208)	\$ (82)	\$ (41)
Net changes in prices and production costs	471	354	(328)
Revisions of previous quantity estimates	196	641	(67)
Accretion of discount	79	11	51
Changes in production rates, timing and other	(101)	(242)	(19)
	-----	-----	-----
Change in present value of future net revenues	437	682	(404)
	-----	-----	-----
Balance, beginning of year	792	110	514
	-----	-----	-----
Balance, end of year	\$ 1,229	\$ 792	\$ 110
	=====	=====	=====

NOTE 8. MAJOR CUSTOMERS

The following table reflects the major customers of the Partnership's oil and gas sales (a major customer is defined as a customer whose sales exceed 10% of total sales) during the years ended December 31:

	2000	1999	1998
	-----	-----	-----
Plains Marketing, L.P.	52%	45%	
Genesis Crude Oil, L.P.	-	-	
Western Gas Resources, Inc.	4%	6%	

At December 31, 2000, the amount receivable from Plains Marketing, L.P. was \$15,388 which is included in the caption "Accounts receivable - oil and gas sales" in the accompanying Balance Sheet.

Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on the ability of the Partnership to sell its oil, NGLs and gas production.

NOTE 9. PARTNERSHIP AGREEMENT

The following is a brief summary of the more significant provisions of the limited partnership agreement:

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Managing general partner - The managing general partner of the Partnership is Pioneer USA. Pioneer USA has the power and authority to manage, control and administer all Program and Partnership affairs. As managing general partner and operator of the Partnership's properties, all production expenses are incurred by Pioneer USA and billed to the Partnership. The majority of the Partnership's oil and gas revenues are received directly by the Partnership, however, a portion of the oil and gas revenue is initially received by Pioneer USA prior to being paid to the Partnership. Under the limited partnership agreement, the managing general partner pays 1% of the Partnership's acquisition, drilling and completion costs and 1% of its operating and general and administrative expenses. In return, it is allocated 1% of the Partnership's

12

1252

revenues.

Limited partner liability - The maximum amount of liability of any limited partner is the total contributions of such partner plus his share of any undistributed profits.

Initial capital contributions - The limited partners entered into subscription agreements for aggregate capital contributions of \$2,431,000. Pioneer USA is required to contribute amounts equal to 1% of initial Partnership capital less commission and organization and offering costs allocated to the limited partners and to contribute amounts necessary to pay costs and expenses allocated to it under the Partnership agreement to the extent its share of revenues does not cover such costs.

13

1253

### PARKER & PARSLEY 88-C, L.P. (A DELAWARE LIMITED PARTNERSHIP)

THIS REPORT CONTAINS FORWARD LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. ACCORDINGLY, NO ASSURANCES CAN BE GIVEN THAT THE ACTUAL EVENTS AND RESULTS WILL NOT BE MATERIALLY DIFFERENT THAN THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of operations

2000 compared to 1999

The Partnership's oil and gas revenues increased 80% to \$316,382 for 2000 as compared to \$175,483 in 1999. The increase in revenues resulted from higher average prices received and an increase in production. In 2000, 7,593 barrels of oil, 3,430 barrels of natural gas liquids ("NGLs") and 13,979 mcf of gas were sold, or 13,353 barrel of oil equivalents ("BOEs"). In 1999, 6,595 barrels of

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

oil, 3,476 barrels of NGLs and 15,049 mcf of gas were sold, or 12,579 BOEs. Due to the decline characteristics of the Partnership's oil and gas properties, management expects a certain amount of decline in production in the future until the Partnership's economically recoverable reserves are fully depleted.

The average price received per barrel of oil increased \$12.09, or 70%, from \$17.24 in 1999 to \$29.33 in 2000. The average price received per barrel of NGLs increased \$5.41, or 52%, from \$10.42 in 1999 to \$15.83 in 2000. The average price received per mcf of gas increased 66% from \$1.70 in 1999 to \$2.82 in 2000. The market price for oil and gas has been extremely volatile in the past decade, and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received in 2000.

Gain on disposition of assets of \$4,027 recognized in 2000 was due to salvage income from equipment credits of \$3,352 on one well plugged and abandoned during the current year and \$675 on one fully depleted well.

Total costs and expenses increased in 2000 to \$137,222 as compared to \$127,758 in 1999, an increase of \$9,464, or 7%. The increase was primarily due to increases in production costs, general and administrative expenses ("G&A") and abandoned property costs, offset by a decline in depletion.

Production costs were \$108,093 in 2000 and \$93,481 in 1999, resulting in a \$14,612, or 16%, increase. The increase was primarily due to higher production taxes associated with higher oil and gas prices, additional well maintenance and workover costs incurred to stimulate well production.

Abandoned property costs of \$1,544 during 2000 were related to the plugging and abandonment of one well during the current year.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 78% from \$5,434 in 1999 to \$9,672 in 2000, primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$6,776 in 2000 and \$782 in 1999 for G&A incurred on behalf of the Partnership. The remaining G&A was paid directly by the Partnership. The managing general partner determines the allocated expenses based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

2000 as compared to \$28,843 in 1999, representing a decrease of \$10,930, or 38%. This decrease was primarily due to a 18,820 barrels of oil increase in proved reserves during 2000 as a result of higher commodity prices, offset by an increase in oil production of 998 barrels for the period ended December 31, 2000 compared to the same period in 1999.

1254

1999 compared to 1998

The Partnership's 1999 oil and gas revenues increased 23% to \$175,483 from \$142,874 in 1998. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 1999, 6,595 barrels of oil,

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

3,476 barrels of NGLs and 15,049 mcf of gas were sold, or 12,579 BOEs. In 1998, 7,453 barrels of oil, 3,143 barrels of NGLs and 14,091 mcf of gas were sold, or 12,945 BOEs.

The average price received per barrel of oil increased \$3.94, or 30%, from \$13.30 in 1998 to \$17.24 in 1999. The average price received per barrel of NGLs increased \$3.48, or 50%, from \$6.94 in 1998 to \$10.42 in 1999. The average price received per mcf of gas increased 10% from \$1.55 in 1998 to \$1.70 in 1999.

A gain on disposition of assets of \$1,550 was recognized during 1998 from equipment credits on a well plugged and abandoned in 1997.

Total costs and expenses decreased in 1999 to \$127,758 as compared to \$260,912 in 1998, a decrease of \$133,154, or 51%. The decrease was primarily due to declines in the impairment of oil and gas properties, depletion and production costs, offset by an increase in G&A.

Production costs were \$93,481 in 1999 and \$101,514 in 1998, resulting in an \$8,033, or 8%, decrease. The decrease was due to declines in well maintenance costs, workover expenses and ad valorem taxes, offset by an increase in production taxes due to increased oil and gas revenues.

During this period, G&A increased 26% from \$4,303 in 1998 to \$5,434 in 1999 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$782 in 1999 and \$1,889 in 1998 for G&A incurred on behalf of the Partnership.

In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the managing general partner reviews the Partnership's oil and gas properties for impairment whenever events or circumstances indicate a decline in the recoverability of the carrying value of the Partnership's assets may have occurred. As a result of the review and evaluation of its long-lived assets for impairment, the Partnership recognized a non-cash charge of \$85,160 related to its oil and gas properties during 1998.

Depletion was \$28,843 in 1999 compared to \$69,935 in 1998, representing a decrease of \$41,092, or 59%. This decrease was the result of a combination of factors that included an increase in proved reserves of 56,967 barrels of oil during 1999 due to higher commodity prices, a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 1998 and a decline in oil production of 858 barrels for the period ended December 31, 1999 compared to the same period in 1998.

### Petroleum industry

The petroleum industry has been characterized by volatile oil, NGL and natural gas commodity prices and relatively stable supplier costs during the three years ended December 31, 2000. During 1998, weather patterns, regional economic recessions and political matters combined to cause worldwide oil supplies to exceed demand resulting in a substantial decline in oil prices. Also during 1998, but to a lesser extent, market prices for natural gas declined. During 1999 and 2000, the Organization of Petroleum Exporting Countries ("OPEC") and certain other crude oil exporting nations announced reductions in their planned export volumes. Those announcements, together with the enactment of the announced reductions in export volumes, had a positive impact on world oil prices, as have overall natural gas supply and demand fundamentals on North American natural gas prices. Although the favorable commodity price environment and stable field service cost environment is expected to continue during 2001, there is no assurance that commodity prices will not return to a less favorable level or that field service costs will not escalate in the future, both of which

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

could negatively impact the Partnership's future results of operations and cash distributions.

1255

### Liquidity and capital resources

#### Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$110,523 during the year ended December 31, 2000 from 1999. This increase was due to an increase in oil and gas sales receipts of \$142,369, offset by increases in production costs paid of \$14,612, G&A expenses paid of \$4,238, abandoned property costs paid of \$1,544 and working capital of \$11,452. The increase in oil and gas receipts resulted from the increase in commodity prices during 2000 which contributed an additional \$116,842 to oil and gas receipts and an increase of \$25,527 resulting from an increase in production during 2000. The increase in production costs was primarily due to increased production taxes associated with higher oil and gas prices and additional well maintenance and workover costs incurred to stimulate well production. The increase in G&A was primarily due to higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues.

#### Net Cash Provided by (Used in) Investing Activities

The Partnership's principal investing activities during 2000 and 1999 included expenditures related to equipment upgrades on several oil and gas properties.

Proceeds from disposition of assets of \$4,027 during 2000 were due to salvage income from equipment credits of \$3,352 on one well plugged and abandoned during the current year and \$675 on one fully depleted well. Proceeds from disposition of assets of \$2,448 during 1999 were from equipment credits on active wells.

#### Net Cash Used in Financing Activities

In 2000, cash distributions to the partners were \$185,568, of which \$1,856 was distributed to the managing general partner and \$183,712 to the limited partners. In 1999, cash distributions to the partners were \$53,182, of which \$532 was distributed to the managing general partner and \$52,650 to the limited partners.

1256

PARKER & PARSLEY 88-C, L.P.

### SELECTED FINANCIAL DATA

The following selected financial data for the Partnership should be read in connection with Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements included in the attached supplemental information.

Six months

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	ended June 30,		Years ended December		
	2001	2000	2000	1999	1998
Operating results:					
Oil and gas sales	\$153,108	\$ 141,499	\$ 316,382	\$ 175,483	\$ 142,874
Impairment of oil and gas properties	\$ --	\$ --	\$ --	\$ --	\$ 85,160
Net income (loss)	\$ 80,203	\$ 78,884	\$ 185,992	\$ 49,060	\$ (114,543)
Allocation of net income (loss):					
Managing general partner	\$ 802	\$ 789	\$ 1,860	\$ 491	\$ (1,145)
Limited partners	\$ 79,401	\$ 78,095	\$ 184,132	\$ 48,569	\$ (113,398)
Limited partners' net income (loss) per limited partnership interest	\$ 32.66	\$ 32.12	\$ 75.74	\$ 19.98	\$ (46.65)
Limited partners' cash distributions per limited partnership interest	\$ 24.91	\$ 34.73	\$ 75.57	\$ 21.66	\$ 22.54
As of period ended:					
Total assets	\$372,044	\$ 346,858	\$ 349,884	\$ 351,618	\$ 353,874

1257

PIONEER NATURAL RESOURCES COMPANY  
PIONEER NATURAL RESOURCES USA, INC.  
5205 NORTH O'CONNOR BLVD., SUITE 1400  
IRVING, TEXAS 75039

SUPPLEMENTAL INFORMATION

OF

PARKER & PARSLEY PRODUCING PROPERTIES 88-A, L.P., A DELAWARE LIMITED PARTNERSHIP

TO

PROXY STATEMENT/PROSPECTUS DATED , 2001

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

-----  
THE DATE OF THIS SUPPLEMENT IS                   , 2001  
-----

This document contains important information specific to Parker & Parsley Producing Properties 88-A, L.P., and supplements the proxy statement/prospectus dated                   , 2001, of Pioneer Natural Resources Company and Pioneer Natural Resources USA, Inc., by which Pioneer USA is soliciting proxies to be voted at a special meeting of limited partners of the partnership. The purpose of the special meeting is for you to vote upon the merger of the partnership with and into Pioneer USA that, if completed, will result in your receiving common stock of Pioneer Natural Resources Company for your partnership interests.

This document contains the following information concerning Parker & Parsley Producing Properties 88-A, L.P.:

- o A table containing:
  - the aggregate initial investment by the limited partners
  - the aggregate historical limited partner distributions through July 31, 2001
  - the merger value attributable to partnership interests of limited partners, excluding Pioneer USA
  - the merger value per \$1,000 limited partner investment
  - the merger value per \$1,000 limited partner investment as a multiple of distributions for the past four quarterly distributions including the distribution in July 2001
  - the book value per \$1,000 limited partner investment as of June 30, 2001 and as of December 31, 2000
  - the going concern value per \$1,000 limited partner investment
  - the liquidation value per \$1,000 limited partner investment
  - the ordinary tax loss per \$1,000 limited partner investment in year of initial investment
- o Information about:
  - the legal opinion for the limited partners
  - the term of the partnership
- o The partnership's quarterly report on Form 10-Q, including management's discussion and analysis of financial condition and results of operations, for the six months ended June 30, 2001
- o The partnership's annual report on Form 10-K, including management's discussion and analysis of financial condition and results of operations, for the year ended December 31, 2000



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

- o Selected historical financial data for the partnership for the six months ended June 30, 2001 and 2000 and the five years ended December 31, 2000

-1-

1258

PARKER & PARSLEY PRODUCING PROPERTIES 88-A, L.P.

SUPPLEMENTAL INFORMATION TABLE

Aggregate Initial Investment by the Limited Partners (a)

Aggregate Historical Limited Partner Distributions through July 31, 2001 (a)

Merger Value Attributable to Partnership Interests of Limited Partners, Excluding Pioneer USA (a), (b)

Merger Value per \$1,000 Limited Partner Investment (b), (c)

Merger Value per \$1,000 Limited Partner Investment as a Multiple of Distributions for the past four quarterly distributions including the distribution in July 2001 (b), (c)

Book Value per \$1,000 Limited Partner Investment:

-- as of June 30, 2001 (c)

-- as of December 31, 2000 (c)

Going Concern Value per \$1,000 Limited Partner Investment (c), (d)

Liquidation Value per \$1,000 Limited Partner Investment (c), (e)

Ordinary Tax Loss per \$1,000 Limited Partner Investment in Year of Initial Investment (f)

-----

(a) Stated in thousands.

(b) The merger value for the partnership is equal to the sum of the present value of estimated future net revenues from the partnership's oil and gas reserves and its net working capital, in each case as of March 31, 2001, less its pro rata share, based on its reserve value, of the estimated expenses and fees of the mergers of all of the partnerships and less the cash distribution on July 13, 2001, by the partnership to its partners.

(c) Interests in some partnerships were sold in units at prices other than \$1,000. We have presented this information based on a \$1,000 initial investment for ease of use and comparison among partnerships. You should not assume that the amount shown per \$1,000 investment is the same as the value or amount attributable to a single unit investment.

(d) The going concern value for the partnership is based upon: (1) the sum of (A) the estimated net cash flow from the sale of the partnership's reserves

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

during a 10-year operating period and (B) the estimated residual value from the sale of the partnership's remaining reserves at the end of the operating period, in each case using the same pricing and discount rate as in the merger value calculation, less (2) (A) partnership level general and administrative expenses, and (B) the cash distribution on July 13, 2001 by the partnership to its partners.

- (e) The liquidation value for the partnership is based upon the sale of the partnership's reserves at the reserve value, less (1) liquidation expenses which are estimated to be the sum of (A) the partnership's pro rata share of the merger expenses and fees described in footnote (b) above and (B) 3% of the partnership's reserve value, and (B) the cash distribution on July 13, 2001 by the partnership to its partners. The liquidation expenses represent estimated costs to retain an investment banker or broker to sell the assets of the partnership and the legal and other closing costs associated with such transaction, including the wind-down costs of the partnership.
- (f) Not applicable. Since this partnership purchased producing properties, there were no intangible drilling and development costs nor any related write-off for tax purposes.

### INFORMATION ABOUT THE LEGAL OPINION FOR THE LIMITED PARTNERS

Although not required by the partnership agreement for the partnership, special legal counsel will render an opinion on behalf of the limited partners to Pioneer USA that (1) neither the grant nor the exercise of the right to approve the merger of the partnership by its limited partners will adversely affect the federal income tax classification of the partnership or any of its limited partners; and (2) neither the grant nor exercise of such right will result in the loss of any limited partner's limited liability. In addition, the counsel designated to render the opinion is not required to be counsel other than counsel to Pioneer USA or the partnership. Both the designated counsel and the legal opinion will be submitted for approval by the limited partners. Pioneer USA has retained \_\_\_\_\_ of Dallas, Texas for the purpose of rendering this legal opinion on behalf of the limited partners to Pioneer USA. The merger proposals include an approval of that counsel and the form of its opinion. A copy of the opinion is attached as an exhibit to the merger proposals.

### INFORMATION ABOUT THE TERM OF THE PARTNERSHIP

The term of the partnership is until December 31, 2038, unless the partnership is earlier terminated in accordance with the applicable provisions of its partnership agreement.

-2-

1259

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

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

For the quarterly period ended June 30, 2001

Commission File No. 33-19133-A

PARKER & PARSLEY PRODUCING PROPERTIES 88-A, L.P.  
(Exact name of Registrant as specified in its charter)

Delaware	75-2225758
-----	-----
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
5205 N. O'Connor Blvd., Suite 1400, Irving, Texas	75039
-----	-----
(Address of principal executive offices)	(Zip code)

Registrant's Telephone Number, including area code : (972) 444-9001

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 / x / No / /

1260

PARKER & PARSLEY PRODUCING PROPERTIES 88-A, L.P.

TABLE OF CONTENTS

	Page
Part I. Financial Information	
Item 1. Financial Statements	
Balance Sheets as of June 30, 2001 and December 31, 2000.....	3

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Statements of Operations for the three and six months ended June 30, 2001 and 2000.....	4
Statement of Partners' Capital for the six months ended June 30, 2001.....	5
Statements of Cash Flows for the six months ended June 30, 2001 and 2000.....	6
Notes to Financial Statements.....	7
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.....	7
Part II. Other Information	
Item 6. Exhibits and Reports on Form 8-K.....	11
Signatures.....	12

1261

PARKER & PARSLEY PRODUCING PROPERTIES 88-A, L.P.  
(A Delaware Limited Partnership)

Part I. Financial Information

Item 1. Financial Statements

BALANCE SHEETS

	June 30, 2001	December 31, 2000
	-----	-----
	(Unaudited)	
ASSETS		
Current assets:		
Cash	\$ 369,133	\$ 253,499
Accounts receivable - oil and gas sales	68,621	115,810
	-----	-----
Total current assets	437,754	369,309
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	4,855,712	4,855,712
Accumulated depletion	(3,755,768)	(3,719,241)
	-----	-----
Net oil and gas properties	1,099,944	1,136,471
	-----	-----
	\$ 1,537,698	\$ 1,505,780
	=====	=====

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

### LIABILITIES AND PARTNERS' CAPITAL

Current liabilities:

Accounts payable - affiliate	\$ 19,658	\$ 11,054
------------------------------	-----------	-----------

Partners' capital:

Managing general partner	15,113	14,879
Limited partners (11,222 interests)	1,502,927	1,479,847
	-----	-----
	1,518,040	1,494,726
	-----	-----
	\$ 1,537,698	\$ 1,505,780
	=====	=====

The financial information included as of June 30, 2001 has been prepared by the managing general partner without audit by independent public accountants.

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

3

1262

### PARKER & PARSLEY PRODUCING PROPERTIES 88-A, L.P. (A Delaware Limited Partnership)

#### STATEMENTS OF OPERATIONS (Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2001	2000	2001	2000
	-----	-----	-----	-----
<b>Revenues:</b>				
Oil and gas	\$ 154,567	\$ 197,479	\$ 350,012	\$ 346,895
Interest	3,000	4,202	6,225	7,804
Gain on disposition of assets	6,447	-	6,447	9,859
	-----	-----	-----	-----
	164,014	201,681	362,684	364,558
	-----	-----	-----	-----
<b>Costs and expenses:</b>				
Oil and gas production	61,994	124,619	127,329	199,253
General and administrative	4,643	5,925	10,506	10,407
Depletion	16,473	17,322	36,527	29,947
Abandoned property	10,766	-	10,766	-
	-----	-----	-----	-----
	93,876	147,866	185,128	239,607
	-----	-----	-----	-----
Net income	\$ 70,138	\$ 53,815	\$ 177,556	\$ 124,951
	=====	=====	=====	=====
<b>Allocation of net income:</b>				

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Managing general partner	\$ 702	\$ 539	\$ 1,776	\$ 1,250
	=====	=====	=====	=====
Limited partners	\$ 69,436	\$ 53,276	\$ 175,780	\$ 123,701
	=====	=====	=====	=====
Net income per limited partnership interest	\$ 6.18	\$ 4.74	\$ 15.66	\$ 11.02
	=====	=====	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

4

1263

PARKER & PARSLEY PRODUCING PROPERTIES 88-A, L.P.  
(A Delaware Limited Partnership)

STATEMENT OF PARTNERS' CAPITAL  
(Unaudited)

	Managing general partner	Limited partners	Total
	-----	-----	-----
Balance at January 1, 2001	\$ 14,879	\$1,479,847	\$1,494,726
Distributions	(1,542)	(152,700)	(154,242)
Net income	1,776	175,780	177,556
	-----	-----	-----
Balance at June 30, 2001	\$ 15,113	\$1,502,927	\$1,518,040
	=====	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

5

1264

1238

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

PARKER & PARSLEY PRODUCING PROPERTIES 88-A, L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF CASH FLOWS  
(Unaudited)

	Six months ended June 30,	
	2001	2000
Cash flows from operating activities:		
Net income	\$ 177,556	\$ 124,951
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion	36,527	29,947
Gain on disposition of assets	(6,447)	(9,859)
Changes in assets and liabilities:		
Accounts receivable	47,189	(14,004)
Accounts payable	8,604	12,811
	-----	-----
Net cash provided by operating activities	263,429	143,846
	-----	-----
Cash flows from investing activities:		
Additions to oil and gas properties	-	(782)
Proceeds from asset dispositions	6,447	9,859
	-----	-----
Net cash provided by investing activities	6,447	9,077
	-----	-----
Cash flows used in financing activities:		
Cash distributions to partners	(154,242)	(232,627)
	-----	-----
Net increase (decrease) in cash	115,634	(79,704)
Cash at beginning of period	253,499	323,271
	-----	-----
Cash at end of period	\$ 369,133	\$ 243,567
	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

PARKER & PARSLEY PRODUCING PROPERTIES 88-A, L.P.  
(A Delaware Limited Partnership)

# Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

## NOTES TO FINANCIAL STATEMENTS June 30, 2001 (Unaudited)

### Note 1. Organization and nature of operations

Parker & Parsley Producing Properties 88-A, L.P. (the "Partnership") is a limited partnership organized in 1988 under the laws of the State of Delaware.

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

### Note 2. Basis of presentation

In the opinion of management, the unaudited financial statements of the Partnership as of June 30, 2001 and for the three and six months ended June 30, 2001 and 2000 include all adjustments and accruals consisting only of normal recurring accrual adjustments which are necessary for a fair presentation of the results for the interim period. These interim results are not necessarily indicative of results for a full year. Certain reclassifications may have been made to the June 30, 2000 financial statements to conform to the June 30, 2001 financial statement presentations.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in this Form 10-Q pursuant to the rules and regulations of the Securities and Exchange Commission. The financial statements should be read in conjunction with the financial statements and the notes thereto contained in the Partnership's Report on Form 10-K for the year ended December 31, 2000, as filed with the Securities and Exchange Commission, a copy of which is available upon request by writing to Rich Dealy, Vice President and Chief Accounting Officer, 5205 North O'Connor Boulevard, Suite 1400, Irving, Texas 75039-3746.

### Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (1)

#### Results of Operations

Six months ended June 30, 2001 compared with six months ended June 30, 2000

#### Revenues:

The Partnership's oil and gas revenues increased 1% to \$350,012 for the six months ended June 30, 2001 as compared to \$346,895 for the same period in 2000. The increase in revenues resulted from higher average prices received for gas and NGLs, offset by a decline in production and lower average prices received for oil. For the six months ended June 30, 2001, 8,258 barrels of oil, 3,840

7

1266

barrels of natural gas liquids ("NGLs") and 16,169 mcf of gas were sold, or 14,793 barrel of oil equivalents ("BOEs"). For the six months ended June 30, 2000, 8,488 barrels of oil, 5,238 barrels of NGLs and 20,402 mcf of gas were sold, or 17,126 BOEs.

The average price received per barrel of oil decreased \$.53, or 2%, from \$27.71 for the six months ended June 30, 2000 to \$27.18 for the same period in 2001.



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The average price received per barrel of NGLs increased \$.47, or 3%, from \$13.93 during the six months ended June 30, 2000 to \$14.40 for the same period in 2001. The average price received per mcf of gas increased 129% from \$1.90 during the six months ended June 30, 2000 to \$4.35 for the same period in 2001. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received during the six months ended June 30, 2001.

Gains on disposition of assets of \$6,447 and \$9,859 were recognized during the six months ended June 30, 2001 and 2000, respectively. The gain recognized during the six months ended June 30, 2001 resulted from equipment credits received on one well that was plugged and abandoned during the current period. Expenses incurred during the six months ended June 30, 2001 to plug this well were \$10,766. The gain recognized during the six months ended June 30, 2000 resulted from equipment credits received on one fully depleted well.

### Costs and Expenses:

Total costs and expenses decreased to \$185,128 for the six months ended June 30, 2001 as compared to \$239,607 for the same period in 2000, a decrease of \$54,479, or 23%. This decrease was primarily due to a decline in production costs, offset by increases in abandoned property costs, depletion and general and administrative expenses ("G&A").

Production costs were \$127,329 for the six months ended June 30, 2001 and \$199,253 for the same period in 2000, resulting in a decrease of \$71,924, or 36%. This decrease was primarily due to lower workover and well maintenance costs.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 1% from \$10,407 for the six months ended June 30, 2000 to \$10,506 for the same period in 2001, primarily due to an increase in audit and tax fees.

Depletion was \$36,527 for the six months ended June 30, 2001 as compared to \$29,947 for the same period in 2000, an increase of \$6,580, or 22%. This increase was primarily due to a downward revision to proved reserves during the period ended June 30, 2001 due to lower commodity prices as compared to the same period in 2000.

Three months ended June 30, 2001 compared with three months ended June 30, 2000

### Revenues:

The Partnership's oil and gas revenues decreased 22% to \$154,567 for the three months ended June 30, 2001 as compared to \$197,479 for the same period in 2000. The decrease in revenues resulted from lower average prices received for oil and NGLs and a decline in production, offset by higher average prices received for gas. For the three months ended June 30, 2001, 3,841 barrels of oil, 1,984 barrels of NGLs and 7,439 mcf of gas were sold, or 7,065 BOEs. For the three months ended June 30, 2000, 4,780 barrels of oil, 2,886 barrels of NGLs and 10,613 mcf of gas were sold, or 9,435 BOEs.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The average price received per barrel of oil decreased \$.58, or 2%, from \$27.50 for the three months ended June 30, 2000 to \$26.92 for the same period in 2001. The average price received per barrel of NGLs decreased \$1.83, or 12%, from \$14.66 during the three months ended June 30, 2000 to \$12.83 for the same period in 2001. The average price received per mcf of gas increased 55% from \$2.23 during the three months ended June 30, 2000 to \$3.46 for the same period in 2001.

Gain on disposition of assets of \$6,447 was recognized during the three months ended June 30, 2001 resulting from equipment credits received on one well plugged and abandoned during the current period. Expenses incurred to plug this well were \$10,766.

### Costs and Expenses:

Total costs and expenses decreased to \$93,876 for the three months ended June 30, 2001 as compared to \$147,866 for the same period in 2000, a decrease of \$53,990, or 37%. This decrease was primarily due to declines in production costs, G&A and depletion, offset by an increase in abandoned property costs.

Production costs were \$61,994 for the three months ended June 30, 2001 and \$124,619 for the same period in 2000 resulting in a \$62,625 decrease, or 50%. This decrease was primarily due to lower workover and well maintenance costs.

During this period, G&A decreased 22% from \$5,925 for the three months ended June 30, 2000 to \$4,643 for the same period in 2001, primarily due to a lower allocation of the managing general partner's G&A being allocated as a result of lower oil and gas revenues during the three months ended June 30, 2001 as compared to the period ended June 30, 2000, in addition to decreased audit and tax fees.

Depletion was \$16,473 for the three months ended June 30, 2001 as compared to \$17,322 for the same period in 2000, a decrease of \$849, or 5%. This decrease was primarily due to a decline in oil production of 939 barrels for the three months ended June 30, 2001 as compared to the same period in 2000.

### Liquidity and Capital Resources

#### Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$119,583 during the six months ended June 30, 2001 from the same period ended June 30, 2000. This increase was primarily due to a reduction of \$56,986 in working capital, an increase of \$1,538 in oil and gas sales receipts and a decline in production costs of \$71,924, offset by increases in abandoned property costs of \$10,766 and G&A expenses of \$99. The increase in oil and gas receipts resulted from the increase in gas and NGL prices of \$52,442 during 2001, offset by a decline of \$46,359 in production and a \$4,545 decline in oil prices in 2001 as compared to the same period in 2000. The decrease in production costs was primarily due to lower workover and well maintenance costs. The increase in G&A was primarily due to an increase in audit and tax fees.

#### Net Cash Provided by Investing Activities

The Partnership's investing activities during the six months ended June 30, 2000

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

were related to expenditures for upgrades of oil and gas equipment on active properties.

Proceeds from disposition of assets of \$6,447 and \$9,859 were recognized during the six months ended June 30, 2001 and 2000, respectively. Proceeds during 2001 were from equipment credits on one well that was plugged and abandoned during the current period. Proceeds during 2000 were from equipment credits on one fully depleted well.

### Net Cash Used in Financing Activities

For the six months ended June 30, 2001, cash distributions to the partners were \$154,242, of which \$1,542 was distributed to the managing general partner and \$152,700 to the limited partners. For the same period ended June 30, 2000, cash distributions to the partners were \$232,627, of which \$2,326 was distributed to the managing general partner and \$230,301 to the limited partners.

For the three months ended June 30, 2001, no distributions were made by the partnership to its partners. Subsequent to June 30, 2001 the cash distribution that otherwise would have been mailed to partners in late June was made to holders of record as of July 9, 2001 and was mailed on July 13, 2001. For further information, see "Proposal to acquire partnerships" below.

### Proposal to acquire partnerships

On June 29, 2001, Pioneer Natural Resources Company ("Pioneer") filed with the Securities and Exchange Commission Amendment No. 1 to the Form S-4 Registration Statement (File No. 333-59094) (the "preliminary proxy statement/prospectus"), which proposes an agreement and plan of merger among Pioneer, Pioneer Natural Resources USA, Inc. ("Pioneer USA"), a wholly-owned subsidiary of Pioneer, and 46 Parker & Parsley limited partnerships. Each partnership that approves the agreement and plan of merger and the other related merger proposals will merge with and into Pioneer USA upon the closing of the transactions described in the preliminary proxy statement/prospectus, and the partnership interests of each such partnership will be converted into the right to receive Pioneer common stock. The Partnership is one of the 46 Parker & Parsley limited partnerships

10

1269

that will be asked to approve the agreement and plan of merger. The preliminary proxy statement/prospectus is non-binding and is subject to, among other things, consideration of offers from third parties to purchase any partnership or its assets and the majority approval of the limited partnership interests in each partnership.

Pioneer USA will solicit proxies from limited partners to approve the mergers only when the proxy statement/prospectus is final and declared effective. No solicitation will be made using preliminary materials. Nonetheless, copies of the preliminary proxy statement/prospectus may be obtained without charge upon request from Pioneer Natural Resources Company, 5205 North O'Connor Blvd., Suite 1400, Irving, Texas 75039, Attention: Investor Relations.

The limited partners are urged to read the proxy statement/prospectus of Pioneer filed with the Securities and Exchange Commission, when it is finalized, because it contains important information about the proposed mergers, including information about the direct and indirect interests of Pioneer USA and Pioneer in the mergers. The limited partners may also obtain the preliminary and (when

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

filed) final proxy statement/prospectus and other relevant documents relating to the proposed mergers free through the internet web site that the Securities and Exchange Commission maintains at www.sec.gov.

-----

- (1) "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" contains forward looking statements that involve risks and uncertainties. Accordingly, no assurances can be given that the actual events and results will not be materially different than the anticipated results described in the forward looking statements.

Part II. Other Information

Item 6. Exhibits and Reports on Form 8-K

- (a) Exhibits - none  
(b) Reports on Form 8-K - none

11

1270

PARKER & PARSLEY PRODUCING PROPERTIES 88-A, L.P.  
(A Delaware Limited Partnership)

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 thereunto duly authorized.

PARKER & PARSLEY PRODUCING  
PROPERTIES 88-A, L.P.

By: Pioneer Natural Resources USA, Inc.,  
Managing General Partner

Dated: August 7, 2001

By: /s/ Rich Dealy

-----  
Rich Dealy, Vice President and  
Chief Accounting Officer

12

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

1271

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

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d)  
of the Securities Exchange Act of 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000

COMMISSION FILE NO. 33-19133-A

PARKER & PARSLEY PRODUCING PROPERTIES 88-A, L.P.  
(Exact name of Registrant as specified in its charter)

DELAWARE

75-2225758

-----  
(State or other jurisdiction of  
incorporation or organization)

-----  
(I.R.S. Employer  
Identification Number)

1400 WILLIAMS SQUARE WEST, 5205 N. O'CONNOR BLVD., IRVING, TEXAS

75039

-----  
(Address of principal executive offices)

-----  
(Zip code)

Registrant's Telephone Number, including area code : (972) 444-9001

Securities registered pursuant to Section 12(b) of the Act: NONE  
Securities registered pursuant to Section 12(g) of the Act:  
LIMITED PARTNERSHIP INTERESTS (\$500 PER UNIT)

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

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

No market currently exists for the limited partnership interests of the Registrant. Based on the original purchase price, the aggregate market value of limited partnership interests owned by non-affiliates of the Registrant is \$5,572,000.

As of March 8, 2001, the number of outstanding limited partnership interests was 11,222.

The following documents are incorporated by reference into the indicated parts of this Annual Report on Form 10-K: None

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

PARTS I AND II OF THIS ANNUAL REPORT ON FORM 10-K (THE "REPORT") CONTAIN FORWARD LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. ACCORDINGLY, NO ASSURANCES CAN BE GIVEN THAT THE ACTUAL EVENTS AND RESULTS WILL NOT BE MATERIALLY DIFFERENT THAN THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS. SEE "ITEM 1. BUSINESS" FOR A DESCRIPTION OF VARIOUS FACTORS THAT COULD MATERIALLY AFFECT THE ABILITY OF THE PARTNERSHIP TO ACHIEVE THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS.

1272

### PART I

#### ITEM 1. BUSINESS

Parker & Parsley Producing Properties 88-A, L.P. (the "Partnership") is a limited partnership organized in 1988 under the laws of the State of Delaware. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA"). Pioneer USA is a wholly-owned subsidiary of Pioneer Natural Resources Company ("Pioneer"). As of March 8, 2001, the Partnership had 11,222 limited partnership interests outstanding.

The Partnership does not have any employees of its own. Pioneer USA employs 701 persons, many of whom dedicated a part of their time to the conduct of the Partnership's business during the period for which this Report is filed. Pioneer USA supplies all management functions.

The Partnership engages in oil and gas development and production and is not involved in any industry segment other than oil and gas. The Partnership's production is geographically concentrated in West Texas.

The principal markets during 2000 for the oil produced by the Partnership were refineries and oil transmission companies that have facilities near the Partnership's oil producing properties. During 2000, Pioneer USA marketed the Partnership's gas to a variety of purchasers, none of which accounted for 10% or more of the Partnership's oil and gas revenues. Of the Partnership's total oil and gas revenues for 2000, approximately 59% was attributable to sales made to Plains Marketing, L.P. Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on its ability to sell its oil, natural gas liquids ("NGLs") and gas production.

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

Oil and gas production operations are subject to various types of regulations by local, state and federal agencies. The Partnership's operations are also subject to state conservation laws and regulations, including the establishment of maximum rates of production from wells and the regulation of spacing, plugging and abandonment of wells. Each state generally imposes a production or severance tax with respect to production and sale of oil and gas within their respective jurisdictions. Noncompliance with the laws and regulations may subject the Partnership to penalties, damages or other liabilities and compliance may increase the cost of the Partnership's operations.

The oil and gas business is also subject to environmental hazards such as oil spills, gas leaks and ruptures and discharges of toxic substances or gases that

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

could expose the Partnership to substantial liability due to pollution and other environmental damages. Although the Partnership believes that

2

1273

its business operations do not impair environmental quality and that its costs of complying with any applicable environmental regulations are not currently significant, the Partnership cannot predict what, if any, effect these environmental regulations may have on its current or future operations.

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

No material part of the Partnership's business is seasonal and the Partnership conducts no foreign operations.

### ITEM 2. PROPERTIES

The Partnership's properties consist of working interests in properties on which oil and gas wells are located. Such property interests are often subject to landowner royalties, overriding royalties and other oil and gas leasehold interests.

The Partnership completed one purchase of producing properties. This acquisition involved the purchase of working interests in 21 properties, all of which are operated by the managing general partner. In subsequent years, the Partnership participated in the drilling of three additional wells and one well was plugged and abandoned. At December 31, 2000 the Partnership had 23 producing oil and gas properties.

For information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998, and changes in such quantities for the years then ended, see Note 7 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" below. Such reserves have been evaluated by Williamson Petroleum Consultants, Inc., an independent petroleum consultant.

### ITEM 3. LEGAL PROCEEDINGS

The Partnership from time to time is a party to various legal proceedings incidental to its business involving claims in oil and gas leases or interests, other claims for damages in amounts not in excess of 10% of its current assets and other matters, none of which Pioneer USA believes to be material to the Partnership.

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

There were no matters submitted to a vote of the partners during the fourth quarter of 2000.

3

1274

# Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

## PART II

### ITEM 5. MARKET FOR LIMITED PARTNERSHIP INTERESTS AND LIMITED PARTNERSHIP DISTRIBUTIONS

At March 8, 2001, the Partnership had 11,222 outstanding limited partnership interests held of record by 507 subscribers. There is no established public trading market for the limited partnership interests. Under the limited partnership agreement, Pioneer USA has made certain commitments to purchase partnership interests at a computed value.

Revenues which, in the sole judgement of the managing general partner, are not required to meet the Partnership's obligations are distributed to the partners at least quarterly in accordance with the limited partnership agreement. During the years ended December 31, 2000 and 1999, \$458,003 and \$165,195, respectively, of such revenue-related distributions were made to the limited partners.

### ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth selected financial data for the years ended December 31:

	2000 -----	1999 -----	1998 -----	1997 -----
Operating results:				
Oil and gas sales	\$ 742,384 =====	\$ 495,753 =====	\$ 443,496 =====	\$ 753,775 =====
Impairment of oil and gas properties	\$ - =====	\$ 280,950 =====	\$ - =====	\$ 6,231 =====
Net income (loss)	\$ 357,190 =====	\$ (111,304) =====	\$ (13,621) =====	\$ 255,412 =====
Allocation of net income (loss):				
Managing general partner	\$ 3,572 =====	\$ (1,113) =====	\$ (136) =====	\$ 2,554 =====
Limited partners	\$ 353,618 =====	\$ (110,191) =====	\$ (13,485) =====	\$ 252,858 =====
Limited partners' net income (loss) per limited partnership interest	\$ 31.51 =====	\$ (9.82) =====	\$ (1.20) =====	\$ 22.53 =====
Limited partners' cash distributions per limited partnership interest	\$ 40.81 =====	\$ 14.72 =====	\$ 24.99 =====	\$ 50.52 =====
At year end:				
Identifiable assets	\$ 1,505,780 =====	\$1,613,628 =====	\$ 1,884,917 =====	\$2,212,937 =====



1275

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

Results of operations

2000 compared to 1999

The Partnership's oil and gas revenues increased 50% to \$742,384 for 2000 as compared to \$495,753 in 1999. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 2000, 17,170 barrels of oil, 9,806 barrels of natural gas liquids ("NGLs") and 37,939 mcf of gas were sold, or 33,299 barrel of oil equivalents ("BOEs"). In 1999, 19,878 barrels of oil, 10,402 barrels of NGLs and 44,467 mcf of gas were sold, or 37,691 BOEs. Due to the decline characteristics of the Partnership's oil and gas properties, management expects a certain amount of decline in production in the future until the Partnership's economically recoverable reserves are fully depleted.

The average price received per barrel of oil increased \$12.62, or 75%, from \$16.82 for 1999 to \$29.44 in 2000. The average price received per barrel of NGLs increased \$5.10, or 56%, from \$9.18 for 1999 to \$14.28 in 2000. The average price received per mcf of gas increased 72%, from \$1.48 for 1999 to \$2.55 in 2000. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received in 2000.

A gain on disposition of assets of \$9,859 was recognized during 2000 from salvage income received on one fully depleted well.

Total costs and expenses decreased in 2000 to \$411,959 as compared to \$619,585 in 1999, a decrease of \$207,626, or 34%. This decrease was primarily the result of declines in the impairment of oil and gas properties and depletion, offset by increases in production costs and general and administrative expenses ("G&A").

Production costs were \$322,751 in 2000 and \$237,875 in 1999, resulting in an increase of \$84,876, or 36%. The increase was primarily due to additional workover expense and well maintenance costs incurred to stimulate well production and higher production taxes associated with higher oil and gas prices.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 50% from \$14,872 in 1999 to \$22,272 in 2000 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$18,064 in 2000 and \$8,371 in 1999 for G&A incurred on behalf of the Partnership. The remaining G&A was paid directly by the Partnership. The managing general partner determines the allocated expenses based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

1276

In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the managing general partner reviews the Partnership's oil and gas properties for impairment whenever events or circumstances indicate a decline in the recoverability of the carrying value of the Partnership's assets may have occurred. As a result of the review and evaluation of its long-lived assets for impairment, the Partnership recognized a non-cash charge of \$280,950 related to its oil and gas properties during 1999.

Depletion was \$66,936 in 2000 as compared to \$85,888 in 1999, representing a decrease of \$18,952, or 22%. This decrease was primarily due to a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 1999 and a decline in oil production of 2,708 barrels for the period ended December 31, 2000 compared to the same period in 1999, offset by a 20,203 barrels of oil decrease in proved reserves during 2000 as a result of a significant well having lower reserves due to a revised decline curve.

1999 compared to 1998

The Partnership's 1999 oil and gas revenues increased 12% to \$495,753 from \$443,496 in 1998. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 1999, 19,878 barrels of oil, 10,402 barrels of NGLs and 44,467 mcf of gas were sold, or 37,691 BOEs. In 1998, 22,482 barrels of oil, 12,009 barrels of NGLs and 51,099 mcf of gas were sold, or 43,008 BOEs.

The average price received per barrel of oil increased \$3.68, or 28%, from \$13.14 for 1998 to \$16.82 in 1999. The average price received per barrel of NGLs increased \$2.87, or 45%, from \$6.31 for 1998 to \$9.18 in 1999. The average price received per mcf of gas increased 5%, from \$1.41 for 1998 to \$1.48 in 1999.

Total costs and expenses increased in 1999 to \$619,585 as compared to \$471,884 in 1998, an increase of \$147,701, or 31%. This increase was primarily the result of increases in the impairment of oil and gas properties and G&A expenses, offset by declines in depletion and production costs.

Production costs were \$237,875 in 1999 and \$252,339 in 1998, resulting in a \$14,464, or 6%, decrease. The decrease was due to less well maintenance costs and ad valorem taxes, offset by an increase in production taxes due to the increase in oil and gas revenues.

During this period, G&A increased 12% from \$13,305 in 1998 to \$14,872 in 1999 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$8,371 in 1999 and \$9,891 in 1998 for G&A incurred on behalf of the Partnership.

The Partnership recognized a non-cash SFAS 121 charge of \$280,950 related to its oil and gas properties during 1999.

Depletion was \$85,888 in 1999 compared to \$206,240 in 1998. This represented a decrease of \$120,352, or 58%. This decrease was the result of an increase in proved reserves of 77,231 barrels of oil during 1999 as a result of higher commodity prices and a decline in oil production of 2,604

1277

barrels for the period ended December 31, 1999 compared to the same period in 1998.

#### Petroleum industry

The petroleum industry has been characterized by volatile oil, NGL and natural gas commodity prices and relatively stable supplier costs during the three years ended December 31, 2000. During 1998, weather patterns, regional economic recessions and political matters combined to cause worldwide oil supplies to exceed demand resulting in a substantial decline in oil prices. Also during 1998, but to a lesser extent, market prices for natural gas declined. During 1999 and 2000, the Organization of Petroleum Exporting Countries ("OPEC") and certain other crude oil exporting nations announced reductions in their planned export volumes. Those announcements, together with the enactment of the announced reductions in export volumes, had a positive impact on world oil prices, as have overall natural gas supply and demand fundamentals on North American natural gas prices. Although the favorable commodity price environment and stable field service cost environment is expected to continue during 2001, there is no assurance that commodity prices will not return to a less favorable level or that field service costs will not escalate in the future, both of which could negatively impact the Partnership's future results of operations and cash distributions.

#### Liquidity and capital resources

##### Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$159,721 during the year ended December 31, 2000 from 1999. This increase was due to an increase in oil and gas sales receipts of \$251,009 and a decline in working capital of \$988, offset by increases in production costs paid of \$84,876 and G&A expenses paid of \$7,400. The increase in oil and gas receipts resulted from the increase in commodity prices during 2000 which contributed an additional \$355,912 to oil and gas receipts, offset by \$104,903 resulting from the decline in production during 2000. The increase in production costs was primarily due to increased production taxes associated with higher oil and gas prices and additional workover expenses and well maintenance costs incurred to stimulate well production. The increase in G&A was primarily due to higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues.

##### Net Cash Provided by (Used in) Investing Activities

The Partnership's principal investing activities during 2000 and 1999 were related to various upgrades of equipment.

Proceeds from asset dispositions of \$9,859 recognized during 2000 were from equipment credits received on one fully depleted well.

##### Net Cash Used in Financing Activities

In 2000, cash distributions to the partners were \$462,629, of which \$4,626 was distributed to the managing general partner and \$458,003 to the limited partners. In 1999, cash distributions to the partners were \$166,787, of which \$1,592 was distributed to the managing general partner and \$165,195 to the limited partners.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO FINANCIAL STATEMENTS

	Page
	----
Financial Statements of Parker & Parsley Producing Properties 88-A, L.P.:	
Independent Auditors' Report.....	9
Balance Sheets as of December 31, 2000 and 1999.....	10
Statements of Operations for the Years Ended December 31, 2000, 1999 and 1998.....	11
Statements of Partners' Capital for the Years Ended December 31, 2000, 1999 and 1998.....	12
Statements of Cash Flows for the Years Ended December 31, 2000, 1999 and 1998.....	13
Notes to Financial Statements.....	14

INDEPENDENT AUDITORS' REPORT

The Partners  
Parker & Parsley Producing Properties 88-A, L.P.  
(A Delaware Limited Partnership):

We have audited the balance sheets of Parker & Parsley Producing Properties 88-A, L.P. as of December 31, 2000 and 1999, and the related statements of operations, partners' capital and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parker & Parsley Producing Properties 88-A, L.P. as of December 31, 2000 and 1999, and the results of its

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Dallas, Texas  
March 9, 2001

9

1280

PARKER & PARSLEY PRODUCING PROPERTIES 88-A, L.P.  
(A Delaware Limited Partnership)

BALANCE SHEETS  
December 31

	2000	1999
	-----	-----
ASSETS		
-----		
Current assets:		
Cash	\$ 253,499	\$ 323,271
Accounts receivable - oil and gas sales	115,810	87,732
	-----	-----
Total current assets	369,309	411,003
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	4,855,712	4,854,930
Accumulated depletion	(3,719,241)	(3,652,305)
	-----	-----
Net oil and gas properties	1,136,471	1,202,625
	-----	-----
	\$ 1,505,780	\$ 1,613,628
	=====	=====
LIABILITIES AND PARTNERS' CAPITAL		
-----		
Current liabilities:		
Accounts payable - affiliate	\$ 11,054	\$ 13,463

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Partners' capital:		
Managing general partner	14,879	15,933
Limited partners (11,222 interests)	1,479,847	1,584,232
	-----	-----
	1,494,726	1,600,165
	-----	-----
	\$ 1,505,780	\$ 1,613,628
	=====	=====

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

10

1281

PARKER & PARSLEY PRODUCING PROPERTIES 88-A, L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF OPERATIONS  
For the years ended December 31

	2000	1999	1998
	-----	-----	-----
Revenues:			
Oil and gas	\$742,384	\$ 495,753	\$ 443,496
Interest	16,906	12,528	14,767
Gain on disposition of assets	9,859	-	-
	-----	-----	-----
	769,149	508,281	458,263
	-----	-----	-----
Costs and expenses:			
Oil and gas production	322,751	237,875	252,339
General and administrative	22,272	14,872	13,305
Impairment of oil and gas properties	-	280,950	-
Depletion	66,936	85,888	206,240
	-----	-----	-----
	411,959	619,585	471,884
	-----	-----	-----
Net income (loss)	\$357,190	\$ (111,304)	\$ (13,621)
	=====	=====	=====
Allocation of net income (loss):			
Managing general partner	\$ 3,572	\$ (1,113)	\$ (136)

1254

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	=====	=====	=====
Limited partners	\$353,618	\$ (110,191)	\$ (13,485)
	=====	=====	=====
Net income (loss) per limited partnership interest	\$ 31.51	\$ (9.82)	\$ (1.20)
	=====	=====	=====

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

11

1282

PARKER & PARSLEY PRODUCING PROPERTIES 88-A, L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF PARTNERS' CAPITAL

	Managing general partner	Limited partners	Total
	-----	-----	-----
Partners' capital at January 1, 1998	\$ 21,564	\$ 2,153,538	\$ 2,175,102
Distributions	(2,790)	(280,435)	(283,225)
Net loss	(136)	(13,485)	(13,621)
	-----	-----	-----
Partners' capital at December 31, 1998	18,638	1,859,618	1,878,256
Distributions	(1,592)	(165,195)	(166,787)
Net loss	(1,113)	(110,191)	(111,304)
	-----	-----	-----
Partners' capital at December 31, 1999	15,933	1,584,232	1,600,165
Distributions	(4,626)	(458,003)	(462,629)
Net income	3,572	353,618	357,190
	-----	-----	-----
Partners' capital at December 31, 2000	\$ 14,879	\$ 1,479,847	\$ 1,494,726
	=====	=====	=====

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

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

12

1283

PARKER & PARSLEY PRODUCING PROPERTIES 88-A, L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF CASH FLOWS  
For the years ended December 31

	2000	1999	1998
	-----	-----	-----
Cash flows from operating activities:			
Net income (loss)	\$ 357,190	\$ (111,304)	\$ (13,621)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Impairment of oil and gas properties	-	280,950	-
Depletion	66,936	85,888	206,240
Gain on disposition of assets	(9,859)	-	-
Changes in assets and liabilities:			
Accounts receivable	(28,078)	(38,277)	69,159
Accounts payable	(2,409)	6,802	(31,174)
	-----	-----	-----
Net cash provided by operating activities	383,780	224,059	230,604
	-----	-----	-----
Cash flows from investing activities:			
Additions to oil and gas equipment	(782)	(12,230)	(1,181)
Proceeds from asset dispositions	9,859	-	-
	-----	-----	-----
Net cash provided by (used in) investing activities	9,077	(12,230)	(1,181)
	-----	-----	-----
Cash flows used in financing activities:			
Cash distributions to partners	(462,629)	(166,787)	(283,225)
	-----	-----	-----
Net increase (decrease) in cash	(69,772)	45,042	(53,802)
Cash at beginning of year	323,271	278,229	332,031
	-----	-----	-----
Cash at end of year	\$ 253,499	\$ 323,271	\$ 278,229
	=====	=====	=====



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

13

1284

PARKER & PARSLEY PRODUCING PROPERTIES 88-A, L.P.  
(A Delaware Limited Partnership)

NOTES TO FINANCIAL STATEMENTS  
December 31, 2000, 1999 and 1998

NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS

Parker & Parsley Producing Properties 88-A, L.P. (the "Partnership") is a limited partnership organized in 1988 under the laws of the State of Delaware. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA").

The Partnership engages in oil and gas production in Texas and is not involved in any industry segment other than oil and gas.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Oil and gas properties - The Partnership utilizes the successful efforts method of accounting for its oil and gas properties and equipment. Under this method, all costs associated with productive wells and nonproductive development wells are capitalized while nonproductive exploration costs are expensed. Capitalized costs relating to proved properties are depleted using the unit-of-production method on a property-by-property basis based on proved oil (dominant mineral) reserves as evaluated by independent petroleum consultants. The carrying amounts of properties sold or otherwise disposed of and the related allowances for depletion are eliminated from the accounts and any gain or loss is included in results of operations.

Impairment of long-lived assets - In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the Partnership reviews its long-lived assets to be held and used on an individual property basis, including oil and gas properties accounted for under the successful efforts method of accounting, whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. An impairment loss is indicated if the sum of the expected future cash flows is less than the carrying amount of the assets. In this circumstance, the Partnership recognizes an impairment loss for the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset.

Use of estimates in the preparation of financial statements - Preparation of the accompanying financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Net income (loss) per limited partnership interest - The net income (loss) per limited partnership interest is calculated by using the number of outstanding limited partnership interests.

Income taxes - A Federal income tax provision has not been included in the financial statements as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

14

1285

Statements of cash flows - For purposes of reporting cash flows, cash includes depository accounts held by banks.

General and administrative expenses - General and administrative expenses are allocated in part to the Partnership by the managing general partner. Allocated expenses are determined by the managing general partner based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Reclassifications - Certain reclassifications may have been made to the 1999 and 1998 financial statements to conform to the 2000 financial statement presentations.

Environmental - The Partnership is subject to extensive federal, state and local environmental laws and regulations. These laws, which are constantly changing, regulate the discharge of materials into the environment and may require the Partnership to remove or mitigate the environmental effects of the disposal or release of petroleum or chemical substances at various sites. Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Liabilities for expenditures of a noncapital nature are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated. Such liabilities are generally undiscounted unless the timing of cash payments for the liability or component are fixed or reliably determinable. No such liabilities have been accrued as of December 31, 2000.

Revenue recognition - The Partnership uses the entitlements method of accounting for oil, natural gas liquids ("NGLs") and natural gas revenues.

### NOTE 3. IMPAIRMENT OF LONG-LIVED ASSETS

In accordance with SFAS 121, the Partnership reviews its proved oil and gas properties for impairment whenever events and circumstances indicate a decline in the recoverability of the carrying value of the Partnership's oil and gas properties. The Partnership has estimated the expected future cash flows of its oil and gas properties as of December 31, 2000, 1999 and 1998, based on proved reserves, and compared such estimated future cash flows to the respective carrying amount of the oil and gas properties to determine if the carrying amounts were likely to be recoverable. For those proved oil and gas properties for which the carrying amount exceeded the estimated future cash flows, an impairment was determined to exist; therefore, the Partnership adjusted the carrying amount of those oil and gas properties to their fair value as determined by discounting their expected future cash flows at a discount rate

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

commensurate with the risks involved in the industry. As a result, the Partnership recognized a non-cash impairment provision of \$280,950 related to its proved oil and gas properties during 1999.

### NOTE 4. INCOME TAXES

The financial statement basis of the Partnership's net assets and liabilities was \$949,574 less than the tax basis at December 31, 2000.

15

1286

The following is a reconciliation of net income (loss) per statements of operations with the net income per Federal income tax returns for the years ended December 31:

	2000 -----	1999 -----	1998 -----
Net income (loss) per statements of operations	\$ 357,190	\$ (111,304)	\$ (13,300)
Depletion and depreciation provisions for tax reporting purposes less than (greater than) amounts for financial reporting purposes	(55,096)	24,264	26,000
Impairment of oil and gas properties for financial reporting purposes	-	280,950	
Other	(247)	(441)	
	-----	-----	-----
Net income per Federal income tax returns	\$ 301,847 =====	\$ 193,469 =====	\$ 12,000 =====

### NOTE 5. OIL AND GAS PRODUCING ACTIVITIES

The following is a summary of the costs incurred, whether capitalized or expensed, related to the Partnership's oil and gas producing activities for the years ended December 31:

	2000 -----	1999 -----	1998 -----
Property acquisition costs	\$ 782 =====	\$ 12,230 =====	\$ 1,181 =====

Capitalized oil and gas properties consist of the following:

2000 -----	1999 -----
---------------	---------------

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Proved properties:		
Property acquisition costs	\$ 4,109,672	\$ 4,108,890
Completed wells and equipment	746,040	746,040
	-----	-----
	4,855,712	4,854,930
Accumulated depletion	(3,719,241)	(3,652,305)
	-----	-----
Net oil and gas properties	\$ 1,136,471	\$ 1,202,625
	=====	=====

16

1287

NOTE 6. RELATED PARTY TRANSACTIONS

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

	2000	1999	1998
	-----	-----	-----
Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$ 98,073	\$ 91,828	\$ 99,719
Reimbursement of general and administrative expenses	\$ 18,064	\$ 8,371	\$ 9,891

The Partnership participates in oil and gas activities through an income tax partnership (the "Program") pursuant to the Program agreement. Pioneer USA, P&P Employees Producing Properties 88-A ("EMPL") and the Partnership are parties to the Program agreement. EMPL is a general partnership organized for the benefit of certain employees of Pioneer USA. EMPL was merged with Pioneer USA on December 28, 2000.

The costs and revenues of the Program are allocated to Pioneer USA and the Partnership as follows:

	Pioneer USA (1)	Partnership
	-----	-----
Revenues:		
Revenues from oil and gas production, proceeds from sales of producing properties and all other revenues:		
Before payout	4.040405%	95.959595%
After payout (2)	19.191920%	80.808080%
Costs and expenses:		
Property acquisition costs, operating costs, general and		

1260

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

administrative expenses and other costs:		
Before payout	4.040405%	95.959595%
After payout (2)	19.191920%	80.808080%

(1) Excludes Pioneer USA's 1% general partner ownership which is allocated at the Partnership level and 78 limited partner interests owned by Pioneer USA.

(2) The Partnership reached payout in September 1997.

### NOTE 7. OIL AND GAS INFORMATION (UNAUDITED)

The following table presents information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities during the years then ended. All of the Partnership's reserves are proved developed and located within the United States. The Partnership's reserves are based on an evaluation prepared by Williamson Petroleum Consultants, Inc., an independent petroleum consultant, using criteria established by the Securities and Exchange Commission.

17

1288

	Oil and NGLs (bbls)	Gas (mcf)
	-----	-----
Net proved reserves at January 1, 1998	563,684	808,875
Revisions	(105,464)	(18,612)
Production	(34,491)	(51,099)
	-----	-----
Net proved reserves at December 31, 1998	423,729	739,164
Revisions	113,184	157,201
Production	(30,280)	(44,467)
	-----	-----
Net proved reserves at December 31, 1999	506,633	851,898
Revisions	(52,176)	(249,428)
Production	(26,976)	(37,939)
	-----	-----
Net proved reserves at December 31, 2000	427,481	564,531
	=====	=====

As of December 31, 2000, the estimated present value of future net revenues of proved reserves, calculated using December 31, 2000 prices of \$26.64 per barrel of oil, \$12.90 per barrel of NGLs and \$7.43 per mcf of gas, discounted at 10% was approximately \$3,258,000 and undiscounted was \$6,795,000.

Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions,



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Revisions of previous quantity estimates	(564)	836	(152)
Accretion of discount	299	92	244
Changes in production rates, timing and other	49	(905)	(5)
	-----	-----	-----
Change in present value of future net revenues	270	2,073	(1,529)
	-----	-----	-----
Balance, beginning of year	2,988	915	2,444
	-----	-----	-----
Balance, end of year	\$ 3,258	\$ 2,988	\$ 915
	=====	=====	=====

### NOTE 8. MAJOR CUSTOMERS

The following table reflects the major customers of the Partnership's oil and gas sales (a major customer is defined as a customer whose sales exceed 10% of total sales) during the years ended December 31:

	2000	1999	1998
	-----	-----	-----
Plains Marketing, L.P.	59%	57%	-
Western Gas Resources, Inc.	4%	6%	28%
Genesis Crude Oil, L.P.	-	-	57%

At December 31, 2000, the amount receivable from Plains Marketing, L.P. was \$44,879 which is included in the caption "Accounts receivable - oil and gas sales" in the accompanying Balance Sheet.

Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on the ability of the Partnership to sell its oil, NGLs and gas production.

### NOTE 9. PARTNERSHIP AGREEMENT

The following is a brief summary of the more significant provisions of the limited partnership agreement:

**Managing general partner** - The managing general partner of the Partnership is Pioneer USA. Pioneer USA has the power and authority to manage, control and administer all Partnership affairs. As managing general partner and operator of the Partnership's properties, all production expenses are incurred by Pioneer USA and billed to the Partnership. The majority of the Partnership's oil and gas revenues are received directly by the Partnership, however, a portion of the oil and gas revenue is initially received by Pioneer USA prior to being paid to the Partnership. Under the limited partnership agreement, the managing general partner pays 1% of the Partnership's acquisition, drilling and completion costs and 1% of its operating and general and administrative expenses. In return, it is allocated 1% of the Partnership's revenues.

**Limited partner liability** - The maximum amount of liability of any limited partner is the total

1290

contributions of such partner plus his share of any undistributed profits.

Initial capital contributions - The limited partners entered into subscription agreements for aggregate capital contributions of \$5,611,000. Pioneer USA is required to contribute amounts equal to 1% of initial Partnership capital less commission and offering expenses allocated to the limited partners and to contribute amounts necessary to pay costs and expenses allocated to it under the Partnership agreement to the extent its share of revenues does not cover such costs.

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

None.

1291

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE PARTNERSHIP

The Partnership does not have any officers or directors. Under the limited partnership agreement, the Partnership's managing general partner, Pioneer USA, is granted the exclusive right and full authority to manage, control and administer the Partnership's business.

Set forth below are the names, ages and positions of the directors and executive officers of Pioneer USA. Directors of Pioneer USA are elected to serve until the next annual meeting of stockholders or until their successors are elected and qualified.

Name -----	Age at December 31, 2000 ----	Position -----
Scott D. Sheffield	48	President
Timothy L. Dove	44	Executive Vice President, Chief Financial Officer and Director
Dennis E. Fagerstone	51	Executive Vice President and Director
Mark L. Withrow	53	Executive Vice President, General Counsel and Director
Danny Kellum	46	Executive Vice President - Domestic Operations and Directors



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Rich Dealy

34

Vice President and Chief Accounting  
Officer

Scott D. Sheffield. Mr. Sheffield is a graduate of The University of Texas with a B.S. in Petroleum Engineering. Since August 1997, he has served as President, Chief Executive Officer and a director of Pioneer and President of Pioneer USA. Mr. Sheffield assumed the position of Chairman of the Board of Pioneer in August 1999. He served as a director of Pioneer USA from August 1997 until his resignation from the board in June 1999. Mr. Sheffield was the President and a director of Parker & Parsley Petroleum Company ("Parker & Parsley") from May 1990 until August 1997 and was the Chairman of the Board and Chief Executive Officer of Parker & Parsley from October 1990 until August 1997. He was the sole director of Parker & Parsley from May 1990 until October 1990. Mr. Sheffield joined Parker & Parsley Development Company ("PPDC"), a predecessor of Parker & Parsley, as a petroleum engineer in 1979. He served as Vice President - Engineering of PPDC from September 1981 until April 1985 when he was elected President and a director. In March 1989, Mr. Sheffield was elected Chairman of the Board and Chief Executive Officer of PPDC. Before joining PPDC's predecessor, Mr. Sheffield was employed as a production and reservoir engineer for Amoco Production Company.

21

1292

Timothy L. Dove. Mr. Dove earned a B.S. in Mechanical Engineering from Massachusetts Institute of Technology in 1979 and received his M.B.A. in 1981 from the University of Chicago. He became Executive Vice President - Business Development of Pioneer and Pioneer USA in August 1997 and was also appointed a director of Pioneer USA in August 1997. Mr. Dove assumed the position of Chief Financial Officer of Pioneer and Pioneer USA effective February 1, 2000. Mr. Dove joined Parker & Parsley in May 1994 as Vice President - International and was promoted to Senior Vice President - Business Development in October 1996, in which position he served until August 1997. Prior to joining Parker & Parsley, Mr. Dove was employed with Diamond Shamrock Corp., and its successor, Maxus Energy Corp, in various capacities in international exploration and production, marketing, refining and marketing and planning and development.

Dennis E. Fagerstone. Mr. Fagerstone, a graduate of the Colorado School of Mines with a B.S. in Petroleum Engineering, became an Executive Vice President of Pioneer and Pioneer USA in August 1997. He was also appointed a director of Pioneer USA in August 1997. He served as Executive Vice President and Chief Operating Officer of MESA Inc. ("Mesa") from March 1, 1997 until August 1997. From October 1996 to February 1997, Mr. Fagerstone served as Senior Vice President and Chief Operating Officer of Mesa and from May 1991 to October 1996, he served as Vice President - Exploration and Production of Mesa. From June 1988 to May 1991, Mr. Fagerstone served as Vice President - Operations of Mesa.

Mark L. Withrow. Mr. Withrow, a graduate of Abilene Christian University with a B. S. in Accounting and Texas Tech University with a Juris Doctorate degree, became Executive Vice President, General Counsel and Secretary of Pioneer and Pioneer USA in August 1997. He was also appointed a director of Pioneer USA in August 1997. Mr. Withrow was Vice President - General Counsel of Parker & Parsley from January 1991, when he joined Parker & Parsley, to January 1995, when he was appointed Senior Vice President - General Counsel. He was Parker & Parsley's Secretary from August 1992 until August 1997. Prior to joining Parker & Parsley, Mr. Withrow was the managing partner of the law firm

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

of Turpin, Smith, Dyer, Saxe & MacDonald, Midland, Texas.

Danny Kellum. Mr. Kellum, who received a Bachelor of Science degree in Petroleum Engineering from Texas Tech University in 1979, was elected Executive Vice President - Domestic Operations of Pioneer and Pioneer USA on May 18, 2000 and Director of Pioneer USA on February 1, 2000. From January 2000 until May 2000, Mr. Kellum served as Vice President - Domestic Operations of Pioneer and Pioneer USA. Mr. Kellum served as Vice President Permian Division of Pioneer and Pioneer USA from April 1998 until December 1999. From 1989 until 1994 he served as Spraberry District Manager and as Vice President of the Spraberry and Permian Division for Parker & Parsley until August of 1997. Mr. Kellum joined Parker & Parsley as an operations engineer in 1981 after a brief career with Mobil Oil Corporation.

Rich Dealy. Mr. Dealy is a graduate of Eastern New Mexico University with a B.B.A. in Accounting and Finance and is a Certified Public Accountant. He became Vice President and Chief Accounting Officer of Pioneer and Pioneer USA in February 1998. Mr. Dealy served as Controller of Pioneer USA from August 1997 to February 1998. He served as Controller of Parker & Parsley from August 1995 to August 1997. Mr. Dealy joined Parker & Parsley as an Accounting Manager in July, 1992. He was previously employed with KPMG Peat Marwick as an Audit Senior, in charge of Parker & Parsley's audit.

22

1293

### ITEM 11. EXECUTIVE COMPENSATION

The Partnership does not have any directors or officers. Management of the Partnership is performed by Pioneer USA, the managing general partner. The Partnership participates in oil and gas activities through an income tax partnership (the "Program") pursuant to the Program agreement. Under the limited partnership agreement, Pioneer USA pays 1% of the Program's acquisition, drilling and completion costs and 1% of its operating, general and administrative expenses. In return, Pioneer USA is allocated 1% of the Program's revenues.

The Partnership does not directly pay any salaries of the executive officers of Pioneer USA, but does pay a portion of Pioneer USA's general and administrative expenses of which these salaries are a part.

See Notes 6 and 9 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" for information regarding fees and reimbursements paid to the managing general partner by the Partnership.

### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

#### (a) Beneficial owners of more than five percent

The Partnership is not aware of any person who beneficially owns 5% or more of the outstanding limited partnership interests of the Partnership. Pioneer USA owned 78 limited partner interests at January 1, 2001.

#### (b) Security ownership of management

The Partnership does not have any officers or directors. The managing general partner of the Partnership, Pioneer USA, has the exclusive right and full authority to manage, control and administer the Partnership's business. Under

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

the limited partnership agreement, limited partners holding a majority of the outstanding limited partnership interests have the right to take certain actions, including the removal of the managing general partner or any other general partner. The Partnership is not aware of any current arrangement or activity which may lead to such removal. The Partnership is not aware of any officer or director of Pioneer USA who beneficially owns limited partnership interests in the Partnership.

### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Transactions with the managing general partner

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

23

1294

	2000	1999	1998
	-----	-----	-----
Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$ 98,073	\$ 91,828	\$ 99,719
Reimbursement of general and administrative expenses	\$ 18,064	\$ 8,371	\$ 9,891

Under the limited partnership agreement, the managing general partner pays 1% of the Partnership's acquisition, drilling and completion costs and 1% of its operating and general and administrative expenses. In return, it is allocated 1% of the Partnership's revenues. Also, see Notes 6 and 9 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" regarding the Partnership's participation with the managing general partner in oil and gas activities of the Program.

24

1295

### PART IV

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

(a) 1. Financial statements

The following are filed as part of this Report:

Independent Auditors' Report

Balance sheets as of December 31, 2000 and 1999

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Statements of operations for the years ended December 31, 2000,  
1999 and 1998

Statements of partners' capital for the years ended December  
31, 2000, 1999 and 1998

Statements of cash flows for the years ended December 31,  
2000, 1999 and 1998

Notes to financial statements

2. Financial statement schedules

All financial statement schedules have been omitted since the  
required information is in the financial statements or notes thereto,  
or is not applicable nor required.

(b) Reports on Form 8-K

None.

(c) Exhibits

The exhibits listed on the accompanying index to exhibits are filed or  
incorporated by reference as part of this Report.

25

1296

S I G N A T U R E S

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, thereunto duly authorized.

PARKER & PARSLEY PRODUCING  
PROPERTIES 88-A, L.P.

Dated: March 26, 2001

By: Pioneer Natural Resources USA, Inc.  
Managing General Partner

By: /s/ Scott D. Sheffield

-----  
Scott D. Sheffield, President

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

/s/ Scott D. Sheffield

President of Pioneer USA

March 26, 2001

-----  
Scott D. Sheffield

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

/s/ Timothy L. Dove ----- Timothy L. Dove	Executive Vice President, Chief Financial Officer and Director of Pioneer USA	March 26, 2001
/s/ Dennis E. Fagerstone ----- Dennis E. Fagerstone	Executive Vice President and Director of Pioneer USA	March 26, 2001
/s/ Mark L. Withrow ----- Mark L. Withrow	Executive Vice President, General Counsel and Director of Pioneer USA	March 26, 2001
/s/ Danny Kellum ----- Danny Kellum	Executive Vice President - Domestic Operations and Director of Pioneer USA	March 26, 2001
/s/ Rich Dealy ----- Rich Dealy	Vice President and Chief Accounting Officer of Pioneer USA	March 26, 2001

PARKER & PARSLEY PRODUCING PROPERTIES 88-A, L.P.

INDEX TO EXHIBITS

The following documents are incorporated by reference in response to Item 14(c):

Exhibit No. -----	Description -----	Page -----
3(a)	Agreement of Limited Partnership of Parker & Parsley Producing Properties 88-A, L.P. incorporated by reference to Exhibit A of Amendment No. 1 of the Partnership's Registration Statement on Form S-1 (Registration No. 33-19133) (hereinafter referred to as the Partnership's Registration Statement)	-
4(b)	Subscription Agreement and Power of Attorney incorporated by reference to Exhibit C of the Partnership's Registration Statement	-
4(d)	Form of Certificate of Limited Partnership	-

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Interest incorporated by reference to Exhibit 4d of the Partnership's Registration Statement

10(b)

Program Agreement incorporated by reference to Exhibit B of the Partnership's Registration Statement

-

27

1298

PARKER & PARSLEY PRODUCING PROPERTIES 88-A, L.P.

SELECTED FINANCIAL DATA

The following selected financial data for the Partnership should be read in connection with Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements included in the attached supplemental information.

	Six months ended June 30,		Years ended December		
	2001	2000	2000	1999	1998
Operating results:					
Oil and gas sales	\$ 350,012	\$ 346,895	\$ 742,384	\$ 495,753	\$ 443,496
Impairment of oil and gas properties	\$ --	\$ --	\$ --	\$ 280,950	\$ --
Net income (loss)	\$ 177,556	\$ 124,951	\$ 357,190	\$ (111,304)	\$ (13,621)
Allocation of net income (loss):					
Managing general partner	\$ 1,776	\$ 1,250	\$ 3,572	\$ (1,113)	\$ (136)
Limited partners	\$ 175,780	\$ 123,701	\$ 353,618	\$ (110,191)	\$ (13,485)
Limited partners' net income (loss) per limited partnership interest	\$ 15.66	\$ 11.02	\$ 31.51	\$ (9.82)	\$ (1.20)
Limited partners' cash distributions per limited					

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

partnership interest	\$ 13.61	\$ 20.52	\$ 40.81	\$ 14.72	\$ 24.99
	=====	=====	=====	=====	=====
As of period ended:					
Total assets	\$1,537,698	\$1,518,763	\$1,505,780	\$1,613,628	\$1,884,917
	=====	=====	=====	=====	=====

1299

PIONEER NATURAL RESOURCES COMPANY  
PIONEER NATURAL RESOURCES USA, INC.  
5205 NORTH O'CONNOR BLVD., SUITE 1400  
IRVING, TEXAS 75039

SUPPLEMENTAL INFORMATION

OF

PARKER & PARSLEY PRIVATE INVESTMENT 88, L.P., A DELAWARE LIMITED PARTNERSHIP

TO

PROXY STATEMENT/PROSPECTUS DATED , 2001

-----

THE DATE OF THIS SUPPLEMENT IS , 2001

-----

This document contains important information specific to Parker & Parsley Private Investment 88, L.P., and supplements the proxy statement/prospectus dated , 2001, of Pioneer Natural Resources Company and Pioneer Natural Resources USA, Inc., by which Pioneer USA is soliciting proxies to be voted at a special meeting of limited partners of the partnership. The purpose of the special meeting is for you to vote upon the merger of the partnership with and into Pioneer USA that, if completed, will result in your receiving common stock of Pioneer Natural Resources Company for your partnership interests.

This document contains the following information concerning Parker & Parsley Private Investment 88, L.P.:

- o A table containing:
  - the aggregate initial investment by the limited partners
  - the aggregate historical limited partner distributions through July 31, 2001
  - the merger value attributable to partnership interests of limited partners, excluding Pioneer USA
  - the merger value per \$1,000 limited partner investment
  - the merger value per \$1,000 limited partner investment as a multiple of distributions for the past four quarterly

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

distributions including the distribution in July 2001

- the book value per \$1,000 limited partner investment as of June 30, 2001 and as of December 31, 2000
- the going concern value per \$1,000 limited partner investment
- the liquidation value per \$1,000 limited partner investment
- the ordinary tax loss per \$1,000 limited partner investment in year of initial investment
- o Information about:
  - the legal opinion for the limited partners
  - the term of the partnership
- o The partnership's financial statements, including management's discussion and analysis of financial condition and results of operations, for the six months ended June 30, 2001
- o The partnership's financial statements, including management's discussion and analysis of financial condition and results of operations, for the year ended December 31, 2000
- o Selected historical financial data for the partnership for the six months ended June 30, 2001 and 2000 and the five years ended December 31, 2000

-1-

1300

PARKER & PARSLEY PRIVATE INVESTMENT 88, L.P.

### SUPPLEMENTAL INFORMATION TABLE

Aggregate Initial Investment by the Limited Partners(a)

Aggregate Historical Limited Partner Distributions through July 31, 2001(a)

Merger Value Attributable to Partnership Interests of Limited Partners, Excluding Pioneer USA(a),

Merger Value per \$1,000 Limited Partner Investment(b), (c)

Merger Value per \$1,000 Limited Partner Investment as a Multiple of Distributions for the past four quarterly distributions including the distribution in July 2001(b), (c)

Book Value per \$1,000 Limited Partner Investment:

- as of June 30, 2001(c)
- as of December 31, 2000(c)



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Going Concern Value per \$1,000 Limited Partner Investment (c), (d)

Liquidation Value per \$1,000 Limited Partner Investment (c), (e)

Ordinary Tax Loss per \$1,000 Limited Partner Investment in Year of Initial Investment (c), (f)

-----

- (a) Stated in thousands.
- (b) The merger value for the partnership is equal to the sum of the present value of estimated future net revenues from the partnership's estimated oil and gas reserves and its net working capital, in each case as of March 31, 2001, less its pro rata share, based on its reserve value, of the estimated expenses and fees of the mergers of all of the partnerships and less the cash distribution on July 13, 2001, by the partnership to its partners.
- (c) Interests in some partnerships were sold in units at prices other than \$1,000. We have presented this information based on a \$1,000 initial investment for ease of use and comparison among partnerships. You should not assume that the amount shown per \$1,000 investment is the same as the value or amount attributable to a single unit investment.
- (d) The going concern value for the partnership is based upon: (1) the sum of (A) the estimated net cash flow from the sale of the partnership's reserves during a 10-year operating period and (B) the estimated residual value from the sale of the partnership's remaining reserves at the end of the operating period, in each case using the same pricing and discount rate as in the merger value calculation, less (2) (A) partnership level general and administrative expenses, and (B) the cash distribution on July 13, 2001 by the partnership to its partners.
- (e) The liquidation value for the partnership is based upon the sale of the partnership's reserves at the reserve value, less (1) liquidation expenses which are estimated to be the sum of (A) the partnership's pro rata share of the merger expenses and fees described in footnote (b) above and (B) 3% of the partnership's reserve value, and (2) the cash distribution on July 13, 2001 by the partnership to its partners. The liquidation expenses represent estimated costs to retain an investment banker or broker to sell the assets of the partnership and the legal and other closing costs associated with such transaction, including the wind-down costs of the partnership.
- (f) Your ability to use your distributive share of the partnership's loss to offset your other income may have been subject to certain limitations at your level as a partner, and you may therefore wish to consult your tax advisor to determine the additional value, if any, actually realized by you in your particular circumstances.

### INFORMATION ABOUT THE LEGAL OPINION FOR THE LIMITED PARTNERS

The partnership agreement for the partnership requires that special legal counsel render an opinion on behalf of the limited partners to Pioneer USA that neither the grant nor the exercise of the right to approve the merger of the partnership by its limited partners will adversely affect the federal income tax classification of the partnership or any of its limited partners. Although not

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

required by the partnership agreement, the opinion will also state that neither the grant nor exercise of such right will result in the loss of any limited partner's limited liability. In addition, the counsel designated to render the opinion is not required to be counsel other than counsel to Pioneer USA or the partnership. Both the designated counsel and the legal opinion must be approved by the limited partners. Pioneer USA has retained \_\_\_\_\_ of Dallas, Texas for the purpose of rendering this legal opinion on behalf of the limited partners to Pioneer USA. The merger proposals include an approval of that counsel and the form of its opinion. A copy of the opinion is attached as an exhibit to the merger proposals.

### INFORMATION ABOUT THE TERM OF THE PARTNERSHIP

The term of the partnership is until December 31, 2038, unless the partnership is earlier terminated in accordance with the applicable provisions of its partnership agreement.

-2-

1301

PARKER & PARSLEY PRIVATE INVESTMENT 88, L.P.

(A Delaware Limited Partnership)

### FINANCIAL STATEMENTS

June 30, 2001 and December 31, 2000

(Unaudited)

1302

PARKER & PARSLEY PRIVATE INVESTMENT 88, L.P.

(A Delaware Limited Partnership)

### BALANCE SHEETS

	June 30, 2001	December 31, 2000
	-----	-----
	(Unaudited)	
ASSETS		
Current assets:		
Cash	\$ 384,463	\$ 174,638
Accounts receivable - oil and gas sales	136,288	190,189
	-----	-----
Total current assets	520,751	364,827
	-----	-----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Oil and gas properties - at cost, based on the successful efforts accounting method	7,351,559	7,348,142
Accumulated depletion	(6,132,322)	(6,092,889)
	-----	-----
Net oil and gas properties	1,219,237	1,255,253
	-----	-----
	\$ 1,739,988	\$ 1,620,080
	=====	=====
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable - affiliate	\$ 25,050	\$ 9,440
Partners' capital:		
Managing general partner	17,314	16,271
Limited partners (249 interests)	1,697,624	1,594,369
	-----	-----
	1,714,938	1,610,640
	-----	-----
	\$ 1,739,988	\$ 1,620,080
	=====	=====

The financial information included as of June 30, 2001 has been prepared by the managing general partner without audit by independent public accountants.

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

2

1303

PARKER & PARSLEY PRIVATE INVESTMENT 88, L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF OPERATIONS  
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2001	2000	2001	2000
	-----	-----	-----	-----
Revenues:				
Oil and gas	\$ 286,574	\$ 324,217	\$ 625,806	\$ 598,423
Interest	2,754	3,409	5,593	6,002
	-----	-----	-----	-----
	289,328	327,626	631,399	604,425
	-----	-----	-----	-----
Costs and expenses:				
Oil and gas production	113,938	101,258	235,058	212,006
General and administrative	7,164	9,727	15,645	17,953

1275

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Depletion	20,388	19,324	39,433	40,261
	-----	-----	-----	-----
	141,490	130,309	290,136	270,220
	-----	-----	-----	-----
Net income	\$ 147,838	\$ 197,317	\$ 341,263	\$ 334,205
	=====	=====	=====	=====
Allocation of net income:				
Managing general partner	\$ 1,479	\$ 1,973	\$ 3,413	\$ 3,342
	=====	=====	=====	=====
Limited partners	\$ 146,359	\$ 195,344	\$ 337,850	\$ 330,863
	=====	=====	=====	=====
Net income per limited partnership interest	\$ 587.79	\$ 784.52	\$1,356.83	\$1,328.77
	=====	=====	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

3

1304

PARKER & PARSLEY PRIVATE INVESTMENT 88, L.P.  
(A Delaware Limited Partnership)

STATEMENT OF PARTNERS' CAPITAL  
(Unaudited)

	Managing general partner	Limited partners	Total
	-----	-----	-----
Balance at January 1, 2001	\$ 16,271	\$1,594,369	\$1,610,640
Distributions	(2,370)	(234,595)	(236,965)
Net income	3,413	337,850	341,263
	-----	-----	-----
Balance at June 30, 2001	\$ 17,314	\$1,697,624	\$1,714,938
	=====	=====	=====

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

4

1305

PARKER & PARSLEY PRIVATE INVESTMENT 88, L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF CASH FLOWS  
(Unaudited)

	Six months ended June 30,	
	2001	2000
	-----	-----
Cash flows from operating activities:		
Net income	\$ 341,263	\$ 334,205
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion	39,433	40,261
Changes in assets and liabilities:		
Accounts receivable	53,901	(35,056)
Accounts payable	15,610	16,515
	-----	-----
Net cash provided by operating activities	450,207	355,925
	-----	-----
Cash flows from investing activities:		
Additions to oil and gas properties	(3,417)	(4,269)
Proceeds from asset dispositions	-	467
	-----	-----
Net cash used in investing activities	(3,417)	(3,802)
	-----	-----
Cash flows used in financing activities:		
Cash distributions to partners	(236,965)	(354,330)
	-----	-----
Net increase (decrease) in cash	209,825	(2,207)
Cash at beginning of period	174,638	200,529
	-----	-----
Cash at end of period	\$ 384,463	\$ 198,322
	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

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

5

1306

### PARKER & PARSLEY PRIVATE INVESTMENT 88, L.P. (A Delaware Limited Partnership)

#### NOTES TO FINANCIAL STATEMENTS June 30, 2001 (Unaudited)

##### Note 1. Organization and nature of operations

Parker & Parsley Private Investment 88, L.P. (the "Partnership") was organized in 1988 as a general partnership under the laws of the State of Texas and was converted to a Delaware limited partnership in 1989.

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

##### Note 2. Basis of presentation

In the opinion of management, the unaudited financial statements of the Partnership as of June 30, 2001 and for the three and six months ended June 30, 2001 and 2000 include all adjustments and accruals consisting only of normal recurring accrual adjustments which are necessary for a fair presentation of the results for the interim period. These interim results are not necessarily indicative of results for a full year. Certain reclassifications may have been made to the June 30, 2000 financial statements to conform to the June 30, 2001 financial statement presentations.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in these interim financial statements. The financial statements should be read in conjunction with the financial statements and the notes thereto contained in the Partnership's report for the year ended December 31, 2000, a copy of which is available upon request by writing to Rich Dealy, Vice President and Chief Accounting Officer, 5205 North O'Connor Boulevard, Suite 1400, Irving, Texas 75039-3746.

##### Management's Discussion and Analysis of Financial Condition and Results of Operations (1)

##### Results of Operations

Six months ended June 30, 2001 compared with six months ended June 30, 2000

##### Revenues:

The Partnership's oil and gas revenues increased 5% to \$625,806 for the six months ended June 30, 2001 as compared to \$598,423 for the same period in 2000. The increase in revenues resulted from higher average prices received, offset by

6

1307

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

a decrease in production. For the six months ended June 30, 2001, 15,090 barrels of oil, 4,484 barrels of natural gas liquids ("NGLs") and 28,101 mcf of gas were sold, or 24,258 barrel of oil equivalents ("BOEs"). For the six months ended June 30, 2000, 15,271 barrels of oil, 8,042 barrels of NGLs and 30,899 mcf of gas were sold, or 28,463 BOEs.

The average price received per barrel of oil increased slightly from \$27.54 for the six months ended June 30, 2000 to \$27.55 for the same period in 2001. The average price received per barrel of NGLs increased \$2.26, or 16%, from \$14.01 during the six months ended June 30, 2000 to \$16.27 for the same period in 2001. The average price received per mcf of gas increased 131% from \$2.11 during the six months ended June 30, 2000 to \$4.88 for the same period in 2001. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received during the six months ended June 30, 2001.

### Costs and Expenses:

Total costs and expenses increased to \$290,136 for the six months ended June 30, 2001 as compared to \$270,220 for the same period in 2000, an increase of \$19,916, or 7%. This increase was due to an increase in production costs, offset by declines in depletion and general and administrative expenses ("G&A").

Production costs were \$235,058 for the six months ended June 30, 2001 and \$212,006 for the same period in 2000, resulting in a \$23,052 increase, or 11%. The increase was the result of additional well maintenance and workover costs incurred to stimulate well production and higher production taxes due to higher oil and gas prices.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A decreased 13%, from \$17,953 for the six months ended June 30, 2000 to \$15,645 for the same period in 2001 due to a decrease in audit and tax fees.

Depletion was \$39,433 for the six months ended June 30, 2001 as compared to \$40,261 for the same period in 2000, a decrease of \$828, or 2%. This decrease was due to a decline in oil production of 181 barrels for the six months ended June 30, 2001 as compared to the same period in 2000.

Three months ended June 30, 2001 compared with three months ended June 30, 2000

### Revenues:

The Partnership's oil and gas revenues decreased 12% to \$286,574 for the three months ended June 30, 2001 as compared to \$324,217 for the same period in 2000. The decrease in revenues resulted from a decrease in production and a decline in the average price received for oil, offset by higher average prices received for gas and NGLs. For the three months ended June 30, 2001, 7,491 barrels of oil,

2,446 barrels of NGLs and 13,463 mcf of gas were sold, or 12,181 BOEs. For the three months ended June 30, 2000, 8,143 barrels of oil, 4,278 barrels of NGLs and 15,250 mcf of gas were sold, or 14,963 BOEs.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The average price received per barrel of oil decreased \$.67, or 2%, from \$27.83 for the three months ended June 30, 2000 to \$27.16 for the three months ended June 30, 2001. The average price received per barrel of NGLs increased \$.13, or 1%, from \$13.99 during the three months ended June 30, 2000 to \$14.12 for the same period in 2001. The average price received per mcf of gas increased 46% to \$3.61 during the three months ended June 30, 2001 from \$2.48 during the same period in 2000.

### Costs and Expenses:

Total costs and expenses increased to \$141,490 for the three months ended June 30, 2001 as compared to \$130,309 for the same period in 2000, an increase of \$11,181, or 9%. This increase was due to increases in production costs and depletion, offset by a decrease in G&A.

Production costs were \$113,938 for the three months ended June 30, 2001 and \$101,258 for the same period in 2000, resulting in a \$12,680 increase, or 13%. The increase was due to additional well maintenance costs incurred to stimulate well production.

During this period, G&A decreased 26%, from \$9,727 for the three months ended June 30, 2000 to \$7,164 for the same period in 2001 due to a decrease in audit and tax fees.

Depletion was \$20,388 for the three months ended June 30, 2001 as compared to \$19,324 for the same period in 2000, an increase of \$1,064, or 6%. This increase was attributable to a decline in proved reserves during the period ended June 30, 2001 as a result of lower commodity prices, offset by a decline in oil production of 652 barrels for the three months ended June 30, 2001 as compared to the same period in 2000.

### Liquidity and Capital Resources

#### Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$94,282 during the six months ended June 30, 2001 from the same period ended June 30, 2000. This increase was due to an increase in oil and gas sales receipts of \$26,974 and reductions in working capital of \$88,052 and G&A expenses of \$2,308, offset by an increase in production costs of \$23,052. The increase in oil and gas receipts resulted from the increase in commodity prices during 2001 which contributed an additional \$103,907 to oil and gas receipts, offset by \$76,933 resulting from the decline in production during 2001 as compared to the same period in 2000. The increase in production costs was primarily due to additional well maintenance and workover costs incurred to stimulate well production and increased production taxes associated with higher oil and gas prices. The decrease in G&A was primarily due to a decrease in audit and tax fees.

#### Net Cash Used in Investing Activities

The Partnership's investing activities for the six months ended June 30, 2001 and 2000 included expenditures related to equipment upgrades on several oil and gas properties.



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Proceeds of \$467 recognized during the six months ended June 30, 2000 were due to equipment credits on active properties.

### Net Cash Used in Financing Activities

For the six months ended June 30, 2001, cash distributions to the partners were \$236,965, of which \$2,370 was distributed to the managing general partner and \$234,595 to the limited partners. For the same period ended June 30, 2000, cash distributions to the partners were \$354,330, of which \$3,543 was distributed to the managing general partner and \$350,787 to the limited partners.

For the three months ended June 30, 2001, no distributions were made by the partnership to its partners. Subsequent to June 30, 2001 the cash distribution that otherwise would have been mailed to partners in late June was made to holders of record as of July 9, 2001 and was mailed on July 13, 2001. For further information, see "Proposal to acquire partnerships" below.

### Proposal to acquire partnerships

On June 29, 2001, Pioneer Natural Resources Company ("Pioneer") filed with the Securities and Exchange Commission Amendment No. 1 to the Form S-4 Registration Statement (File No. 333- 59094) (the "preliminary proxy statement/prospectus"), which proposes an agreement and plan of merger among Pioneer, Pioneer Natural Resources USA, Inc. ("Pioneer USA"), a wholly-owned subsidiary of Pioneer, and 46 Parker & Parsley limited partnerships. Each partnership that approves the agreement and plan of merger and the other related merger proposals will merge with and into Pioneer USA upon the closing of the transactions described in the preliminary proxy statement/prospectus, and the partnership interests of each such partnership will be converted into the right to receive Pioneer common stock. The Partnership is one of the 46 Parker & Parsley limited partnerships that will be asked to approve the agreement and plan of merger. The preliminary proxy statement/prospectus is non-binding and is subject to, among other things, consideration of offers from third parties to purchase any partnership or its assets and the majority approval of the limited partnership interests in each partnership.

Pioneer USA will solicit proxies from limited partners to approve the mergers only when the proxy statement/prospectus is final and declared effective. No solicitation will be made using preliminary materials. Nonetheless, copies of the preliminary proxy statement/prospectus may be obtained without charge upon request from Pioneer Natural Resources Company, 5205 North O'Connor Blvd., Suite 1400, Irving, Texas 75039, Attention: Investor Relations.

The limited partners are urged to read the proxy statement/prospectus of Pioneer filed with the Securities and Exchange Commission, when it is finalized, because it contains important information about the proposed mergers, including information about the direct and indirect interests of Pioneer USA and Pioneer in the mergers. The limited partners may also obtain the preliminary and (when filed) final proxy statement/prospectus and other relevant documents relating to

the proposed mergers free through the internet web site that the Securities and Exchange Commission maintains at [www.sec.gov](http://www.sec.gov).

-----

(1) "Item 2. Management's Discussion and Analysis of Financial Condition and

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Results of Operations" contains forward looking statements that involve risks and uncertainties. Accordingly, no assurances can be given that the actual events and results will not be materially different than the anticipated results described in the forward looking statements.

10

1311

PARKER & PARSLEY PRIVATE INVESTMENT 88, L.P.  
(A Delaware Limited Partnership)

FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITORS' REPORT

December 31, 2000 and 1999

1312

INDEPENDENT AUDITORS' REPORT

The Partners

Parker & Parsley Private Investment 88, L.P.  
(A Delaware Limited Partnership):

We have audited the balance sheets of Parker & Parsley Private Investment 88, L.P. as of December 31, 2000 and 1999, and the related statements of operations, partners' capital and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parker & Parsley Private Investment 88, L.P. as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Dallas, Texas  
March 9, 2001

2

1313

PARKER & PARSLEY PRIVATE INVESTMENT 88, L.P.  
(A Delaware Limited Partnership)

BALANCE SHEETS  
December 31

	2000	1999
	----	----
ASSETS		
-----		
Current assets:		
Cash	\$ 174,638	\$ 200,529
Accounts receivable - oil and gas sales	190,189	115,936
	-----	-----
Total current assets	364,827	316,465
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	7,348,142	7,339,803
Accumulated depletion	(6,092,889)	(6,015,639)
	-----	-----
Net oil and gas properties	1,255,253	1,324,164
	-----	-----
	\$ 1,620,080	\$ 1,640,629
	=====	=====
LIABILITIES AND PARTNERS' CAPITAL		
-----		
Current liabilities:		
Accounts payable - affiliate	\$ 9,440	\$ 16,379
Partners' capital:		
Managing general partner	16,271	16,407
Limited partners (249 interests)	1,594,369	1,607,843
	-----	-----
	1,610,640	1,624,250
	-----	-----
	\$ 1,620,080	\$ 1,640,629
	=====	=====

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

3

1314

PARKER & PARSLEY PRIVATE INVESTMENT 88, L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF OPERATIONS  
For the years ended December 31

	2000	1999	1998
	-----	-----	-----
Revenues:			
Oil and gas	\$1,311,024	\$ 805,538	\$ 645,636
Interest	14,327	8,390	9,025
Gain on disposition of assets	--	--	237
	-----	-----	-----
	1,325,351	813,928	654,898
	-----	-----	-----
Costs and expenses:			
Oil and gas production	425,425	361,694	390,754
General and administrative	33,284	24,166	17,997
Impairment of oil and gas properties	--	--	118,049
Depletion	77,250	140,915	327,453
	-----	-----	-----
	535,959	526,775	854,253
	-----	-----	-----
Net income (loss)	\$ 789,392	\$ 287,153	\$ (199,355)
	=====	=====	=====
Allocation of net income (loss):			
Managing general partner	\$ 7,894	\$ 2,872	\$ (1,994)
	=====	=====	=====
Limited partners	\$ 781,498	\$ 284,281	\$ (197,361)
	=====	=====	=====
Net income (loss) per limited partnership interest	\$ 3,138.55	\$ 1,141.69	\$ (792.61)
	=====	=====	=====

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

4

1315

PARKER & PARSLEY PRIVATE INVESTMENT 88, L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF PARTNERS' CAPITAL

	Managing general partner -----	Limited partners -----	Total -----
Partners' capital at January 1, 1998	\$ 21,549	\$2,116,932	\$2,138,481
Distributions	(2,892)	(286,347)	(289,239)
Net loss	(1,994)	(197,361)	(199,355)
	-----	-----	-----
Partners' capital at December 31, 1998	16,663	1,633,224	1,649,887
Distributions	(3,128)	(309,662)	(312,790)
Net income	2,872	284,281	287,153
	-----	-----	-----
Partners' capital at December 31, 1999	16,407	1,607,843	1,624,250
Distributions	(8,030)	(794,972)	(803,002)
Net income	7,894	781,498	789,392
	-----	-----	-----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Partners' capital at December 31, 2000	\$ 16,271 =====	\$1,594,369 =====	\$1,610,640 =====
--	--------------------	----------------------	----------------------

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

5

1316

PARKER & PARSLEY PRIVATE INVESTMENT 88, L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF CASH FLOWS  
For the years ended December 31

	2000 -----	1999 -----	1998 -----
Cash flows from operating activities:			
Net income (loss)	\$ 789,392	\$ 287,153	\$ (199,355)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Impairment of oil and gas properties	--	--	118,049
Depletion	77,250	140,915	327,453
Gain on disposition of assets	--	--	(237)
Changes in assets and liabilities:			
Accounts receivable	(74,253)	(50,145)	43,119
Accounts payable	(6,939)	4,823	(9,123)
	-----	-----	-----
Net cash provided by operating activities	785,450	382,746	279,906
	-----	-----	-----
Cash flows from investing activities:			
Additions to oil and gas properties	(8,806)	(9,360)	(14,794)

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Proceeds from disposition of assets	467	--	237
	-----	-----	-----
Net cash used in investing activities	(8,339)	(9,360)	(14,557)
	-----	-----	-----
Cash flows used in financing activities:			
Cash distributions to partners	(803,002)	(312,790)	(289,239)
	-----	-----	-----
Net increase (decrease) in cash	(25,891)	60,596	(23,890)
Cash at beginning of year	200,529	139,933	163,823
	-----	-----	-----
Cash at end of year	\$ 174,638	\$ 200,529	\$ 139,933
	=====	=====	=====

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

6

1317

PARKER & PARSLEY PRIVATE INVESTMENT 88, L.P.  
(A Delaware Limited Partnership)

NOTES TO FINANCIAL STATEMENTS  
December 31, 2000, 1999 and 1998

NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS

Parker & Parsley Private Investment 88, L.P. (the "Partnership") was organized in 1988 as a general partnership under the laws of the State of Texas and was converted to a Delaware limited partnership in 1989. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA").

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Oil and gas properties - The Partnership utilizes the successful efforts method of accounting for its oil and gas properties and equipment. Under this method, all costs associated with productive wells and nonproductive development wells are capitalized while nonproductive exploration costs are expensed. Capitalized costs relating to proved properties are depleted using the unit-of-production method on a property-by-property basis based on proved oil (dominant mineral) reserves as evaluated by independent petroleum consultants. The carrying amounts of properties sold or otherwise disposed of and the related allowances for depletion are eliminated from the accounts and any gain or loss is included in results of operations.

Impairment of long-lived assets - In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the Partnership reviews its long-lived assets to be held and used on an individual property basis, including oil and gas properties accounted for under the successful efforts method of accounting, whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. An impairment loss is indicated if the sum of the expected future cash flows is less than the carrying amount of the assets. In this circumstance, the Partnership recognizes an impairment loss for the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset.

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

7

1318

Net income (loss) per limited partnership interest - The net income (loss) per limited partnership interest is calculated by using the number of outstanding limited partnership interests.

Income taxes - A Federal income tax provision has not been included in the financial statements as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

Statements of cash flows - For purposes of reporting cash flows, cash includes depository accounts held by banks.

General and administrative expenses - General and administrative expenses are allocated in part to the Partnership by the managing general partner. Allocated expenses are determined by the managing general partner based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Reclassifications - Certain reclassifications may have been made to the 1999 and 1998 financial statements to conform to the 2000 financial statement presentation.

Environmental - The Partnership is subject to extensive federal, state and local environmental laws and regulations. These laws, which are constantly



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

changing, regulate the discharge of materials into the environment and may require the Partnership to remove or mitigate the environmental effects of the disposal or release of petroleum or chemical substances at various sites. Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Liabilities for expenditures of a noncapital nature are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated. Such liabilities are generally undiscounted unless the timing of cash payments for the liability or component are fixed or reliably determinable. No such liabilities have been accrued as of December 31, 2000.

Revenue recognition - The Partnership uses the entitlements method of accounting for oil, natural gas liquids ("NGLs") and natural gas revenues.

### NOTE 3. IMPAIRMENT OF LONG-LIVED ASSETS

In accordance with SFAS 121, the Partnership reviews its proved oil and gas properties for impairment whenever events and circumstances indicate a decline in the recoverability of the carrying value of the Partnership's oil and gas properties. The Partnership has estimated the expected future cash flows of its oil and gas properties as of December 31, 2000, 1999 and 1998, based on proved reserves, and compared such estimated future cash flows to the respective carrying amount of the oil and gas properties to determine if the carrying amounts were likely to be recoverable. For those proved oil and gas properties for which the carrying amount exceeded the estimated future cash flows, an impairment was determined to exist; therefore, the Partnership adjusted the carrying amount of those oil and gas properties to their fair value as determined by discounting their expected future cash flows at a discount rate commensurate with the risks involved in the industry. As a result, the

8

1319

Partnership recognized a non-cash impairment provision of \$118,049 related to its proved oil and gas properties during 1998.

### NOTE 4. INCOME TAXES

The financial statement basis of the Partnership's net assets and liabilities was \$148,226 greater than the tax basis at December 31, 2000.

The following is a reconciliation of net income (loss) per statements of operations with the net income per Federal income tax returns for the years ended December 31:

	2000	1999	
	-----	-----	-----
Net income (loss) per statements of operations	\$ 789,392	\$ 287,153	\$ (19
Depletion and depreciation provisions for tax reporting purposes less than amounts for financial reporting purposes	67,335	130,790	31
Impairment of oil and gas properties for financial reporting purposes	-	-	11
Other, net	(1,469)	221	---
	-----	-----	---

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Net income per Federal income tax returns	\$ 855,258	\$ 418,164	\$ 23
	=====	=====	=====

NOTE 5. OIL AND GAS PRODUCING ACTIVITIES

The following is a summary of the costs incurred, whether capitalized or expensed, related to the Partnership's oil and gas producing activities for the years ended December 31:

	2000 -----	1999 -----	1998 -----
Development costs	\$ 8,806	\$ 9,360	\$ 14,794
	=====	=====	=====

Capitalized oil and gas properties consist of the following:

	2000 ----	1999 ----
Proved properties:		
Property acquisition costs	\$ 76,042	\$ 76,042
Completed wells and equipment	7,272,100	7,263,761
	-----	-----
Accumulated depletion	7,348,142 (6,092,889)	7,339,803 (6,015,639)
	-----	-----
Net oil and gas properties	\$ 1,255,253	\$ 1,324,164
	=====	=====

9

1320

NOTE 6. RELATED PARTY TRANSACTIONS

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$ 164,64
--	-----------

1290

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Reimbursement of general and administrative expenses

\$ 29,88

The Partnership participates in oil and gas activities through an income tax partnership (the "Program") pursuant to the Program agreement. Pioneer USA and the Partnership are parties to the Program agreement.

The costs and revenues of the Program are allocated to Pioneer USA and the Partnership as follows:

	Pioneer USA (1)	Partnership
Revenues:		
Proceeds from disposition of depreciable properties	9.09091%	90.90909%
All other revenues	24.242425%	75.757575%
Costs and expenses:		
Lease acquisition costs, drilling and completion costs and all other costs	9.09091%	90.90909%
Operating costs, direct costs and general and administrative expenses	24.242425%	75.757575%

(1) Excludes Pioneer USA's 1% general partner ownership which is allocated at the Partnership level.

### NOTE 7. OIL AND GAS INFORMATION (UNAUDITED)

The following table presents information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities during the years then ended. All of the Partnership's reserves are proved developed and located within the United States. The Partnership's reserves are based on an evaluation prepared by Williamson Petroleum Consultants, Inc., an independent petroleum consultant, using criteria established by the Securities and Exchange Commission.

10

1321

	Oil and NGLs (bbls)	Gas (mcf)
Net proved reserves at January 1, 1998	642,625	841,260
Revisions	(223,184)	(203,072)
Production	(48,933)	(61,718)
	370,508	576,470
Net proved reserves at December 31, 1998	370,508	576,470
Revisions	353,229	566,412
Production	(48,802)	(66,701)
	374,956	570,121

1291

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Net proved reserves at December 31, 1999	674,935	1,076,181
Revisions	142,138	(79,131)
Production	(46,284)	(59,532)
	-----	-----
Net proved reserves at December 31, 2000	770,789	937,518
	=====	=====

As of December 31, 2000, the estimated present value of future net revenues of proved reserves, calculated using December 31, 2000 prices of \$26.64 per barrel of oil, \$13.25 per barrel of NGLs and \$7.86 per mcf of gas, discounted at 10% was approximately \$5,885,000 and undiscounted was \$12,796,000.

Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves. The Partnership emphasizes that reserve estimates are inherently imprecise and, accordingly, the estimates are expected to change as future information becomes available.

Disclosures about Oil & Gas Producing Activities

Standardized Measure of Discounted Future Net Cash Flows

The standardized measure of discounted future net cash flows is computed by applying year-end prices of oil and gas (with consideration of price changes only to the extent provided by contractual arrangements) to the estimated future production of proved oil and gas reserves less estimated future expenditures (based on year-end costs) to be incurred in developing and producing the proved reserves, discounted using a rate of 10% per year to reflect the estimated timing of the future cash flows. A Federal income tax provision has not been calculated as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

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

	For the years ended December 31,		
	2000	1999	1998
	-----	-----	-----
	(in thousands)		
Oil and gas producing activities:			
Future cash inflows	\$ 24,468	\$ 16,797	\$ 4,079
Future production costs	(11,672)	(9,146)	(2,814)
	-----	-----	-----
	12,796	7,651	1,265
10% annual discount factor	(6,911)	(3,791)	(504)
	-----	-----	-----



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The following is a brief summary of the more significant provisions of the Partnership agreement:

Managing general partner - The managing general partner of the Partnership is Pioneer USA. Pioneer USA has the power and authority to manage, control and administer all Program and Partnership affairs. As managing general partner and operator of the Partnership's properties, all production expenses are incurred by Pioneer USA and billed to the Partnership. The majority of the Partnership's oil and gas revenues are received directly by the Partnership, however, a portion of the oil and gas revenue is initially received by Pioneer USA prior to being paid to the Partnership. Under the limited partnership agreement, the managing general partner pays 1% of the Partnership's acquisition, drilling and completion costs and 1% of its operating and general and administrative expenses. The managing general partner is also responsible for

12

1323

1% of the guaranty and loan commitment fees. In return, it is allocated 1% of the Partnership's revenues.

Limited partner liability - The maximum amount of liability of any limited partner is the total contributions of such partner plus his share of any undistributed profits.

Initial capital contributions - The partners entered into subscription agreements for aggregate capital contributions of \$9,960,000. Pioneer USA is required to contribute amounts equal to 1% of initial Partnership capital less commission and organization and offering costs allocated to the limited partners and to contribute amounts necessary to pay costs and expenses allocated to it under the Partnership agreement to the extent its share of revenues does not cover such costs.

13

1324

PARKER & PARSLEY PRIVATE INVESTMENT 88, L.P.  
(A DELAWARE LIMITED PARTNERSHIP)

THIS REPORT CONTAINS FORWARD LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. ACCORDINGLY, NO ASSURANCES CAN BE GIVEN THAT THE ACTUAL EVENTS AND RESULTS WILL NOT BE MATERIALLY DIFFERENT THAN THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of operations

2000 compared to 1999

The Partnership's oil and gas revenues increased 63% to \$1,311,024 for 2000 as compared to \$805,538 in 1999. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 2000, 30,403 barrels of oil, 15,881 barrels of natural gas liquids ("NGLs") and 59,532 mcf of gas were sold, or 56,206 barrel of oil equivalents ("BOEs"). In 1999, 30,947

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

barrels of oil, 17,855 barrels of NGLs and 66,701 mcf of gas were sold, or 59,919 BOEs. Due to the decline characteristics of the Partnership's oil and gas properties, management expects a certain amount of decline in production in the future until the Partnership's economically recoverable reserves are fully depleted.

The average price received per barrel of oil increased \$12.44, or 73%, from \$17.01 in 1999 to \$29.45 in 2000. The average price received per barrel of NGLs increased \$6.29, or 67%, from \$9.32 in 1999 to \$15.61 in 2000. The average price received per mcf of gas increased 67% from \$1.69 in 1999 to \$2.82 in 2000. The market price for oil and gas has been extremely volatile in the past decade, and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received in 2000.

Total costs and expenses increased in 2000 to \$535,959 as compared to \$526,775 in 1999, an increase of \$9,184, or 2%. The increase was due to increases in production costs and general and administrative expenses ("G&A"), offset by a decline in depletion.

Production costs were \$425,425 in 2000 and \$361,694 in 1999, resulting in a \$63,731 increase, or 18%. The increase was primarily due to higher production taxes associated with higher oil and gas prices and additional well maintenance costs incurred to stimulate well production.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 38% from \$24,166 in 1999 to \$33,284 in 2000, primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$29,882 in 2000 and \$18,547 in 1999 for G&A incurred on behalf of the Partnership. The remaining G&A was paid directly by the Partnership. The managing general partner determines the allocated expenses based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Depletion was \$77,250 in 2000 compared to \$140,915 in 1999, representing a decrease of \$63,665, or 45%. This decrease was primarily due to a 111,058 barrels of oil increase in proved reserves during 2000 as a result of higher commodity prices.

1999 compared to 1998

The Partnership's 1999 oil and gas revenues increased 25% to \$805,538 from \$645,636 in 1998. The increase in revenues resulted from higher average prices received. In 1999, 30,947 barrels of oil, 17,855 barrels of NGLs and 66,701 mcf of gas

1325

were sold, or 59,919 BOEs. In 1998, 33,377 barrels of oil, 15,556 barrels of NGLs and 61,718 mcf of gas were sold, or 59,219 BOEs.

The average price received per barrel of oil increased \$3.70, or 28%, from \$13.31 in 1998 to \$17.01 in 1999. The average price received per barrel of NGLs increased \$2.53, or 37%, from \$6.79 in 1998 to \$9.32 in 1999. The average price received per mcf of gas increased 9% from \$1.55 in 1998 to \$1.69 in 1999.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Total costs and expenses decreased in 1999 to \$526,775 as compared to \$854,253 in 1998, a decrease of \$327,478, or 38%. The decrease was due to declines in depletion, the impairment of oil and gas properties and production costs, offset by an increase in G&A.

Production costs were \$361,694 in 1999 and \$390,754 in 1998, resulting in a \$29,060 decrease, or 7%. The decrease was due to declines in well maintenance costs and ad valorem taxes, offset by an increase in production taxes due to increased oil and gas revenues.

During this period, G&A increased 34% from \$17,997 in 1998 to \$24,166 in 1999 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$18,547 in 1999 and \$14,864 in 1998 for G&A incurred on behalf of the Partnership.

In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the managing general partner reviews the Partnership's oil and gas properties for impairment whenever events or circumstances indicate a decline in the recoverability of the carrying value of the Partnership's assets may have occurred. As a result of the review and evaluation of its long-lived assets for impairment, the Partnership recognized a non-cash charge of \$118,049 related to its oil and gas properties during 1998.

Depletion was \$140,915 in 1999 compared to \$327,453 in 1998, representing a decrease of \$186,538, or 57%. This decrease was the result of an increase in proved reserves of 220,875 barrels of oil during 1999 as a result of higher commodity prices and a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 1998.

### Petroleum industry

The petroleum industry has been characterized by volatile oil, NGL and natural gas commodity prices and relatively stable supplier costs during the three years ended December 31, 2000. During 1998, weather patterns, regional economic recessions and political matters combined to cause worldwide oil supplies to exceed demand resulting in a substantial decline in oil prices. Also during 1998, but to a lesser extent, market prices for natural gas declined. During 1999 and 2000, the Organization of Petroleum Exporting Countries ("OPEC") and certain other crude oil exporting nations announced reductions in their planned export volumes. Those announcements, together with the enactment of the announced reductions in export volumes, had a positive impact on world oil prices, as have overall natural gas supply and demand fundamentals on North American natural gas prices. Although the favorable commodity price environment and stable field service cost environment is expected to continue during 2001, there is no assurance that commodity prices will not return to a less favorable level or that field service costs will not escalate in the future, both of which could negatively impact the Partnership's future results of operations and cash distributions.



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

### Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$402,704 during the year ended December 31, 2000 from 1999. This increase was due to an increase in oil and gas sales receipts of \$511,423, offset by increases in production costs paid of \$63,731, G&A expenses paid of \$9,118 and working capital of \$35,870. The increase in oil and gas receipts resulted from the increase in commodity prices during 2000 which contributed an additional \$578,466 to oil and gas receipts, offset by \$67,043 resulting from the decline in production during 2000. The increase in production costs was primarily due to increased production taxes associated with higher oil and gas prices and additional well maintenance costs incurred to stimulate well production. The increase in G&A was primarily due to higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues.

### Net Cash Used in Investing Activities

The Partnership's principal investing activities during 2000 and 1999 included expenditures related to equipment upgrades on several oil and gas properties.

Proceeds recognized during 2000 of \$467 were due to equipment credits received on an active property.

### Net Cash Used in Financing Activities

In 2000, cash distributions to the partners were \$803,002, of which \$8,030 was distributed to the managing general partner and \$794,972 to the limited partners. In 1999, cash distributions to the partners were \$312,790, of which \$3,128 was distributed to the managing general partner and \$309,662 to the limited partners.

1327

PARKER & PARSLEY PRIVATE INVESTMENT 88, L.P.

### SELECTED FINANCIAL DATA

The following selected financial data for the Partnership should be read in connection with Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements included in the attached supplemental information.

Six months  
ended

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	June 30,		Years ended December 31,		
	2001	2000	2000	1999	1998
Operating results:					
Oil and gas sales	\$ 625,806	\$ 598,423	\$1,311,024	\$ 805,538	\$ 645,636
Impairment of oil and gas properties	\$ --	\$ --	\$ --	\$ --	\$ 118,049
Net income (loss)	\$ 341,263	\$ 334,205	\$ 789,392	\$ 287,153	\$ (199,355)
Allocation of net income (loss):					
Managing general partner	\$ 3,413	\$ 3,342	\$ 7,894	\$ 2,872	\$ (1,994)
Limited partners	\$ 337,850	\$ 330,863	\$ 781,498	\$ 284,281	\$ (197,361)
Limited partners' net income (loss) per limited partnership interest	\$ 1,356.83	\$ 1,328.77	\$ 3,138.55	\$ 1,141.69	\$ (792.61)
Limited partners' cash distributions per limited partnership interest	\$ 942.15	\$ 1,408.78	\$ 3,192.66	\$ 1,243.62	\$ 1,149.99
As of period ended:					
Total assets	\$1,739,988	\$1,637,019	\$1,620,080	\$1,640,629	\$1,661,443

1328

PIONEER NATURAL RESOURCES COMPANY  
PIONEER NATURAL RESOURCES USA, INC.  
5205 NORTH O'CONNOR BLVD., SUITE 1400  
IRVING, TEXAS 75039

SUPPLEMENTAL INFORMATION

OF

PARKER & PARSLEY 89-A CONV., L.P., A DELAWARE LIMITED PARTNERSHIP

TO

PROXY STATEMENT/PROSPECTUS DATED , 2001

-----

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

THE DATE OF THIS SUPPLEMENT IS \_\_\_\_\_, 2001

-----

This document contains important information specific to Parker & Parsley 89-A Conv., L.P., and supplements the proxy statement/prospectus dated \_\_\_\_\_, 2001, of Pioneer Natural Resources Company and Pioneer Natural Resources USA, Inc., by which Pioneer USA is soliciting proxies to be voted at a special meeting of limited partners of the partnership. The purpose of the special meeting is for you to vote upon the merger of the partnership with and into Pioneer USA that, if completed, will result in your receiving common stock of Pioneer Natural Resources Company for your partnership interests.

This document contains the following information concerning Parker & Parsley 89-A Conv., L.P.:

- o A table containing:
  - the aggregate initial investment by the limited partners
  - the aggregate historical limited partner distributions through July 31, 2001
  - the merger value attributable to partnership interests of limited partners, excluding Pioneer USA
  - the merger value per \$1,000 limited partner investment
  - the merger value per \$1,000 limited partner investment as a multiple of distributions for the past four quarterly distributions including the distribution in July 2001
  - the book value per \$1,000 limited partner investment as of June 30, 2001 and as of December 31, 2000
  - the going concern value per \$1,000 limited partner investment
  - the liquidation value per \$1,000 limited partner investment
  - the ordinary tax loss per \$1,000 limited partner investment in year of initial investment
- o Information about:
  - the legal opinion for the limited partners
  - the term of the partnership
- o The partnership's financial statements, including management's discussion and analysis of financial condition and results of operations, for the six months ended June 30, 2001
- o The partnership's financial statements, including management's discussion and analysis of financial condition and results of operations, for the year ended December 31, 2000

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

- o Selected historical financial data for the partnership for the six months ended June 30, 2001 and 2000 and the five years ended December 31, 2000

-1-

1329

PARKER & PARSLEY 89-A CONV., L.P.

### SUPPLEMENTAL INFORMATION TABLE

Aggregate Initial Investment by the Limited Partners(a)	\$ 2,797
Aggregate Historical Limited Partner Distributions through July 31, 2001(a)	\$ 2,993
Merger Value Attributable to Partnership Interests of Limited Partners, Excluding Pioneer USA(a), (b)	\$ 929
Merger Value per \$1,000 Limited Partner Investment (b), (c)	\$332.08
Merger Value per \$1,000 Limited Partner Investment as a Multiple of Distributions for the past four quarterly distributions including the distribution in July 2001(b), (c)	3.53 t
Book Value per \$1,000 Limited Partner Investment:	
-- as of June 30, 2001(c)	\$166.00
-- as of December 31, 2000(c)	\$158.81
Going Concern Value per \$1,000 Limited Partner Investment (c), (d)	\$310.02
Liquidation Value per \$1,000 Limited Partner Investment (c), (e)	\$322.33
Ordinary Tax Loss per \$1,000 Limited Partner Investment in Year of Initial Investment (c), (f)	\$ 149

-----

(a) Stated in thousands.

(b) The merger value for the partnership is equal to the sum of the present value of estimated future net revenues from the partnership's estimated oil and gas reserves and its net working capital, in each case as of March 31, 2001, less its pro rata share, based on its reserve value, of the estimated expenses and fees of the mergers of all of the partnerships and less the cash distribution on July 13, 2001, by the partnership to its partners.

(c) Interests in some partnerships were sold in units at prices other than \$1,000. We have presented this information based on a \$1,000 initial investment for ease of use and comparison among partnerships. You should not assume that the amount shown per \$1,000 investment is the same as the value or amount attributable to a single unit investment.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

- (d) The going concern value for the partnership is based upon: (1) the sum of (A) the estimated net cash flow from the sale of the partnership's reserves during a 10-year operating period and (B) the estimated residual value from the sale of the partnership's remaining reserves at the end of the operating period, in each case using the same pricing and discount rate as in the merger value calculation, less (2) (A) partnership level general and administrative expenses, and (B) the cash distribution on July 13, 2001 by the partnership to its partners.
- (e) The liquidation value for the partnership is based upon the sale of the partnership's reserves at the reserve value, less (1) liquidation expenses which are estimated to be the sum of (A) the partnership's pro rata share of the merger expenses and fees described in footnote (b) above and (B) 3% of the partnership's reserve value, and (2) the cash distribution on July 13, 2001 by the partnership to its partners. The liquidation expenses represent estimated costs to retain an investment banker or broker to sell the assets of the partnership and the legal and other closing costs associated with such transaction, including the wind-down costs of the partnership.
- (f) Your ability to use your distributive share of the partnership's loss to offset your other income may have been subject to certain limitations at your level as a partner, and you may therefore wish to consult your tax advisor to determine the additional value, if any, actually realized by you in your particular circumstances.

INFORMATION ABOUT THE LEGAL OPINION FOR THE LIMITED PARTNERS

The partnership agreement for the partnership requires that special legal counsel render an opinion on behalf of the limited partners to Pioneer USA that neither the grant nor the exercise of the right to approve the merger of the partnership by its limited partners will adversely affect the federal income tax classification of the partnership or any of its limited partners. Although not required by the partnership agreement, the opinion will also state that neither the grant nor exercise of such right will result in the loss of any limited partner's limited liability. In addition, the counsel designated to render the opinion is not required to be counsel other than counsel to Pioneer USA or the partnership. Both the designated counsel and the legal opinion must be approved by the limited partners. Pioneer USA has retained \_\_\_\_\_ of Dallas, Texas for the purpose of rendering this legal opinion on behalf of the limited partners to Pioneer USA. The merger proposals include an approval of that counsel and the form of its opinion. A copy of the opinion is attached as an exhibit to the merger proposals.

INFORMATION ABOUT THE TERM OF THE PARTNERSHIP

The term of the partnership is until December 31, 2039, unless the partnership is earlier terminated in accordance with the applicable provisions of its partnership agreement.

-2-

1330

PARKER & PARSLEY 89-A CONV., L.P.

(A Delaware Limited Partnership)

FINANCIAL STATEMENTS

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

June 30, 2001 and December 31, 2000

(Unaudited)

1331

PARKER & PARSLEY 89-A CONV., L.P.  
(A Delaware Limited Partnership)

BALANCE SHEETS

	June 30, 2001	December 31, 2000
	----- (Unaudited)	-----
ASSETS		
Current assets:		
Cash	\$ 100,729	\$ 49,781
Accounts receivable - oil and gas sales	39,777	57,620
	-----	-----
Total current assets	140,506	107,401
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	2,151,488	2,205,981
Accumulated depletion	(1,816,974)	(1,860,437)
	-----	-----
Net oil and gas properties	334,514	345,544
	-----	-----
	\$ 475,020	\$ 452,945
	=====	=====
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable - affiliate	\$ 5,953	\$ 4,194
Partners' capital:		
Managing general partner	4,759	4,556
Limited partners (2,797 interests)	464,308	444,195
	-----	-----
	469,067	448,751
	-----	-----
	\$ 475,020	\$ 452,945
	=====	=====

The financial information included as of June 30, 2001 has been prepared by the managing general partner without audit by independent public accountants.

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

1332

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

PARKER & PARSLEY 89-A CONV., L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF OPERATIONS  
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2001	2000	2001	2000
Revenues:				
Oil and gas	\$ 82,496	\$ 88,880	\$ 192,720	\$ 169,889
Interest	765	955	1,649	1,725
Gain on disposition of assets	-	2,083	3,713	2,083
	-----	-----	-----	-----
	83,261	91,918	198,082	173,697
	-----	-----	-----	-----
Costs and expenses:				
Oil and gas production	40,659	40,401	74,044	71,809
General and administrative	2,476	2,816	6,388	5,257
Depletion	5,746	4,524	11,750	10,851
Abandoned property	(72)	-	2,263	-
	-----	-----	-----	-----
	48,809	47,741	94,445	87,917
	-----	-----	-----	-----
Net income	\$ 34,452	\$ 44,177	\$ 103,637	\$ 85,780
	=====	=====	=====	=====
Allocation of net income:				
Managing general partner	\$ 344	\$ 442	\$ 1,036	\$ 858
	=====	=====	=====	=====
Limited partners	\$ 34,108	\$ 43,735	\$ 102,601	\$ 84,922
	=====	=====	=====	=====
Net income per limited partnership interest	\$ 12.19	\$ 15.63	\$ 36.68	\$ 30.36
	=====	=====	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

PARKER & PARSLEY 89-A CONV., L.P.  
(A Delaware Limited Partnership)

STATEMENT OF PARTNERS' CAPITAL  
(Unaudited)

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	Managing general partner -----	Limited partners -----	Total -----
Balance at January 1, 2001	\$ 4,556	\$ 444,195	\$ 448,751
Distributions	(833)	(82,488)	(83,321)
Net income	1,036 -----	102,601 -----	103,637 -----
Balance at June 30, 2001	\$ 4,759 =====	\$ 464,308 =====	\$ 469,067 =====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

4

1334

PARKER & PARSLEY 89-A CONV., L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF CASH FLOWS  
(Unaudited)

	Six months ended June 30, -----	
	2001 -----	2000 -----
Cash flows from operating activities:		
Net income	\$ 103,637	\$ 85,780
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion	11,750	10,851
Gain on disposition of assets	(3,713)	(2,083)
Changes in assets and liabilities:		
Accounts receivable	17,843	(3,607)
Accounts payable	5,472	3,811
Net cash provided by operating activities	134,989 -----	94,752 -----
Cash flows from investing activities:		

1304



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Additions to oil and gas properties	(720)	(1,173)
Proceeds from asset dispositions	-	2,083
	-----	-----
Net cash provided (used in) by investing activities	(720)	910
	-----	-----
Cash flows used in financing activities:		
Cash distributions to partners	(83,321)	(102,690)
	-----	-----
Net increase (decrease) in cash	50,948	(7,028)
Cash at beginning of period	49,781	58,311
	-----	-----
Cash at end of period	\$ 100,729	\$ 51,283
	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

5

1335

PARKER & PARSLEY 89-A CONV., L.P.  
(A Delaware Limited Partnership)

NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Unaudited)

Note 1. Organization and nature of operations

Parker & Parsley 89-A Conv., L.P. (the "Partnership") was organized in 1989 as a general partnership under the laws of the State of Texas and was converted to a Delaware limited partnership in 1990.

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

Note 2. Basis of presentation

In the opinion of management, the unaudited financial statements of the Partnership as of June 30, 2001 and for the three and six months ended June 30, 2001 and 2000 include all adjustments and accruals consisting only of normal recurring accrual adjustments which are necessary for a fair presentation of the results for the interim period. These interim results are not necessarily indicative of results for a full year. Certain reclassifications may have been made to the June 30, 2000 financial statements to conform to the June 30, 2001 financial statement presentations.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in these interim financial statements. The financial statements should be read in conjunction with the financial statements and the notes thereto contained in the Partnership's report for the year ended December 31, 2000, a copy of which is available upon request by writing to Rich Dealy, Vice President and Chief Accounting Officer, 5205 North O'Connor

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Boulevard, Suite 1400, Irving, Texas 75039-3746.

Management's Discussion and Analysis of Financial Condition  
and Results of Operations (1)

Results of Operations

Six months ended June 30, 2001 compared with six months ended June 30, 2000

Revenues:

The Partnership's oil and gas revenues increased 13% to \$192,720 for the six months ended June 30, 2001 as compared to \$169,889 for the same period in 2000. The increase in revenues resulted from higher average prices received, offset by

6

1336

a decrease in production. For the six months ended June 30, 2001, 3,972 barrels of oil, 1,804 barrels of natural gas liquids ("NGLs") and 11,172 mcf of gas were sold, or 7,638 barrel of oil equivalents ("BOEs"). For the six months ended June 30, 2000, 4,172 barrels of oil, 2,251 barrels of NGLs and 10,163 mcf of gas were sold, or 8,117 BOEs.

The average price received per barrel of oil increased \$.21, or 1%, from \$27.56 for the six months ended June 30, 2000 to \$27.77 for the same period in 2001. The average price received per barrel of NGLs increased \$.76, or 6%, from \$13.74 during the six months ended June 30, 2000 to \$14.50 for the same period in 2001. The average price received per mcf of gas increased 114% from \$2.35 during the six months ended June 30, 2000 to \$5.03 for the same period in 2001. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received during the six months ended June 30, 2001.

Gains on disposition of assets of \$3,713 and \$2,083 were recognized during the six months ended June 30, 2001 and 2000, respectively. The gain recognized during the period ended June 30, 2001 was due to salvage income received on one well plugged and abandoned during the current period. The gain recognized during the period ended June 30, 2000 was from equipment credits received on one fully depleted well. Abandoned property costs of \$2,263 were incurred during 2001 to plug and abandon this well.

Costs and Expenses:

Total costs and expenses increased to \$94,445 for the six months ended June 30, 2001 as compared to \$87,917 for the same period in 2000, an increase of \$6,528, or 7%. This increase was due to increases in abandoned property costs, production costs, general and administrative expenses ("G&A") and depletion.

Production costs were \$74,044 for the six months ended June 30, 2001 as compared to \$71,809 for the same period in 2000, resulting in a \$2,235 increase, or 3%. This increase was primarily due to higher workover expenses incurred to stimulate well production.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 22% from \$5,257 for the six months ended June 30, 2000 to \$6,388 for the same

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

period in 2001, primarily due to a higher allocation of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues and an increase in audit and tax fees.

Depletion was \$11,750 for the six months ended June 30, 2001 as compared to \$10,851 for the same period in 2000, an increase of \$899, or 8%. This increase was the result of a decrease in proved reserves during the period ended June 30, 2001 due to lower commodity prices, offset by a decline in oil production of 200 barrels for the six months ended June 30, 2001 as compared to the same period in 2000.

7

1337

Three months ended June 30, 2001 compared with three months ended June 30, 2000

### Revenues:

The Partnership's oil and gas revenues decreased 7% to \$82,496 for the three months ended June 30, 2001 as compared to \$88,880 for the same period in 2000. The decrease in revenues resulted from lower average prices received for oil and NGLs and a decrease in production, offset by higher average prices received for gas. For the three months ended June 30, 2001, 1,795 barrels of oil, 965 barrels of NGLs and 5,567 mcf of gas were sold, or 3,688 BOEs. For the three months ended June 30, 2000, 2,094 barrels of oil, 1,179 barrels of NGLs and 5,406 mcf of gas were sold, or 4,174 BOEs.

The average price received per barrel of oil decreased \$.27, or 1%, from \$27.65 for the three months ended June 30, 2000 to \$27.38 for the three months ended June 30, 2001. The average price received per barrel of NGLs decreased \$1.65, or 12%, from \$13.65 during the three months ended June 30, 2000 to \$12.00 for the same period in 2001. The average price received per mcf of gas increased 42% to \$3.90 during the three months ended June 30, 2001 from \$2.75 during the same period in 2000.

Gains on disposition of assets of \$2,083 were attributable to equipment credits received on one fully depleted well for the three months ended June 30, 2000.

### Costs and Expenses:

Total costs and expenses increased to \$48,809 for the three months ended June 30, 2001 as compared to \$47,741 for the same period in 2000, an increase of \$1,068, or 2%. This increase was due to increases in depletion and production costs, offset by a decline in G&A.

Production costs were \$40,659 for the three months ended June 30, 2001 and \$40,401 for the same period in 2000 resulting in a \$258 increase. This increase was the result of additional workover costs incurred to stimulate well production, offset by lower well maintenance costs.

During this period, G&A decreased 12% from \$2,816 for the three months ended June 30, 2000 to \$2,476 for the same period in 2001, primarily due to a decline in audit and tax fees.

Depletion was \$5,746 for the three months ended June 30, 2001 as compared to \$4,524 for the same period in 2000, an increase of \$1,222, or 27%. This increase was the result of a decrease in proved reserves during the period ended June 30, 2001 due to lower commodity prices, offset by a decline in oil production of 299 barrels for the three months ended June 30, 2001 as compared to the same period

in 2000.

8

1338

#### Liquidity and Capital Resources

##### Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$40,237 during the six months ended June 30, 2001 from the same period in 2000. This increase resulted from an increase of \$22,755 in oil and gas sales receipts and a reduction in working capital of \$23,111, offset by increases in production costs of \$2,235, G&A expenses of \$1,131 and abandoned property costs of \$2,263. The increase in oil and gas receipts resulted from the increase in commodity prices during 2001 which contributed an additional \$29,717 to oil and gas receipts, offset by \$6,962 resulting from the decline in production during 2001 as compared to the same period in 2000. The increase in production costs was primarily due to higher workover costs incurred to stimulate well production. The increase in G&A was primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues and an increase in audit and tax fees.

##### Net Cash Provided by (Used in) Investing Activities

The Partnership's principal investing activities during the six months ended June 30, 2001 and 2000 included expenditures related to equipment upgrades on various oil and gas properties.

Proceeds from salvage income of \$2,083 were recognized during the six months ended June 30, 2000 from equipment credits on one fully depleted well.

##### Net Cash Used in Financing Activities

For the six months ended June 30, 2001, cash distributions to the partners were \$83,321, of which \$833 was distributed to the managing general partner and \$82,488 was distributed to the limited partners. For the same period ended June 30, 2000, cash distributions to the partners were \$102,690, of which \$1,027 was distributed to the managing general partner and \$101,663 was distributed to the limited partners.

For the three months ended June 30, 2001, no distributions were made by the partnership to its partners. Subsequent to June 30, 2001 the cash distribution that otherwise would have been mailed to partners in late June was made to holders of record as of July 9, 2001 and was mailed on July 13, 2001. For further information, see "Proposal to acquire partnerships" below.

##### Proposal to acquire partnerships

On June 29, 2001, Pioneer Natural Resources Company ("Pioneer") filed with the Securities and Exchange Commission Amendment No. 1 to the Form S-4 Registration Statement (File No. 333- 59094) (the "preliminary proxy statement/prospectus"), which proposes an agreement and plan of merger among Pioneer, Pioneer Natural Resources USA, Inc. ("Pioneer USA"), a wholly-owned subsidiary of Pioneer, and 46 Parker & Parsley limited partnerships. Each partnership that approves the agreement and plan of merger and the other related merger proposals will merge with and into Pioneer USA upon the closing of the transactions described in the preliminary proxy statement/prospectus, and the partnership interests of each

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

such partnership will be converted into the right to receive Pioneer common

9

1339

stock. The Partnership is one of the 46 Parker & Parsley limited partnerships that will be asked to approve the agreement and plan of merger. The preliminary proxy statement/prospectus is non-binding and is subject to, among other things, consideration of offers from third parties to purchase any partnership or its assets and the majority approval of the limited partnership interests in each partnership.

Pioneer USA will solicit proxies from limited partners to approve the mergers only when the proxy statement/prospectus is final and declared effective. No solicitation will be made using preliminary materials. Nonetheless, copies of the preliminary proxy statement/prospectus may be obtained without charge upon request from Pioneer Natural Resources Company, 5205 North O'Connor Blvd., Suite 1400, Irving, Texas 75039, Attention: Investor Relations.

The limited partners are urged to read the proxy statement/prospectus of Pioneer filed with the Securities and Exchange Commission, when it is finalized, because it contains important information about the proposed mergers, including information about the direct and indirect interests of Pioneer USA and Pioneer in the mergers. The limited partners may also obtain the preliminary and (when filed) final proxy statement/prospectus and other relevant documents relating to the proposed mergers free through the internet web site that the Securities and Exchange Commission maintains at [www.sec.gov](http://www.sec.gov).

-----

- (1) "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" contains forward looking statements that involve risks and uncertainties. Accordingly, no assurances can be given that the actual events and results will not be materially different than the anticipated results described in the forward looking statements.

10

1340

PARKER & PARSLEY 89-A CONV., L.P.  
(A Delaware Limited Partnership)

FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITORS' REPORT

December 31, 2000 and 1999

1341

INDEPENDENT AUDITORS' REPORT

# Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The Partners  
Parker & Parsley 89-A Conv., L.P.  
(A Delaware Limited Partnership):

We have audited the balance sheets of Parker & Parsley 89-A Conv., L.P. as of December 31, 2000 and 1999, and the related statements of operations, partners' capital and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parker & Parsley 89-A Conv., L.P. as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Dallas, Texas  
March 9, 2001

2

1342

PARKER & PARSLEY 89-A CONV., L.P.  
(A Delaware Limited Partnership)

## BALANCE SHEETS December 31

	2000	1999
	-----	-----
ASSETS		
-----		
Current assets:		
Cash	\$ 49,781	\$ 58,311
Accounts receivable - oil and gas sales	57,620	37,719
	-----	-----
Total current assets	107,401	96,030
	-----	-----

Oil and gas properties - at cost, based on the

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

successful efforts accounting method	2,205,981	2,203,522
Accumulated depletion	(1,860,437)	(1,832,074)
	-----	-----
Net oil and gas properties	345,544	371,448
	-----	-----
	\$ 452,945	\$ 467,478
	=====	=====

LIABILITIES AND PARTNERS' CAPITAL

-----

Current liabilities:		
Accounts payable - affiliate	\$ 4,194	\$ 5,804
Partners' capital:		
Managing general partner	4,556	4,685
Limited partners (2,797 interests)	444,195	456,989
	-----	-----
	448,751	461,674
	-----	-----
	\$ 452,945	\$ 467,478
	=====	=====

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

3

1343

PARKER & PARSLEY 89-A CONV., L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF OPERATIONS  
For the years ended December 31

	2000	1999	1998
	-----	-----	-----
Revenues:			
Oil and gas	\$ 383,529	\$ 241,781	\$ 196,186
Interest	4,022	2,353	2,629
Gain on disposition of assets	1,765	1,483	648
	-----	-----	-----
	389,316	245,617	199,463
	-----	-----	-----
Costs and expenses:			
Oil and gas production	135,124	118,700	121,865
General and administrative	12,370	9,612	7,006
Impairment of oil and gas properties	6,198	--	103,108
Depletion	22,165	39,348	117,246
	-----	-----	-----

1311

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	175,857	167,660	349,225
	-----	-----	-----
Net income (loss)	\$ 213,459	\$ 77,957	\$ (149,762)
	=====	=====	=====
Allocation of net income (loss):			
Managing general partner	\$ 2,135	\$ 780	\$ (1,498)
	=====	=====	=====
Limited partners	\$ 211,324	\$ 77,177	\$ (148,264)
	=====	=====	=====
Net income (loss) per limited partnership interest	\$ 75.55	\$ 27.59	\$ (53.01)
	=====	=====	=====

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

4

1344

PARKER & PARSLEY 89-A CONV., L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF PARTNERS' CAPITAL

	Managing general partner	Limited partners	Total
	-----	-----	-----
Partners' capital at January 1, 1998	\$ 7,016	\$ 687,886	\$ 694,902
Distributions	(806)	(79,919)	(80,725)
Net loss	(1,498)	(148,264)	(149,762)
	-----	-----	-----
Partners' capital at December 31, 1998	4,712	459,703	464,415
Distributions	(807)	(79,891)	(80,698)
Net income	780	77,177	77,957
	-----	-----	-----
Partners' capital at December 31, 1999	4,685	456,989	461,674
Distributions	(2,264)	(224,118)	(226,382)
Net income	2,135	211,324	213,459
	-----	-----	-----
Partners' capital at December 31, 2000	\$ 4,556	\$ 444,195	\$ 448,751
	=====	=====	=====



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

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

5

1345

PARKER & PARSLEY 89-A CONV., L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF CASH FLOWS  
For the years ended December 31

	2000 -----	1999 -----	1998 -----
Cash flows from operating activities:			
Net income (loss)	\$ 213,459	\$ 77,957	\$ (149,762)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depletion	22,165	39,348	117,246
Impairment of oil and gas properties	6,198	--	103,108
Gain on disposition of assets	(1,765)	(1,483)	(648)
Changes in assets and liabilities:			
Accounts receivable	(19,901)	(15,731)	6,119
Accounts payable	(1,610)	(17)	(3,072)
	-----	-----	-----
Net cash provided by operating activities	218,546	100,074	72,991
	-----	-----	-----
Cash flows from investing activities:			
(Additions) deletions to oil and gas properties	(2,459)	197	(9,993)
Proceeds from disposition of assets	1,765	1,483	648
	-----	-----	-----
Net cash provided by (used in) investing activities	(694)	1,680	(9,345)
	-----	-----	-----
Cash flows used in financing activities:			
Cash distributions to partners	(226,382)	(80,698)	(80,725)
	-----	-----	-----
Net increase (decrease) in cash	(8,530)	21,056	(17,079)
Cash at beginning of year	58,311	37,255	54,334
	-----	-----	-----
Cash at end of year	\$ 49,781	\$ 58,311	\$ 37,255
	=====	=====	=====

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

6

1313

# Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

1346

PARKER & PARSLEY 89-A CONV., L.P.  
(A Delaware Limited Partnership)

NOTES TO FINANCIAL STATEMENTS  
December 31, 2000, 1999 and 1998

## NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS

Parker & Parsley 89-A Conv., L.P. (the "Partnership") was organized in 1989 as a general partnership under the laws of the State of Texas and was converted to a Delaware limited partnership in 1990. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA").

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

## NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Oil and gas properties - The Partnership utilizes the successful efforts method of accounting for its oil and gas properties and equipment. Under this method, all costs associated with productive wells and nonproductive development wells are capitalized while nonproductive exploration costs are expensed. Capitalized costs relating to proved properties are depleted using the unit-of-production method on a property-by-property basis based on proved oil (dominant mineral) reserves as evaluated by independent petroleum consultants. The carrying amounts of properties sold or otherwise disposed of and the related allowances for depletion are eliminated from the accounts and any gain or loss is included in results of operations.

Impairment of long-lived assets - In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the Partnership reviews its long-lived assets to be held and used on an individual property basis, including oil and gas properties accounted for under the successful efforts method of accounting, whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. An impairment loss is indicated if the sum of the expected future cash flows is less than the carrying amount of the assets. In this circumstance, the Partnership recognizes an impairment loss for the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset.

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

7

1347

Net income (loss) per limited partnership interest - The net income (loss) per limited partnership interest is calculated by using the number of outstanding limited partnership interests.

1314

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Income taxes - A Federal income tax provision has not been included in the financial statements as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

Statements of cash flows - For purposes of reporting cash flows, cash includes depository accounts held by banks.

General and administrative expenses - General and administrative expenses are allocated in part to the Partnership by the managing general partner. Allocated expenses are determined by the managing general partner based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Reclassifications - Certain reclassifications may have been made to the 1999 and 1998 financial statements to conform to the 2000 financial statement presentations.

Environmental - The Partnership is subject to extensive federal, state and local environmental laws and regulations. These laws, which are constantly changing, regulate the discharge of materials into the environment and may require the Partnership to remove or mitigate the environmental effects of the disposal or release of petroleum or chemical substances at various sites. Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Liabilities for expenditures of a noncapital nature are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated. Such liabilities are generally undiscounted unless the timing of cash payments for the liability or component are fixed or reliably determinable. No such liabilities have been accrued as of December 31, 2000.

Revenue recognition - The Partnership uses the entitlements method of accounting for oil, natural gas liquids ("NGLs") and natural gas revenues.

### NOTE 3. IMPAIRMENT OF LONG-LIVED ASSETS

In accordance with SFAS 121, the Partnership reviews its proved oil and gas properties for impairment whenever events and circumstances indicate a decline in the recoverability of the carrying value of the Partnership's oil and gas properties. The Partnership has estimated the expected future cash flows of its oil and gas properties as of December 31, 2000, 1999 and 1998, based on proved reserves, and compared such estimated future cash flows to the respective carrying amount of the oil and gas properties to determine if the carrying amounts were likely to be recoverable. For those proved oil and gas properties for which the carrying amount exceeded the estimated future cash flows, an impairment was determined to exist; therefore, the Partnership adjusted the carrying amount of those oil and gas properties to their fair value as determined by discounting their expected future cash flows at a discount rate commensurate with the risks involved in the industry. As a result, the

Partnership recognized a non-cash impairment provision of \$6,198 and \$103,108 related to its proved oil and gas properties during 2000 and 1998, respectively.

### NOTE 4. INCOME TAXES

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The financial statement basis of the Partnership's net assets and liabilities was \$52,175 greater than the tax basis at December 31, 2000.

The following is a reconciliation of net income (loss) per statements of operations with the net income per Federal income tax returns for the years ended December 31:

	2000 -----	1999 -----	1998 -----
Net income (loss) per statements of operations	\$ 213,459	\$ 77,957	\$ (149,762)
Depletion and depreciation provisions for tax reporting purposes less than amounts for financial reporting purposes	18,394	35,333	113,374
Impairment of oil and gas properties for financial reporting purposes	6,198	--	103,108
Other, net	(560)	(1,305)	1,416
	-----	-----	-----
Net income per Federal income tax returns	\$ 237,491 =====	\$ 111,985 =====	\$ 68,136 =====

### NOTE 5. OIL AND GAS PRODUCING ACTIVITIES

The following is a summary of the costs incurred, whether capitalized or expensed, related to the Partnership's oil and gas producing activities for the years ended December 31:

	2000 -----	1999 -----	1998 -----
Development costs	\$ 2,459 =====	\$ 4,107 =====	\$5,690 =====

Capitalized oil and gas properties consist of the following:

	2000 -----	1999 -----
Proved properties:		
Property acquisition costs	\$ 93,966	\$ 93,966
Completed wells and equipment	2,112,015	2,109,556
	-----	-----
	2,205,981	2,203,522
Accumulated depletion	(1,860,437)	(1,832,074)
	-----	-----
Net oil and gas properties	\$ 345,544 =====	\$ 371,448 =====

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

1349

NOTE 6. RELATED PARTY TRANSACTIONS

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

	2000 -----	1999 -----	1998 -----
Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$52,987	\$52,678	\$51,730
Reimbursement of general and administrative expenses	\$10,994	\$ 7,203	\$ 5,808

The Partnership participates in oil and gas activities through an income tax partnership (the "Program") pursuant to the Program agreement. Pioneer USA, P&P Employees 89-A Conv., Ltd. ("EMPL"), Parker & Parsley 89-A, L.P. and the Partnership (the "Partnerships") are parties to the Program agreement. EMPL is a limited partnership organized for the benefit of certain employees of Pioneer USA. EMPL was merged with Pioneer USA on December 28, 2000,

The costs and revenues of the Program are allocated to Pioneer USA and the Partnerships as follows:

	Pioneer USA (1) -----	Partnerships (2) -----
Revenues:		
Proceeds from disposition of depreciable and depletable properties -		
First three years	14.141414%	85.858586%
After first three years	19.191919%	80.808081%
All other revenues -		
First three years	14.141414%	85.858586%
After first three years	19.191919%	80.808081%
Costs and expenses:		
Lease acquisition costs, drilling and completion costs and all other costs	9.090909%	90.909091%
Operating costs, reporting and legal expenses and general and administrative expenses -		
First three years	14.141414%	85.858586%
After first three years	19.191919%	80.808081%

(1) Excludes Pioneer USA's 1% general partner ownership which is allocated at the Partnership level.

(2) The allocation between the Partnership and Parker & Parsley 89-A, L.P. is 25.166457% and 74.833543%, respectively.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

### NOTE 7. OIL AND GAS INFORMATION (UNAUDITED)

The following table presents information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities during the years then ended. All of the Partnership's reserves are proved developed and located within the United States. The Partnership's reserves are based on an evaluation prepared by Williamson Petroleum Consultants, Inc., an independent petroleum consultant, using criteria established by the Securities and Exchange Commission.

10

1350

	Oil and NGLs (bbls)	Gas (mcf)
	-----	-----
Net proved reserves at January 1, 1998	189,854	326,511
Revisions	(83,618)	(110,279)
Production	(14,102)	(21,106)
	-----	-----
Net proved reserves at December 31, 1998	92,134	195,126
Revisions	106,866	158,479
Production	(14,166)	(20,484)
	-----	-----
Net proved reserves at December 31, 1999	184,834	333,121
Revisions	30,916	(27,906)
Production	(13,092)	(20,057)
	-----	-----
Net proved reserves at December 31, 2000	202,658	285,158
	=====	=====

As of December 31, 2000, the estimated present value of future net revenues of proved reserves, calculated using December 31, 2000 prices of \$26.64 per barrel of oil, \$12.34 per barrel of NGLs and \$8.31 per mcf of gas, discounted at 10% was approximately \$1,685,000 and undiscounted \$3,469,000.

Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves. The Partnership emphasizes that reserve estimates are inherently imprecise and, accordingly, the estimates are expected to change as future information becomes available.

#### Disclosures about Oil & Gas Producing Activities

##### Standardized Measure of Discounted Future Net Cash Flows

The standardized measure of discounted future net cash flows is computed by applying year-end prices of oil and gas (with consideration of price changes only to the extent provided by contractual arrangements) to the estimated future production of proved oil and gas reserves less estimated future expenditures

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

(based on year-end costs) to be incurred in developing and producing the proved reserves, discounted using a rate of 10% per year to reflect the estimated timing of the future cash flows. A Federal income tax provision has not been calculated as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

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

11

1351

	For the years ended December 31,		
	2000	1999	1998
	(in thousands)		
Oil and gas producing activities:			
Future cash inflows	\$ 6,835	\$ 4,546	\$ 1,057
Future production costs	(3,367)	(2,613)	(750)
	3,468	1,933	307
10% annual discount factor	(1,783)	(891)	(101)
	\$ 1,685	\$ 1,042	\$ 206
	=====	=====	=====

	For the years ended December 31,		
	2000	1999	1998
	(in thousands)		
Oil and Gas Producing Activities:			
Oil and gas sales, net of production costs	\$ (248)	\$ (123)	\$ (74)
Net changes in prices and production costs	765	461	(511)
Revisions of estimated future development costs	--	--	--
Revisions of previous quantity estimates	196	720	(138)
Accretion of discount	104	20	87
Changes in production rates, timing and other	(174)	(242)	(27)
	643	836	(663)
Change in present value of future net revenues	643	836	(663)
	1,042	206	869
Balance, beginning of year	1,042	206	869
	\$ 1,685	\$ 1,042	\$ 206
Balance, end of year	\$ 1,685	\$ 1,042	\$ 206

1319

# Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

=====

## NOTE 8. MAJOR CUSTOMERS

The following table reflects the major customers of the Partnership's oil and gas sales (a major customer is defined as a customer whose sales exceed 10% of total sales) during the years ended December 31:

	2000 ----	1999 ----	1998 ----
Plains Marketing, L.P.	63%	62%	-
Genesis Crude Oil, L.P.	-	-	59%
Western Gas Resources, Inc.	3%	3%	12%

At December 31, 2000, the amount receivable from Plains Marketing, L.P. was \$22,502 which is included in the caption "Accounts receivable - oil and gas sales" in the accompanying Balance Sheet.

Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on the ability of the Partnership to sell its oil, NGLs and gas production.

## NOTE 9. PARTNERSHIP AGREEMENT

The following is a brief summary of the more significant provisions of the Partnership agreement:

Managing general partner - The managing general partner of the Partnership is Pioneer USA. Pioneer USA has the power and authority to manage, control and administer all Program and Partnership affairs. As managing general partner and operator of the Partnership's properties, all production expenses are incurred by Pioneer USA and billed to the Partnership. The

12

1352

majority of the Partnership's oil and gas revenues are received directly by the Partnership, however, a portion of the oil and gas revenue is initially received by Pioneer USA prior to being paid to the Partnership. Under the limited partnership agreement, the managing general partner pays 1% of the Partnership's acquisition, drilling and completion costs and 1% of its operating and general and administrative expenses. In return, it is allocated 1% of the Partnership's revenues.

Limited partner liability - The maximum amount of liability of any limited partner is the total contributions of such partner plus his share of any undistributed profits.

Initial capital contributions - The partners entered into subscription agreements for aggregate capital contributions of \$2,797,000. The managing general partner is required to contribute amounts equal to 1% of initial Partnership capital less commission and organization and offering costs allocated to the limited partners and to contribute amounts necessary to pay costs and expenses allocated to it under the Partnership agreement to the extent its share of revenues does not cover



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

such costs.

13

1353

PARKER & PARSLEY 89-A CONV., L.P.  
(A DELAWARE LIMITED PARTNERSHIP)

THIS REPORT CONTAINS FORWARD LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. ACCORDINGLY, NO ASSURANCES CAN BE GIVEN THAT THE ACTUAL EVENTS AND RESULTS WILL NOT BE MATERIALLY DIFFERENT THAN THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of operations

2000 compared to 1999

The Partnership's oil and gas revenues increased 59% to \$383,529 for 2000 as compared to \$241,781 in 1999. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 2000, 8,466 barrels of oil, 4,626 barrels of natural gas liquids ("NGLs") and 20,057 mcf of gas were sold, or 16,435 barrel of oil equivalents ("BOEs"). In 1999, 9,190 barrels of oil, 4,976 barrels of NGLs and 20,484 mcf of gas were sold, or 17,580 BOEs. Due to the decline characteristics of the Partnership's oil and gas properties, management expects a certain amount of decline in production in the future until the Partnership's economically recoverable reserves are fully depleted.

The average price received per barrel of oil increased \$12.48, or 73%, from \$17.11 in 1999 to \$29.59 in 2000. The average price received per barrel of NGLs increased \$5.88, or 62%, from \$9.54 in 1999 to \$15.42 in 2000. The average price received per mcf of gas increased 70% from \$1.81 in 1999 to \$3.07 in 2000. The market price for oil and gas has been extremely volatile in the past decade, and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received in 2000.

During 2000 and 1999, gains on disposition of assets of \$1,765 and \$1,483, respectively, were attributable to credits received from equipment salvage on one fully depleted well in each year.

Total costs and expenses increased in 2000 to \$175,856 as compared to \$167,660 in 1999, an increase of \$8,196, or 5%. The increase was due to increases in production costs, the impairment of oil and gas properties and general and administrative expenses ("G&A"), offset by a decline in depletion.

Production costs were \$135,124 in 2000 and \$118,700 in 1999, resulting in a \$16,424 increase, or 14%. The increase was primarily due to higher production taxes associated with higher oil and gas prices and additional workover and well maintenance costs incurred to stimulate well production.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 29% from \$9,612 in 1999 to \$12,370 in 2000, primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$10,994 in 2000 and \$7,203 in 1999 for G&A

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

incurred on behalf of the Partnership. The remaining G&A was paid directly by the Partnership. The managing general partner determines the allocated expenses based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the managing general partner reviews the Partnership's oil and gas properties for impairment whenever events or circumstances indicate a decline in the recoverability of the carrying value of the Partnership's assets may have occurred. As a result of the review and evaluation of its long-lived assets for impairment, the Partnership recognized a non-cash charge of \$6,198 related to its oil and gas properties during 2000.

1354

Depletion was \$22,165 in 2000 as compared to \$39,348 in 1999, representing a decrease of \$17,183, or 44%. This decrease was primarily due to a 28,723 barrels of oil increase in proved reserves during 2000 as a result of higher commodity prices.

1999 compared to 1998

The Partnership's 1999 oil and gas revenues increased 23% to \$241,781 from \$196,186 in 1998. The increase in revenues resulted from higher average prices received. In 1999, 9,190 barrels of oil, 4,976 barrels of natural gas liquids ("NGLs") and 20,484 mcf of gas were sold, or 17,580 barrel of oil equivalents ("BOEs"). In 1998, 9,782 barrels of oil, 4,320 barrels of NGLs and 21,106 mcf of gas were sold, or 17,620 BOEs.

The average price received per barrel of oil increased \$3.88, or 29%, from \$13.23 in 1998 to \$17.11 in 1999. The average price received per barrel of NGLs increased \$2.59, or 37%, from \$6.95 in 1998 to \$9.54 in 1999. The average price received per mcf of gas increased 4% from \$1.74 in 1998 to \$1.81 in 1999.

During 1999, gain on disposition of assets of \$1,483 was attributable to credits received from equipment salvage on one active well. Gain on disposition of assets of \$648 was attributable to credits received in 1998 from the disposal of oil and gas equipment on a well that was plugged and abandoned in a prior year.

Total costs and expenses decreased in 1999 to \$167,660 as compared to \$349,225 in 1998, a decrease of \$181,565, or 52%. The decrease was due to declines in the impairment of oil and gas properties, depletion and production costs, offset by an increase in G&A.

Production costs were \$118,700 in 1999 and \$121,865 in 1998, resulting in a \$3,165 decrease, or 3%. The decrease was due to declines in well maintenance costs and ad valorem taxes, offset by an increase in production taxes.

During this period, G&A increased 37% from \$7,006 in 1998 to \$9,612 in 1999 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$7,203 in 1999 and \$5,808 in 1998 for G&A incurred on behalf of the Partnership.

The Partnership recognized a non-cash SFAS 121 charge of \$103,108 related to its oil and gas properties during 1998.

Depletion was \$39,348 in 1999 compared to \$117,246 in 1998, representing a

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

decrease of \$77,898, or 66%. This decrease was primarily due to an increase in proved reserves of 70,433 barrels of oil during 1999 as a result of higher commodity prices and a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 1998.

### Petroleum industry

The petroleum industry has been characterized by volatile oil, NGL and natural gas commodity prices and relatively stable supplier costs during the three years ended December 31, 2000. During 1998, weather patterns, regional economic recessions and political matters combined to cause worldwide oil supplies to exceed demand resulting in a substantial decline in oil prices. Also during 1998, but to a lesser extent, market prices for natural gas declined. During 1999 and 2000, the Organization of Petroleum Exporting Countries ("OPEC") and certain other crude oil exporting nations announced reductions in their planned export volumes. Those announcements, together with the enactment of the announced reductions in export volumes, had a positive impact on world oil prices, as have overall natural gas supply and demand fundamentals on North American natural gas prices. Although the favorable commodity price environment and stable field service cost environment is expected to continue during 2001, there is no assurance that commodity prices will not return to a less favorable level or that field service costs will not escalate in the future, both of which could negatively impact the Partnership's future results of operations and cash distributions.

1355

### Liquidity and capital resources

#### Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$118,472 during the year ended December 31, 2000 from 1999. This increase was due to an increase in oil and gas sales receipts of \$143,417, offset by increases in production costs paid of \$16,424, G&A expenses paid of \$2,758 and working capital of \$5,763. The increase in oil and gas receipts resulted from the increase in commodity prices during 2000 which contributed an additional \$171,552 to oil and gas receipts, offset by \$28,135 resulting from the decline in production during 2000. The increase in production costs was primarily due to increased production taxes associated with higher oil and gas prices and workover and well maintenance costs incurred to stimulate well production. The increase in G&A was primarily due to higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues.

#### Net Cash Provided by (Used in) Investing Activities

The Partnership's principal investing activities during 2000 and 1999 were related to equipment upgrades on active properties.

During 2000 and 1999, proceeds from disposition of assets of \$1,765 and \$1,483, respectively, were from equipment credits received on an active well.

#### Net Cash Used in Financing Activities

In 2000, cash distributions to the partners were \$226,382, of which \$2,264 was distributed to the managing general partner and \$224,118 to the limited partners. In 1999, cash distributions to the partners were \$80,698, of which \$807 was distributed to the managing general partner and \$79,891 to the limited partners.

1356

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

PARKER & PARSLEY 89-A CONV., L.P.

SELECTED FINANCIAL DATA

The following selected financial data for the Partnership should be read in connection with Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements included in the attached supplemental information.

	Six months ended June 30,		Years ended December 31,		
	2001	2000	2000	1999	1998
Operating results:					
Oil and gas sales	\$ 192,720	\$ 169,889	\$ 383,529	\$ 241,781	\$ 196,186
Impairment of oil and gas properties	\$ --	\$ --	\$ 6,198	\$ --	\$ 103,108
Net income (loss)	\$ 103,637	\$ 85,780	\$ 213,459	\$ 77,957	\$ (149,762)
Allocation of net income (loss):					
Managing general partner	\$ 1,036	\$ 858	\$ 2,135	\$ 780	\$ (1,498)
Limited partners	\$ 102,601	\$ 84,922	\$ 211,324	\$ 77,177	\$ (148,264)
Limited partners' net income (loss) per limited partnership interest	\$ 36.68	\$ 30.36	\$ 75.55	\$ 27.59	\$ (53.01)
Limited partners' cash distributions per limited partnership interest	\$ 29.49	\$ 36.35	\$ 80.13	\$ 28.56	\$ 28.57
As of period ended:					
Total assets	\$ 475,020	\$ 454,379	\$ 452,945	\$ 467,478	\$ 465,932

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

PIONEER NATURAL RESOURCES COMPANY  
PIONEER NATURAL RESOURCES USA, INC.  
5205 NORTH O'CONNOR BLVD., SUITE 1400  
IRVING, TEXAS 75039

SUPPLEMENTAL INFORMATION

OF

PARKER & PARSLEY 89-A, L.P., A DELAWARE LIMITED PARTNERSHIP

TO

PROXY STATEMENT/PROSPECTUS DATED , 2001

-----

THE DATE OF THIS SUPPLEMENT IS , 2001

-----

This document contains important information specific to Parker & Parsley 89-A, L.P., and supplements the proxy statement/prospectus dated , 2001, of Pioneer Natural Resources Company and Pioneer Natural Resources USA, Inc., by which Pioneer USA is soliciting proxies to be voted at a special meeting of limited partners of the partnership. The purpose of the special meeting is for you to vote upon the merger of the partnership with and into Pioneer USA that, if completed, will result in your receiving common stock of Pioneer Natural Resources Company for your partnership interests.

This document contains the following information concerning Parker & Parsley 89-A, L.P.:

- o A table containing:
  - the aggregate initial investment by the limited partners
  - the aggregate historical limited partner distributions through July 31, 2001
  - the merger value attributable to partnership interests of limited partners, excluding Pioneer USA
  - the merger value per \$1,000 limited partner investment
  - the merger value per \$1,000 limited partner investment as a multiple of distributions for the past four quarterly distributions including the distribution in July 2001
  - the book value per \$1,000 limited partner investment as of June 30, 2001 and as of December 31, 2000
  - the going concern value per \$1,000 limited partner investment
  - the liquidation value per \$1,000 limited partner investment
  - the ordinary tax loss per \$1,000 limited partner investment in year of initial investment

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

- o Information about:
  - the legal opinion for the limited partners
  - the term of the partnership
- o The partnership's quarterly report on Form 10-Q, including management's discussion and analysis of financial condition and results of operations, for the six months ended June 30, 2001
- o The partnership's annual report on Form 10-K, including management's discussion and analysis of financial condition and results of operations, for the year ended December 31, 2000
- o Selected historical financial data for the partnership for the six months ended June 30, 2001 and 2000 and the five years ended December 31, 2000

-1-

1358

PARKER & PARSLEY 89-A, L.P.

SUPPLEMENTAL INFORMATION TABLE

Aggregate Initial Investment by the Limited Partners(a)

Aggregate Historical Limited Partner Distributions through July 31, 2001(a)

Merger Value Attributable to Partnership Interests of Limited Partners, Excluding Pioneer USA(a),

Merger Value per \$1,000 Limited Partner Investment(b), (c)

Merger Value per \$1,000 Limited Partner Investment as a Multiple of Distributions for the past four quarterly distributions including the distribution in July 2001(b), (c)

Book Value per \$1,000 Limited Partner Investment:

-- as of June 30, 2001(c)

-- as of December 31, 2000(c)

Going Concern Value per \$1,000 Limited Partner Investment(c), (d)

Liquidation Value per \$1,000 Limited Partner Investment(c), (e)

Ordinary Tax Loss per \$1,000 Limited Partner Investment in Year of Initial Investment(c), (f)

-----

(a) Stated in thousands.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

- (b) The merger value for the partnership is equal to the sum of the present value of estimated future net revenues from the partnership's estimated oil and gas reserves and its net working capital, in each case as of March 31, 2001, less its pro rata share, based on its reserve value, of the estimated expenses and fees of the mergers of all of the partnerships and less the cash distribution on July 13, 2001, by the partnership to its partners.
- (c) Interests in some partnerships were sold in units at prices other than \$1,000. We have presented this information based on a \$1,000 initial investment for ease of use and comparison among partnerships. You should not assume that the amount shown per \$1,000 investment is the same as the value or amount attributable to a single unit investment.
- (d) The going concern value for the partnership is based upon: (1) the sum of (A) the estimated net cash flow from the sale of the partnership's reserves during a 10-year operating period and (B) the estimated residual value from the sale of the partnership's remaining reserves at the end of the operating period, in each case using the same pricing and discount rate as in the merger value calculation, less (2) (A) partnership level general and administrative expenses, and (B) the cash distribution on July 13, 2001 by the partnership to its partners.
- (e) The liquidation value for the partnership is based upon the sale of the partnership's reserves at the reserve value, less (1) liquidation expenses which are estimated to be the sum of (A) the partnership's pro rata share of the merger expenses and fees described in footnote (b) above and (B) 3% of the partnership's reserve value, and (2) the cash distribution on July 13, 2001 by the partnership to its partners. The liquidation expenses represent estimated costs to retain an investment banker or broker to sell the assets of the partnership and the legal and other closing costs associated with such transaction, including the wind-down costs of the partnership.
- (f) Your ability to use your distributive share of the partnership's loss to offset your other income may have been subject to certain limitations at your level as a partner, and you may therefore wish to consult your tax advisor to determine the additional value, if any, actually realized by you in your particular circumstances.

### INFORMATION ABOUT THE LEGAL OPINION FOR THE LIMITED PARTNERS

The partnership agreement for the partnership requires that special legal counsel render an opinion on behalf of the limited partners to Pioneer USA that neither the grant nor the exercise of the right to approve the merger of the partnership by its limited partners will adversely affect the federal income tax classification of the partnership or any of its limited partners. Although not required by the partnership agreement, the opinion will also state that neither the grant nor exercise of such right will result in the loss of any limited partner's limited liability. In addition, the counsel designated to render the opinion is not required to be counsel other than counsel to Pioneer USA or the partnership. Both the designated counsel and the legal opinion must be approved by the limited partners. Pioneer USA has retained \_\_\_\_\_ of Dallas, Texas for the purpose of rendering this legal opinion on behalf of the limited partners to Pioneer USA. The merger proposals include an approval of that counsel and the form of its opinion. A copy of the opinion is attached as an exhibit to the merger proposals.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

INFORMATION ABOUT THE TERM OF THE PARTNERSHIP

The term of the partnership is until December 31, 2039, unless the partnership is earlier terminated in accordance with the applicable provisions of its partnership agreement.

-2-

1359

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, 2001

Commission File No. 33-26097-01

PARKER & PARSLEY 89-A, L.P.  
-----

(Exact name of Registrant as specified in its charter)

Delaware  
-----

(State or other jurisdiction of  
incorporation or organization)

75-2297058  
-----

(I.R.S. Employer  
Identification Number)

5205 N. O'Connor Blvd., Suite 1400, Irving, Texas  
-----

(Address of principal executive offices)

75039  
-----

(Zip code)

Registrant's Telephone Number, including area code : (972) 444-9001

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 / x / No / /



1360

PARKER & PARSLEY 89-A, L.P.

TABLE OF CONTENTS

	Page
Part I. Financial Information	
Item 1. Financial Statements	
Balance Sheets as of June 30, 2001 and December 31, 2000.....	3
Statements of Operations for the three and six months ended June 30, 2001 and 2000.....	4
Statement of Partners' Capital for the six months ended June 30, 2001.....	5
Statements of Cash Flows for the six months ended June 30, 2001 and 2000.....	6
Notes to Financial Statements.....	7
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.....	7
Part II. Other Information	
Item 6. Exhibits and Reports on Form 8-K.....	11
Signatures.....	12

2

1361

PARKER & PARSLEY 89-A, L.P.  
(A Delaware Limited Partnership)

Part I. Financial Information

Item 1. Financial Statements

BALANCE SHEETS

June 30, 2001	December 31, 2000
-----	-----
(Unaudited)	

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

ASSETS

Current assets:			
Cash	\$	306,773	\$ 154,704
Accounts receivable - oil and gas sales		118,280	171,226
		-----	-----
Total current assets		425,053	325,930
		-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method		6,397,540	6,559,576
Accumulated depletion		(5,402,591)	(5,531,818)
		-----	-----
Net oil and gas properties		994,949	1,027,758
		-----	-----
	\$	1,420,002	\$ 1,353,688
		=====	=====

LIABILITIES AND PARTNERS' CAPITAL

Current liabilities:			
Accounts payable - affiliate	\$	20,349	\$ 12,645
Partners' capital:			
Managing general partner		14,188	13,602
Limited partners (8,317 interests)		1,385,465	1,327,441
		-----	-----
		1,399,653	1,341,043
		-----	-----
	\$	1,420,002	\$ 1,353,688
		=====	=====

The financial information included as of June 30, 2001 has been prepared by the managing general partner without audit by independent public accountants.

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

PARKER & PARSLEY 89-A, L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF OPERATIONS  
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2001	2000	2001	2000
	-----	-----	-----	-----
Revenues:				
Oil and gas	\$ 245,398	\$ 264,301	\$ 573,213	\$ 505,131
Interest	2,350	2,930	5,026	5,297
Gain on disposition of assets	-	6,194	11,040	6,194

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	----- 247,748 -----	----- 273,425 -----	----- 589,279 -----	----- 516,622 -----
Costs and expenses:				
Oil and gas production	120,918	120,113	219,851	213,496
General and administrative	7,577	8,814	19,284	16,272
Depletion	17,132	13,489	34,950	32,289
Abandoned property	-	-	8,824	-
	----- 145,627 -----	----- 142,416 -----	----- 282,909 -----	----- 262,057 -----
Net income	\$ 102,121 =====	\$ 131,009 =====	\$ 306,370 =====	\$ 254,565 =====
Allocation of net income:				
Managing general partner	\$ 1,022 =====	\$ 1,310 =====	\$ 3,064 =====	\$ 2,546 =====
Limited partners	\$ 101,099 =====	\$ 129,699 =====	\$ 303,306 =====	\$ 252,019 =====
Net income per limited partnership interest	\$ 12.16 =====	\$ 15.59 =====	\$ 36.47 =====	\$ 30.30 =====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

PARKER & PARSLEY 89-A, L.P.  
(A Delaware Limited Partnership)

STATEMENT OF PARTNERS' CAPITAL  
(Unaudited)

	Managing general partner -----	Limited partners -----	Total -----
Balance at January 1, 2001	\$ 13,602	\$1,327,441	\$1,341,043
Distributions	(2,478)	(245,282)	(247,760)
Net income	3,064 -----	303,306 -----	306,370 -----
Balance at June 30, 2001	\$ 14,188 =====	\$1,385,465 =====	\$1,399,653 =====

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

5

1364

PARKER & PARSLEY 89-A, L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF CASH FLOWS  
(Unaudited)

	Six months ended June 30,	
	2001	2000
Cash flows from operating activities:		
Net income	\$ 306,370	\$ 254,565
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion	34,950	32,289
Gain on disposition of assets	(11,040)	(6,194)
Changes in assets and liabilities:		
Accounts receivable	52,946	(10,715)
Accounts payable	18,744	11,899
	401,970	281,844
Cash flows from investing activities:		
Additions to oil and gas properties	(2,141)	(3,488)
Proceeds from disposition of assets	-	6,194
	(2,141)	2,706
Cash flows used in financing activities:		
Cash distributions to partners	(247,760)	(305,356)
Net increase (decrease) in cash	152,069	(20,806)
Cash at beginning of period	154,704	180,301
Cash at end of period	\$ 306,773	\$ 159,495

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

6

1332

1365

PARKER & PARSLEY 89-A, L.P.  
(A Delaware Limited Partnership)

NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Unaudited)

Note 1. Organization and nature of operations

Parker & Parsley 89-A, L.P. (the "Partnership") is a limited partnership organized in 1989 under the laws of the State of Delaware.

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

Note 2. Basis of presentation

In the opinion of management, the unaudited financial statements of the Partnership as of June 30, 2001 and for the three and six months ended June 30, 2001 and 2000 include all adjustments and accruals consisting only of normal recurring accrual adjustments which are necessary for a fair presentation of the results for the interim period. These interim results are not necessarily indicative of results for a full year. Certain reclassifications may have been made to the June 30, 2000 financial statements to conform to the June 30, 2001 financial statement presentations.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in this Form 10-Q pursuant to the rules and regulations of the Securities and Exchange Commission. The financial statements should be read in conjunction with the financial statements and the notes thereto contained in the Partnership's Report on Form 10-K for the year ended December 31, 2000, as filed with the Securities and Exchange Commission, a copy of which is available upon request by writing to Rich Dealy, Vice President and Chief Accounting Officer, 5205 North O'Connor Boulevard, Suite 1400, Irving, Texas 75039-3746.

Item 2. Management's Discussion and Analysis of Financial Condition  
and Results of Operations (1)

Results of Operations

Six months ended June 30, 2001 compared with six months ended June 30, 2000

Revenues:

The Partnership's oil and gas revenues increased 13% to \$573,213 for the six months ended June 30, 2001 as compared to \$505,131 for the same period in 2000. The increase in revenues resulted from higher average prices received, offset by a decrease in production. For the six months ended June 30, 2001, 11,811 barrels

1366

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

of oil, 5,378 barrels of natural gas liquids ("NGLs") and 33,232 mcf of gas were sold, or 22,728 barrel of oil equivalents ("BOEs"). For the six months ended June 30, 2000, 12,412 barrels of oil, 6,682 barrels of NGLs and 30,228 mcf of gas were sold, or 24,132 BOEs.

The average price received per barrel of oil increased \$.21, or 1%, from \$27.56 for the six months ended June 30, 2000 to \$27.77 for the same period in 2001. The average price received per barrel of NGLs increased \$.76, or 6%, from \$13.74 during the six months ended June 30, 2000 to \$14.50 for the same period in 2001. The average price received per mcf of gas increased 114% from \$2.35 during the six months ended June 30, 2000 to \$5.03 for the same period in 2001. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received during the six months ended June 30, 2001.

Gains on disposition of assets of \$11,040 and \$6,194 were recognized during the six months ended June 30, 2001 and 2000, respectively. The gain recognized during 2001 was due to salvage income received from one well plugged and abandoned during the current period. The gain recognized during 2000 was from equipment credits received on one fully depleted well. Abandoned property costs of \$8,824 were incurred during 2001 to plug and abandon this well.

### Costs and Expenses:

Total costs and expenses increased to \$282,909 for the six months ended June 30, 2001 as compared to \$262,057 for the same period in 2000, resulting in an increase of \$20,852, or 8%. This increase was due to increases in abandoned property costs, production costs, general and administrative expenses ("G&A") and depletion.

Production costs were \$219,851 for the six months ended June 30, 2001 and \$213,496 for the same period in 2000 resulting in a \$6,355 increase, or 3%. The increase was primarily due to higher workover expenses incurred to stimulate well production.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 19% from \$16,272 for the six months ended June 30, 2000 to \$19,284 for the same period in 2001, primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues and an increase in audit and tax fees.

Depletion was \$34,950 for the six months ended June 30, 2001 as compared to \$32,289 for the same period in 2000, an increase in depletion of \$2,661, or 8%. This increase was primarily due to a reduction in proved reserves during the period ended June 30, 2001 due to lower commodity prices, offset by a decrease in oil production of 601 barrels for the six months ended June 30, 2001 as compared to the same period in 2000.

Three months ended June 30, 2001 compared with three months ended June 30, 2000

### Revenues:

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The Partnership's oil and gas revenues decreased 7% to \$245,398 for the three months ended June 30, 2001 as compared to \$264,301 for the same period in 2000. The decrease in revenues resulted from a decline in production and lower average prices received for oil and NGLs, offset by an increase in the average price received for gas. For the three months ended June 30, 2001, 5,345 barrels of oil, 2,870 barrels of NGLs and 16,567 mcf of gas were sold, or 10,976 BOEs. For the three months ended June 30, 2000, 6,233 barrels of oil, 3,495 barrels of NGLs and 16,086 mcf of gas were sold, or 12,409 BOEs.

The average price received per barrel of oil decreased \$.27, or 1%, from \$27.65 for the three months ended June 30, 2000 to \$27.38 for the same period in 2001. The average price received per barrel of NGLs decreased \$1.65, or 12%, from \$13.65 during the three months ended June 30, 2000 to \$12.00 for the same period in 2001. The average price received per mcf of gas increased 42% from \$2.75 during the three months ended June 30, 2000 to \$3.90 for the same period in 2001.

Gains on disposition of assets of \$6,194 were recognized during the three months ended June 30, 2000 from equipment credits received on one fully depleted well.

### Costs and Expenses:

Total costs and expenses increased to \$145,627 for the three months ended June 30, 2001 as compared to \$142,416 for the same period in 2000, an increase of \$3,211, or 2%. This increase was due to increases in depletion and production costs, offset by a decline in G&A.

Production costs were \$120,918 for the three months ended June 30, 2001 and \$120,113 for the same period in 2000 resulting in an \$805 increase. This increase was primarily due to higher workover costs incurred to stimulate well production, offset by lower well maintenance costs.

During this period, G&A decreased 14% from \$8,814 for the three months ended June 30, 2000 to \$7,577 for the same period in 2001 due to a decline in audit and tax fees.

Depletion was \$17,132 for the three months ended June 30, 2001 as compared to \$13,489 for the same period in 2000, an increase of \$3,643, or 27%. This increase was primarily due to downward revisions to proved reserves during the period ended June 30, 2001 due to lower commodity prices, offset by a decline in oil production of 888 barrels for the three months ended June 30, 2001 as compared to the same period in 2000.

### Liquidity and Capital Resources

#### Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$120,126 during the six months ended June 30, 2001 from the same period ended June 30, 2000. This increase was due to an increase of \$67,811 in oil and gas sales receipts and a

reduction in working capital of \$70,506, offset by increases in abandoned property costs of \$8,824, production costs of \$6,355 and G&A expenses of \$3,012. The increase in oil and gas receipts resulted from the increase in commodity prices during 2001 which contributed an additional \$88,303 to oil and gas receipts, offset by \$20,492 resulting from the decrease in production during

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

2001 as compared to the same period in 2000. The increase in production costs was primarily due to higher workover expenses incurred to stimulate well production. The increase in G&A was primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues and an increase in audit and tax fees.

### Net Cash Provided by (Used in) Investing Activities

The Partnership's investing activities during the six months ended June 30, 2001 and 2000 were related to upgrades of oil and gas equipment on active properties.

Proceeds from salvage income of \$6,194 were recognized during the six months ended June 30, 2000 from equipment credits on one fully depleted well.

### Net Cash Used in Financing Activities

For the six months ended June 30, 2001, cash distributions to the partners were \$247,760, of which \$2,478 was distributed to the managing general partner and \$245,282 to the limited partners. For the same period ended June 30, 2000, cash distributions to the partners were \$305,356, of which \$3,054 was distributed to the managing general partner and \$302,302 to the limited partners.

For the three months ended June 30, 2001, no distributions were made by the partnership to its partners. Subsequent to June 30, 2001 the cash distribution that otherwise would have been mailed to partners in late June was made to holders of record as of July 9, 2001 and was mailed on July 13, 2001. For further information, see "Proposal to acquire partnerships" below.

### Proposal to acquire partnerships

On June 29, 2001, Pioneer Natural Resources Company ("Pioneer") filed with the Securities and Exchange Commission Amendment No. 1 to the Form S-4 Registration Statement (File No. 333- 59094) (the "preliminary proxy statement/prospectus"), which proposes an agreement and plan of merger among Pioneer, Pioneer Natural Resources USA, Inc. ("Pioneer USA"), a wholly-owned subsidiary of Pioneer, and 46 Parker & Parsley limited partnerships. Each partnership that approves the agreement and plan of merger and the other related merger proposals will merge with and into Pioneer USA upon the closing of the transactions described in the preliminary proxy statement/prospectus, and the partnership interests of each such partnership will be converted into the right to receive Pioneer common stock. The Partnership is one of the 46 Parker & Parsley limited partnerships that will be asked to approve the agreement and plan of merger. The preliminary proxy statement/prospectus is non-binding and is subject to, among other things, consideration of offers from third parties to purchase any partnership or its assets and the majority approval of the limited partnership interests in each partnership.

Pioneer USA will solicit proxies from limited partners to approve the mergers only when the proxy statement/prospectus is final and declared effective. No solicitation will be made using preliminary materials. Nonetheless, copies of the preliminary proxy statement/prospectus may be obtained without charge upon request from Pioneer Natural Resources Company, 5205 North O'Connor Blvd., Suite 1400, Irving, Texas 75039, Attention: Investor Relations.



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The limited partners are urged to read the proxy statement/prospectus of Pioneer filed with the Securities and Exchange Commission, when it is finalized, because it contains important information about the proposed mergers, including information about the direct and indirect interests of Pioneer USA and Pioneer in the mergers. The limited partners may also obtain the preliminary and (when filed) final proxy statement/prospectus and other relevant documents relating to the proposed mergers free through the internet web site that the Securities and Exchange Commission maintains at [www.sec.gov](http://www.sec.gov).

-----

- (1) "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" contains forward looking statements that involve risks and uncertainties. Accordingly, no assurances can be given that the actual events and results will not be materially different than the anticipated results described in the forward looking statements.

Part II. Other Information

Item 6. Exhibits and Reports on Form 8-K

- (a) Exhibits - none  
(b) Reports on Form 8-K - none

11

1370

PARKER & PARSLEY 89-A, L.P.  
(A Delaware Limited Partnership)

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 thereunto duly authorized.

PARKER & PARSLEY 89-A, L.P.

By: Pioneer Natural Resources USA, Inc.,  
Managing General Partner

Dated: August 8, 2001

By: /s/ Rich Dealy

-----  
Rich Dealy, Vice President and  
Chief Accounting Officer

1371

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

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d)  
of the Securities Exchange Act of 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000

COMMISSION FILE NO. 33-26097-01

PARKER & PARSLEY 89-A, L.P.  
(Exact name of Registrant as specified in its charter)

DELAWARE  
-----  
(State or other jurisdiction of  
incorporation or organization)

75-2297058  
-----  
(I.R.S. Employer  
Identification Number)

1400 WILLIAMS SQUARE WEST, 5205 N. O'CONNOR BLVD., IRVING, TEXAS

75039

-----  
(Address of principal executive offices)

-----  
(Zip code)

Registrant's Telephone Number, including area code : (972) 444-9001

Securities registered pursuant to Section 12(b) of the Act: NONE  
Securities registered pursuant to Section 12(g) of the Act:  
LIMITED PARTNERSHIP INTERESTS (\$1,000 PER UNIT)  
-----

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

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

No market currently exists for the limited partnership interests of the Registrant. Based on the original purchase price, the aggregate market value of limited partnership interests owned by non-affiliates of the Registrant is \$8,212,000.

As of March 8, 2001, the number of outstanding limited partnership

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

interests was 8,317.

The following documents are incorporated by reference into the indicated parts of this Annual Report on Form 10-K: None

PARTS I AND II OF THIS ANNUAL REPORT ON FORM 10-K (THE "REPORT") CONTAIN FORWARD LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. ACCORDINGLY, NO ASSURANCES CAN BE GIVEN THAT THE ACTUAL EVENTS AND RESULTS WILL NOT BE MATERIALLY DIFFERENT THAN THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS. SEE "ITEM 1. BUSINESS" FOR A DESCRIPTION OF VARIOUS FACTORS THAT COULD MATERIALLY AFFECT THE ABILITY OF THE PARTNERSHIP TO ACHIEVE THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS.

1372

### PART I

#### ITEM 1. BUSINESS

Parker & Parsley 89-A, L.P. (the "Partnership") is a limited partnership organized in 1989 under the laws of the State of Delaware. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA"). Pioneer USA is a wholly-owned subsidiary of Pioneer Natural Resources Company ("Pioneer"). As of March 8, 2001, the Partnership had 8,317 limited partnership interests outstanding.

The Partnership does not have any employees of its own. Pioneer USA employs 701 persons, many of whom dedicated a part of their time to the conduct of the Partnership's business during the period for which this Report is filed. Pioneer USA supplies all management functions.

The Partnership engages in oil and gas development and production and is not involved in any industry segment other than oil and gas. The Partnership's production is geographically concentrated in West Texas.

The principal markets during 2000 for the oil produced by the Partnership were refineries and oil transmission companies that have facilities near the Partnership's oil producing properties. During 2000, Pioneer USA marketed the Partnership's gas to a variety of purchasers, none of which accounted for 10% or more of the Partnership's oil and gas revenues. Of the Partnership's total oil and gas revenues for 2000, approximately 63% was attributable to sales made to Plains Marketing, L.P. Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on its ability to sell its oil, natural gas liquids ("NGLs") and gas production.

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

Oil and gas production operations are subject to various types of regulations by local, state and federal agencies. The Partnership's operations are also subject to state conservation laws and regulations, including the establishment of maximum rates of production from wells and the regulation of spacing, plugging and abandonment of wells. Each state generally imposes a production or severance tax with respect to production and sale of oil and gas within their respective jurisdictions. Noncompliance with the laws and regulations may subject the

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Partnership to penalties, damages or other liabilities and compliance may increase the cost of the Partnership's operations.

The oil and gas business is also subject to environmental hazards such as oil spills, gas leaks and

2

1373

ruptures and discharges of toxic substances or gases that could expose the Partnership to substantial liability due to pollution and other environmental damages. Although the Partnership believes that its business operations do not impair environmental quality and that its costs of complying with any applicable environmental regulations are not currently significant, the Partnership cannot predict what, if any, effect these environmental regulations may have on its current or future operations.

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

No material part of the Partnership's business is seasonal and the Partnership conducts no foreign operations.

### ITEM 2. PROPERTIES

The Partnership's properties consist of leasehold interests in properties on which oil and gas wells are located. Such property interests are often subject to landowner royalties, overriding royalties and other oil and gas leasehold interests.

Fractional working interests in developmental oil and gas prospects located in the Spraberry Trend area of West Texas were acquired by the Partnership, resulting in the Partnership's participation in the drilling of 33 oil and gas wells. One well has been plugged and abandoned. At December 31, 2000, 32 wells were producing.

For information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities for the years then ended, see Note 7 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" below. Such reserves have been evaluated by Williamson Petroleum Consultants, Inc., an independent petroleum consultant.

### ITEM 3. LEGAL PROCEEDINGS

The Partnership from time to time is a party to various legal proceedings incidental to its business involving claims in oil and gas leases or interests, other claims for damages in amounts not in excess of 10% of its current assets and other matters, none of which Pioneer USA believes to be material to the Partnership.

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

There were no matters submitted to a vote of the partners during the fourth quarter of 2000.

## PART II

## ITEM 5. MARKET FOR LIMITED PARTNERSHIP INTEREST AND LIMITED PARTNERSHIP DISTRIBUTIONS

At March 8, 2001, the Partnership had 8,317 outstanding limited partnership interests held of record by 609 subscribers. There is no established public trading market for the limited partnership interests. Under the limited partnership agreement, Pioneer USA has made certain commitments to purchase partnership interests at a computed value.

Revenues which, in the sole judgement of the managing general partner, are not required to meet the Partnership's obligations are distributed to the partners at least quarterly in accordance with the limited partnership agreement. During the years ended December 31, 2000 and 1999, \$666,425 and \$237,558, respectively, of such revenue-related distributions were made to the limited partners.

## ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth selected financial data for the years ended December 31:

	2000	1999	1998	1997	1996
	-----	-----	-----	-----	-----
Operating results:					
-----					
Oil and gas sales	\$1,140,280	\$ 718,969	\$ 583,396	\$ 856,926	\$1,132,944
	=====	=====	=====	=====	=====
Impairment of oil and gas properties	\$ 18,391	\$ -	\$ 306,826	\$ 531,929	\$ -
	=====	=====	=====	=====	=====
Net income (loss)	\$ 634,127	\$ 231,838	\$ (444,718)	\$ (269,363)	\$ 488,019
	=====	=====	=====	=====	=====
Allocation of net income (loss):					
Managing general partner	\$ 6,341	\$ 2,318	\$ (4,447)	\$ (2,693)	\$ 4,880
	=====	=====	=====	=====	=====
Limited partners	\$ 627,786	\$ 229,520	\$ (440,271)	\$ (266,670)	\$ 483,139
	=====	=====	=====	=====	=====
Limited partners' net income (loss) per limited partnership interest	\$ 75.48	\$ 27.60	\$ (52.94)	\$ (32.06)	\$ 58.09
	=====	=====	=====	=====	=====
Limited partners' cash distributions per limited partnership interest	\$ 80.13	\$ 28.56	\$ 28.57	\$ 62.59	\$ 68.92
	=====	=====	=====	=====	=====

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

At year end:

-----

Identifiable assets	\$1,353,688	\$1,397,183	\$1,392,439	\$2,099,131	\$2,890,740
	=====	=====	=====	=====	=====

4

1375

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

#### Results of operations

2000 compared to 1999

The Partnership's oil and gas revenues increased 59% to \$1,140,280 for 2000 as compared to \$718,969 in 1999. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 2000, 25,176 barrels of oil, 13,747 barrels of natural gas liquids ("NGLs") and 59,638 mcf of gas were sold, or 48,863 barrel of oil equivalents ("BOEs"). In 1999, 27,333 barrels of oil, 14,796 barrels of NGLs and 60,905 mcf of gas were sold, or 52,280 BOEs. Due to the decline characteristics of the Partnership's oil and gas properties, management expects a certain amount of decline in production in the future until the Partnership's economically recoverable reserves are fully depleted.

The average price received per barrel of oil increased \$12.48, or 73%, from \$17.11 in 1999 to \$29.59 in 2000. The average price received per barrel of NGLs increased \$5.88, or 62%, from \$9.54 in 1999 to \$15.42 in 2000. The average price received per mcf of gas increased 70% from \$1.81 in 1999 to \$3.07 in 2000. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received in 2000.

Gains on disposition of assets of \$5,248 and \$4,410 in 2000 and 1999, respectively, were attributable to equipment credits on one fully depleted well in each year.

Total costs and expenses increased in 2000 to \$523,646 as compared to \$498,672 in 1999, an increase of \$24,974, or 5%. The increase was primarily due to increases in production costs, the impairment of oil and gas properties and general and administrative expenses ("G&A"), offset by a decline in depletion.

Production costs were \$402,118 in 2000 and \$352,977 in 1999, resulting in an increase of \$49,141, or 14%. The increase was primarily due to higher production taxes associated with higher oil and gas prices and additional workover and well maintenance costs incurred to stimulate well production.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 31% from \$28,521 in 1999 to \$37,259 in 2000 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$32,691 in 2000 and \$21,420 in 1999 for G&A incurred on behalf of the Partnership. The remaining G&A was paid directly by

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

the Partnership. The managing general partner determines the allocated expenses based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

5

1376

In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the managing general partner reviews the Partnership's oil and gas properties for impairment whenever events or circumstances indicate a decline in the recoverability of the carrying value of the Partnership's assets may have occurred. As a result of the review and evaluation of its long-lived assets for impairment, the Partnership recognized a non-cash charge of \$18,391 related to its oil and gas properties during 2000.

Depletion was \$65,878 in 2000 as compared to \$117,174 in 1999, representing a decrease of \$51,296, or 44%. This decrease was primarily due to a 85,285 barrels of oil increase in proved reserves during 2000 as a result of higher commodity prices.

1999 compared to 1998

The Partnership's 1999 oil and gas revenues increased 23% to \$718,969 from \$583,396 in 1998. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 1999, 27,333 barrels of oil, 14,796 barrels of NGLs and 60,905 mcf of gas were sold, or 52,280 BOEs. In 1998, 29,084 barrels of oil, 12,847 barrels of NGLs and 62,751 mcf of gas were sold, or 52,390 BOEs.

The average price received per barrel of oil increased \$3.88, or 29%, from \$13.23 in 1998 to \$17.11 in 1999. The average price received per barrel of NGLs increased \$2.59, or 37%, from \$6.95 in 1998 to \$9.54 in 1999. The average price received per mcf of gas increased 4% from \$1.74 in 1998 to \$1.81 in 1999.

Gain on disposition of assets of \$4,410 in 1999 was attributable to equipment credits on one fully depleted well. During 1998, gain on disposition of assets of \$1,926 was attributable to credits received from the disposal of oil and gas equipment on a well that was plugged and abandoned in a prior year.

Total costs and expenses decreased in 1999 to \$498,672 as compared to \$1,038,152 in 1998, a decrease of \$539,480, or 52%. The decrease was primarily due to declines in the impairment of oil and gas properties, depletion and production costs, offset by an increase in G&A.

Production costs were \$352,977 in 1999 and \$362,377 in 1998, resulting in a \$9,400 decrease, or 3%. The decrease was due to declines in ad valorem taxes and well maintenance costs, offset by an increase in workover costs incurred to stimulate well production and an increase in production taxes due to increased oil and gas revenues.

During this period, G&A increased 38% from \$20,635 in 1998 to \$28,521 in 1999 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$21,420 in 1999 and \$17,270 in 1998 for G&A incurred on behalf of the Partnership.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The Partnership recognized a non-cash SFAS 121 charge of \$306,826 related to its oil and gas properties during 1998.

6

1377

Depletion was \$117,174 in 1999 compared to \$348,314 in 1998. This represented a decrease of \$231,140, or 66%. This decrease was primarily due to an increase in proved reserves of 209,480 barrels of oil during 1999 as a result of higher commodity prices and a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 1998.

### Petroleum industry

The petroleum industry has been characterized by volatile oil, NGL and natural gas commodity prices and relatively stable supplier costs during the three years ended December 31, 2000. During 1998, weather patterns, regional economic recessions and political matters combined to cause worldwide oil supplies to exceed demand resulting in a substantial decline in oil prices. Also during 1998, but to a lesser extent, market prices for natural gas declined. During 1999 and 2000, the Organization of Petroleum Exporting Countries ("OPEC") and certain other crude oil exporting nations announced reductions in their planned export volumes. Those announcements, together with the enactment of the announced reductions in export volumes, had a positive impact on world oil prices, as have overall natural gas supply and demand fundamentals on North American natural gas prices. Although the favorable commodity price environment and stable field service cost environment is expected to continue during 2001, there is no assurance that commodity prices will not return to a less favorable level or that field service costs will not escalate in the future, both of which could negatively impact the Partnership's future results of operations and cash distributions.

### Liquidity and capital resources

#### Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$351,738 during the year ended December 31, 2000 from 1999. This increase was due to an increase in oil and gas sales receipts of \$426,425, offset by increases in production costs paid of \$49,141, G&A expenses paid of \$8,738 and working capital of \$16,808. The increase in oil and gas receipts resulted from the increase in commodity prices during 2000 which contributed an additional \$510,320 to oil and gas receipts, offset by \$83,895 resulting from the decline in production during 2000. The increase in production costs was primarily due to increased production taxes associated with higher oil and gas prices and additional workover and well maintenance costs incurred to stimulate well production. The increase in G&A was primarily due to higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues.

#### Net Cash Provided by (Used in) Investing Activities

The Partnership's investing activities during 2000 and 1999 were related to expenditures for equipment upgrades on active oil and gas properties.

Proceeds from disposition of assets of \$5,248 and \$4,410 recognized in 2000 and 1999, respectively, were from equipment credits received on one fully depleted well in each year.



# Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

## Net Cash Used in Financing Activities

For 2000, cash distributions to the partners were \$673,157, of which \$6,732 was distributed to the managing general partner and \$666,425 to the limited partners. For 1999, cash distributions to the partners were \$239,958, of which \$2,400 was distributed to the managing general partner and \$237,558 to the limited partners.

7

1378

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

### INDEX TO FINANCIAL STATEMENTS

	Page
	----
Financial Statements of Parker & Parsley 89-A, L.P.:	
Independent Auditors' Report.....	9
Balance Sheets as of December 31, 2000 and 1999.....	10
Statements of Operations for the Years Ended December 31, 2000, 1999 and 1998.....	11
Statements of Partners' Capital for the Years Ended December 31, 2000, 1999 and 1998.....	12
Statements of Cash Flows for the Years Ended December 31, 2000, 1999 and 1998.....	13
Notes to Financial Statements.....	14

8

1379

### INDEPENDENT AUDITORS' REPORT

#### The Partners

Parker & Parsley 89-A, L.P.

(A Delaware Limited Partnership):

We have audited the balance sheets of Parker & Parsley 89-A, L.P. as of December 31, 2000 and 1999, and the related statements of operations, partners' capital and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parker & Parsley 89-A, L.P. as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Dallas, Texas  
March 9, 2001

9

1380

PARKER & PARSLEY 89-A, L.P.  
(A Delaware Limited Partnership)

BALANCE SHEETS  
December 31

	2000	1999
	-----	-----
ASSETS		
-----		
Current assets:		
Cash	\$ 154,704	\$ 180,301
Accounts receivable - oil and gas sales	171,226	112,165
	-----	-----
Total current assets	325,930	292,466
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	6,559,576	6,552,266
Accumulated depletion	(5,531,818)	(5,447,549)
	-----	-----
Net oil and gas properties	1,027,758	1,104,717
	-----	-----
	\$ 1,353,688	\$ 1,397,183

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	=====	=====
LIABILITIES AND PARTNERS' CAPITAL		
-----		
Current liabilities:		
Accounts payable - affiliate	\$ 12,645	\$ 17,110
Partners' capital:		
Managing general partner	13,602	13,993
Limited partners (8,317 interests)	1,327,441	1,366,080
	-----	-----
	1,341,043	1,380,073
	-----	-----
	\$ 1,353,688	\$ 1,397,183
	=====	=====

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

10

1381

PARKER & PARSLEY 89-A, L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF OPERATIONS  
For the years ended December 31

	2000	1999	1998
	-----	-----	-----
Revenues:			
Oil and gas	\$1,140,280	\$ 718,969	\$ 583,396
Interest	12,245	7,131	8,112
Gain on disposition of assets	5,248	4,410	1,926
	-----	-----	-----
	1,157,773	730,510	593,434
	-----	-----	-----
Costs and expenses:			
Oil and gas production	402,118	352,977	362,377
General and administrative	37,259	28,521	20,635
Impairment of oil and gas properties	18,391	-	306,826

1347

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Depletion	65,878	117,174	348,314
	-----	-----	-----
	523,646	498,672	1,038,152
	-----	-----	-----
Net income (loss)	\$ 634,127	\$ 231,838	\$ (444,718)
	=====	=====	=====
Allocation of net income (loss):			
Managing general partner	\$ 6,341	\$ 2,318	\$ (4,447)
	=====	=====	=====
Limited partners	\$ 627,786	\$ 229,520	\$ (440,271)
	=====	=====	=====
Net income (loss) per limited partnership interest	\$ 75.48	\$ 27.60	\$ (52.94)
	=====	=====	=====

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

11

1382

PARKER & PARSLEY 89-A, L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF PARTNERS' CAPITAL

	Managing general partner	Limited partners	Total
	-----	-----	-----
Partners' capital at January 1, 1998	\$ 20,922	\$ 2,052,031	\$ 2,072,953
Distributions	(2,400)	(237,642)	(240,042)
Net loss	(4,447)	(440,271)	(444,718)
	-----	-----	-----
Partners' capital at December 31, 1998	14,075	1,374,118	1,388,193
Distributions	(2,400)	(237,558)	(239,958)
Net income	2,318	229,520	231,838
	-----	-----	-----
Partners' capital at December 31, 1999	13,993	1,366,080	1,380,073

1348

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Distributions	(6,732)	(666,425)	(673,157)
Net income	6,341	627,786	634,127
	-----	-----	-----
Partners' capital at December 31, 2000	\$ 13,602	\$ 1,327,441	\$ 1,341,043
	=====	=====	=====

The accompanying notes are an integral part of these statements.

12

1383

PARKER & PARSLEY 89-A, L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF CASH FLOWS  
For the years ended December 31

	2000	1999	1998
	-----	-----	-----
Cash flows from operating activities:			
Net income (loss)	\$ 634,127	\$ 231,838	\$ (444,718)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Impairment of oil and gas properties	18,391	-	306,826
Depletion	65,878	117,174	348,314
Gain on disposition of assets	(5,248)	(4,410)	(1,926)
Changes in assets and liabilities:			
Accounts receivable	(59,061)	(46,785)	18,178
Accounts payable	(4,465)	67	(9,135)
	-----	-----	-----
Net cash provided by operating activities	649,622	297,884	217,539
	-----	-----	-----
Cash flows from investing activities:			
(Additions) deletions to oil and gas properties	(7,310)	584	(29,716)
Proceeds from disposition of assets	5,248	4,410	1,926
	-----	-----	-----
Net cash provided by (used in) investing activities	(2,062)	4,994	(27,790)
	-----	-----	-----
Cash flows used in financing activities:			
Cash distributions to partners	(673,157)	(239,958)	(240,042)
	-----	-----	-----

1349

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Net increase (decrease) in cash	(25,597)	62,920	(50,293)
Cash at beginning of year	180,301	117,381	167,674
	-----	-----	-----
Cash at end of year	\$ 154,704	\$ 180,301	\$ 117,381
	=====	=====	=====

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

13

1384

PARKER & PARSLEY 89-A, L.P.  
(A Delaware Limited Partnership)

NOTES TO FINANCIAL STATEMENTS  
December 31, 2000, 1999 and 1998

NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS

Parker & Parsley 89-A, L.P. (the "Partnership") is a limited partnership organized in 1989 under the laws of the State of Delaware. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA").

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Oil and gas properties - The Partnership utilizes the successful efforts method of accounting for its oil and gas properties and equipment. Under this method, all costs associated with productive wells and nonproductive development wells are capitalized while nonproductive exploration costs are expensed. Capitalized costs relating to proved properties are depleted using the unit-of-production method on a property-by-property basis based on proved oil (dominant mineral) reserves evaluated by independent petroleum consultants. The carrying amounts of properties sold or otherwise disposed of and the related allowances for depletion are eliminated from the accounts and any gain or loss is included in results of operations.

Impairment of long-lived assets - In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the Partnership reviews its long-lived assets to be held and used on an individual property basis, including oil and gas properties accounted for under the successful efforts method of accounting, whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. An impairment loss is indicated if the sum of the expected future cash flows is less than the carrying amount of the assets. In this circumstance, the Partnership recognizes an impairment loss for the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

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

Net income (loss) per limited partnership interest - The net income (loss) per limited partnership interest is calculated by using the number of outstanding limited partnership interests.

Income taxes - A Federal income tax provision has not been included in the financial statements as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

14

1385

Statements of cash flows - For purposes of reporting cash flows, cash includes depository accounts held by banks.

General and administrative expenses - General and administrative expenses are allocated in part to the Partnership by the managing general partner. Allocated expenses are determined by the managing general partner based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Reclassifications - Certain reclassifications may have been made to the 1999 and 1998 financial statements to conform to the 2000 financial statement presentations.

Environmental - The Partnership is subject to extensive federal, state and local environmental laws and regulations. These laws, which are constantly changing, regulate the discharge of materials into the environment and may require the Partnership to remove or mitigate the environmental effects of the disposal or release of petroleum or chemical substances at various sites. Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Liabilities for expenditures of a noncapital nature are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated. Such liabilities are generally undiscounted unless the timing of cash payments for the liability or component are fixed or reliably determinable. No such liabilities have been accrued as of December 31, 2000.

Revenue recognition - The Partnership uses the entitlements method of accounting for oil, natural gas liquids ("NGLs") and natural gas revenues.

### NOTE 3. IMPAIRMENT OF LONG-LIVED ASSETS

In accordance with SFAS 121, the Partnership reviews its proved oil and gas properties for impairment whenever events and circumstances indicate a decline in the recoverability of the carrying value of the Partnership's oil and gas properties. The Partnership has estimated the expected future cash flows of its oil and gas properties as of December 31, 2000, 1999 and 1998, based on proved reserves, and compared such estimated future cash flows to the respective carrying amount of the oil and gas properties to determine if the carrying

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

amounts were likely to be recoverable. For those proved oil and gas properties for which the carrying amount exceeded the estimated future cash flows, an impairment was determined to exist; therefore, the Partnership adjusted the carrying amount of those oil and gas properties to their fair value as determined by discounting their expected future cash flows at a discount rate commensurate with the risks involved in the industry. As a result, the Partnership recognized non-cash impairment provisions of \$18,391 and \$306,826 related to its proved oil and gas properties during 2000 and 1998, respectively.

### NOTE 4. INCOME TAXES

The financial statement basis of the Partnership's net assets and liabilities was \$155,457 greater than the tax basis at December 31, 2000.

15

1386

The following is a reconciliation of net income (loss) per statements of operations with the net income per Federal income tax returns for the years ended December 31:

	2000 -----	1999 -----	1998 -----
Net income (loss) per statements of operations	\$ 634,127	\$ 231,838	\$ (444,718)
Depletion and depreciation provisions for tax reporting purposes less than amounts for financial reporting purposes	54,665	105,234	336,801
Impairment of oil and gas properties for financial reporting purposes	18,391	-	306,826
Salvage income	-	-	-
Other, net	(1,709)	(3,610)	3,948
	-----	-----	-----
Net income per Federal income tax returns	\$ 705,474 =====	\$ 333,462 =====	\$ 202,857 =====

### NOTE 5. OIL AND GAS PRODUCING ACTIVITIES

The following is a summary of the net costs incurred, whether capitalized or expensed, related to the Partnership's oil and gas producing activities for the years ended December 31:

	2000 -----	1999 -----	1998 -----
Development costs	\$ 7,310 =====	\$ 12,213 =====	\$ 16,919 =====

Capitalized oil and gas properties consist of the following:



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	2000 -----	1999 -----
Proved properties:		
Property acquisition costs	\$ 279,410	\$ 279,410
Completed wells and equipment	6,280,166	6,272,856
	-----	-----
	6,559,576	6,552,266
Accumulated depletion	(5,531,818)	(5,447,549)
	-----	-----
Net oil and gas properties	\$ 1,027,758 =====	\$ 1,104,717 =====

16

1387

NOTE 6. RELATED PARTY TRANSACTIONS

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

	2000 -----	1999 -----	1998 -----
Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$ 157,560	\$ 156,639	\$ 153,822
Reimbursement of general and administrative expenses	\$ 32,691	\$ 21,420	\$ 17,270

The Partnership participates in oil and gas activities through an income tax partnership (the "Program") pursuant to the Program agreement. Pioneer USA, P&P Employees 89-A Conv., Ltd. ("EMPL"), Parker & Parsley 89-A Conv., L.P. and the Partnership (the "Partnerships") are parties to the Program agreement. EMPL is a limited partnership organized for the benefit of certain employees of Pioneer USA. EMPL was merged with Pioneer USA on December 28, 2000.

The costs and revenues of the Program are allocated to Pioneer USA and the Partnerships as follows:

Pioneer USA (1)	Partnerships (2)
-----	-----

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Revenues:

Proceeds from disposition of depreciable and depletable properties -		
First three years	14.141414%	85.858586%
After first three years	19.191919%	80.808081%
All other revenues -		
First three years	14.141414%	85.858586%
After first three years	19.191919%	80.808081%
Costs and expenses:		
Lease acquisition costs, drilling and completion costs and all other costs	9.090909%	90.909091%
Operating costs, reporting and legal expenses and general and administrative expenses -		
First three years	14.141414%	85.858586%
After first three years	19.191919%	80.808081%

(1) Excludes Pioneer USA's 1% general partner ownership which is allocated at the Partnership level and 105 limited partner interests owned by Pioneer USA.

(2) The allocation between the Partnership and Parker & Parsley 89-A Conv., L.P. is 74.833543% and 25.166457%, respectively.

NOTE 7. OIL AND GAS INFORMATION (UNAUDITED)

The following table presents information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities during the years then ended. All of the Partnership's reserves are proved developed and located within the United States. The Partnership's reserves are based on an evaluation prepared Williamson Petroleum Consultants, Inc., an independent petroleum consultant, using criteria established by the Securities and Exchange Commission.

	Oil and NGLs (bbls)	Gas (mcf)
	-----	-----
Net proved reserves at January 1, 1998	564,653	971,094
Revisions	(248,699)	(328,006)
Production	(41,931)	(62,751)
	-----	-----
Net proved reserves at December 31, 1998	274,023	580,337
Revisions	317,834	471,328
Production	(42,129)	(60,905)
	-----	-----

Net proved reserves at December 31, 1999	549,728	990,760
Revisions	91,729	(83,266)
Production	(38,923)	(59,638)
	-----	-----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Net proved reserves at December 31, 2000	602,534	847,856
	=====	=====

As of December 31, 2000, the estimated present value of future net revenues of proved reserves, calculated using December 31, 2000 prices of \$26.64 per barrel of oil, \$12.34 per barrel of NGLs and \$8.31 per mcf of gas, discounted at 10% was approximately \$5,009,000 and undiscounted was \$10,314,000.

Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves. The Partnership emphasizes that reserve estimates are inherently imprecise and, accordingly, the estimates are expected to change as future information becomes available.

Disclosures about Oil & Gas Producing Activities

Standardized Measure of Discounted Future Net Cash Flows

The standardized measure of discounted future net cash flows is computed by applying year-end prices of oil and gas (with consideration of price changes only to the extent provided by contractual arrangements) to the estimated future production of proved oil and gas reserves less estimated future expenditures (based on year-end costs) to be incurred in developing and producing the proved reserves, discounted using a rate of 10% per year to reflect the estimated timing of the future cash flows. A Federal income tax provision has not been calculated as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

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

	For the years ended December 31,		
	2000	1999	1998
	(in thousands)		
Oil and gas producing activities:			
Future cash inflows	\$ 20,322	\$ 13,520	\$ 3,140
Future production costs	(10,008)	(7,771)	(2,230)
	-----	-----	-----
	10,314	5,749	910
10% annual discount factor	(5,305)	(2,649)	(300)
	-----	-----	-----
Standardized measure of discounted future net cash flows	\$ 5,009	\$ 3,100	\$ 610
	=====	=====	=====

	For the years ended December 31,		
	2000	1999	1998
	(in thousands)		
Oil and Gas Producing Activities:			
Oil and gas sales, net of production costs	\$ (738)	\$ (366)	\$ (221)
Net changes in prices and production costs	2,277	1,372	(1,520)
Revisions of previous quantity estimates	582	2,141	(409)
Accretion of discount	310	62	259
Changes in production rates, timing and other	(522)	(722)	(81)
	-----	-----	-----
Change in present value of future net revenues	1,909	2,487	(1,972)
	-----	-----	-----
Balance, beginning of year	3,100	613	2,585
	-----	-----	-----
Balance, end of year	\$5,009	\$ 3,100	\$ 613
	=====	=====	=====

## NOTE 8. MAJOR CUSTOMERS

The following table reflects the major customers of the Partnership's oil and gas sales (a major customer is defined as a customer whose sales exceed 10% of total sales) during the years ended December 31:

	2000	1999	1998
	-----	-----	-----
Plains Marketing, L.P.	63%	62%	-
Genesis Crude Oil, L.P.	-	-	59%
Western Gas Resources, Inc.	3%	3%	12%

At December 31, 2000, the amount receivable from Plains Marketing, L.P. was \$66,937 which is included in the caption "Accounts receivable - oil and gas sales" in the accompanying Balance Sheet.

Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on the ability of the Partnership to sell its oil, NGLs and gas production.

## NOTE 9. PARTNERSHIP AGREEMENT

The following is a brief summary of the more significant provisions of the limited partnership agreement:

Managing general partner - The managing general partner of the Partnership is Pioneer USA. Pioneer USA has the power and authority to manage, control and administer all Program and Partnership affairs. As managing general partner and operator of the Partnership's properties, all production

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

expenses are incurred by Pioneer USA and billed to the Partnership. The majority of the Partnership's oil and gas revenues are received directly by the Partnership, however, a portion of the oil and gas revenue is initially received by Pioneer USA prior to being paid to the Partnership. Under the limited partnership agreement, the managing general partner pays 1% of the Partnership's acquisition, drilling and completion costs and 1% of its operating and general and administrative expenses. In return, it is allocated 1% of the Partnership's revenues.

Limited partner liability - The maximum amount of liability of any limited partner is the total contributions of such partner plus his share of any undistributed profits.

19

1390

Initial capital contributions - The limited partners entered into subscription agreements for aggregate capital contributions of \$8,317,000. The managing general partner is required to contribute amounts equal to 1% of initial Partnership capital less commission and offering expenses allocated to the limited partners and to contribute amounts necessary to pay costs and expenses allocated to it under the Partnership agreement to the extent its share of revenues does not cover such costs.

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

None.

20

1391

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE PARTNERSHIP

The Partnership does not have any officers or directors. Under the limited partnership agreement, the Partnership's managing general partner, Pioneer USA, is granted the exclusive right and full authority to manage, control and administer the Partnership's business.

Set forth below are the names, ages and positions of the directors and executive officers of Pioneer USA. Directors of Pioneer USA are elected to serve until the next annual meeting of stockholders or until their successors are elected and qualified.

Name	Age at December 31, 2000	Position
----	----	-----
Scott D. Sheffield	48	President

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Timothy L. Dove	44	Executive Vice President, Chief Financial Officer and Director
Dennis E. Fagerstone	51	Executive Vice President and Director
Mark L. Withrow	53	Executive Vice President, General Counsel and Director
Danny Kellum	45	Executive Vice President - Domestic Operations and Director
Rich Dealy	34	Vice President and Chief Accounting Officer

Scott D. Sheffield. Mr. Sheffield is a graduate of The University of Texas with a B.S. in Petroleum Engineering. Since August 1997, he has served as President, Chief Executive Officer and a director of Pioneer and President of Pioneer USA. Mr. Sheffield assumed the position of Chairman of the Board of Pioneer in August 1999. He served as a director of Pioneer USA from August 1997 until his resignation from the board in June 1999. Mr. Sheffield was the President and a director of Parker & Parsley Petroleum Company ("Parker & Parsley") from May 1990 until August 1997 and was the Chairman of the Board and Chief Executive Officer of Parker & Parsley from October 1990 until August 1997. He was the sole director of Parker & Parsley from May 1990 until October 1990. Mr. Sheffield joined Parker & Parsley Development Company ("PPDC"), a predecessor of Parker & Parsley, as a petroleum engineer in 1979. He served as Vice President - Engineering of PPDC from September 1981 until April 1985 when he was elected President and a director. In March 1989, Mr. Sheffield was elected Chairman of the Board and Chief Executive Officer of PPDC. Before joining PPDC's predecessor, Mr. Sheffield was employed as a production and reservoir engineer for Amoco Production Company.

Timothy L. Dove. Mr. Dove earned a B.S. in Mechanical Engineering from Massachusetts Institute of Technology in 1979 and received his M.B.A. in 1981 from the University of Chicago. He became Executive Vice President - Business Development of Pioneer and Pioneer USA in August 1997 and was also appointed a director of Pioneer USA in August 1997. Mr. Dove assumed the position of Chief Financial Officer of Pioneer and Pioneer USA effective February 1, 2000. Mr. Dove joined Parker & Parsley in May 1994 as Vice President - International and was promoted to Senior Vice President - Business Development in October 1996, in which position he served until August 1997. Prior to joining Parker & Parsley, Mr. Dove was employed with Diamond Shamrock Corp., and its successor, Maxus Energy Corp, in various capacities in international exploration and production, marketing, refining and marketing and planning and development.

Dennis E. Fagerstone. Mr. Fagerstone, a graduate of the Colorado School of Mines with a B.S. in Petroleum Engineering, became an Executive Vice President of Pioneer and Pioneer USA in August 1997. He was also appointed a director of Pioneer USA in August 1997. He served as Executive Vice President and Chief Operating Officer of MESA Inc. ("Mesa") from March 1, 1997 until August 1997. From October 1996 to February 1997, Mr. Fagerstone served as Senior Vice President and Chief Operating Officer of Mesa and from May 1991 to October 1996, he served as Vice President - Exploration and Production of Mesa. From June 1988

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

to May 1991, Mr. Fagerstone served as Vice President - Operations of Mesa.

Mark L. Withrow. Mr. Withrow, a graduate of Abilene Christian University with a B.S. in Accounting and Texas Tech University with a Juris Doctorate degree, became Executive Vice President, General Counsel and Secretary of Pioneer and Pioneer USA in August 1997. He was also appointed a director of Pioneer USA in August 1997. Mr. Withrow was Vice President - General Counsel of Parker & Parsley from January 1991, when he joined Parker & Parsley, to January 1995, when he was appointed Senior Vice President - General Counsel. He was Parker & Parsley's Secretary from August 1992 until August 1997. Prior to joining Parker & Parsley, Mr. Withrow was the managing partner of the law firm of Turpin, Smith, Dyer, Saxe & MacDonald, Midland, Texas.

Danny Kellum. Mr. Kellum, who received a Bachelor of Science degree in Petroleum Engineering from Texas Tech University in 1979, was elected Executive Vice President - Domestic Operations of Pioneer and Pioneer USA on May 18, 2000 and Director of Pioneer USA on February 1, 2000. From January 2000 until May 2000, Mr. Kellum served as Vice President - Domestic Operations of Pioneer and Pioneer USA. Mr. Kellum served as Vice President Permian Division of Pioneer and Pioneer USA from April 1998 until December 1999. From 1989 until 1994 he served as Spraberry District Manager and as Vice President of the Spraberry and Permian Division for Parker & Parsley until August of 1997. Mr. Kellum joined Parker & Parsley as an operations engineer in 1981 after a brief career with Mobil Oil Corporation.

Rich Dealy. Mr. Dealy is a graduate of Eastern New Mexico University with a B.B.A. in Accounting and Finance and is a Certified Public Accountant. He became Vice President and Chief Accounting Officer of Pioneer and Pioneer USA in February 1998. Mr. Dealy served as Controller of Pioneer USA from August 1997 to February 1998. He served as Controller of Parker & Parsley from August 1995 to August 1997. Mr. Dealy joined Parker & Parsley as an Accounting Manager in July, 1992. He was previously employed with KPMG Peat Marwick as an Audit Senior, in charge of Parker & Parsley's audit.

22

1393

### ITEM 11. EXECUTIVE COMPENSATION

The Partnership does not have any directors or officers. Management of the Partnership is performed by Pioneer USA, the managing general partner. The Partnership participates in oil and gas activities through an income tax partnership (the "Program") pursuant to the Program agreement. Under the Program agreement, Pioneer USA pays approximately 10% of the Program's acquisition, drilling and completion costs and approximately 15% during the first three years and approximately 20% after three years of its operating and general and administrative expenses. In return, they are allocated approximately 15% during the first three years and approximately 20% after three years of the Program's revenues.

The Partnership does not directly pay any salaries of the executive officers of Pioneer USA, but does pay a portion of Pioneer USA's general and administrative expenses of which these salaries are a part.

See Notes 6 and 9 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" for information regarding fees and reimbursements paid to the managing general partner by the Partnership.

### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

(a) Beneficial owners of more than five percent

The Partnership is not aware of any person who beneficially owns 5% or more of the outstanding limited partnership interests of the Partnership. Pioneer USA owned 105 limited partner interests at January 1, 2001.

(b) Security ownership of management

The Partnership does not have any officers or directors. The managing general partner of the Partnership, Pioneer USA, has the exclusive right and full authority to manage, control and administer the Partnership's business. Under the limited partnership agreement, limited partners holding a majority of the outstanding limited partnership interests have the right to take certain actions, including the removal of the managing general partner or any other general partner. The Partnership is not aware of any current arrangement or activity which may lead to such removal. The Partnership is not aware of any officer or director of Pioneer USA who beneficially owns limited partnership interests in the Partnership.

23

1394

### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Transactions with the managing general partner

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

	2000 -----	1999 -----	1998 -----
Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$157,560	\$ 156,639	\$153,822
Reimbursement of general and administrative expenses	\$ 32,691	\$ 21,420	\$ 17,270

Under the limited partnership agreement, the managing general partner pays 1% of the Partnership's acquisition, drilling and completion costs and 1% of its operating and general and administrative expenses. In return, it is allocated 1% of the Partnership's revenues. Also, see Notes 6 and 9 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" regarding the Partnership's participation with the managing general partner in oil and gas activities of the Program.

24

1395

PART IV

1360



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

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

(a) 1. Financial statements

The following are filed as part of this Report:

Independent Auditors' Report

Balance sheets as of December 31, 2000 and 1999

Statements of operations for the years ended December 31, 2000, 1999 and 1998

Statements of partners' capital for the years ended December 31, 2000, 1999 and 1998

Statements of cash flows for the years ended December 31, 2000, 1999 and 1998

Notes to financial statements

2. Financial statement schedules

All financial statement schedules have been omitted since the required information is in the financial statements or notes thereto, or is not applicable nor required.

(b) Reports on Form 8-K

None.

(c) Exhibits

The exhibits listed on the accompanying index to exhibits are filed or incorporated by reference as part of this Report.

25

1396

S I G N A T U R E S

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, thereunto duly authorized.

PARKER & PARSLEY 89-A, L.P.

Dated: March 27, 2001

By: Pioneer Natural Resources USA, Inc.  
Managing General Partner

By: /s/ Scott D. Sheffield

-----  
Scott D. Sheffield, President

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

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

/s/ Scott D. Sheffield ----- Scott D. Sheffield	President of Pioneer USA	March 27, 2001
/s/ Timothy L. Dove ----- Timothy L. Dove	Executive Vice President, Chief Financial Officer and Director of Pioneer USA	March 27, 2001
/s/ Dennis E. Fagerstone ----- Dennis E. Fagerstone	Executive Vice President and Director of Pioneer USA	March 27, 2001
/s/ Mark L. Withrow ----- Mark L. Withrow	Executive Vice President, General Counsel and Director of Pioneer USA	March 27, 2001
/s/ Danny Kellum ----- Danny Kellum	Executive Vice President - Domestic Operations and Director of Pioneer USA	March 27, 2001
/s/ Rich Dealy ----- Rich Dealy	Vice President and Chief Accounting Officer of Pioneer USA	March 27, 2001

26

1397

PARKER & PARSLEY 89-A, L.P.

INDEX TO EXHIBITS

The following documents are incorporated by reference in response to Item 14(c):

Exhibit No. -----	Description -----	Page ----
3(a)	Form of Agreement of Limited Partnership of Parker & Parsley 89-A, L.P. incorporated by reference to Exhibit A of the Post-Effective Amendment No. 1 of the Partnership's Registration Statement on Form S-1 (Registration No. 33-26097)	-
4(b)	Form of Limited Partner Subscription Agreement incorporated by reference to Exhibit C of the Post-Effective Amendment No. 1 of the	-

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	Partnership's Registration Statement on Form S-1 (Registration No. 33-26097)	
4 (b)	Form of General Partner Subscription Agreement incorporated by reference to Exhibit D of the Post-Effective Amendment No. 1 of the Partnership's Registration Statement on Form S-1 (Registration No. 33-26097)	-
4 (b)	Power of Attorney incorporated by reference to Exhibit B of Amendment No. 1 of the Partnership's Registration Statement on Form S-1 (Registration No. 33-26097)	-
4 (c)	Specimen Certificate of Limited Partnership Interest incorporated by reference to Exhibit 4c of the Partnership's Registration Statement on Form S-1 (Registration No. 33-26097)	-
10 (b)	Form of Development Drilling Program Agreement incorporated by reference to Exhibit B of the Post-Effective Amendment No. 1 of the Partnership's Registration Statement on Form S-1 (Registration No. 33-26097)	-

27

1398

PARKER & PARSLEY 89-A, L.P.

SELECTED FINANCIAL DATA

The following selected financial data for the Partnership should be read in connection with Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements included in the attached supplemental information.

	Six months ended June 30,		Years ended December		
	2001	2000	2000	1999	1998
Operating results:					
Oil and gas sales	\$ 573,213	\$ 505,131	\$1,140,280	\$ 718,969	\$ 583,396
Impairment of oil and gas properties	\$ --	\$ --	\$ 18,391	\$ --	\$ 306,826
Net income (loss)	\$ 306,370	\$ 254,565	\$ 634,127	\$ 231,838	\$ (444,718)

1363

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Allocation of net income (loss):					
Managing general partner	\$ 3,064	\$ 2,546	\$ 6,341	\$ 2,318	\$ (4,447)
	=====	=====	=====	=====	=====
Limited partners	\$ 303,306	\$ 252,019	\$ 627,786	\$ 229,520	\$ (440,271)
	=====	=====	=====	=====	=====
Limited partners' net income (loss) per limited partnership interest	\$ 36.47	\$ 30.30	\$ 75.48	\$ 27.60	\$ (52.94)
	=====	=====	=====	=====	=====
Limited partners' cash distributions per limited partnership interest	\$ 29.49	\$ 36.35	\$ 80.13	\$ 28.56	\$ 28.57
	=====	=====	=====	=====	=====
As of period ended:					
Total assets	\$1,420,002	\$1,358,291	\$1,353,688	\$1,397,183	\$1,392,439
	=====	=====	=====	=====	=====

1399

PIONEER NATURAL RESOURCES COMPANY  
PIONEER NATURAL RESOURCES USA, INC.  
5205 NORTH O'CONNOR BLVD., SUITE 1400  
IRVING, TEXAS 75039

SUPPLEMENTAL INFORMATION

OF

PARKER & PARSLEY 89-B CONV., L.P., A DELAWARE LIMITED PARTNERSHIP

TO

PROXY STATEMENT/PROSPECTUS DATED                   , 2001

-----

THE DATE OF THIS SUPPLEMENT IS                   , 2001

-----

This document contains important information specific to Parker & Parsley 89-B Conv., L.P., and supplements the proxy statement/prospectus dated                   , 2001, of Pioneer Natural Resources Company and Pioneer Natural Resources USA, Inc., by which Pioneer USA is soliciting proxies to be voted at a special meeting of limited partners of the partnership. The purpose of the special meeting is for you to vote upon the merger of the partnership with and into Pioneer USA that, if completed, will result in your receiving common stock of Pioneer Natural Resources Company for your partnership interests.

This document contains the following information concerning Parker & Parsley 89-B Conv., L.P.:

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

- o A table containing:
  - the aggregate initial investment by the limited partners
  - the aggregate historical limited partner distributions through July 31, 2001
  - the merger value attributable to partnership interests of limited partners, excluding Pioneer USA
  - the merger value per \$1,000 limited partner investment
  - the merger value per \$1,000 limited partner investment as a multiple of distributions for the past four quarterly distributions including the distribution in July 2001
  - the book value per \$1,000 limited partner investment as of June 30, 2001 and as of December 31, 2000
  - the going concern value per \$1,000 limited partner investment
  - the liquidation value per \$1,000 limited partner investment
  - the ordinary tax loss per \$1,000 limited partner investment in year of initial investment
- o Information about:
  - the legal opinion for the limited partners
  - the term of the partnership
- o The partnership's financial statements, including management's discussion and analysis of financial condition and results of operations, for the six months ended June 30, 2001
- o The partnership's financial statements, including management's discussion and analysis of financial condition and results of operations, for the year ended December 31, 2000
- o Selected historical financial data for the partnership for the six months ended June 30, 2001 and 2000 and the five years ended December 31, 2000

-1-

1400

PARKER & PARSLEY 89-B CONV., L.P.

SUPPLEMENTAL INFORMATION TABLE

Aggregate Initial Investment by the Limited Partners(a)

\$

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Aggregate Historical Limited Partner Distributions through July 31, 2001(a)	\$
Merger Value Attributable to Partnership Interests of Limited Partners, Excluding Pioneer USA(a), (b)	\$
Merger Value per \$1,000 Limited Partner Investment(b), (c)	\$
Merger Value per \$1,000 Limited Partner Investment as a Multiple of Distributions for the past four quarterly distributions including the distribution in July 2001(b), (c)	
Book Value per \$1,000 Limited Partner Investment:	
-- as of June 30, 2001(c)	\$
-- as of December 31, 2000(c)	\$
Going Concern Value per \$1,000 Limited Partner Investment (c), (d)	\$
Liquidation Value per \$1,000 Limited Partner Investment(c), (e)	\$
Ordinary Tax Loss per \$1,000 Limited Partner Investment in Year of Initial Investment (c), (f)	\$

-----

(a) Stated in thousands.

(b) The merger value for the partnership is equal to the sum of the present value of estimated future net revenues from the partnership's estimated oil and gas reserves and its net working capital, in each case as of March 31, 2001, less its pro rata share, based on its reserve value, of the estimated expenses and fees of the mergers of all of the partnerships and less the cash distribution on July 13, 2001, by the partnership to its partners.

(c) Interests in some partnerships were sold in units at prices other than \$1,000. We have presented this information based on a \$1,000 initial investment for ease of use and comparison among partnerships. You should not assume that the amount shown per \$1,000 investment is the same as the value or amount attributable to a single unit investment.

(d) The going concern value for the partnership is based upon: (1) the sum of (A) the estimated net cash flow from the sale of the partnership's reserves during a 10-year operating period and (B) the estimated residual value from the sale of the partnership's remaining reserves at the end of the operating period, in each case using the same pricing and discount rate as in the merger value calculation, less (2) (A) partnership level general and administrative expenses, and (B) the cash distribution on July 13, 2001 by the partnership to its partners.

(e) The liquidation value for the partnership is based upon the sale of the partnership's reserves at the reserve value, less (1) liquidation expenses which are estimated to be the sum of (A) the partnership's pro rata share of the merger expenses and fees described in footnote (b) above and (B) 3% of the partnership's reserve value, and (2) the cash distribution on July 13, 2001 by the partnership to its partners. The liquidation expenses represent

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

estimated costs to retain an investment banker or broker to sell the assets of the partnership and the legal and other closing costs associated with such transaction, including the wind-down costs of the partnership.

- (f) Your ability to use your distributive share of the partnership's loss to offset your other income may have been subject to certain limitations at your level as a partner, and you may therefore wish to consult your tax advisor to determine the additional value, if any, actually realized by you in your particular circumstances.

### INFORMATION ABOUT THE LEGAL OPINION FOR THE LIMITED PARTNERS

The partnership agreement for the partnership requires that special legal counsel render an opinion on behalf of the limited partners to Pioneer USA that neither the grant nor the exercise of the right to approve the merger of the partnership by its limited partners will adversely affect the federal income tax classification of the partnership or any of its limited partners. Although not required by the partnership agreement, the opinion will also state that neither the grant nor exercise of such right will result in the loss of any limited partner's limited liability. In addition, the counsel designated to render the opinion is not required to be counsel other than counsel to Pioneer USA or the partnership. Both the designated counsel and the legal opinion must be approved by the limited partners. Pioneer USA has retained \_\_\_\_\_ of Dallas, Texas for the purpose of rendering this legal opinion on behalf of the limited partners to Pioneer USA. The merger proposals include an approval of that counsel and the form of its opinion. A copy of the opinion is attached as an exhibit to the merger proposals.

### INFORMATION ABOUT THE TERM OF THE PARTNERSHIP

The term of the partnership is until December 31, 2039, unless the partnership is earlier terminated in accordance with the applicable provisions of its partnership agreement.

-2-

1401

PARKER & PARSLEY 89-B CONV., L.P.

(A Delaware Limited Partnership)

### FINANCIAL STATEMENTS

June 30, 2001 and December 31, 2000

(Unaudited)

1402

PARKER & PARSLEY 89-B CONV., L.P.

(A Delaware Limited Partnership)

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

BALANCE SHEETS

	June 30, 2001	December 31, 2000
	----- (Unaudited)	-----
ASSETS		
Current assets:		
Cash	\$ 218,824	\$ 94,922
Accounts receivable - oil and gas sales	90,911	134,431
	-----	-----
Total current assets	309,735	229,353
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	5,317,534	5,314,971
Accumulated depletion	(4,479,159)	(4,443,011)
	-----	-----
Net oil and gas properties	838,375	871,960
	-----	-----
	\$ 1,148,110	\$ 1,101,313
	=====	=====
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable - affiliate	\$ 16,108	\$ 11,787
Partners' capital:		
Managing general partner	11,466	11,042
Limited partners (6,307 interests)	1,120,536	1,078,484
	-----	-----
	1,132,002	1,089,526
	-----	-----
	\$ 1,148,110	\$ 1,101,313
	=====	=====

The financial information included as of June 30, 2001 has been prepared by the managing general partner without audit by independent public accountants.

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



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	Three months ended June 30,		Six months ended June 30,	
	2001	2000	2001	2000
Revenues:				
Oil and gas	\$ 189,915	\$ 210,761	\$ 432,217	\$ 409,534
Interest	1,589	2,124	3,372	3,655
	-----	-----	-----	-----
	191,504	212,885	435,589	413,189
	-----	-----	-----	-----
Costs and expenses:				
Oil and gas production	88,828	81,982	174,038	164,199
General and administrative	5,698	6,635	14,077	12,598
Depletion	17,560	16,551	36,148	31,840
	-----	-----	-----	-----
	112,086	105,168	224,263	208,637
	-----	-----	-----	-----
Net income	\$ 79,418	\$ 107,717	\$ 211,326	\$ 204,552
	=====	=====	=====	=====
Allocation of net income:				
Managing general partner	\$ 794	\$ 1,078	\$ 2,113	\$ 2,046
	=====	=====	=====	=====
Limited partners	\$ 78,624	\$ 106,639	\$ 209,213	\$ 202,506
	=====	=====	=====	=====
Net income per limited partnership interest	\$ 12.46	\$ 16.91	\$ 33.17	\$ 32.11
	=====	=====	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

PARKER & PARSLEY 89-B CONV., L.P.  
(A Delaware Limited Partnership)

STATEMENT OF PARTNERS' CAPITAL  
(Unaudited)

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	Managing general partner -----	Limited partners -----	Total -----
Balance at January 1, 2001	\$ 11,042	\$1,078,484	\$1,089,526
Distributions	(1,689)	(167,161)	(168,850)
Net income	2,113	209,213	211,326
	-----	-----	-----
Balance at June 30, 2001	\$ 11,466 =====	\$1,120,536 =====	\$1,132,002 =====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

4

1405

PARKER & PARSLEY 89-B CONV., L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF CASH FLOWS  
(Unaudited)

	Six months ended June 30,	
	2001 -----	2000 -----
Cash flows from operating activities:		
Net income	\$ 211,326	\$ 204,552
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion	36,148	31,840
Changes in assets and liabilities:		
Accounts receivable	43,520	(27,521)
Accounts payable	4,321	9,590

1370

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Net cash provided by operating activities	295,315	218,461
Cash flows used in investing activities:		
Additions to oil and gas properties	(2,563)	(7,505)
Cash flows used in financing activities:		
Cash distributions to partners	(168,850)	(211,637)
Net increase (decrease) in cash	123,902	(681)
Cash at beginning of period	94,922	116,810
Cash at end of period	\$ 218,824	\$ 116,129

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

5

1406

PARKER & PARSLEY 89-B CONV., L.P.  
(A Delaware Limited Partnership)

NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Unaudited)

Note 1. Organization and nature of operations

Parker & Parsley 89-B Conv., L.P. (the "Partnership") was organized as a general partnership in 1989 under the laws of the State of Texas and was converted to a Delaware limited partnership on May 30, 1990.

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

Note 2. Basis of presentation

In the opinion of management, the unaudited financial statements of the Partnership as of June 30, 2001 and for the three and six months ended June 30, 2001 and 2000 include all adjustments and accruals consisting only of normal recurring accrual adjustments which are necessary for a fair presentation of the results for the interim period. These interim results are not necessarily indicative of results for a full year. Certain reclassifications may have been made to the June 30, 2000 financial statements to conform to the June 30, 2001 financial statement presentations.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in these interim financial statements. The financial statements should be read in conjunction with the financial statements

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

and the notes thereto contained in the Partnership's report for the year ended December 31, 2000, a copy of which is available upon request by writing to Rich Dealy, Vice President and Chief Accounting Officer, 5205 North O'Connor Boulevard, Suite 1400, Irving, Texas 75039-3746.

Management's Discussion and Analysis of Financial Condition  
and Results of Operations (1)

Results of Operations

Six months ended June 30, 2001 compared with six months ended June 30, 2000

Revenues:

The Partnership's oil and gas revenues increased 6% to \$432,217 for the six months ended June 30, 2001 as compared to \$409,534 for the same period in 2000. The increase in revenues resulted from higher average prices received, offset by a decrease in production. For the six months ended June 30, 2001, 9,172 barrels

6

1407

of oil, 3,753 barrels of natural gas liquids ("NGLs") and 23,283 mcf of gas were sold, or 16,806 barrel of oil equivalents ("BOEs"). For the six months ended June 30, 2000, 10,168 barrels of oil, 5,936 barrels of NGLs and 21,901 mcf of gas were sold, or 19,754 BOEs.

The average price received per barrel of oil increased \$.25, or 1%, from \$27.44 for the six months ended June 30, 2000 to \$27.69 for the same period in 2001. The average price received per barrel of NGLs increased \$3.09, or 22%, from \$13.93 during the six months ended June 30, 2000 to \$17.02 for the same period in 2001. The average price received per mcf of gas increased 125% from \$2.18 during the six months ended June 30, 2000 to \$4.91 for the same period in 2001. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received during the six months ended June 30, 2001.

Costs and Expenses:

Total costs and expenses increased to \$224,263 for the six months ended June 30, 2001 as compared to \$208,637 for the same period in 2000, an increase of \$15,626, or 7%. This increase was due to an increase in production costs, depletion and general and administrative expenses ("G&A").

Production costs were \$174,038 for the six months ended June 30, 2001 and \$164,199 for the same period in 2000, resulting in a \$9,839 increase, or 6%. This increase was due to additional well maintenance and workover costs incurred to stimulate well production and higher production taxes due to higher oil and gas prices.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 12%, from \$12,598 for the six months ended June 30, 2000 to \$14,077 for the same period in 2001, primarily due to a higher allocation of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues and an increase in audit and tax fees.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Depletion was \$36,148 for the six months ended June 30, 2001 as compared to \$31,840 for the same period in 2000, an increase of \$4,308, or 14%. This increase was due to a reduction in proved reserves during the period ended June 30, 2001 as a result of lower commodity prices, offset by a decline in oil production of 996 barrels for the six months ended June 30, 2001 as compared to the same period in 2000.

Three months ended June 30, 2001 compared with three months ended June 30, 2000

### Revenues:

The Partnership's oil and gas revenues decreased 10% to \$189,915 for the three months ended June 30, 2001 as compared to \$210,761 for the same period in 2000. The decrease in revenues resulted from a decrease in production and lower average prices received for oil, offset by higher average prices received for gas and NGLs. For the three months ended June 30, 2001, 4,471 barrels of oil, 1,969 barrels of NGLs and 10,803 mcf of gas were sold, or 8,241 BOEs. For the

7

1408

three months ended June 30, 2000, 5,131 barrels of oil, 3,114 barrels of NGLs and 10,684 mcf of gas were sold, or 10,026 BOEs.

The average price received per barrel of oil decreased \$.78, or 3%, from \$27.73 for the three months ended June 30, 2000 to \$26.95 for the three months ended June 30, 2001. The average price received per barrel of NGLs increased \$1.76, or 13%, from \$13.12 during the three months ended June 30, 2000 to \$14.88 for the same period in 2001. The average price received per mcf of gas increased 44% to \$3.72 during the three months ended June 30, 2001 from \$2.58 during the same period in 2000.

### Costs and Expenses:

Total costs and expenses increased to \$112,086 for the three months ended June 30, 2001 as compared to \$105,168 for the same period in 2000, an increase of \$6,918, or 7%. This increase was due to increases in production costs and depletion, offset by a decrease in G&A.

Production costs were \$88,828 for the three months ended June 30, 2001 and \$81,982 for the same period in 2000, resulting in a \$6,846 increase, or 8%. The increase was due to an increase in well maintenance and workover costs incurred to stimulate well production, offset by lower production taxes due to lower oil prices.

During this period, G&A decreased 14%, from \$6,635 for the three months ended June 30, 2000 to \$5,698 for the same period in 2001, primarily due to a lower allocation of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of decreased oil and gas revenues and a decrease in audit and tax fees.

Depletion was \$17,560 for the three months ended June 30, 2001 as compared to \$16,551 for the same period in 2000, an increase of \$1,009, or 6%. This increase was attributable to a decrease in proved reserves during the period ended June 30, 2001 as a result of lower commodity prices, offset by a decline in oil production of 660 barrels for the three months ended June 30, 2001 as compared to the same period in 2000.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

### Liquidity and Capital Resources

#### Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$76,854 during the six months ended June 30, 2001 from the same period in 2000. This increase was due to an increase of \$22,400 in oil and gas sales receipts and a reduction in working capital of \$65,772, offset by increases in production costs of \$9,839 and G&A expenses of \$1,479. The increase in oil and gas receipts resulted from the increase in commodity prices during 2001 which contributed an additional \$80,365 to oil and gas receipts, offset by \$57,965 resulting from the decline in production during 2001 as compared to the same period in 2000. The increase in production costs was due to additional well maintenance and workover costs incurred to stimulate well production and increased production taxes associated with higher oil and gas prices. The increase in G&A was due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues and an increase in audit and tax fees.

8

1409

#### Net Cash Used in Investing Activities

The Partnership's principal investing activities during the six months ended June 30, 2001 and 2000 included expenditures related to equipment upgrades on various oil and gas properties.

#### Net Cash Used in Financing Activities

For the six months ended June 30, 2001, cash distributions to the partners were \$168,850, of which \$1,689 was distributed to the managing general partner and \$167,161 to the limited partners. For the same period ended June 30, 2000, cash distributions to the partners were \$211,637, of which \$2,116 was distributed to the managing general partner and \$209,521 to the limited partners.

For the three months ended June 30, 2001, no distributions were made by the partnership to its partners. Subsequent to June 30, 2001 the cash distribution that otherwise would have been mailed to partners in late June was made to holders of record as of July 9, 2001 and was mailed on July 13, 2001. For further information, see "Proposal to acquire partnerships" below.

#### Proposal to acquire partnerships

On June 29, 2001, Pioneer Natural Resources Company ("Pioneer") filed with the Securities and Exchange Commission Amendment No. 1 to the Form S-4 Registration Statement (File No. 333- 59094) (the "preliminary proxy statement/prospectus"), which proposes an agreement and plan of merger among Pioneer, Pioneer Natural Resources USA, Inc. ("Pioneer USA"), a wholly-owned subsidiary of Pioneer, and 46 Parker & Parsley limited partnerships. Each partnership that approves the agreement and plan of merger and the other related merger proposals will merge with and into Pioneer USA upon the closing of the transactions described in the preliminary proxy statement/prospectus, and the partnership interests of each such partnership will be converted into the right to receive Pioneer common stock. The Partnership is one of the 46 Parker & Parsley limited partnerships

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

that will be asked to approve the agreement and plan of merger. The preliminary proxy statement/prospectus is non-binding and is subject to, among other things, consideration of offers from third parties to purchase any partnership or its assets and the majority approval of the limited partnership interests in each partnership.

Pioneer USA will solicit proxies from limited partners to approve the mergers only when the proxy statement/prospectus is final and declared effective. No solicitation will be made using preliminary materials. Nonetheless, copies of the preliminary proxy statement/prospectus may be obtained without charge upon request from Pioneer Natural Resources Company, 5205 North O'Connor Blvd., Suite 1400, Irving, Texas 75039, Attention: Investor Relations.

The limited partners are urged to read the proxy statement/prospectus of Pioneer filed with the Securities and Exchange Commission, when it is finalized, because it contains important information about the proposed mergers, including information about the direct and indirect interests of Pioneer USA and Pioneer in the mergers. The limited partners may also obtain the preliminary and (when filed) final proxy statement/prospectus and other relevant documents relating to the proposed mergers free through the internet web site that the Securities and Exchange Commission maintains at [www.sec.gov](http://www.sec.gov).

9

1410

-----

- (1) "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" contains forward looking statements that involve risks and uncertainties. Accordingly, no assurances can be given that the actual events and results will not be materially different than the anticipated results described in the forward looking statements.

10

1411

PARKER & PARSLEY 89-B CONV., L.P.  
(A Delaware Limited Partnership)

FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITORS' REPORT

December 31, 2000 and 1999

1412

INDEPENDENT AUDITORS' REPORT

The Partners  
Parker & Parsley 89-B Conv., L.P.  
(A Delaware Limited Partnership):

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

We have audited the accompanying balance sheets of Parker & Parsley 89-B Conv., L.P. as of December 31, 2000 and 1999, and the related statements of operations, partners' capital and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parker & Parsley 89-B Conv., L.P. as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Dallas, Texas  
March 9, 2001

2

1413

PARKER & PARSLEY 89-B CONV., L.P.  
(A Delaware Limited Partnership)

BALANCE SHEETS  
December 31

	2000 -----	1999 -----
ASSETS -----		
Current assets:		
Cash	\$ 94,922	\$ 116,810
Accounts receivable - oil and gas sales	134,431	73,499
	-----	-----
Total current assets	229,353	190,309
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	5,314,971	5,304,537



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Accumulated depletion	(4,443,011)	(4,349,082)
	-----	-----
Net oil and gas properties	871,960	955,455
	-----	-----
	\$ 1,101,313	\$ 1,145,764
	=====	=====
LIABILITIES AND PARTNERS' CAPITAL		
-----		
Current liabilities:		
Accounts payable - affiliate	\$ 11,787	\$ 15,267
Partners' capital:		
Managing general partner	11,042	11,451
Limited partners (6,307 interests)	1,078,484	1,119,046
	-----	-----
	1,089,526	1,130,497
	-----	-----
	\$ 1,101,313	\$ 1,145,764
	=====	=====

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

3

1414

PARKER & PARSLEY 89-B CONV., L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF OPERATIONS  
For the years ended December 31

	2000	1999	1998
	-----	-----	-----
Revenues:			
Oil and gas	\$ 873,058	\$ 542,232	\$ 471,148
Interest	8,377	4,914	5,410
Gain on disposition of assets	-	354	108
	-----	-----	-----
	881,435	547,500	476,666
	-----	-----	-----
Costs and expenses:			
Oil and gas production	326,082	305,897	322,354
General and administrative	28,155	20,352	16,076
Impairment of oil and gas properties	27,748	-	262,396

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Depletion	66,181	99,538	241,875
	-----	-----	-----
	448,166	425,787	842,701
	-----	-----	-----
Net income (loss)	\$ 433,269	\$ 121,713	\$ (366,035)
	=====	=====	=====
Allocation of net income (loss):			
Managing general partner	\$ 4,333	\$ 1,217	\$ (3,660)
	=====	=====	=====
Limited partners	\$ 428,936	\$ 120,496	\$ (362,375)
	=====	=====	=====
Net income (loss) per limited partnership interest	\$ 68.01	\$ 19.11	\$ (57.46)
	=====	=====	=====

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

4

1415

PARKER & PARSLEY 89-B CONV., L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF PARTNERS' CAPITAL

	Managing general partner	Limited partners	Total
	-----	-----	-----
Partners' capital at January 1, 1998	\$ 17,202	\$1,688,386	\$1,705,588
Distributions	(1,765)	(174,700)	(176,465)
Net loss	(3,660)	(362,375)	(366,035)
	-----	-----	-----
Partners' capital at December 31, 1998	11,777	1,151,311	1,163,088
Distributions	(1,543)	(152,761)	(154,304)
Net income	1,217	120,496	121,713
	-----	-----	-----
Partners' capital at December 31, 1999	11,451	1,119,046	1,130,497
Distributions	(4,742)	(469,498)	(474,240)
Net income	4,333	428,936	433,269
	-----	-----	-----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Partners' capital at December 31, 2000	\$ 11,042 =====	\$1,078,484 =====	\$1,089,526 =====
--	--------------------	----------------------	----------------------

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

5

1416

PARKER & PARSLEY 89-B CONV., L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF CASH FLOWS  
For the years ended December 31

	2000 -----	1999 -----	1998 -----
Cash flows from operations:			
Net income (loss)	\$ 433,269	\$ 121,713	\$ (366,035)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Impairment of oil and gas properties	27,748	-	262,396
Depletion	66,181	99,538	241,875
Gain on disposition of assets	-	(354)	(108)
Changes in assets and liabilities:			
Accounts receivable	(60,932)	(20,669)	43,290
Accounts payable	(3,480)	2,834	(6,986)
	-----	-----	-----
Net cash provided by operating activities	462,786	203,062	174,432
	-----	-----	-----
Cash flows from investing activities:			
Additions to oil and gas properties	(10,434)	(7,556)	(10,801)
Proceeds from asset dispositions	-	354	108
	-----	-----	-----
Net cash used in investing activities	(10,434)	(7,202)	(10,693)
	-----	-----	-----
Cash flows used in financing activities:			
Cash distributions to partners	(474,240)	(154,304)	(176,465)
	-----	-----	-----
Net increase (decrease) in cash	(21,888)	41,556	(12,726)
Cash at beginning of year	116,810	75,254	87,980
	-----	-----	-----
Cash at end of year	\$ 94,922 =====	\$ 116,810 =====	\$ 75,254 =====

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

1417

PARKER & PARSLEY 89-B CONV., L.P.  
(A Delaware Limited Partnership)

NOTES TO FINANCIAL STATEMENTS  
December 31, 2000, 1999 and 1998

NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS

Parker & Parsley 89-B Conv., L.P. (the "Partnership") was organized as a general partnership in 1989 under the laws of the State of Texas and was converted to a Delaware limited partnership on May 30, 1990. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA").

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

NOTE 2. SUMMARY OF ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Oil and gas properties - The Partnership utilizes the successful efforts method of accounting for its oil and gas properties and equipment. Under this method, all costs associated with productive wells and nonproductive development wells are capitalized while nonproductive exploration costs are expensed. Capitalized costs relating to proved properties are depleted using the unit-of-production method on a property-by-property basis based on proved oil (dominant mineral) reserves as evaluated by independent petroleum consultants. The carrying amounts of properties sold or otherwise disposed of and the related allowances for depletion are eliminated from the accounts and any gain or loss is included in results of operations.

Impairment of long-lived assets - In accordance with Statement of Financial Accounting Standards No. 121. "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the Partnership reviews its long-lived assets to be held and used on an individual property basis, including oil and gas properties accounted for under the successful efforts method of accounting, whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. An impairment loss is indicated if the sum of the expected future cash flows is less than the carrying amount of the assets. In this circumstance, the Partnership recognizes an impairment loss for the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset.

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

Net income (loss) per limited partnership interest - The net income (loss) per limited partnership interest is calculated by using the number of outstanding limited partnership interests.

1418

Income taxes - A Federal income tax provision has not been included in the financial statements as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

Statements of cash flows - For purposes of reporting cash flows, cash includes depository accounts held by banks.

General and administrative expenses - General and administrative expenses are allocated in part to the Partnership by the managing general partner. Allocated expenses are determined by the managing general partner based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Reclassifications - Certain reclassifications may have been made to the 1999 and 1998 financial statements to conform to the 2000 financial statement presentations.

Environmental - The Partnership is subject to extensive federal, state and local environmental laws and regulations. These laws, which are constantly changing, regulate the discharge of materials into the environment and may require the Partnership to remove or mitigate the environmental effects of the disposal or release of petroleum or chemical substances at various sites. Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Liabilities for expenditures of a noncapital nature are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated. Such liabilities are generally undiscounted unless the timing of cash payments for the liability or component are fixed or reliably determinable. No such liabilities have been accrued as of December 31, 2000.

Revenue recognition - The Partnership uses the entitlements method of accounting for oil, natural gas liquids ("NGLs") and natural gas revenues.

NOTE 3. IMPAIRMENT OF LONG-LIVED ASSETS

In accordance with SFAS 121, the Partnership reviews its proved oil and gas properties for impairment whenever events and circumstances indicate a decline in the recoverability of the carrying value of the Partnership's oil and gas properties. The Partnership has estimated the expected future cash flows of its oil and gas properties as of December 31, 2000, 1999 and 1998, based on proved reserves, and compared such estimated future cash flows to the respective carrying amount of the oil and gas properties to determine if the carrying amounts were likely to be recoverable. For those proved oil and gas properties for which the carrying amount exceeded the estimated future cash flows, an impairment was determined to exist; therefore, the Partnership adjusted the carrying amount of those oil and gas properties to their fair value as determined by discounting their expected future cash flows at a discount rate commensurate with the risks involved in the industry. As a result, the Partnership recognized non-cash impairment provisions of \$27,748 and \$262,396 related to its proved oil and gas properties during 2000 and 1998, respectively.

1419

NOTE 4. INCOME TAXES

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The financial statement basis of the Partnership's net assets and liabilities was \$191,325 greater than the tax basis at December 31, 2000.

The following is a reconciliation of net income (loss) per statements of operations with the net income per Federal income tax returns for the years ended December 31:

	2000 -----	1999 -----	1998 -----
Net income (loss) per statements of operations	\$ 433,269	\$ 121,713	\$ (366,035)
Impairment of oil and gas properties for financial reporting purposes	27,748	-	262,396
Depletion and depreciation provisions for tax reporting purposes less than amounts for financial reporting purposes	57,991	91,381	226,609
Other, net	(1,014)	(2,514)	2,725
	-----	-----	-----
Net income per Federal income tax returns	\$ 517,994 =====	\$ 210,580 =====	\$ 125,695 =====

### NOTE 5. OIL AND GAS PRODUCING ACTIVITIES

The following is a summary of the costs incurred, whether capitalized or expensed, related to the Partnership's oil and gas producing activities for the years ended December 31:

	2000 -----	1999 -----	1998 -----
Development costs	\$ 10,434 =====	\$ 7,556 =====	\$ 10,801 =====

Capitalized oil and gas properties consist of the following:

	2000 -----	1999 -----
Proved properties:		
Property acquisition costs	\$ 171,441	\$ 171,441
Completed wells and equipment	5,143,530	5,133,096
	-----	-----
Accumulated depletion	5,314,971 (4,443,011)	5,304,537 (4,349,082)
	-----	-----
Net oil and gas properties	\$ 871,960 =====	\$ 955,455 =====

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

1420

NOTE 6. RELATED PARTY TRANSACTIONS

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

	2000 -----	1999 -----	1998 -----
Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$ 133,513	\$ 129,059	\$ 124,312
Reimbursement of general and administrative expenses	\$ 25,658	\$ 16,168	\$ 14,082

The Partnership participates in oil and gas activities through an income tax partnership (the "Program") pursuant to the Program agreement. Pioneer USA and P&P Employees 89-B Conv., L.P. ("EMPL"), Parker & Parsley 89-B, L.P. and the Partnership (the "Partnerships") are parties to the Program agreement. EMPL is a limited partnership organized for the benefit of certain employees of Pioneer USA. EMPL was merged with Pioneer USA on December 28, 2000.

The costs and revenues of the Program are allocated to Pioneer USA and the Partnerships as follows:

	Pioneer USA (1) -----	Partnerships (2) -----
Revenues:		
Proceeds from disposition of depreciable and depletable properties -		
First three years	14.141414%	85.858586%
After first three years	19.191919%	80.808081%
All other revenues -		
First three years	14.141414%	85.858586%
After first three years	19.191919%	80.808081%
Costs and expenses:		
Lease acquisition costs, drilling and completion costs and all other costs	9.090909%	90.909091%
Operating costs, reporting and legal expenses and general and administrative expenses -		
First three years	14.141414%	85.858586%
After first three years	19.191919%	80.808081%

(1) Excludes Pioneer USA's 1% general partner ownership which is allocated at the Partnership level and 20 limited partner interests owned by Pioneer USA.

(2) The allocation between the Partnership and Parker & Parsley 89-B, L.P. is 47.578455% and 52.421545%, respectively.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

NOTE 7. OIL AND GAS INFORMATION (UNAUDITED)

The following table presents information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities during the years then ended. All of the Partnership's reserves are proved developed and located within the United States. The Partnership's reserves are based on an evaluation prepared by Williamson Petroleum Consultants, Inc., an independent petroleum consultant, using criteria established by the Securities and Exchange Commission.

10

1421

	Oil and NGLs (bbls)	Gas (mcf)
	-----	-----
Net proved reserves at January 1, 1998	471,441	734,987
Revisions	(202,204)	(246,962)
Production	(35,481)	(52,345)
	-----	-----
Net proved reserves at December 31, 1998	233,756	435,680
Revisions	267,905	413,961
Production	(32,585)	(46,681)
	-----	-----
Net proved reserves at December 31, 1999	469,076	802,960
Revisions	1,942	(157,459)
Production	(30,959)	(42,179)
	-----	-----
Net proved reserves at December 31, 2000	440,059	603,322
	=====	=====

As of December 31, 2000, the estimated present value of future net revenues of proved reserves, calculated using December 31, 2000 prices of \$26.64 per barrel of oil, \$13.35 per barrel of NGLs and \$7.90 per mcf of gas, discounted at 10% was approximately \$3,414,000 and undiscounted was \$6,785,000.

Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves. The Partnership emphasizes that reserve estimates are inherently imprecise and, accordingly, the estimates are expected to change as future information becomes available.

Disclosures about Oil & Gas Producing Activities

Standardized Measure of Discounted Future Net Cash Flows

The standardized measure of discounted future net cash flows is computed by applying year-end prices of oil and gas (with consideration of price changes only to the extent provided by contractual arrangements) to the estimated future production of proved oil and gas reserves less estimated future expenditures



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

(based on year-end costs) to be incurred in developing and producing the proved reserves, discounted using a rate of 10% per year to reflect the estimated timing of the future cash flows. A Federal income tax provision has not been calculated as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

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

	For the years ended December 31,		
	2000	1999	1998
	(in thousands)		
Oil and gas producing activities:			
Future cash inflows	\$ 14,354	\$ 11,715	\$ 2,600
Future production costs	(7,569)	(6,914)	(1,960)
	6,785	4,801	640
10% annual discount factor	(3,371)	(2,230)	(220)
	3,414	2,571	420
Standardized measure of discounted future net cash flows	\$ 3,414	\$ 2,571	\$ 420

11

1422

	For the years ended December 31,		
	2000	1999	1998
	(in thousands)		
Oil and Gas Producing Activities:			
Oil and gas sales, net of production costs	\$ (547)	\$ (236)	\$ (149)
Net changes in prices and production costs	1,522	1,145	(1,146)
Revisions of previous quantity estimates	(163)	1,753	(282)
Accretion of discount	257	42	189
Changes in production rates, timing and other	(226)	(555)	(76)
	843	2,149	(1,464)
Change in present value of future net revenues	843	2,149	(1,464)
Balance, beginning of year	2,571	422	1,886
Balance, end of year	\$ 3,414	\$ 2,571	\$ 420

1385

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

### NOTE 8. MAJOR CUSTOMERS

The following table reflects the major customers of the Partnership's oil and gas sales (a major customer is defined as a customer whose sales exceed 10% of total sales) during the years ended December 31:

	2000 -----	1999 -----	1998 -----
Plains Marketing, L.P.	55%	51%	-
Genesis Crude Oil, L.P.	-	-	59%
Western Gas Resources, Inc.	4%	6%	26%

At December 31, 2000, the amount receivable from Plains Marketing, L.P. was \$37,745 which is included in the caption "Accounts receivable - oil and gas sales" in the accompanying Balance Sheet.

Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on the ability of the Partnership to sell its oil, NGLs and gas production.

### NOTE 9. PARTNERSHIP AGREEMENT

The following is a brief summary of the more significant provisions of the Partnership agreement:

Managing general partner - The managing general partner of the Partnership is Pioneer USA. Pioneer USA has the power and authority to manage, control and administer all Program and Partnership affairs. As managing general partner and operator of the Partnership's properties, all production expenses are incurred by Pioneer USA and billed to the Partnership. The majority of the Partnership's oil and gas revenues are received directly by the Partnership, however, a portion of the oil and gas revenue is initially received by Pioneer USA prior to being paid to the Partnership. Under the limited partnership agreement, the managing general partner pays 1% of the Partnership's acquisition, drilling and completion costs and 1% of its operating, general and administrative expenses. In return, it is allocated 1% of the Partnership's revenues.

Limited partner liability - The maximum amount of liability of any limited partner is the total contributions of such partner plus his share of undistributed profits.

12

1423

Initial capital contributions - The partners entered into subscription agreements for aggregate capital contributions of \$6,307,000. The managing general partner is required to contribute amounts equal to 1% of initial Partnership capital less commission and organization and offering costs allocated to the limited partners and to contribute amounts necessary to pay costs and expenses allocated to it under the Partnership agreement to the extent its share of revenues does not cover such costs.

13

1424

PARKER & PARSLEY 89-B CONV., L.P.

# Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

(A DELAWARE LIMITED PARTNERSHIP)

THIS REPORT CONTAINS FORWARD LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. ACCORDINGLY, NO ASSURANCES CAN BE GIVEN THAT THE ACTUAL EVENTS AND RESULTS WILL NOT BE MATERIALLY DIFFERENT THAN THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Results of operations

2000 compared to 1999

The Partnership's oil and gas revenues increased 61% to \$873,058 for 2000 as compared to \$542,232 in 1999. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 2000, 19,708 barrels of oil, 11,251 barrels of natural gas liquids ("NGLs") and 42,179 mcf of gas were sold, or 37,989 barrel of oil equivalents ("BOEs"). In 1999, 20,322 barrels of oil, 12,263 barrels of NGLs and 46,681 mcf of gas were sold, or 40,365 BOEs. Due to the decline characteristics of the Partnership's oil and gas properties, management expects a certain amount of decline in production in the future until the Partnership's economically recoverable reserves are fully depleted.

The average price received per barrel of oil increased \$12.25, or 72%, from \$16.96 in 1999 to \$29.21 in 2000. The average price received per barrel of NGLs increased \$5.99, or 63%, from \$9.57 in 1999 to \$15.56 in 2000. The average price received per mcf of gas increased 69% from \$1.72 in 1999 to \$2.90 in 2000. The market price for oil and gas has been extremely volatile in the past decade, and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received in 2000.

Total costs and expenses increased in 2000 to \$448,166 as compared to \$425,787 in 1999, an increase of \$22,379, or 5%. The increase was due to increases in the impairment of oil and gas properties, production costs and general and administrative expenses ("G&A"), offset by a decline in depletion.

Production costs were \$326,082 in 2000 and \$305,897 in 1999, resulting in a \$20,185 increase, or 7%. The increase was primarily due to higher production taxes associated with higher oil and gas prices, offset by a decline in well maintenance costs.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 38% from \$20,352 in 1999 to \$28,155 in 2000, primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$25,658 in 2000 and \$16,168 in 1999 for G&A incurred on behalf of the Partnership. The remaining G&A was paid directly by the Partnership. The managing general partner determines the allocated expenses based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partners. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the managing general partner reviews the Partnership's oil and gas properties for impairment whenever events or

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

circumstances indicate a decline in the recoverability of the carrying value of the Partnership's assets may have occurred. As a result of the review and evaluation of its long-lived assets for impairment, the Partnership recognized a non-cash charge of \$27,748 related to its oil and gas properties during 2000.

Depletion was \$66,181 in 2000 as compared to \$99,538 in 1999, representing a decrease of \$33,357, or 34%. This decrease was primarily due to an 8,572 barrels of oil increase in proved reserves during 2000 as a result of higher commodity prices.

1425

1999 compared to 1998

The Partnership's 1999 oil and gas revenues increased 15% to \$542,232 from \$471,148 in 1998. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 1999, 20,322 barrels of oil, 12,263 barrels of NGLs and 46,681 mcf of gas were sold, or 40,365 BOEs. In 1998, 22,378 barrels of oil, 13,103 barrels of NGLs and 52,345 mcf of gas were sold, or 44,205 BOEs.

The average price received per barrel of oil increased \$3.70, or 28%, from \$13.26 in 1998 to \$16.96 in 1999. The average price received per barrel of NGLs increased \$2.63, or 38%, from \$6.94 in 1998 to \$9.57 in 1999. The average price received per mcf of gas increased 8% from \$1.60 in 1998 to \$1.72 in 1999.

Total costs and expenses decreased in 1999 to \$425,787 as compared to \$842,701 in 1998, a decrease of \$416,914, or 49%. The decrease was due to declines in the impairment of oil and gas properties, depletion and production costs, offset by an increase in G&A.

Production costs were \$305,897 in 1999 and \$322,354 in 1998, resulting in a \$16,457 decrease, or 5%. The decrease was due to declines in ad valorem taxes and well maintenance costs.

During this period, G&A increased 27% from \$16,076 in 1998 to \$20,352 in 1999 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$16,168 in 1999 and \$14,082 in 1998 for G&A incurred on behalf of the Partnership.

The Partnership recognized a non-cash SFAS 121 charge of \$262,396 related to its oil and gas properties during 1998.

Depletion was \$99,538 in 1999 compared to \$241,875 in 1998, representing a decrease of \$142,337, or 59%. This decrease was the result of an increase in proved reserves of 173,770 barrels of oil during 1999 as a result of higher commodity prices and a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 1998.

Petroleum industry

The petroleum industry has been characterized by volatile oil, NGL and natural gas commodity prices and relatively stable supplier costs during the three years ended December 31, 2000. During 1998, weather patterns, regional economic recessions and political matters combined to cause worldwide oil supplies to exceed demand resulting in a substantial decline in oil prices. Also during 1998, but to a lesser extent, market prices for natural gas declined. During 1999 and 2000, the Organization of Petroleum Exporting Countries ("OPEC") and certain other crude oil exporting nations announced reductions in their planned export volumes. Those announcements, together with the enactment of the

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

announced reductions in export volumes, had a positive impact on world oil prices, as have overall natural gas supply and demand fundamentals on North American natural gas prices. Although the favorable commodity price environment and stable field service cost environment is expected to continue during 2001, there is no assurance that commodity prices will not return to a less favorable level or that field service costs will not escalate in the future, both of which could negatively impact the Partnership's future results of operations and cash distributions.

### Liquidity and capital resources

#### Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$259,724 during the year ended December 31, 2000 from 1999. This increase was due to an increase in oil and gas sales receipts of \$334,289, offset by increases in production costs paid of \$20,185, G&A expenses paid of \$7,803 and working capital of \$46,577. The increase in oil and gas receipts resulted from the increase in commodity prices during 2000 which contributed an additional \$381,025 to oil and gas receipts, offset by \$46,736 resulting from the decline in production during 2000. The increase in production costs was primarily due to increased production taxes associated with higher oil and gas prices, offset by a decline in well maintenance costs. The increase in G&A was primarily due to higher percentage of the managing general partner's G&A being allocated (limited

1426

to 3% of oil and gas revenues) as a result of increased oil and gas revenues.

#### Net Cash Used in Investing Activities

The Partnership's principal investing activities during 2000 and 1999 included expenditures related to equipment upgrades on several oil and gas properties.

#### Net Cash Used in Financing Activities

In 2000, cash distributions to the partners were \$474,240, of which \$4,742 was distributed to the managing general partner and \$469,498 to the limited partners. In 1999, cash distributions to the partners were \$154,304, of which \$1,543 was distributed to the managing general partner and \$152,761 to the limited partners.

1427

PARKER & PARSLEY 89-B CONV., L.P.

### SELECTED FINANCIAL DATA

The following selected financial data for the Partnership should be read in connection with Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements included in the attached supplemental information.

Six months  
ended  
June 30,

Years ended Dec

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	2001	2000	2000	1999	1998
Operating results:					
Oil and gas sales	\$ 432,217	\$ 409,534	\$ 873,058	\$ 542,232	\$ 471,148
Impairment of oil and gas properties	\$ --	\$ --	\$ 27,748	\$ --	\$ 262,396
Net income (loss)	\$ 211,326	\$ 204,552	\$ 433,269	\$ 121,713	\$ (366,035)
Allocation of net income (loss):					
Managing general partner	\$ 2,113	\$ 2,046	\$ 4,333	\$ 1,217	\$ (3,660)
Limited partners	\$ 209,213	\$ 202,506	\$ 428,936	\$ 120,496	\$ (362,375)
Limited partners' net income (loss) per limited partnership interest	\$ 33.17	\$ 32.11	\$ 68.01	\$ 19.11	\$ (57.46)
Limited partners' cash distributions per limited partnership interest	\$ 26.50	\$ 33.22	\$ 74.44	\$ 24.22	\$ 27.70
As of period ended:					
Total assets	\$1,148,110	\$1,148,269	\$1,101,313	\$1,145,764	\$1,175,521

1428

PIONEER NATURAL RESOURCES COMPANY  
PIONEER NATURAL RESOURCES USA, INC.  
5205 NORTH O'CONNOR BLVD., SUITE 1400  
IRVING, TEXAS 75039

SUPPLEMENTAL INFORMATION

OF

PARKER & PARSLEY 89-B, L.P., A DELAWARE LIMITED PARTNERSHIP

TO

PROXY STATEMENT/PROSPECTUS DATED , 2001

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

THE DATE OF THIS SUPPLEMENT IS \_\_\_\_\_, 2001

-----

This document contains important information specific to Parker & Parsley 89-B, L.P., and supplements the proxy statement/prospectus dated \_\_\_\_\_, 2001, of Pioneer Natural Resources Company and Pioneer Natural Resources USA, Inc., by which Pioneer USA is soliciting proxies to be voted at a special meeting of limited partners of the partnership. The purpose of the special meeting is for you to vote upon the merger of the partnership with and into Pioneer USA that, if completed, will result in your receiving common stock of Pioneer Natural Resources Company for your partnership interests.

This document contains the following information concerning Parker & Parsley 89-B, L.P.:

- o A table containing:
  - the aggregate initial investment by the limited partners
  - the aggregate historical limited partner distributions through July 31, 2001
  - the merger value attributable to partnership interests of limited partners, excluding Pioneer USA
  - the merger value per \$1,000 limited partner investment
  - the merger value per \$1,000 limited partner investment as a multiple of distributions for the past four quarterly distributions including the distribution in July 2001
  - the book value per \$1,000 limited partner investment as of June 30, 2001 and as of December 31, 2000
  - the going concern value per \$1,000 limited partner investment
  - the liquidation value per \$1,000 limited partner investment
  - the ordinary tax loss per \$1,000 limited partner investment in year of initial investment
- o Information about:
  - the legal opinion for the limited partners
  - the term of the partnership
- o The partnership's financial statements, including management's discussion and analysis of financial condition and results of operations, for the six months ended June 30, 2001
- o The partnership's financial statements, including management's discussion and analysis of financial condition and results of operations, for the year ended December 31, 2000
- o Selected historical financial data for the partnership for the six

# Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

months ended June 30, 2001 and 2000 and the five years ended December 31, 2000

-1-

1429

PARKER & PARSLEY 89-B, L.P.

## SUPPLEMENTAL INFORMATION TABLE

Aggregate Initial Investment by the Limited Partners (a)	\$
Aggregate Historical Limited Partner Distributions through July 31, 2001 (a)	\$
Merger Value Attributable to Partnership Interests of Limited Partners, Excluding Pioneer USA (a), (b)	\$
Merger Value per \$1,000 Limited Partner Investment (b), (c)	\$
Merger Value per \$1,000 Limited Partner Investment as a Multiple of Distributions for the past four quarterly distributions including the distribution in July 2001 (b), (c)	
Book Value per \$1,000 Limited Partner Investment:	
-- as of June 30, 2001 (c)	\$
-- as of December 31, 2000 (c)	\$
Going Concern Value per \$1,000 Limited Partner Investment (c), (d)	\$
Liquidation Value per \$1,000 Limited Partner Investment (c), (e)	\$
Ordinary Tax Loss per \$1,000 Limited Partner Investment in Year of Initial Investment (c), (f)	\$

-----

(a) Stated in thousands.

(b) The merger value for the partnership is equal to the sum of the present value of estimated future net revenues from the partnership's estimated oil and gas reserves and its net working capital, in each case as of March 31, 2001, less its pro rata share, based on its reserve value, of the estimated expenses and fees of the mergers of all of the partnerships and less the cash distribution on July 13, 2001, by the partnership to its partners.

(c) Interests in some partnerships were sold in units at prices other than \$1,000. We have presented this information based on a \$1,000 initial investment for ease of use and comparison among partnerships. You should not assume that the amount shown per \$1,000 investment is the same as the value or amount attributable to a single unit investment.

(d) The going concern value for the partnership is based upon: (1) the sum of



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

(A) the estimated net cash flow from the sale of the partnership's reserves during a 10-year operating period and (B) the estimated residual value from the sale of the partnership's remaining reserves at the end of the operating period, in each case using the same pricing and discount rate as in the merger value calculation, less (2) (A) partnership level general and administrative expenses, and (B) the cash distribution on July 13, 2001 by the partnership to its partners.

- (e) The liquidation value for the partnership is based upon the sale of the partnership's reserves at the reserve value, less (1) liquidation expenses which are estimated to be the sum of (A) the partnership's pro rata share of the merger expenses and fees described in footnote (b) above and (B) 3% of the partnership's reserve value, and (2) the cash distribution on July 13, 2001 by the partnership to its partners. The liquidation expenses represent estimated costs to retain an investment banker or broker to sell the assets of the partnership and the legal and other closing costs associated with such transaction, including the wind-down costs of the partnership.
- (f) Your ability to use your distributive share of the partnership's loss to offset your other income may have been subject to certain limitations at your level as a partner, and you may therefore wish to consult your tax advisor to determine the additional value, if any, actually realized by you in your particular circumstances.

### INFORMATION ABOUT THE LEGAL OPINION FOR THE LIMITED PARTNERS

The partnership agreement for the partnership requires that special legal counsel render an opinion on behalf of the limited partners to Pioneer USA that neither the grant nor the exercise of the right to approve the merger of the partnership by its limited partners will adversely affect the federal income tax classification of the partnership or any of its limited partners. Although not required by the partnership agreement, the opinion will also state that neither the grant nor exercise of such right will result in the loss of any limited partner's limited liability. In addition, the counsel designated to render the opinion is not required to be counsel other than counsel to Pioneer USA or the partnership. Both the designated counsel and the legal opinion must be approved by the limited partners. Pioneer USA has retained \_\_\_\_\_ of Dallas, Texas for the purpose of rendering this legal opinion on behalf of the limited partners to Pioneer USA. The merger proposals include an approval of that counsel and the form of its opinion. A copy of the opinion is attached as an exhibit to the merger proposals.

### INFORMATION ABOUT THE TERM OF THE PARTNERSHIP

The term of the partnership is until December 31, 2039, unless the partnership is earlier terminated in accordance with the applicable provisions of its partnership agreement.

-2-

1430

PARKER & PARSLEY 89-B, L.P.

(A Delaware Limited Partnership)

### FINANCIAL STATEMENTS

June 30, 2001 and December 31, 2000

(Unaudited)

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

1431

PARKER & PARSLEY 89-B, L.P.  
(A Delaware Limited Partnership)

BALANCE SHEETS

	June 30, 2001	December 31, 2000
	-----	-----
	(Unaudited)	
ASSETS		
Current assets:		
Cash	\$ 241,922	\$ 105,641
Accounts receivable - oil and gas sales	100,082	148,020
	-----	-----
Total current assets	342,004	253,661
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	5,858,627	5,855,803
Accumulated depletion	(4,934,712)	(4,894,889)
	-----	-----
Net oil and gas properties	923,915	960,914
	-----	-----
	\$ 1,265,919	\$ 1,214,575
	=====	=====
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable - affiliate	\$ 17,756	\$ 12,985
Partners' capital:		
Managing general partner	12,722	12,256
Limited partners (6,949 interests)	1,235,441	1,189,334
	-----	-----
	1,248,163	1,201,590
	-----	-----
	\$ 1,265,919	\$ 1,214,575
	=====	=====

The financial information included as of June 30, 2001 has been prepared by the managing general partner without audit by independent public accountants.

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

1432

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

PARKER & PARSLEY 89-B, L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF OPERATIONS  
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2001	2000	2001	2000
Revenues:				
Oil and gas	\$209,198	\$232,094	\$475,940	\$450,799
Interest	1,766	2,342	3,723	4,042
	-----	-----	-----	-----
	210,964	234,436	479,663	454,841
	-----	-----	-----	-----
Costs and expenses:				
Oil and gas production	97,874	90,344	191,734	180,904
General and administrative	6,278	7,307	15,495	13,868
Depletion	19,323	18,232	39,823	35,077
	-----	-----	-----	-----
	123,475	115,883	247,052	229,849
	-----	-----	-----	-----
Net income	\$ 87,489	\$118,553	\$232,611	\$224,992
	=====	=====	=====	=====
Allocation of net income:				
Managing general partner	\$ 875	\$ 1,186	\$ 2,326	\$ 2,250
	=====	=====	=====	=====
Limited partners	\$ 86,614	\$117,367	\$230,285	\$222,742
	=====	=====	=====	=====
Net income per limited partnership interest	\$ 12.46	\$ 16.89	\$ 33.14	\$ 32.05
	=====	=====	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

PARKER & PARSLEY 89-B, L.P.  
(A Delaware Limited Partnership)

STATEMENT OF PARTNERS' CAPITAL  
(Unaudited)

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	Managing general partner -----	Limited partners -----	Total -----
Balance at January 1, 2001	\$ 12,256	\$ 1,189,334	\$ 1,201,590
Distributions	(1,860)	(184,178)	(186,038)
Net income	2,326	230,285	232,611
Balance at June 30, 2001	\$ 12,722 =====	\$ 1,235,441 =====	\$ 1,248,163 =====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

4

1434

PARKER & PARSLEY 89-B, L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF CASH FLOWS  
(Unaudited)

	Six months ended June 30, -----	
	2001 -----	2000 -----
Cash flows from operating activities:		
Net income	\$ 232,611	\$ 224,992
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion	39,823	35,077
Changes in assets and liabilities:		
Accounts receivable	47,938	(30,214)
Accounts payable	4,771	10,563
Net cash provided by operating activities	325,143 -----	240,418 -----
Cash flows used in investing activities:		
Additions to oil and gas properties	(2,824)	(8,268)

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Cash flows used in financing activities:		
Cash distributions to partners	(186,038)	(233,181)
	-----	-----
Net increase (decrease) in cash	136,281	(1,031)
Cash at beginning of period	105,641	130,083
	-----	-----
Cash at end of period	\$ 241,922	\$ 129,052
	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

5

1435

PARKER & PARSLEY 89-B, L.P.  
(A Delaware Limited Partnership)

NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Unaudited)

### Note 1. Organization and nature of operations

Parker & Parsley 89-B, L.P. (the "Partnership") is a limited partnership organized in 1989 under the laws of the State of Delaware.

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

### Note 2. Basis of presentation

In the opinion of management, the unaudited financial statements of the Partnership as of June 30, 2001 and for the three and six months ended June 30, 2001 and 2000 include all adjustments and accruals consisting only of normal recurring accrual adjustments which are necessary for a fair presentation of the results for the interim period. These interim results are not necessarily indicative of results for a full year. Certain reclassifications may have been made to the June 30, 2000 financial statements to conform to the June 30, 2001 financial statement presentations.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in these interim financial statements. The financial statements should be read in conjunction with the financial statements and the notes thereto contained in the Partnership's report for the year ended December 31, 2000, as filed with the Securities and Exchange Commission, a copy of which is available upon request by writing to Rich Dealy, Vice President and Chief Accounting Officer, 5205 North O'Connor Boulevard, Suite 1400, Irving, Texas 75039-3746.

Management's Discussion and Analysis of Financial Condition  
and Results of Operations (1)

Results of Operations

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Six months ended June 30, 2001 compared with six months ended June 30, 2000

### Revenues:

The Partnership's oil and gas revenues increased 6% to \$475,940 for the six months ended June 30, 2001 as compared to \$450,799 for the same period in 2000. The increase in revenues resulted from higher average prices received, offset by a decrease in production. For the six months ended June 30, 2001, 10,095 barrels

6

1436

of oil, 4,141 barrels of natural gas liquids ("NGLs") and 25,638 mcf of gas were sold, or 18,509 barrel of oil equivalents ("BOEs"). For the six months ended June 30, 2000, 11,198 barrels of oil, 6,538 barrels of NGLs and 24,114 mcf of gas were sold, or 21,755 BOEs.

The average price received per barrel of oil increased \$.25, or 1%, from \$27.44 for the six months ended June 30, 2000 to \$27.69 for the same period in 2001. The average price received per barrel of NGLs increased \$3.09, or 22%, from \$13.93 during the six months ended June 30, 2000 to \$17.02 for the same period in 2001. The average price received per mcf of gas increased 125% from \$2.18 during the six months ended June 30, 2000 to \$4.91 for the same period in 2001. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than those received during the six months ended June 30, 2001.

### Costs and Expenses:

Total costs and expenses increased to \$247,052 for the six months ended June 30, 2001 as compared to \$229,849 for the same period in 2000, an increase of \$17,203, or 7%. This increase was due to an increase in production costs, depletion and general and administrative expenses ("G&A").

Production costs were \$191,734 for the six months ended June 30, 2001 and \$180,904 for the same period in 2000, resulting in a \$10,830, or 6%, increase. This increase was the result of additional well maintenance and workover costs incurred to stimulate well production and higher production taxes due to higher oil and gas prices.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 12%, from \$13,868 for the six months ended June 30, 2000 to \$15,495 for the same period in 2001, primarily due to a higher allocation of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues and an increase in audit and tax fees.

Depletion was \$39,823 for the six months ended June 30, 2001 as compared to \$35,077 for the same period in 2000, an increase of \$4,746, or 14%. This increase was due to a decrease in proved reserves during the period ended June 30, 2001 as a result of lower commodity prices, offset by a decline in oil production of 1,103 barrels for the six months ended June 30, 2001 as compared to the same period in 2000.

Three months ended June 30, 2001 compared with three months ended June 30, 2000

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

### Revenues:

The Partnership's oil and gas revenues decreased 10% to \$209,198 for the three months ended June 30, 2001 as compared to \$232,094 for the same period in 2000. The decrease in revenues resulted from a decrease in production and lower average prices received for oil, offset by increases in the average prices

7

1437

received for gas and NGLs. For the three months ended June 30, 2001, 4,922 barrels of oil, 2,174 barrels of NGLs and 11,900 mcf of gas were sold, or 9,079 BOEs. For the three months ended June 30, 2000, 5,654 barrels of oil, 3,426 barrels of NGLs and 11,762 mcf of gas were sold, or 11,040 BOEs.

The average price received per barrel of oil decreased \$.78, or 3%, from \$27.73 for the three months ended June 30, 2000 to \$26.95 for the three months ended June 30, 2001. The average price received per barrel of NGLs increased \$1.76, or 13%, from \$13.12 during the three months ended June 30, 2000 to \$14.88 for the same period in 2001. The average price received per mcf of gas increased 44% to \$3.72 during the three months ended June 30, 2001 from \$2.58 during the same period in 2000.

### Costs and Expenses:

Total costs and expenses increased to \$123,475 for the three months ended June 30, 2001 as compared to \$115,883 for the same period in 2000, an increase of \$7,592, or 7%. This increase was due to increases in production costs and depletion, offset by a decrease in G&A.

Production costs were \$97,874 for the three months ended June 30, 2001 and \$90,344 for the same period in 2000, resulting in a \$7,530 increase, or 8%. The increase was due to an increase in well maintenance and workover costs incurred to stimulate well production, offset by a decrease in production taxes due to lower oil prices.

During this period, G&A decreased 14%, from \$7,307 for the three months ended June 30, 2000 to \$6,278 for the same period in 2001, primarily due to a lower allocation of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of decreased oil and gas revenues and a decrease in audit and tax fees.

Depletion was \$19,323 for the three months ended June 30, 2001 as compared to \$18,232 for the same period in 2000, an increase of \$1,091, or 6%. This increase was attributable to a decrease in proved reserves during the period ended June 30, 2001 as a result of lower commodity prices, offset by a decrease in oil production of 732 barrels for the three months ended June 30, 2001 as compared to the same period in 2000.

### Liquidity and Capital Resources

#### Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$84,725 during the six months ended June 30, 2001 from the same period in 2000. This increase was due to an increase of \$24,822 in oil and gas sales receipts and a reduction in working capital of \$72,360, offset by increases in production costs of \$10,830 and G&A expenses of \$1,627. The increase in oil and gas receipts resulted from the increase in commodity prices during 2001 which contributed an additional

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

\$88,680 to oil and gas receipts, offset by \$63,858 resulting from the decline in production during 2001 as compared to the same period in 2000. The increase in production costs was primarily due to additional well maintenance and workover

8

1438

costs incurred to stimulate well production and increased production taxes associated with higher oil and gas prices. The increase in G&A was primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues and an increase in audit and tax fees.

### Net Cash Used in Investing Activities

The Partnership's principal investing activities during the six months ended June 30, 2001 and 2000 included expenditures related to equipment upgrades on various oil and gas properties.

### Net Cash Used in Financing Activities

For the six months ended June 30, 2001, cash distributions to the partners were \$186,038, of which \$1,860 was distributed to the managing general partner and \$184,178 to the limited partners. For the same period ended June 30, 2000, cash distributions to the partners were \$233,181, of which \$2,332 was distributed to the managing general partner and \$230,849 to the limited partners.

For the three months ended June 30, 2001, no distributions were made by the partnership to its partners. Subsequent to June 30, 2001 the cash distribution that otherwise would have been mailed to partners in late June was made to holders of record as of July 9, 2001 and was mailed on July 13, 2001. For further information, see "Proposal to acquire partnerships" below.

### Proposal to acquire partnerships

On June 29, 2001, Pioneer Natural Resources Company ("Pioneer") filed with the Securities and Exchange Commission Amendment No. 1 to the Form S-4 Registration Statement (File No. 333- 59094) (the "preliminary proxy statement/prospectus"), which proposes an agreement and plan of merger among Pioneer, Pioneer Natural Resources USA, Inc. ("Pioneer USA"), a wholly-owned subsidiary of Pioneer, and 46 Parker & Parsley limited partnerships. Each partnership that approves the agreement and plan of merger and the other related merger proposals will merge with and into Pioneer USA upon the closing of the transactions described in the preliminary proxy statement/prospectus, and the partnership interests of each such partnership will be converted into the right to receive Pioneer common stock. The Partnership is one of the 46 Parker & Parsley limited partnerships that will be asked to approve the agreement and plan of merger. The preliminary proxy statement/prospectus is non-binding and is subject to, among other things, consideration of offers from third parties to purchase any partnership or its assets and the majority approval of the limited partnership interests in each partnership.

Pioneer USA will solicit proxies from limited partners to approve the mergers only when the proxy statement/prospectus is final and declared effective. No solicitation will be made using preliminary materials. Nonetheless, copies of the preliminary proxy statement/prospectus may be obtained without charge upon request from Pioneer Natural Resources Company, 5205 North O'Connor Blvd., Suite 1400, Irving, Texas 75039, Attention: Investor Relations.

The limited partners are urged to read the proxy statement/prospectus of Pioneer filed with the Securities and Exchange Commission, when it is finalized, because it contains important information about the proposed mergers, including



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

information about the direct and indirect interests of Pioneer USA and Pioneer

9

1439

in the mergers. The limited partners may also obtain the preliminary and (when filed) final proxy statement/prospectus and other relevant documents relating to the proposed mergers free through the internet web site that the Securities and Exchange Commission maintains at [www.sec.gov](http://www.sec.gov).

- 
- (1) "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" contains forward looking statements that involve risks and uncertainties. Accordingly, no assurances can be given that the actual events and results will not be materially different than the anticipated results described in the forward looking statements.

10

1440

PARKER & PARSLEY 89-B, L.P.  
(A Delaware Limited Partnership)

FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITORS' REPORT

December 31, 2000 and 1999

1441

INDEPENDENT AUDITORS' REPORT

The Partners

Parker & Parsley 89-B, L.P.

(A Delaware Limited Partnership):

We have audited the balance sheets of Parker & Parsley 89-B, L.P. as of December 31, 2000 and 1999, and the related statements of operations, partners' capital and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parker & Parsley 89-B, L.P. as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Dallas, Texas  
March 9, 2001

2

1442

PARKER & PARSLEY 89-B, L.P.  
(A Delaware Limited Partnership)

### BALANCE SHEETS December 31

	2000 -----	1999 -----
ASSETS -----		
Current assets:		
Cash	\$ 105,641	\$ 130,083
Accounts receivable - oil and gas sales	148,020	80,988
	-----	-----
Total current assets	253,661	211,071
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	5,855,803	5,844,308
Accumulated depletion	(4,894,889)	(4,791,400)
	-----	-----
Net oil and gas properties	960,914	1,052,908
	-----	-----
	\$ 1,214,575	\$ 1,263,979
	=====	=====
LIABILITIES AND PARTNERS' CAPITAL -----		
Current liabilities:		
Accounts payable - affiliate	\$ 12,985	\$ 16,819
Partners' capital:		
Managing general partner	12,256	12,712
Limited partners (6,949 interests)	1,189,334	1,234,448

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

-----	-----
1,201,590	1,247,160
-----	-----
\$ 1,214,575	\$ 1,263,979
=====	=====

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

3

1443

PARKER & PARSLEY 89-B, L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF OPERATIONS  
For the years ended December 31

	2000	1999	1998
	-----	-----	-----
Revenues:			
Oil and gas	\$ 961,197	\$ 597,130	\$ 518,801
Interest	9,481	5,469	6,043
Gain on disposition of assets	--	390	119
	-----	-----	-----
	970,678	602,989	524,963
	-----	-----	-----
Costs and expenses:			
Oil and gas production	359,243	337,025	355,148
General and administrative	31,002	22,369	17,625
Impairment of oil and gas properties	30,586	--	289,124
Depletion	72,903	109,755	266,451
	-----	-----	-----
	493,734	469,149	928,348
	-----	-----	-----
Net income (loss)	\$ 476,944	\$ 133,840	\$ (403,385)
	=====	=====	=====
Allocation of net income (loss):			
Managing general partner	\$ 4,769	\$ 1,338	\$ (4,034)
	=====	=====	=====
Limited partners	\$ 472,175	\$ 132,502	\$ (399,351)
	=====	=====	=====
Net income (loss) per limited partnership interest	\$ 67.95	\$ 19.07	\$ (57.47)
	=====	=====	=====

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

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

4

1444

PARKER & PARSLEY 89-B, L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF PARTNERS' CAPITAL

	Managing general partner	Limited partners	Total
	-----	-----	-----
Partners' capital at January 1, 1998	\$ 19,053	\$ 1,862,101	\$ 1,881,154
Distributions	(1,945)	(192,484)	(194,429)
Net loss	(4,034)	(399,351)	(403,385)
	-----	-----	-----
Partners' capital at December 31, 1998	13,074	1,270,266	1,283,340
Distributions	(1,700)	(168,320)	(170,020)
Net income	1,338	132,502	133,840
	-----	-----	-----
Partners' capital at December 31, 1999	12,712	1,234,448	1,247,160
Distributions	(5,225)	(517,289)	(522,514)
Net income	4,769	472,175	476,944
	-----	-----	-----
Partners' capital at December 31, 2000	\$ 12,256	\$ 1,189,334	\$ 1,201,590
	=====	=====	=====

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

5

1445

PARKER & PARSLEY 89-B, L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF CASH FLOWS  
For the years ended December 31

2000	1999	1998
-----	-----	-----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Cash flows from operating activities:			
Net income (loss)	\$ 476,944	\$ 133,840	\$ (403,385)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Impairment of oil and gas properties	30,586	--	289,124
Depletion	72,903	109,755	266,451
Gain on disposition of assets	--	(390)	(119)
Changes in assets and liabilities:			
Accounts receivable	(67,032)	(22,818)	47,684
Accounts payable	(3,834)	2,839	(7,697)
	-----	-----	-----
Net cash provided by operating activities	509,567	223,226	192,058
	-----	-----	-----
Cash flows from investing activities:			
Additions to oil and gas properties	(11,495)	(8,325)	(11,900)
Proceeds from dispositions of assets	--	390	119
	-----	-----	-----
Net cash used in investing activities	(11,495)	(7,935)	(11,781)
	-----	-----	-----
Cash flows used in financing activities:			
Cash distributions to partners	(522,514)	(170,020)	(194,429)
	-----	-----	-----
Net increase (decrease) in cash	(24,442)	45,271	(14,152)
Cash at beginning of year	130,083	84,812	98,964
	-----	-----	-----
Cash at end of year	\$ 105,641	\$ 130,083	\$ 84,812
	=====	=====	=====

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

6

1446

PARKER & PARSLEY 89-B, L.P.  
(A Delaware Limited Partnership)

NOTES TO FINANCIAL STATEMENTS  
December 31, 2000, 1999 and 1998

NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS

Parker & Parsley 89-B, L.P. (the "Partnership") is a limited partnership organized in 1989 under the laws of the State of Delaware. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA").

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

1405

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Oil and gas properties - The Partnership utilizes the successful efforts method of accounting for its oil and gas properties and equipment. Under this method, all costs associated with productive wells and nonproductive development wells are capitalized while nonproductive exploration costs are expensed. Capitalized costs relating to proved properties are depleted using the unit-of-production method on a property-by-property basis based on proved oil (dominant mineral) reserves as evaluated by independent petroleum consultants. The carrying amounts of properties sold or otherwise disposed of and the related allowances for depletion are eliminated from the accounts and any gain or loss is included in results of operations.

Impairment of long-lived assets - In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the Partnership reviews its long-lived assets to be held and used on an individual property basis, including oil and gas properties accounted for under the successful efforts method of accounting, whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. An impairment loss is indicated if the sum of the expected future cash flows is less than the carrying amount of the assets. In this circumstance, the Partnership recognizes an impairment loss for the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset.

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

Net income (loss) per limited partnership interest - The net income (loss) per limited partnership interest is calculated by using the number of outstanding limited partnership interests.

7

1447

Income taxes - A Federal income tax provision has not been included in the financial statements as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

Statements of cash flows - For purposes of reporting cash flows, cash includes depository accounts held by banks.

General and administrative expenses - General and administrative expenses are allocated in part to the Partnership by the managing general partner. Allocated expenses are determined by the managing general partner based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Reclassifications - Certain reclassifications may have been made to the 1999 and 1998 financial statements to conform to the 2000 financial statement presentations.

Environmental - The Partnership is subject to extensive federal, state and local environmental laws and regulations. These laws, which are constantly changing, regulate the discharge of materials into the environment and may

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

require the Partnership to remove or mitigate the environmental effects of the disposal or release of petroleum or chemical substances at various sites. Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Liabilities for expenditures of a noncapital nature are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated. Such liabilities are generally undiscounted unless the timing of cash payments for the liability or component are fixed or reliably determinable. No such liabilities have been accrued as of December 31, 2000.

Revenue recognition - The Partnership uses the entitlements method of accounting for oil, natural gas liquids ("NGLs") and natural gas revenues.

### NOTE 3. IMPAIRMENT OF LONG-LIVED ASSETS

In accordance with SFAS 121, the Partnership reviews its proved oil and gas properties for impairment whenever events and circumstances indicate a decline in the recoverability of the carrying value of the Partnership's oil and gas properties. The Partnership has estimated the expected future cash flows of its oil and gas properties as of December 31, 2000, 1999 and 1998, based on proved reserves, and compared such estimated future cash flows to the respective carrying amount of the oil and gas properties to determine if the carrying amounts were likely to be recoverable. For those proved oil and gas properties for which the carrying amount exceeded the estimated future cash flows, an impairment was determined to exist; therefore, the Partnership adjusted the carrying amount of those oil and gas properties to their fair value as determined by discounting their expected future cash flows at a discount rate commensurate with the risks involved in the industry. As a result, the Partnership recognized non-cash impairment provisions of \$30,586 and \$289,124 related to its proved oil and gas properties during 2000 and 1998, respectively.

8

1448

### NOTE 4. INCOME TAXES

The financial statement basis of the Partnership's net assets and liabilities was \$211,364 greater than the tax basis at December 31, 2000.

The following is a reconciliation of net income (loss) per statements of operations with the net income per Federal income tax returns for the years ended December 31:

	2000	1999	1998
	-----	-----	-----
Net income (loss) per statements of operations	\$ 476,944	\$ 133,840	\$ (403,385)
Impairment of oil and gas properties for financial reporting purposes	30,586	--	289,124
Depletion and depreciation provisions for tax reporting purposes less than amounts deducted for financial reporting purposes	63,879	100,769	254,734
Other, net	(1,322)	(3,050)	3,282
	-----	-----	-----
Net income per Federal income tax returns	\$ 570,087	\$ 231,559	\$ 143,755
	=====	=====	=====

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

NOTE 5. OIL AND GAS PRODUCING ACTIVITIES

The following is a summary of the net costs incurred, whether capitalized or expensed, related to the Partnership's oil and gas producing activities for the years ended December 31:

	2000 -----	1999 -----	1998 -----
Development costs	\$ 11,495 =====	\$ 8,325 =====	\$11,900 =====

Capitalized oil and gas properties consist of the following:

	2000 -----	1999 -----
Proved properties:		
Property acquisition costs	\$ 188,868	\$ 188,868
Completed wells and equipment	5,666,935 -----	5,655,440 -----
	5,855,803	5,844,308
Accumulated depletion	(4,894,889) -----	(4,791,400) -----
	5,855,803	5,844,308
Net oil and gas properties	\$ 960,914 =====	\$ 1,052,908 =====

9

1449

NOTE 6. RELATED PARTY TRANSACTIONS

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

	2000 -----	1999 -----	1998 -----
Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$147,103	\$142,197	\$136,965
Reimbursement of general and administrative expenses	\$ 28,269	\$ 17,812	\$ 15,438

The Partnership participates in oil and gas activities through an income



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

tax partnership (the "Program") pursuant to the Program agreement. Pioneer USA, P&P Employees 89-B Conv., L.P. ("EMPL") Parker & Parsley 89-B Conv., L.P. and the Partnership (the "Partnerships") are parties to the Program agreement. EMPL is a limited partnership organized for the benefit of certain employees of Pioneer USA. EMPL was merged with Pioneer USA on December 28, 2000.

The costs and revenues of the Program are allocated to Pioneer USA and the Partnerships as follows:

	Pioneer USA (1)	Partnerships (2)
Revenues:		
Proceeds from disposition of depreciable and depletable properties -		
First three years	14.141414%	85.858586%
After first three years	19.191919%	80.808081%
All other revenues -		
First three years	14.141414%	85.858586%
After first three years	19.191919%	80.808081%
Costs and expenses:		
Lease acquisition costs, drilling and completion costs and all other costs	9.090909%	90.909091%
Operating costs, reporting and legal expenses and general and administrative expenses -		
First three years	14.141414%	85.858586%
After first three years	19.191919%	80.808081%

(1) Excludes Pioneer USA's 1% general partner ownership which is allocated at the Partnership level and 72 limited partner interests owned by Pioneer USA.

(2) The allocation between the Partnership and Parker & Parsley 89-B Conv., L.P. is 52.421545% and 47.578455%, respectively.

### NOTE 7. OIL AND GAS INFORMATION (UNAUDITED)

The following table presents information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities during the years then ended. All of the Partnership's reserves are proved developed and located within the United States. The Partnership's reserves are based on an evaluation prepared by Williamson Petroleum Consultants, Inc., an independent petroleum consultant, using criteria established by the Securities and Exchange Commission.

10

1450

	Oil and NGLs (bbls)	Gas (mcf)
Net proved reserves at January 1, 1998	519,501	809,915
Revisions	(222,853)	(272,177)
Production	(39,063)	(57,643)
	-----	-----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Net proved reserves at December 31, 1998	257,585	480,095
Revisions	295,189	456,122
Production	(35,879)	(51,400)
	-----	-----
Net proved reserves at December 31, 1999	516,895	884,817
Revisions	1,443	(174,232)
Production	(34,089)	(46,454)
	-----	-----
Net proved reserves at December 31, 2000	484,249	664,131
	=====	=====

As of December 31, 2000, the estimated present value of future net revenues of proved reserves, calculated using December 31, 2000 prices of \$26.64 per barrel of oil, \$13.35 per barrel of NGLs and \$7.90 per mcf of gas, discounted at 10% was approximately \$3,756,000 and undiscounted was \$7,461,000.

Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves. The Partnership emphasizes that reserve estimates are inherently imprecise and, accordingly, the estimates are expected to change as future information becomes available.

Disclosures about Oil & Gas Producing Activities

Standardized Measure of Discounted Future Net Cash Flows

The standardized measure of discounted future net cash flows is computed by applying year-end prices of oil and gas (with consideration of price changes only to the extent provided by contractual arrangements) to the estimated future production of proved oil and gas reserves less estimated future expenditures (based on year-end costs) to be incurred in developing and producing the proved reserves, discounted using a rate of 10% per year to reflect the estimated timing of the future cash flows. A Federal income tax provision has not been calculated as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

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

For the years ended December 31,		
2000	1999	1998
-----	-----	-----
(in thousands)		

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Oil and gas producing activities:			
Future cash inflows	\$ 15,796	\$ 12,909	\$ 2,8
Future production costs	(8,335)	(7,619)	(2,1
	-----	-----	-----
	7,461	5,290	7
10% annual discount factor	(3,705)	(2,457)	(2
	-----	-----	-----
Standardized measure of discounted future net cash flows	\$ 3,756	\$ 2,833	\$ 4
	=====	=====	=====

	For the years ended December 31,		
	-----	-----	-----
	2000	1999	1998
	-----	-----	-----
	(in thousands)		
Oil and Gas Producing Activities:			
Oil and gas sales, net of production costs	\$ (602)	\$ (260)	\$ (163)
Net changes in prices and production costs	1,674	1,262	(1,263)
Revisions of previous quantity estimates	(185)	1,931	(311)
Accretion of discount	283	47	208
Changes in production rates, timing and other	(247)	(612)	(84)
	-----	-----	-----
Change in present value of future net revenues	923	2,368	(1,613)
	-----	-----	-----
Balance, beginning of year	2,833	465	2,078
	-----	-----	-----
Balance, end of year	\$ 3,756	\$ 2,833	\$ 465
	=====	=====	=====

NOTE 8. MAJOR CUSTOMERS

The following table reflects the major customers of the Partnership's oil and gas sales (a major customer is defined as a customer whose sales exceed 10% of total sales) during the years ended December 31:

	2000	1999	1998
	----	----	----
Plains Marketing, L.P.	55%	51%	-
Genesis Crude Oil, L.P.	-	-	59%
Western Gas Resources, Inc.	4%	6%	26%

At December 31, 2000, the amount receivable from Plains Marketing, L.P. was \$41,588 which is included in the caption "Accounts receivable - oil and gas sales" in the accompanying Balance Sheet.

Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on the ability of the Partnership to sell its oil, NGLs and gas production.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

### NOTE 9. PARTNERSHIP AGREEMENT

The following is a brief summary of the more significant provisions of the limited partnership agreement:

Managing general partner - The managing general partner of the Partnership is Pioneer USA. Pioneer USA has the power and authority to manage, control and administer all

12

1452

Program and Partnership affairs. As managing general partner and operator of the Partnership's properties, all production expenses are incurred by Pioneer USA and billed to the Partnership. The majority of the Partnership's oil and gas revenues are received directly by the Partnership, however, a portion of the oil and gas revenue is initially received by Pioneer USA prior to being paid to the Partnership. Under the limited partnership agreement, the managing general partner pays 1% of the Partnership's acquisition, drilling and completion costs and 1% of its operating and general and administrative expenses. In return, it is allocated 1% of the Partnership's revenues.

Limited partner liability - The maximum amount of liability of any limited partner is the total contributions of such partner plus his share of any undistributed profits.

Initial capital contributions - The limited partners entered into subscription agreements for aggregate capital contributions of \$6,949,000. The managing general partner is required to contribute amounts equal to 1% of initial Partnership capital less commission and offering expenses allocated to the limited partners and to contribute amounts necessary to pay costs and expenses allocated to it under the Partnership agreement to the extent its share of revenues does not cover such costs.

13

1453

PARKER & PARSLEY 89-B, L.P.  
(A DELAWARE LIMITED PARTNERSHIP)

THIS REPORT CONTAINS FORWARD LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. ACCORDINGLY, NO ASSURANCES CAN BE GIVEN THAT THE ACTUAL EVENTS AND RESULTS WILL NOT BE MATERIALLY DIFFERENT THAN THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of operations

2000 compared to 1999

The Partnership's oil and gas revenues increased 61% to \$961,197 for 2000 as compared to \$597,130 in 1999. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 2000, 21,703

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

barrels of oil, 12,386 barrels of natural gas liquids ("NGLs") and 46,454 mcf of gas were sold, or 41,831 barrel of oil equivalents ("BOEs"). In 1999, 22,376 barrels of oil, 13,503 barrels of NGLs and 51,400 mcf of gas were sold, or 44,446 BOEs. Due to the decline characteristics of the Partnership's oil and gas properties, management expects a certain amount of decline in production in the future until the Partnership's economically recoverable reserves are fully depleted.

The average price received per barrel of oil increased \$12.25, or 72%, from \$16.96 in 1999 to \$29.21 in 2000. The average price received per barrel of NGLs increased \$5.99, or 63%, from \$9.57 in 1999 to \$15.56 in 2000. The average price received per mcf of gas increased 69% from \$1.72 in 1999 to \$2.90 in 2000. The market price for oil and gas has been extremely volatile in the past decade, and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received in 2000.

Total costs and expenses increased in 2000 to \$493,734 as compared to \$469,149 in 1999, an increase of \$24,585, or 5%. The increase was due to increases in the impairment of oil and gas properties, production costs and general and administrative expenses ("G&A"), offset by a decline in depletion.

Production costs were \$359,243 in 2000 and \$337,025 in 1999, resulting in a \$22,218 increase, or 7%. The increase was primarily due to higher production taxes associated with higher oil and gas prices, offset by a decline in well maintenance costs.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 39% from \$22,369 in 1999 to \$31,002 in 2000, primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$28,269 in 2000 and \$17,812 in 1999 for G&A incurred on behalf of the Partnership. The remaining G&A was paid directly by the Partnership. The managing general partner determines the allocated expenses based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the managing general partner reviews the Partnership's oil and gas properties for impairment whenever events or circumstances indicate a decline in the recoverability of the carrying value of the Partnership's assets may have occurred. As a result of the review and evaluation of its long-lived assets for impairment, the Partnership recognized a non-cash charge of \$30,586 related to its oil and gas properties during 2000.

Depletion was \$72,903 in 2000 as compared to \$109,755 in 1999, representing a decrease of \$36,852, or 34%. This decrease was primarily due to an 8,955 barrels of oil increase in proved reserves during 2000 as a result of higher commodity prices.

1454

1999 compared to 1998

The Partnership's 1999 oil and gas revenues increased 15% to \$597,130 from \$518,801 in 1998. The increase in revenues resulted from higher average prices

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

received, offset by a decline in production. In 1999, 22,376 barrels of oil, 13,503 barrels of NGLs and 51,400 mcf of gas were sold, or 44,446 BOEs. In 1998, 24,633 barrels of oil, 14,430 barrels of NGLs and 57,643 mcf of gas were sold, or 48,670 BOEs.

The average price received per barrel of oil increased \$3.70, or 28%, from \$13.26 in 1998 to \$16.96 in 1999. The average price received per barrel of NGLs increased \$2.63, or 38%, from \$6.94 in 1998 to \$9.57 in 1999. The average price received per mcf of gas increased 8% from \$1.60 in 1998 to \$1.72 in 1999.

Total costs and expenses decreased in 1999 to \$469,149 as compared to \$928,348 in 1998, a decrease of \$459,199, or 49%. The decrease was due to declines in the impairment of oil and gas properties, depletion and production costs, offset by an increase in G&A.

Production costs were \$337,025 in 1999 and \$355,148 in 1998, resulting in an \$18,123 decrease, or 5%. The decrease was due to reductions in ad valorem taxes and well maintenance costs.

During this period, G&A increased 27% from \$17,625 in 1998 to \$22,369 in 1999 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$17,812 in 1999 and \$15,438 in 1998 for G&A incurred on behalf of the Partnership.

The Partnership recognized a non-cash SFAS 121 charge of \$289,124 related to its oil and gas properties during 1998.

Depletion was \$109,755 in 1999 compared to \$266,451 in 1998, representing a decrease of \$156,696, or 59%. This decrease was the result of an increase in proved reserves of 191,467 barrels of oil during 1999 as a result of higher commodity prices and a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 1998.

### Petroleum industry

The petroleum industry has been characterized by volatile oil, NGL and natural gas commodity prices and relatively stable supplier costs during the three years ended December 31, 2000. During 1998, weather patterns, regional economic recessions and political matters combined to cause worldwide oil supplies to exceed demand resulting in a substantial decline in oil prices. Also during 1998, but to a lesser extent, market prices for natural gas declined. During 1999 and 2000, the Organization of Petroleum Exporting Countries ("OPEC") and certain other crude oil exporting nations announced reductions in their planned export volumes. Those announcements, together with the enactment of the announced reductions in export volumes, had a positive impact on world oil prices, as have overall natural gas supply and demand fundamentals on North American natural gas prices. Although the favorable commodity price environment and stable field service cost environment is expected to continue during 2001, there is no assurance that commodity prices will not return to a less favorable level or that field service costs will not escalate in the future, both of which could negatively impact the Partnership's future results of operations and cash distributions.

### Liquidity and capital resources

#### Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$286,341 during the year ended December 31, 2000 from 1999. This increase was due to an increase in oil and gas sales receipts of \$368,079, offset by increases in production costs paid of \$22,218, G&A expenses paid of \$8,633 and working capital of \$50,887. The

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

increase in oil and gas receipts resulted from the increase in commodity prices during 2000 which contributed an additional \$419,447 to oil and gas receipts, offset by \$51,368 resulting from the decline in production during 2000. The increase in production costs was primarily due to increased production taxes associated with higher oil and gas prices, offset by a decline in well maintenance costs. The increase in G&A was primarily due to higher percentage of the managing general partner's G&A being allocated (limited

1455

to 3% of oil and gas revenues) as a result of increased oil and gas revenues.

### Net Cash Used in Investing Activities

The Partnership's principal investing activities during 2000 and 1999 included expenditures related to equipment upgrades on several oil and gas properties.

### Net Cash Used in Financing Activities

In 2000, cash distributions to the partners were \$522,514, of which \$5,225 was distributed to the managing general partner and \$517,289 to the limited partners. In 1999, cash distributions to the partners were \$170,020, of which \$1,700 was distributed to the managing general partner and \$168,320 to the limited partners.

1456

## PARKER & PARSLEY 89-B, L.P.

### SELECTED FINANCIAL DATA

The following selected financial data for the Partnership should be read in connection with Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements included in the attached supplemental information.

	Six months ended June 30,		Years ended Decemb		
	2001	2000	2000	1999	1998
Operating results:					
Oil and gas sales	\$ 475,940	\$ 450,799	\$ 961,197	\$ 597,130	\$ 518,801
	=====	=====	=====	=====	=====
Impairment of oil and gas properties	\$ --	\$ --	\$ 30,586	\$ --	\$ 289,124
	=====	=====	=====	=====	=====
Net income (loss)	\$ 232,611	\$ 224,992	\$ 476,944	\$ 133,840	\$ (403,385)
	=====	=====	=====	=====	=====
Allocation of net income (loss):					
Managing general					

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

partner	\$ 2,326	\$ 2,250	\$ 4,769	\$ 1,338	\$ (4,034)
Limited partners	\$ 230,285	\$ 222,742	\$ 472,175	\$ 132,502	\$ (399,351)
Limited partners' net income (loss) per limited partnership interest	\$ 33.14	\$ 32.05	\$ 67.95	\$ 19.07	\$ (57.47)
Limited partners' cash distributions per limited partnership interest	\$ 26.50	\$ 33.22	\$ 74.44	\$ 24.22	\$ 27.70
As of period ended:					
Total assets	\$1,265,919	\$1,266,353	\$1,214,575	\$1,263,979	\$1,297,320

1457

PIONEER NATURAL RESOURCES COMPANY  
PIONEER NATURAL RESOURCES USA, INC.  
5205 NORTH O'CONNOR BLVD., SUITE 1400  
IRVING, TEXAS 75039

SUPPLEMENTAL INFORMATION

OF

PARKER & PARSLEY PRIVATE INVESTMENT 89, L.P., A DELAWARE LIMITED PARTNERSHIP

TO

PROXY STATEMENT/PROSPECTUS DATED , 2001

-----

THE DATE OF THIS SUPPLEMENT IS , 2001

-----

This document contains important information specific to Parker & Parsley Private Investment 89, L.P., and supplements the proxy statement/prospectus dated , 2001, of Pioneer Natural Resources Company and Pioneer Natural Resources USA, Inc., by which Pioneer USA is soliciting proxies to be voted at a special meeting of limited partners of the partnership. The purpose of the special meeting is for you to vote upon the merger of the partnership with and into Pioneer USA that, if completed, will result in your receiving common stock of Pioneer Natural Resources Company for your partnership interests.

This document contains the following information concerning Parker & Parsley Private Investment 89, L.P.:

- o A table containing:



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

- the aggregate initial investment by the limited partners
- the aggregate historical limited partner distributions through July 31, 2001
- the merger value attributable to partnership interests of limited partners, excluding Pioneer USA
- the merger value per \$1,000 limited partner investment
- the merger value per \$1,000 limited partner investment as a multiple of distributions for the past four quarterly distributions including the distribution in July 2001
  
- the book value per \$1,000 limited partner investment as of June 30, 2001 and as of December 31, 2000
  
- the going concern value per \$1,000 limited partner investment
- the liquidation value per \$1,000 limited partner investment
- the ordinary tax loss per \$1,000 limited partner investment in year of initial investment
  
- o Information about:
  - the legal opinion for the limited partners
  - the term of the partnership
  
- o The partnership's financial statements, including management's discussion and analysis of financial condition and results of operations, for the six months ended June 30, 2001
  
- o The partnership's financial statements, including management's discussion and analysis of financial condition and results of operations, for the year ended December 31, 2000
  
- o Selected historical financial data for the partnership for the six months ended June 30, 2001 and 2000 and the five years ended December 31, 2000

-1-

1458

PARKER & PARSLEY PRIVATE INVESTMENT 89, L.P.

SUPPLEMENTAL INFORMATION TABLE

Aggregate Initial Investment by the Limited Partners(a)

1417

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Aggregate Historical Limited Partner Distributions through July 31, 2001(a)

Merger Value Attributable to Partnership Interests of Limited Partners, Excluding Pioneer USA(a),

Merger Value per \$1,000 Limited Partner Investment(b), (c)

Merger Value per \$1,000 Limited Partner Investment as a Multiple of Distributions for the past four quarterly distributions including the distribution in July 2001(b), (c)

Book Value per \$1,000 Limited Partner Investment:

-- as of June 30, 2001(c)

-- as of December 31, 2000(c)

Going Concern Value per \$1,000 Limited Partner Investment(c), (d)

Liquidation Value per \$1,000 Limited Partner Investment(c). (e)

Ordinary Tax Loss per \$1,000 Limited Partner Investment in Year of Initial Investment(c), (f)

-----

(a) Stated in thousands.

(b) The merger value for the partnership is equal to the sum of the present value of estimated future net revenues from the partnership's estimated oil and gas reserves and its net working capital, in each case as of March 31, 2001, less its pro rata share, based on its reserve value, of the estimated expenses and fees of the mergers of all of the partnerships and less the cash distribution on July 13, 2001, by the partnership to its partners.

(c) Interests in some partnerships were sold in units at prices other than \$1,000. We have presented this information based on a \$1,000 initial investment for ease of use and comparison among partnerships. You should not assume that the amount shown per \$1,000 investment is the same as the value or amount attributable to a single unit investment.

(d) The going concern value for the partnership is based upon: (1) the sum of (A) the estimated net cash flow from the sale of the partnership's reserves during a 10-year operating period and (B) the estimated residual value from the sale of the partnership's remaining reserves at the end of the operating period, in each case using the same pricing and discount rate as in the merger value calculation, less (2) (A) partnership level general and administrative expenses, and (B) the cash distribution on July 13, 2001 by the partnership to its partners.

(e) The liquidation value for the partnership is based upon the sale of the partnership's reserves at the reserve value, less (1) liquidation expenses which are estimated to be the sum of (A) the partnership's pro rata share of the merger expenses and fees described in footnote (b) above and (B) 3% of the partnership's reserve value, and (2) the cash distribution on July 13, 2001 by the partnership to its partners. The liquidation expenses represent estimated costs to retain an investment banker or broker to sell the assets of the partnership and the legal and other closing costs associated with such transaction, including the wind-down costs of the

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

partnership.

- (f) Your ability to use your distributive share of the partnership's loss to offset your other income may have been subject to certain limitations at your level as a partner, and you may therefore wish to consult your tax advisor to determine the additional value, if any, actually realized by you in your particular circumstances.

INFORMATION ABOUT THE LEGAL OPINION FOR THE LIMITED PARTNERS

The partnership agreement for the partnership requires that special legal counsel render an opinion on behalf of the limited partners to Pioneer USA that neither the grant nor the exercise of the right to approve the merger of the partnership by its limited partners will adversely affect the federal income tax classification of the partnership or any of its limited partners. Although not required by the partnership agreement, the opinion will also state that neither the grant nor exercise of such right will result in the loss of any limited partner's limited liability. In addition, the counsel designated to render the opinion is not required to be counsel other than counsel to Pioneer USA or the partnership. Both the designated counsel and the legal opinion must be approved by the limited partners. Pioneer USA has retained \_\_\_\_\_ of Dallas, Texas for the purpose of rendering this legal opinion on behalf of the limited partners to Pioneer USA. The merger proposals include an approval of that counsel and the form of its opinion. A copy of the opinion is attached as an exhibit to the merger proposals.

INFORMATION ABOUT THE TERM OF THE PARTNERSHIP

The term of the partnership is until December 31, 2039, unless the partnership is earlier terminated in accordance with the applicable provisions of its partnership agreement.

-2-

1459

PARKER & PARSLEY PRIVATE INVESTMENT 89, L.P.

(A Delaware Limited Partnership)

FINANCIAL STATEMENTS

June 30, 2001 and December 31, 2000

(Unaudited)

1460

PARKER & PARSLEY PRIVATE INVESTMENT 89, L.P.

(A Delaware Limited Partnership)

BALANCE SHEETS

June 30, 2001	December 31, 2000
------------------	----------------------

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

ASSETS	----- (Unaudited)	-----
Current assets:		
Cash	\$ 193,621	\$ 101,600
Accounts receivable - oil and gas sales	131,396	118,399
	-----	-----
Total current assets	325,017	219,999
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	5,237,687	5,223,723
Accumulated depletion	(4,386,574)	(4,351,220)
	-----	-----
Net oil and gas properties	851,113	872,503
	-----	-----
	\$ 1,176,130	\$ 1,092,502
	=====	=====
 LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable - affiliate	\$ 21,803	\$ 15,443
Partners' capital:		
Managing general partner	13,539	12,767
Limited partners (176.5 interests)	1,140,788	1,064,292
	-----	-----
	1,154,327	1,077,059
	-----	-----
	\$ 1,176,130	\$ 1,092,502
	=====	=====

The financial information included as of June 30, 2001 has been prepared by the managing general partner without audit by independent public accountants.

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

PARKER & PARSLEY PRIVATE INVESTMENT 89, L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF OPERATIONS  
(Unaudited)

Three months ended June 30,		Six months ended June 30,	
-----	-----	-----	-----
2001	2000	2001	2000
-----	-----	-----	-----

Revenues:

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Oil and gas	\$ 202,783	\$ 199,796	\$ 452,230	\$ 388,517
Interest	1,532	2,009	3,061	3,476
	-----	-----	-----	-----
	204,315	201,805	455,291	391,993
	-----	-----	-----	-----
Costs and expenses:				
Oil and gas production	88,516	79,969	233,371	158,403
General and administrative	6,328	5,993	15,038	11,655
Depletion	14,013	14,214	35,354	28,961
	-----	-----	-----	-----
	108,857	100,176	283,763	199,019
	-----	-----	-----	-----
Net income	\$ 95,458	\$ 101,629	\$ 171,528	\$ 192,974
	=====	=====	=====	=====
Allocation of net income:				
Managing general partner	\$ 954	\$ 1,017	\$ 1,715	\$ 1,930
	=====	=====	=====	=====
Limited partners	\$ 94,504	\$ 100,612	\$ 169,813	\$ 191,044
	=====	=====	=====	=====
Net income per limited partnership interest	\$ 535.43	\$ 570.04	\$ 962.11	\$1,082.40
	=====	=====	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

3

1462

PARKER & PARSLEY PRIVATE INVESTMENT 89, L.P.  
(A Delaware Limited Partnership)

STATEMENT OF PARTNERS' CAPITAL  
(Unaudited)

	Managing general partner	Limited partners	Total
	-----	-----	-----
Balance at January 1, 2001	\$ 12,767	\$1,064,292	\$1,077,059
Distributions	(943)	(93,317)	(94,260)
Net income	1,715	169,813	171,528
	-----	-----	-----
Balance at June 30, 2001	\$ 13,539	\$1,140,788	\$1,154,327
	=====	=====	=====

1421

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

4

1463

PARKER & PARSLEY PRIVATE INVESTMENT 89, L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF CASH FLOWS  
(Unaudited)

	Six months ended June 30,	
	2001	2000
	-----	-----
Cash flows from operating activities:		
Net income	\$ 171,528	\$ 192,974
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion	35,354	28,961
Changes in assets and liabilities:		
Accounts receivable	(12,997)	(19,770)
Accounts payable	6,360	5,186
	-----	-----
Net cash provided by operating activities	200,245	207,351
	-----	-----
Cash flows from investing activities:		
Additions to oil and gas properties	(14,685)	(3,016)
Proceeds from asset dispositions	721	158
	-----	-----
Net cash used in investing activities	(13,964)	(2,858)
	-----	-----
Cash flows used in financing activities:		
Cash distributions to partners	(94,260)	(201,904)
	-----	-----
Net increase in cash	92,021	2,589
Cash at beginning of period	101,600	105,420
	-----	-----
Cash at end of period	\$ 193,621	\$ 108,009
	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

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

5

1464

PARKER & PARSLEY PRIVATE INVESTMENT 89, L.P.  
(A Delaware Limited Partnership)

NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Unaudited)

Note 1. Organization and nature of operations

Parker & Parsley Private Investment 89, L.P. (the "Partnership") was organized in 1989 as a general partnership under the laws of the State of Texas and was converted to a Delaware limited partnership in 1990.

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

Note 2. Basis of presentation

In the opinion of management, the unaudited financial statements of the Partnership as of June 30, 2001 and for the three and six months ended June 30, 2001 and 2000 include all adjustments and accruals consisting only of normal recurring accrual adjustments which are necessary for a fair presentation of the results for the interim period. These interim results are not necessarily indicative of results for a full year. Certain reclassifications may have been made to the June 30, 2000 financial statements to conform to the June 30, 2001 financial statement presentations.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in these interim financial statements. The financial statements should be read in conjunction with the financial statements and the notes thereto contained in the Partnership's report for the year ended December 31, 2000, a copy of which is available upon request by writing to Rich Dealy, Vice President and Chief Accounting Officer, 5205 North O'Connor Boulevard, Suite 1400, Irving, Texas 75039-3746.

Management's Discussion and Analysis of Financial Condition  
and Results of Operations (1)

Results of Operations

Six months ended June 30, 2001 compared with six months ended  
June 30, 2000

Revenues:

The Partnership's oil and gas revenues increased 16% to \$452,230 for the six months ended June 30, 2001 as compared to \$388,517 for the same period in 2000. The increase in revenues resulted from higher average prices received and an

6

1465

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

increase in production. For the six months ended June 30, 2001, 11,227 barrels of oil, 3,467 barrels of natural gas liquids ("NGLs") and 21,188 mcf of gas were sold, or 18,225 barrel of oil equivalents ("BOEs"). For the six months ended June 30, 2000, 11,599 barrels of oil, 3,620 barrels of NGLs and 13,324 mcf of gas were sold, or 17,440 BOEs.

The average price received per barrel of oil increased slightly from \$27.07 for the six months ended June 30, 2000 to \$27.14 for the same period in 2001. The average price received per barrel of NGLs increased \$1.53, or 11%, from \$13.37 during the six months ended June 30, 2000 to \$14.90 for the same period in 2001. The average price received per mcf of gas increased 131% from \$1.96 during the six months ended June 30, 2000 to \$4.53 for the same period in 2001. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received during the six months ended June 30, 2001.

### Costs and Expenses:

Total costs and expenses increased to \$283,763 for the six months ended June 30, 2001 as compared to \$199,019 for the same period in 2000, an increase of \$84,744, or 43%. This increase was due to increases in production costs, general and administrative expenses ("G&A") and depletion.

Production costs were \$233,371 for the six months ended June 30, 2001 and \$158,403 for the same period in 2000, resulting in a \$74,968 increase, or 47%. The increase was attributable to additional workover and well maintenance costs incurred to stimulate well production and higher production taxes due to higher oil and gas prices.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 29%, from \$11,655 for the six months ended June 30, 2000 to \$15,038 for the same period in 2001, primarily due to a higher allocation of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues in addition to increases in audit and tax fees.

Depletion was \$35,354 for the six months ended June 30, 2001 as compared to \$28,961 for the same period in 2000, an increase of \$6,393, or 22%. This increase was due to a reduction in proved reserves during the period ended June 30, 2001 due to lower commodity prices, offset by a decrease in oil production of 372 barrels for the six months ended June 30, 2001 as compared to the same period in 2000.

Three months ended June 30, 2001 compared with three months ended June 30, 2000

### Revenues:

The Partnership's oil and gas revenues increased 1% to \$202,783 for the three months ended June 30, 2001 as compared to \$199,796 for the same period in 2000. The increase in revenues resulted from higher average prices received for gas



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

and an increase in production, offset by lower average prices received for oil and NGLs. For the three months ended June 30, 2001, 5,318 barrels of oil, 1,848 barrels of NGLs and 10,180 mcf of gas were sold, or 8,863 BOEs. For the three months ended June 30, 2000, 5,732 barrels of oil, 1,766 barrels of NGLs and 6,851 mcf of gas were sold, or 8,640 BOEs.

The average price received per barrel of oil decreased \$.60, or 2%, from \$27.37 for the three months ended June 30, 2000 to \$26.77 for the three months ended June 30, 2001. The average price received per barrel of NGLs decreased \$1.95, or 13%, from \$15.25 during the three months ended June 30, 2000 to \$13.30 for the same period in 2001. The average price received per mcf of gas increased 51% to \$3.52 during the three months ended June 30, 2001 from \$2.33 during the same period in 2000.

### Costs and Expenses:

Total costs and expenses increased to \$108,857 for the three months ended June 30, 2001 as compared to \$100,176 for the same period in 2000, an increase of \$8,681, or 9%. This increase was due to increases in production costs and G&A, offset by a decline in depletion.

Production costs were \$88,516 for the three months ended June 30, 2001 and \$79,969 for the same period in 2000, resulting in an \$8,547 increase, or 11%. The increase was primarily due to additional well maintenance and workover costs incurred to stimulate well production.

During this period, G&A increased 6%, from \$5,993 for the three months ended June 30, 2000 to \$6,328 for the same period in 2001, primarily due to a higher allocation of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues.

Depletion was \$14,013 for the three months ended June 30, 2001 as compared to \$14,214 for the same period in 2000, a decrease of \$201, or 1%. This decrease was attributable to a decrease in oil production of 414 barrels for the three months ended June 30, 2001 as compared to the same period in 2000.

### Liquidity and Capital Resources

#### Net Cash Provided by Operating Activities

Net cash provided by operating activities decreased \$7,106 during the six months ended June 30, 2001 from the same period in 2000. This decrease was due to increases in production costs of \$74,968 and G&A expenses of \$3,383, offset by an increase in oil and gas receipts of \$63,298 and a reduction in working capital of \$7,947. The increase in oil and gas receipts resulted from the increase in commodity prices during 2001 which contributed an additional \$40,500 to oil and gas receipts and \$22,798 resulting from an increase in production during 2001 as compared to the same period in 2000. The increase in production costs was primarily due to additional workover and well maintenance costs incurred to stimulate well production and increased production taxes associated

with higher oil and gas prices. The increase in G&A was primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues in addition to increases in audit and tax fees.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

### Net Cash Used in Investing Activities

The Partnership's investing activities included expenditures related to equipment upgrades on various oil and gas properties for the six months ended June 30, 2001 and 2000.

Proceeds from asset dispositions of \$721 and \$158 for the six months ended June 30, 2001 and 2000, respectively, were due to equipment credits received on active wells.

### Net Cash Used in Financing Activities

For the six months ended June 30, 2001, cash distributions to the partners were \$94,260, of which \$943 was distributed to the managing general partner and \$93,317 to the limited partners. For the same period ended June 30, 2000, cash distributions to the partners were \$201,904, of which \$2,019 was distributed to the managing general partner and \$199,885 to the limited partners.

For the three months ended June 30, 2001, no distributions were made by the partnership to its partners. Subsequent to June 30, 2001 the cash distribution that otherwise would have been mailed to partners in late June was made to holders of record as of July 9, 2001 and was mailed on July 13, 2001. For further information, see "Proposal to acquire partnerships" below.

### Proposal to acquire partnerships

On June 29, 2001, Pioneer Natural Resources Company ("Pioneer") filed with the Securities and Exchange Commission Amendment No. 1 to the Form S-4 Registration Statement (File No. 333- 59094) (the "preliminary proxy statement/prospectus"), which proposes an agreement and plan of merger among Pioneer, Pioneer Natural Resources USA, Inc. ("Pioneer USA"), a wholly-owned subsidiary of Pioneer, and 46 Parker & Parsley limited partnerships. Each partnership that approves the agreement and plan of merger and the other related merger proposals will merge with and into Pioneer USA upon the closing of the transactions described in the preliminary proxy statement/prospectus, and the partnership interests of each such partnership will be converted into the right to receive Pioneer common stock. The Partnership is one of the 46 Parker & Parsley limited partnerships that will be asked to approve the agreement and plan of merger. The preliminary proxy statement/prospectus is non-binding and is subject to, among other things, consideration of offers from third parties to purchase any partnership or its assets and the majority approval of the limited partnership interests in each partnership.

Pioneer USA will solicit proxies from limited partners to approve the mergers only when the proxy statement/prospectus is final and declared effective. No solicitation will be made using preliminary materials. Nonetheless, copies of the preliminary proxy statement/prospectus may be obtained without charge upon request from Pioneer Natural Resources Company, 5205 North O'Connor Blvd., Suite 1400, Irving, Texas 75039, Attention: Investor Relations.

The limited partners are urged to read the proxy statement/prospectus of Pioneer filed with the Securities and Exchange Commission, when it is finalized, because it contains important information about the proposed mergers, including information about the direct and indirect interests of Pioneer USA and Pioneer in the mergers. The limited partners may also obtain the preliminary and (when filed) final proxy statement/prospectus and other relevant documents relating to the proposed mergers free through the internet web site that the Securities and Exchange Commission maintains at [www.sec.gov](http://www.sec.gov).

- 
- (1) "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" contains forward looking statements that involve risks and uncertainties. Accordingly, no assurances can be given that the actual events and results will not be materially different than the anticipated results described in the forward looking statements.

10

1469

PARKER & PARSLEY PRIVATE INVESTMENT 89, L.P.  
(A Delaware Limited Partnership)

FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITORS' REPORT

December 31, 2000 and 1999

1470

INDEPENDENT AUDITORS' REPORT

The Partners  
Parker & Parsley Private Investment 89, L.P.  
(A Delaware Limited Partnership):

We have audited the balance sheets of Parker & Parsley Private Investment 89, L.P. as of December 31, 2000 and 1999, and the related statements of operations, partners' capital and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parker & Parsley Private Investment 89, L.P. as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Ernst &amp; Young LLP

Dallas, Texas  
March 9, 2001

2

1471

PARKER & PARSLEY PRIVATE INVESTMENT 89, L.P.  
(A Delaware Limited Partnership)BALANCE SHEETS  
December 31

	2000	1999
	-----	-----
ASSETS		
-----		
Current assets:		
Cash	\$ 101,600	\$ 105,420
Accounts receivable - oil and gas sales	118,399	76,918
	-----	-----
Total current assets	219,999	182,338
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	5,223,723	5,213,140
Accumulated depletion	(4,351,220)	(4,291,008)
	-----	-----
Net oil and gas properties	872,503	922,132
	-----	-----
	\$ 1,092,502	\$ 1,104,470
	=====	=====
LIABILITIES AND PARTNERS' CAPITAL		
-----		
Current liabilities:		
Accounts payable - affiliate	\$ 15,443	\$ 15,871
Partners' capital:		
Managing general partner	12,767	12,882
Limited partners (176.5 interests)	1,064,292	1,075,717
	-----	-----
	1,077,059	1,088,599
	-----	-----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

\$ 1,092,502

=====

\$ 1,104,470

=====

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

3

1472

PARKER & PARSLEY PRIVATE INVESTMENT 89, L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF OPERATIONS  
For the years ended December 31

	2000	1999	1998
	-----	-----	-----
Revenues:			
Oil and gas	\$ 856,030	\$ 487,809	\$ 487,809
Interest	8,294	4,555	4,555
	-----	-----	-----
	864,324	492,364	492,364
	-----	-----	-----
Costs and expenses:			
Oil and gas production	321,340	311,071	311,071
General and administrative	28,583	19,470	19,470
Impairment of oil and gas properties	-	44,421	44,421
Depletion	60,212	76,798	76,798
	-----	-----	-----
	410,135	451,760	451,760
	-----	-----	-----
Net income (loss)	\$ 454,189	\$ 40,604	\$ (1,000)
	=====	=====	=====
Allocation of net income (loss):			
Managing general partner	\$ 4,542	\$ 406	\$ 406
	=====	=====	=====
Limited partners	\$ 449,647	\$ 40,198	\$ (1,406)
	=====	=====	=====
Net income (loss) per limited partnership interest	\$2,547.58	\$ 227.75	\$ (10.00)
	=====	=====	=====

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

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

4

1473

PARKER & PARSLEY PRIVATE INVESTMENT 89, L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF PARTNERS' CAPITAL

	Managing general partner -----	Limited partners -----	Total -----
Partners' capital at January 1, 1998	\$ 16,634	\$ 1,447,067	\$ 1,463,701
Distributions	(2,019)	(199,798)	(201,817)
Net loss	(1,104)	(109,325)	(110,429)
	-----	-----	-----
Partners' capital at December 31, 1998	13,511	1,137,944	1,151,455
Distributions	(1,035)	(102,425)	(103,460)
Net income	406	40,198	40,604
	-----	-----	-----
Partners' capital at December 31, 1999	12,882	1,075,717	1,088,599
Distributions	(4,657)	(461,072)	(465,729)
Net income	4,542	449,647	454,189
	-----	-----	-----
Partners' capital at December 31, 2000	\$ 12,767	\$ 1,064,292	\$ 1,077,059
	=====	=====	=====

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

5

1474

PARKER & PARSLEY PRIVATE INVESTMENT 89, L.P.  
(A Delaware Limited Partnership)

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

STATEMENTS OF CASH FLOWS  
For the years ended December 31

	2000	1999
	-----	-----
Cash flows from operating activities:		
Net income (loss)	\$ 454,189	\$ 40,604
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Impairment of oil and gas properties	-	44,421
Depletion	60,212	76,798
Changes in assets and liabilities:		
Accounts receivable	(41,481)	(30,189)
Accounts payable	(428)	3,058
	-----	-----
Net cash provided by operating activities	472,492	134,692
	-----	-----
Cash flows from investing activities:		
Additions to oil and gas properties	(10,741)	(10,151)
Proceeds from asset dispositions	158	-
	-----	-----
Net cash used in investing activities	(10,583)	(10,151)
	-----	-----
Cash flows used in financing activities:		
Cash distributions to partners	(465,729)	(103,460)
	-----	-----
Net increase (decrease) in cash	(3,820)	21,081
Cash at beginning of year	105,420	84,339
	-----	-----
Cash at end of year	\$ 101,600	\$ 105,420
	=====	=====

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

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

### NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS

Parker & Parsley Private Investment 89, L.P. (the "Partnership") was organized in 1989 as a general partnership under the laws of the State of Texas and was converted to a Delaware limited partnership in 1990. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA").

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Oil and gas properties - The Partnership utilizes the successful efforts method of accounting for its oil and gas properties and equipment. Under this method, all costs associated with productive wells and nonproductive development wells are capitalized while nonproductive exploration costs are expensed. Capitalized costs relating to proved properties are depleted using the unit-of-production method on a property-by-property basis based on proved oil (dominant mineral) reserves as evaluated by independent petroleum consultants. The carrying amounts of properties sold or otherwise disposed of and the related allowances for depletion are eliminated from the accounts and any gain or loss is included in results of operations.

Impairment of long-lived assets - In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the Partnership reviews its long-lived assets to be held and used on an individual property basis, including oil and gas properties accounted for under the successful efforts method of accounting, whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. An impairment loss is indicated if the sum of the expected future cash flows is less than the carrying amount of the assets. In this circumstance, the Partnership recognizes an impairment loss for the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset.

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

Net income (loss) per limited partnership interest - The net income (loss) per limited partnership interest is calculated by using the number of outstanding limited partnership interests.

Income taxes - A Federal income tax provision has not been included in the financial statements as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

Statements of cash flows - For purposes of reporting cash flows, cash includes depository accounts held by banks.



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

General and administrative expenses - General and administrative expenses are allocated in part to the Partnership by the managing general partner. Allocated expenses are determined by the managing general partner based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Reclassifications - Certain reclassifications may have been made to the 1999 and 1998 financial statements to conform to the 2000 financial statement presentations.

Environmental - The Partnership is subject to extensive federal, state and local environmental laws and regulations. These laws, which are constantly changing, regulate the discharge of materials into the environment and may require the Partnership to remove or mitigate the environmental effects of the disposal or release of petroleum or chemical substances at various sites. Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Liabilities for expenditures of a noncapital nature are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated. Such liabilities are generally undiscounted unless the timing of cash payments for the liability or component are fixed or reliably determinable. No such liabilities have been accrued as of December 31, 2000.

Revenue recognition - The Partnership uses the entitlements method of accounting for oil, natural gas liquids ("NGLs") and natural gas revenues.

### NOTE 3. IMPAIRMENT OF LONG-LIVED ASSETS

In accordance with SFAS 121, the Partnership reviews its proved oil and gas properties for impairment whenever events and circumstances indicate a decline in the recoverability of the carrying value of the Partnership's oil and gas properties. The Partnership has estimated the expected future cash flows of its oil and gas properties as of December 31, 2000, 1999 and 1998, based on proved reserves, and compared such estimated future cash flows to the respective carrying amount of the oil and gas properties to determine if the carrying amounts were likely to be recoverable. For those proved oil and gas properties for which the carrying amount exceeded the estimated future cash flows, an impairment was determined to exist; therefore, the Partnership adjusted the carrying amount of those oil and gas properties to their fair value as determined by discounting their expected future cash flows at a discount rate commensurate with the risks involved in the industry. As a result, the Partnership recognized non-cash impairment provisions of \$44,421 and \$18,873 related to its proved oil and gas properties during 1999 and 1998, respectively.

### NOTE 4. INCOME TAXES

The financial statement basis of the Partnership's net assets and liabilities was \$49,559 greater than the tax basis at December 31, 2000.

The following is a reconciliation of net income (loss) per statements of operations with the net income per Federal income tax returns for the years ended December 31:

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	2000 -----	1999 -----
Net income (loss) per statements of operations	\$ 454,189	\$ 40,604
Impairment of oil and gas properties for financial reporting purposes	-	44,421
Depletion and depreciation for tax reporting purposes less than amounts for financial reporting purposes	49,670	66,310
Other, net	(1,023)	(3,073)
	-----	-----
Net income per Federal income tax returns	\$ 502,836 =====	\$ 148,262 =====

NOTE 5. OIL AND GAS PRODUCING ACTIVITIES

The following is a summary of the costs incurred, whether capitalized or expensed, related to the Partnership's oil and gas producing activities for the years ended December 31:

	2000 -----	1999 -----	1998 -----
Development costs	\$ 10,741 =====	\$ 10,151 =====	\$ 14,992 =====

Capitalized oil and gas properties consist of the following:

	2000 -----	1999 -----
Proved properties:		
Property acquisition costs	\$ 58,953	\$ 58,953
Completed wells and equipment	5,164,770	5,154,187
	-----	-----
Accumulated depletion	5,223,723 (4,351,220)	5,213,140 (4,291,008)
	-----	-----
Net oil and gas properties	\$ 872,503 =====	\$ 922,132 =====

NOTE 6. RELATED PARTY TRANSACTIONS

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

	2000	1999	1998
Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$ 126,729	\$ 122,574	\$ 123,196
Reimbursement of general and administrative expenses	\$ 25,581	\$ 14,534	\$ 14,259

The Partnership participates in oil and gas activities through an income tax partnership (the "Program") pursuant to the Program agreement. Pioneer USA, P&P Employees 89 Private Conv., L.P. ("EMPL") and the Partnership are parties to the Program agreement. EMPL is a limited partnership organized for the benefit of certain employees of Pioneer USA. EMPL was merged with Pioneer USA on December 28, 2000.

The costs and revenues of the Program are allocated to Pioneer USA and the Partnership as follows:

	Pioneer USA (1)	Partn
<b>Revenues:</b>		
Proceeds from disposition of depreciable and depletable properties -		
First three years	14.141414%	85.8
After three years	19.191919%	80.8
All other revenues -		
First three years	14.141414%	85.8
After three years	19.191919%	80.8
<b>Costs and expenses:</b>		
Lease acquisition costs, drilling and completion costs	9.090909%	90.9
Operating costs, reporting and legal expenses and general and administrative expenses -		
First three years	14.141414%	85.8
After three years	19.191919%	80.8

(1) Excludes Pioneer USA's 1% general partner ownership which is allocated at the Partnership level.

### NOTE 7. OIL AND GAS INFORMATION (UNAUDITED)

The following table presents information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities during the years then ended. All of the Partnership's reserves are proved developed and located within the United States. The Partnership's reserves are based on an evaluation prepared by Williamson Petroleum Consultants, Inc., an independent petroleum consultant, using criteria established by the Securities and Exchange Commission.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	Oil and NGLs (bbls)	Gas (mcf)
	-----	-----
Net proved reserves at January 1, 1998	480,284	559,912
Revisions	(179,534)	(180,570)
Production	(36,741)	(44,624)
	-----	-----
Net proved reserves at December 31, 1998	264,009	334,718
Revisions	227,645	277,954
Production	(30,310)	(32,985)
	-----	-----
Net proved reserves at December 31, 1999	461,344	579,687
Revisions	37,767	(55,380)
Production	(30,738)	(30,037)
	-----	-----
Net proved reserves at December 31, 2000	468,373	494,270
	=====	=====

10

1479

As of December 31, 2000, the estimated present value of future net revenues of proved reserves, calculated using December 31, 2000 prices of \$26.64 per barrel of oil, \$13.18 per barrel of NGLs and \$7.93 per mcf of gas, discounted at 10% was approximately \$3,336,000 and undiscounted was \$6,999,000.

Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves. The Partnership emphasizes that reserve estimates are inherently imprecise and, accordingly, the estimates are expected to change as future information becomes available.

Disclosures about Oil & Gas Producing Activities

Standardized Measure of Discounted Future Net Cash Flows

The standardized measure of discounted future net cash flows is computed by applying year-end prices of oil and gas (with consideration of price changes only to the extent provided by contractual arrangements) to the estimated future production of proved oil and gas reserves less estimated future expenditures (based on year-end costs) to be incurred in developing and producing the proved reserves, discounted using a rate of 10% per year to reflect the estimated timing of the future cash flows. A Federal income tax provision has not been calculated as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

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

	For the years ended Decem	
	2000	1999
	(in thousands)	
Oil and gas producing activities:		
Future cash inflows	\$ 14,511	\$ 11,459
Future production costs	(7,512)	(6,395)
	6,999	5,064
10% annual discount factor	(3,663)	(2,516)
	\$ 3,336	\$ 2,548
Standardized measure of discounted future net cash flows	\$ 3,336	\$ 2,548

11

1480

	For the years ended December 31,		
	2000	1999	199
	(in thousands)		
Oil and Gas Producing Activities:			
Oil and gas sales, net of production costs	\$ (535)	\$ (177)	\$ (
Net changes in prices and production costs	1,060	1,324	(1,
Revisions of previous quantity estimates	183	1,588	(
Accretion of discount	255	48	
Changes in production rates, timing and other	(175)	(714)	
	788	2,069	(1,
Change in present value of future net revenues	788	2,069	(1,
Balance, beginning of year	2,548	479	1,
Balance, end of year	\$ 3,336	\$ 2,548	\$

NOTE 8. MAJOR CUSTOMERS

1437

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The following table reflects the major customers of the Partnership's oil and gas sales (a major customer is defined as a customer whose sales exceed 10% of total sales) during the years ended December 31:

	2000 -----	1999 -----	1998 -----
Plains Marketing, L.P.	65%	64%	-
Genesis Crude Oil, L.P.	-	-	57%
Western Gas Resources, Inc.	1%	3%	15%
GPM Gas Corporation	3%	3%	5%

At December 31, 2000, the amount receivable from Plains Marketing, L.P. was \$48,161 which is included in the caption "Accounts receivable - oil and gas sales" in the accompanying Balance Sheet.

Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on the ability of the Partnership to sell its oil, NGLs and gas production.

#### NOTE 9. PARTNERSHIP AGREEMENT

The following is a brief summary of the more significant provisions of the Partnership agreement:

Managing general partner - The managing general partner of the Partnership is Pioneer USA. Pioneer USA has the power and authority to manage, control and administer all Program and Partnership affairs. As managing general partner and operator of the Partnership's properties, all production expenses are incurred by Pioneer USA and billed to the Partnership. The majority of the Partnership's oil and gas revenues are received directly by the Partnership, however, a portion of the oil and gas revenue is initially received by Pioneer USA prior to being paid to the Partnership. Under the limited partnership agreement, the managing general partner pays 1% of the Partnership's acquisition, drilling and completion costs and 1% of its operating and general and administrative expenses. In return, it is allocated 1% of the Partnership's revenues.

12

1481

Limited partner liability - The maximum amount of liability of any limited partner is the total contributions of such partner plus his share of any undistributed profits.

Initial capital contributions - The partners entered into subscription agreements for aggregate capital contributions of \$7,060,000. Pioneer USA is required to contribute amounts equal to 1% of initial Partnership capital less commission and organization and offering costs allocated to the limited partners and to contribute amounts necessary to pay costs and expenses allocated to it under the Partnership agreement to the extent its share of revenues does not cover such costs.

PARKER & PARSLEY PRIVATE INVESTMENT 89, L.P.  
(A DELAWARE LIMITED PARTNERSHIP)

THIS REPORT CONTAINS FORWARD LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. ACCORDINGLY, NO ASSURANCES CAN BE GIVEN THAT THE ACTUAL EVENTS AND RESULTS WILL NOT BE MATERIALLY DIFFERENT THAN THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND  
RESULTS OF OPERATIONS

Results of operations

2000 compared to 1999

The Partnership's oil and gas revenues increased 75% to \$856,030 for 2000 as compared to \$487,809 in 1999. The increase in revenues resulted from higher average prices received, offset by a slight decline in production. In 2000, 22,438 barrels of oil, 8,300 barrels of natural gas liquids ("NGLs") and 30,037 mcf of gas were sold, or 35,744 barrel of oil equivalents ("BOEs"). In 1999, 20,601 barrels of oil, 9,709 barrels of NGLs and 32,985 mcf of gas were sold, or 35,808 BOEs. Due to the decline characteristics of the Partnership's oil and gas properties, management expects a certain amount of decline in production in the future until the Partnership's economically recoverable reserves are fully depleted.

The average price received per barrel of oil increased \$11.94, or 70%, from \$17.06 in 1999 to \$29.00 in 2000. The average price received per barrel of NGLs increased \$6.17, or 71%, from \$8.69 in 1999 to \$14.86 in 2000. The average price received per mcf of gas increased 74% from \$1.57 in 1999 to \$2.73 in 2000. The market price for oil and gas has been extremely volatile in the past decade, and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received in 2000.

Total costs and expenses decreased in 2000 to \$410,135 as compared to \$451,760 in 1999, a decrease of \$41,625, or 9%. The decrease was due to a decline in depletion and the impairment of oil and gas properties, offset by an increase in production costs and general and administrative expenses ("G&A").

Production costs were \$321,340 in 2000 and \$311,071 in 1999, resulting in a \$10,269 increase, or 3%. The increase was primarily due to higher production taxes associated with higher oil and gas prices, offset by lower well maintenance costs.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 47% from \$19,470 in 1999 to \$28,583 in 2000, primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$25,581 in 2000 and \$14,534 in 1999 for G&A incurred on behalf of the Partnership. The remaining G&A was paid directly by the Partnership. The managing general partner determines the allocated expenses based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the managing general partner reviews the Partnership's oil and gas properties for impairment whenever events or circumstances indicate a decline in the recoverability of the carrying value of the Partnership's assets may have occurred. As a result of the review and evaluation of its long-lived assets for impairment, the Partnership recognized a non-cash charge of \$44,421 related to its oil and gas properties during 1999.

Depletion was \$60,212 in 2000 as compared to \$76,798 in 1999, representing a decrease of \$16,586, or 22%. This decrease was primarily due to a 23,945 barrels of oil increase in proved reserves during 2000 as a result of higher commodity prices and a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 1999.

1483

1999 compared to 1998

The Partnership's 1999 oil and gas revenues increased 2% to \$487,809 from \$478,637 in 1998. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 1999, 20,601 barrels of oil, 9,709 barrels of NGLs and 32,985 mcf of gas were sold, or 35,808 BOEs. In 1998, 25,672 barrels of oil, 11,069 barrels of NGLs and 44,624 mcf of gas were sold, or 44,178 BOEs.

The average price received per barrel of oil increased \$3.78, or 28%, from \$13.28 in 1998 to \$17.06 in 1999. The average price received per barrel of NGLs increased \$2.12, or 32%, from \$6.57 in 1998 to \$8.69 in 1999. The average price received per mcf of gas increased 8% from \$1.46 in 1998 to \$1.57 in 1999.

Total costs and expenses decreased in 1999 to \$451,760 as compared to \$594,818 in 1998, a decrease of \$143,058, or 24%. The decrease was due to a decline in depletion, offset by an increase in the impairment of oil and gas properties, production costs and G&A.

Production costs were \$311,071 in 1999 and \$300,564 in 1998, resulting in a \$10,507 increase, or 3%. The increase was due to an increase in well maintenance costs incurred to stimulate well production, offset by declines in ad valorem and production taxes.

During this period, G&A increased 15% from \$16,898 in 1998 to \$19,470 in 1999 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$14,534 in 1999 and \$14,259 in 1998 for G&A incurred on behalf of the Partnership.

The Partnership recognized non-cash SFAS 121 charges of \$44,421 and \$18,873 related to its oil and gas properties during 1999 and 1998, respectively.

Depletion was \$76,798 in 1999 compared to \$258,483 in 1998, representing a decrease of \$181,685, or 70%. This decrease was the result of a combination of factors that included an increase in proved reserves of 160,524 barrels of oil during 1999 as a result of higher commodity prices, a decline in oil production of 5,071 barrels for the period ended December 31, 1999 compared to the same period in 1998 and a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 1998.

Petroleum industry



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The petroleum industry has been characterized by volatile oil, NGL and natural gas commodity prices and relatively stable supplier costs during the three years ended December 31, 2000. During 1998, weather patterns, regional economic recessions and political matters combined to cause worldwide oil supplies to exceed demand resulting in a substantial decline in oil prices. Also during 1998, but to a lesser extent, market prices for natural gas declined. During 1999 and 2000, the Organization of Petroleum Exporting Countries ("OPEC") and certain other crude oil exporting nations announced reductions in their planned export volumes. Those announcements, together with the enactment of the announced reductions in export volumes, had a positive impact on world oil prices, as have overall natural gas supply and demand fundamentals on North American natural gas prices. Although the favorable commodity price environment and stable field service cost environment is expected to continue during 2001, there is no assurance that commodity prices will not return to a less favorable level or that field service costs will not escalate in the future, both of which could negatively impact the Partnership's future results of operations and cash distributions.

### Liquidity and capital resources

#### Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$337,800 during the year ended December 31, 2000 from 1999. This increase was due to an increase in oil and gas sales receipts of \$371,960, offset by increases in production costs paid of

1484

\$10,269, G&A expenses paid of \$9,113 and working capital of \$14,778. The increase in oil and gas receipts resulted from the increase in commodity prices during 2000 which contributed an additional \$347,665 to oil and gas receipts and an increase of \$24,295 resulting from the increase in oil production during 2000. The increase in production costs was primarily due to increased production taxes associated with higher oil and gas prices, offset by lower well maintenance costs. The increase in G&A was primarily due to higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues.

#### Net Cash Used in Investing Activities

The Partnership's principal investing activities during 2000 and 1999 included expenditures related to equipment upgrades on active properties.

Proceeds from asset dispositions of \$158 in 2000 were from equipment credits received on one active well.

#### Net Cash Used in Financing Activities

In 2000, cash distributions to the partners were \$465,729, of which \$4,657 was distributed to the managing general partner and \$461,072 to the limited partners. In 1999, cash distributions to the partners were \$103,460, of which \$1,035 was distributed to the managing general partner and \$102,425 to the limited partners.

1485

PARKER & PARSLEY PRIVATE INVESTMENT 89, L.P.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

SELECTED FINANCIAL DATA

The following selected financial data for the Partnership should be read in connection with Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements included in the attached supplemental information.

	Six months ended June 30,		Years ended Decem		
	2001	2000	2000	1999	1998
Operating results:					
Oil and gas sales	\$ 452,230	\$ 388,517	\$ 856,030	\$ 487,809	\$ 478,637
Impairment of oil and gas properties	\$ --	\$ --	\$ --	\$ 44,421	\$ 18,873
Gain on litigation settlement, net	\$ --	\$ --	\$ --	\$ --	\$ --
Net income (loss)	\$ 171,528	\$ 192,974	\$ 454,189	\$ 40,604	\$ (110,429)
Allocation of net income (loss):					
Managing general partner	\$ 1,715	\$ 1,930	\$ 4,542	\$ 406	\$ (1,104)
Limited partners	\$ 169,813	\$ 191,044	\$ 449,647	\$ 40,198	\$ (109,325)
Limited partners' net income (loss) per limited partnership interest	\$ 962.11	\$ 1,082.40	\$ 2,547.58	\$ 227.75	\$ (619.41)
Limited partners' cash distributions per limited partnership interest	\$ 528.71	\$ 1,132.49	\$ 2,612.31	\$ 580.31	\$ 1,132.00
As of period ended:					
Total assets	\$1,176,130	\$1,100,726	\$1,092,502	\$1,104,470	\$1,164,268

PIONEER NATURAL RESOURCES COMPANY  
PIONEER NATURAL RESOURCES USA, INC.  
5205 NORTH O'CONNOR BLVD., SUITE 1400  
IRVING, TEXAS 75039

SUPPLEMENTAL INFORMATION

OF

PARKER & PARSLEY 90-A CONV., L.P., A DELAWARE LIMITED PARTNERSHIP

TO

PROXY STATEMENT/PROSPECTUS DATED , 2001

-----

THE DATE OF THIS SUPPLEMENT IS , 2001

-----

This document contains important information specific to Parker & Parsley 90-A Conv., L.P., and supplements the proxy statement/prospectus dated , 2001, of Pioneer Natural Resources Company and Pioneer Natural Resources USA, Inc., by which Pioneer USA is soliciting proxies to be voted at a special meeting of limited partners of the partnership. The purpose of the special meeting is for you to vote upon the merger of the partnership with and into Pioneer USA that, if completed, will result in your receiving common stock of Pioneer Natural Resources Company for your partnership interests.

This document contains the following information concerning Parker & Parsley 90-A Conv., L.P.:

- o A table containing:
  - the aggregate initial investment by the limited partners
  - the aggregate historical limited partner distributions through July 31, 2001
  - the merger value attributable to partnership interests of limited partners, excluding Pioneer USA
  - the merger value per \$1,000 limited partner investment
  - the merger value per \$1,000 limited partner investment as a multiple of distributions for the past four quarterly distributions including the distribution in July 2001
  - the book value per \$1,000 limited partner investment as of June 30, 2001 and as of December 31, 2000
  - the going concern value per \$1,000 limited partner investment
  - the liquidation value per \$1,000 limited partner investment
  - the ordinary tax loss per \$1,000 limited partner investment in

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

year of initial investment

- o Information about:
  - the legal opinion for the limited partners
  - the term of the partnership
  
- o The partnership's financial statements, including management's discussion and analysis of financial condition and results of operations, for the six months ended June 30, 2001
  
- o The partnership's financial statements, including management's discussion and analysis of financial condition and results of operations, for the year ended December 31, 2000
  
- o Selected historical financial data for the partnership for the six months ended June 30, 2001 and 2000 and the five years ended December 31, 2000

-1-

1487

PARKER & PARSLEY 90-A CONV., L.P.

SUPPLEMENTAL INFORMATION TABLE

Aggregate Initial Investment by the Limited Partners	(a)	\$
Aggregate Historical Limited Partner Distributions through July 31, 2001	(a)	\$
Merger Value Attributable to Partnership Interests of Limited Partners, Excluding Pioneer USA	(a), (b)	\$
Merger Value per \$1,000 Limited Partner Investment	(b), (c)	\$
Merger Value per \$1,000 Limited Partner Investment as a Multiple of Distributions for the past four quarterly distributions including the distribution in July 2001	(b), (c)	
Book Value per \$1,000 Limited Partner Investment:		
-- as of June 30, 2001	(c)	\$
-- as of December 31, 2000	(c)	\$
Going Concern Value per \$1,000 Limited Partner Investment	(c), (d)	\$
Liquidation Value per \$1,000 Limited Partner Investment	(c), (e)	\$
Ordinary Tax Loss per \$1,000 Limited Partner Investment in Year of Initial Investment	(c), (f)	\$

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

- 
- (a) Stated in thousands.
  - (b) The merger value for the partnership is equal to the sum of the present value of estimated future net revenues from the partnership's estimated oil and gas reserves and its net working capital, in each case as of March 31, 2001, less its pro rata share, based on its reserve value, of the estimated expenses and fees of the mergers of all of the partnerships and less the cash distribution on July 13, 2001, by the partnership to its partners.
  - (c) Interests in some partnerships were sold in units at prices other than \$1,000. We have presented this information based on a \$1,000 initial investment for ease of use and comparison among partnerships. You should not assume that the amount shown per \$1,000 investment is the same as the value or amount attributable to a single unit investment.
  - (d) The going concern value for the partnership is based upon: (1) the sum of (A) the estimated net cash flow from the sale of the partnership's reserves during a 10-year operating period and (B) the estimated residual value from the sale of the partnership's remaining reserves at the end of the operating period, in each case using the same pricing and discount rate as in the merger value calculation, less (2) (A) partnership level general and administrative expenses, and (B) the cash distribution on July 13, 2001 by the partnership to its partners.
  - (e) The liquidation value for the partnership is based upon the sale of the partnership's reserves at the reserve value, less (1) liquidation expenses which are estimated to be the sum of (A) the partnership's pro rata share of the merger expenses and fees described in footnote (b) above and (B) 3% of the partnership's reserve value, and (2) the cash distribution on July 13, 2001 by the partnership to its partners. The liquidation expenses represent estimated costs to retain an investment banker or broker to sell the assets of the partnership and the legal and other closing costs associated with such transaction, including the wind-down costs of the partnership.
  - (f) Your ability to use your distributive share of the partnership's loss to offset your other income may have been subject to certain limitations at your level as a partner, and you may therefore wish to consult your tax advisor to determine the additional value, if any, actually realized by you in your particular circumstances.

### INFORMATION ABOUT THE LEGAL OPINION FOR THE LIMITED PARTNERS

The partnership agreement for the partnership requires that special legal counsel render an opinion on behalf of the limited partners to Pioneer USA that neither the grant nor the exercise of the right to approve the merger of the partnership by its limited partners will adversely affect the federal income tax classification of the partnership or any of its limited partners. Although not required by the partnership agreement, the opinion will also state that neither the grant nor exercise of such right will result in the loss of any limited partner's limited liability. In addition, the counsel designated to render the opinion is not required to be counsel other than counsel to Pioneer USA or the partnership. Both the designated counsel and the legal opinion must be approved by the limited partners. Pioneer USA has retained \_\_\_\_\_ of Dallas, Texas for the purpose of rendering this legal opinion on behalf of the limited partners to Pioneer USA. The merger proposals include an approval of that

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

counsel and the form of its opinion. A copy of the opinion is attached as an exhibit to the merger proposals.

### INFORMATION ABOUT THE TERM OF THE PARTNERSHIP

The term of the partnership is until December 31, 2040, unless the partnership is earlier terminated in accordance with the applicable provisions of its partnership agreement.

-2-

1488

PARKER & PARSLEY 90-A CONV., L.P.

(A Delaware Limited Partnership)

### FINANCIAL STATEMENTS

June 30, 2001 and December 31, 2000

(Unaudited)

1489

PARKER & PARSLEY 90-A CONV., L.P.

(A Delaware Limited Partnership)

### BALANCE SHEETS

	June 30, 2001 ----- (Unaudited)	December 31, 2000 -----
ASSETS		
Current assets:		
Cash	\$ 80,551	\$ 30,771
Accounts receivable - oil and gas sales	32,965	42,233
	-----	-----
Total current assets	113,516	73,004
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	1,761,394	1,761,261
Accumulated depletion	(1,403,593)	(1,390,348)
	-----	-----
Net oil and gas properties	357,801	370,913
	-----	-----
	\$ 471,317	\$ 443,917
	=====	=====

### LIABILITIES AND PARTNERS' CAPITAL

Current liabilities:

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Accounts payable - affiliate	\$ 7,547	\$ 5,524
Partners' capital:		
Managing general partner	4,666	4,412
Limited partners (2,359 interests)	459,104	433,981
	-----	-----
	463,770	438,393
	-----	-----
	\$ 471,317	\$ 443,917
	=====	=====

The financial information included as of June 30, 2001 has been prepared by the managing general partner without audit by independent public accountants.

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

2

1490

PARKER & PARSLEY 90-A CONV., L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF OPERATIONS  
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2001	2000	2001	2000
	-----	-----	-----	-----
Revenues:				
Oil and gas	\$ 65,354	\$ 61,992	\$ 147,209	\$ 125,481
Interest	592	740	1,155	1,274
Gain on disposition of assets	-	3,262	-	3,262
	-----	-----	-----	-----
	65,946	65,994	148,364	130,017
	-----	-----	-----	-----
Costs and expenses:				
Oil and gas production	30,568	30,880	57,199	55,415
General and administrative	1,962	1,979	4,916	3,892
Depletion	6,402	5,291	13,245	12,429
	-----	-----	-----	-----
	38,932	38,150	75,360	71,736
	-----	-----	-----	-----
Net income	\$ 27,014	\$ 27,844	\$ 73,004	\$ 58,281
	=====	=====	=====	=====
Allocation of net income:				
Managing general partner	\$ 270	\$ 279	\$ 730	\$ 583
	=====	=====	=====	=====
Limited partners	\$ 26,744	\$ 27,565	\$ 72,274	\$ 57,698
	=====	=====	=====	=====

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Net income per limited partnership interest	\$ 11.34	\$ 11.69	\$ 30.64	\$ 24.46
	=====	=====	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

3

1491

PARKER & PARSLEY 90-A CONV., L.P.  
(A Delaware Limited Partnership)

STATEMENT OF PARTNERS' CAPITAL  
(Unaudited)

	Managing general partner	Limited partners	Total
	-----	-----	-----
Balance at January 1, 2001	\$ 4,412	\$ 433,981	\$ 438,393
Distributions	(476)	(47,151)	(47,627)
Net income	730	72,274	73,004
	-----	-----	-----
Balance at June 30, 2001	\$ 4,666	\$ 459,104	\$ 463,770
	=====	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

4

1492



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

PARKER & PARSLEY 90-A CONV., L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF CASH FLOWS  
(Unaudited)

	Six months ended June 30,	
	2001	2000
Cash flows from operating activities:		
Net income	\$ 73,004	\$ 58,281
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion	13,245	12,429
Gain on disposition of assets	-	(3,262)
Changes in assets and liabilities:		
Accounts receivable	9,268	(6,705)
Accounts payable	2,023	1,579
Net cash provided by operating activities	97,540	62,322
Cash flows from investing activities:		
Additions to oil and gas properties	(133)	(1,451)
Proceeds from asset dispositions	-	3,262
Net cash provided by (used in) investing activities	(133)	1,811
Cash flows used in financing activities:		
Cash distributions to partners	(47,627)	(64,863)
Net increase (decrease) in cash	49,780	(730)
Cash at beginning of period	30,771	41,094
Cash at end of period	\$ 80,551	\$ 40,364

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

PARKER & PARSLEY 90-A CONV., L.P.  
(A Delaware Limited Partnership)

NOTES TO FINANCIAL STATEMENTS  
June 30, 2001

# Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

(Unaudited)

## Note 1. Organization and nature of operations

Parker & Parsley 90-A Conv., L.P. (the "Partnership") was organized in 1990 as a general partnership under the laws of the State of Texas and was converted to a Delaware limited partnership in 1991.

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

## Note 2. Basis of presentation

In the opinion of management, the unaudited financial statements of the Partnership as of June 30, 2001 and for the three and six months ended June 30, 2001 and 2000 include all adjustments and accruals consisting only of normal recurring accrual adjustments which are necessary for a fair presentation of the results for the interim period. These interim results are not necessarily indicative of results for a full year. Certain reclassifications may have been made to the June 30, 2000 financial statements to conform to the June 30, 2001 financial statement presentations.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in these interim financial statements. The financial statements should be read in conjunction with the financial statements and the notes thereto contained in the Partnership's report for the year ended December 31, 2000, a copy of which is available upon request by writing to Rich Dealy, Vice President and Chief Accounting Officer, 5205 North O'Connor Boulevard, Suite 1400, Irving, Texas 75039-3746.

## Management's Discussion and Analysis of Financial Condition and Results of Operations (1)

### Results of Operations

Six months ended June 30, 2001 compared with six months ended June 30, 2000

#### Revenues:

The Partnership's oil and gas revenues increased 17% to \$147,209 for the six months ended June 30, 2001 as compared to \$125,481 for the same period in 2000. The increase in revenues resulted from higher average prices received, offset by

6

1494

a decrease in production. For the six months ended June 30, 2001, 3,049 barrels of oil, 1,282 barrels of natural gas liquids ("NGLs") and 8,155 mcf of gas were sold, or 5,690 barrel of oil equivalents ("BOEs"). For the six months ended June 30, 2000, 3,105 barrels of oil, 1,853 barrels of NGLs and 6,902 mcf of gas were sold, or 6,108 BOEs.

The average price received per barrel of oil increased \$.43, or 2%, from \$27.46 for the six months ended June 30, 2000 to \$27.89 for the same period in 2001. The average price received per barrel of NGLs increased \$3.31, or 24%, from \$13.56 during the six months ended June 30, 2000 to \$16.87 for the same period in 2001. The average price received per mcf of gas increased 126% from \$2.20 during the six months ended June 30, 2000 to \$4.98 for the same period in 2001.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received during the six months ended June 30, 2001.

Gain on disposition of assets of \$3,262 was recognized during the six months ended June 30, 2000 resulting from equipment credits received on one fully depleted well.

### Costs and Expenses:

Total costs and expenses increased to \$75,360 for the six months ended June 30, 2001 as compared to \$71,736 for the same period in 2000, an increase of \$3,624, or 5%. This increase was due to increases in production costs, general and administrative expenses ("G&A") and depletion.

Production costs were \$57,199 for the six months ended June 30, 2001 and \$55,415 for the same period in 2000 resulting in a \$1,784 increase, or 3%. The increase was due to higher production taxes due to higher oil and gas prices and additional well maintenance costs incurred to stimulate well production, offset by a decrease in workover costs.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 26% from \$3,892 for the six months ended June 30, 2000 to \$4,916 for the same period in 2001, primarily due to a higher allocation of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues and an increase in audit and tax fees.

Depletion was \$13,245 for the six months ended June 30, 2001 as compared to \$12,429 for the same period in 2000, an increase of \$816, or 7%. This increase was primarily due to a decrease in proved reserves during the period ended June 30, 2001 due to lower commodity prices.

7

1495

Three months ended June 30, 2001 compared with three months ended June 30, 2000

### Revenues:

The Partnership's oil and gas revenues increased 5% to \$65,354 for the three months ended June 30, 2001 as compared to \$61,992 for the same period in 2000. The increase in revenues resulted from higher average prices received for gas and NGLs, offset by lower average prices received for oil and a decrease in production. For the three months ended June 30, 2001, 1,414 barrels of oil, 749 barrels of NGLs and 4,057 mcf of gas were sold, or 2,839 BOEs. For the three months ended June 30, 2000, 1,455 barrels of oil, 976 barrels of NGLs and 3,472 mcf of gas were sold, or 3,010 BOEs.

The average price received per barrel of oil decreased \$.22, or 1%, from \$27.54 for the three months ended June 30, 2000 to \$27.32 for the same period in 2001. The average price received per barrel of NGLs increased \$1.69, or 13%, from \$13.36 during the three months ended June 30, 2000 to \$15.05 for the same period in 2001. The average price received per mcf of gas increased 49% to \$3.82 during the three months ended June 30, 2001 from \$2.57 during the same period in 2000.

Gain on disposition of assets of \$3,262 was recognized during the three months

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

ended June 30, 2000 resulting from equipment credits received on one fully depleted well.

### Costs and Expenses:

Total costs and expenses increased to \$38,932 for the three months ended June 30, 2001 as compared to \$38,150 for the same period in 2000, an increase of \$782, or 2%. This increase was due to an increase in depletion, offset by declines in production costs and G&A.

Production costs were \$30,568 for the three months ended June 30, 2001 and \$30,880 for the same period in 2000, resulting in a \$312 decrease, or 1%. The decrease was due to lower workover costs, offset by additional well maintenance costs incurred to stimulate well production.

During this period, G&A decreased 1%, from \$1,979 for the three months ended June 30, 2000 to \$1,962 for the same period in 2001, primarily due to a decrease in audit and tax fees.

Depletion was \$6,402 for the three months ended June 30, 2001 as compared to \$5,291 for the same period in 2000, an increase of \$1,111, or 21%. This increase was attributable to a decrease in proved reserves during the period ended June 30, 2001 as a result of lower commodity prices.

### Liquidity and Capital Resources

#### Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$35,218 during the six months ended June 30, 2001 from the same period ended June 30, 2000. This increase was due to an increase in oil and gas sales receipts of \$21,609 and a reduction of \$16,417 in working capital, offset by increases in production costs

8

1496

of \$1,784 and G&A expenses of \$1,024. The increase in oil and gas receipts resulted from the increase in commodity prices during 2001 which contributed an additional \$26,555 to oil and gas receipts, offset by \$4,946 resulting from the decline in production during 2001 as compared to the same period in 2000. The increase in production costs was primarily due to increased production taxes associated with higher oil and gas prices and well maintenance costs incurred to stimulate well production, offset by a decrease in workover costs. The increase in G&A was primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues and an increase in audit and tax fees.

#### Net Cash Provided by (Used in) Investing Activities

The Partnership's investing activities during the six months ended June 30, 2001 and 2000 included expenditures related to equipment upgrades on various oil and gas properties.

Proceeds of \$3,262 recognized during the six months ended June 30, 2000 were from equipment credits on one fully depleted well.

#### Net Cash Used in Financing Activities

For the six months ended June 30, 2001, cash distributions to the partners were

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

\$47,627, of which \$476 was distributed to the managing general partner and \$47,151 to the limited partners. For the same period ended June 30, 2000, cash distributions to the partners were \$64,863, of which \$649 was distributed to the managing general partner and \$64,214 to the limited partners.

For the three months ended June 30, 2001, no distributions were made by the partnership to its partners. Subsequent to June 30, 2001 the cash distribution that otherwise would have been mailed to partners in late June was made to holders of record as of July 9, 2001 and was mailed on July 13, 2001. For further information, see "Proposal to acquire partnerships" below.

### Proposal to acquire partnerships

On June 29, 2001, Pioneer Natural Resources Company ("Pioneer") filed with the Securities and Exchange Commission Amendment No. 1 to the Form S-4 Registration Statement (File No. 333- 59094) (the "preliminary proxy statement/prospectus"), which proposes an agreement and plan of merger among Pioneer, Pioneer Natural Resources USA, Inc. ("Pioneer USA"), a wholly-owned subsidiary of Pioneer, and 46 Parker & Parsley limited partnerships. Each partnership that approves the agreement and plan of merger and the other related merger proposals will merge with and into Pioneer USA upon the closing of the transactions described in the preliminary proxy statement/prospectus, and the partnership interests of each such partnership will be converted into the right to receive Pioneer common stock. The Partnership is one of the 46 Parker & Parsley limited partnerships that will be asked to approve the agreement and plan of merger. The preliminary proxy statement/prospectus is non-binding and is subject to, among other things, consideration of offers from third parties to purchase any partnership or its assets and the majority approval of the limited partnership interests in each partnership.

9

1497

Pioneer USA will solicit proxies from limited partners to approve the mergers only when the proxy statement/prospectus is final and declared effective. No solicitation will be made using preliminary materials. Nonetheless, copies of the preliminary proxy statement/prospectus may be obtained without charge upon request from Pioneer Natural Resources Company, 5205 North O'Connor Blvd., Suite 1400, Irving, Texas 75039, Attention: Investor Relations.

The limited partners are urged to read the proxy statement/prospectus of Pioneer filed with the Securities and Exchange Commission, when it is finalized, because it contains important information about the proposed mergers, including information about the direct and indirect interests of Pioneer USA and Pioneer in the mergers. The limited partners may also obtain the preliminary and (when filed) final proxy statement/prospectus and other relevant documents relating to the proposed mergers free through the internet web site that the Securities and Exchange Commission maintains at [www.sec.gov](http://www.sec.gov).

-----

- (1) "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" contains forward looking statements that involve risks and uncertainties. Accordingly, no assurances can be given that the actual events and results will not be materially different than the anticipated results described in the forward looking statements.

10

1498

PARKER & PARSLEY 90-A CONV., L.P.  
(A Delaware Limited Partnership)

FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITORS' REPORT

December 31, 2000 and 1999

1499

INDEPENDENT AUDITORS' REPORT

The Partners

Parker & Parsley 90-A Conv., L.P.  
(A Delaware Limited Partnership):

We have audited the balance sheets of Parker & Parsley 90-A Conv., L.P. as of December 31, 2000 and 1999, and the related statements of operations, partners' capital and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parker & Parsley 90-A Conv., L.P. as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Dallas, Texas  
March 9, 2001

2

1500

PARKER & PARSLEY 90-A CONV., L.P.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

(A Delaware Limited Partnership)

BALANCE SHEETS  
December 31

	2000 -----	1999 -----
ASSETS -----		
Current assets:		
Cash	\$ 30,771	\$ 41,094
Accounts receivable - oil and gas sales	42,233	24,997
	-----	-----
Total current assets	73,004	66,091
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	1,761,261	1,758,206
Accumulated depletion	(1,390,348)	(1,363,812)
	-----	-----
Net oil and gas properties	370,913	394,394
	-----	-----
	\$ 443,917	\$ 460,485
	=====	=====
LIABILITIES AND PARTNERS' CAPITAL -----		
Current liabilities:		
Accounts payable - affiliate	\$ 5,524	\$ 5,332
Partners' capital:		
Managing general partner	4,412	4,579
Limited partners (2,359 interests)	433,981	450,574
	-----	-----
	438,393	455,153
	-----	-----
	\$ 443,917	\$ 460,485
	=====	=====

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

PARKER & PARSLEY 90-A CONV., L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF OPERATIONS  
For the years ended December 31

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	2000 -----	1999 -----	1998 -----
Revenues:			
Oil and gas	\$ 279,230	\$ 169,279	\$152,905
Interest	3,027	1,751	2,080
Gain on disposition of assets	3,262	-	-
	-----	-----	-----
	285,519	171,030	154,985
	-----	-----	-----
Costs and expenses:			
Oil and gas production	114,159	93,178	97,819
General and administrative	9,468	7,068	4,961
Impairment of oil and gas properties	-	-	11,795
Depletion	26,536	36,271	55,908
	-----	-----	-----
	150,163	136,517	170,483
	-----	-----	-----
Net income (loss)	\$ 135,356 =====	\$ 34,513 =====	\$ (15,498) =====
Allocation of net income (loss):			
Managing general partner	\$ 1,354 =====	\$ 345 =====	\$ (155) =====
Limited partners	\$ 134,002 =====	\$ 34,168 =====	\$ (15,343) =====
Net income (loss) per limited partnership interest	\$ 56.80 =====	\$ 14.48 =====	\$ (6.50) =====

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

PARKER & PARSLEY 90-A CONV., L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF PARTNERS' CAPITAL

Managing general partner	Limited partners	Total
--------------------------------	---------------------	-------



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Partners' capital at January 1, 1998	\$ 5,602	\$ 551,772	\$ 557,374
Distributions	(678)	(67,095)	(67,773)
Net loss	(155)	(15,343)	(15,498)
	-----	-----	-----
Partners' capital at December 31, 1998	4,769	469,334	474,103
Distributions	(535)	(52,928)	(53,463)
Net income	345	34,168	34,513
	-----	-----	-----
Partners' capital at December 31, 1999	4,579	450,574	455,153
Distributions	(1,521)	(150,595)	(152,116)
Net income	1,354	134,002	135,356
	-----	-----	-----
Partners' capital at December 31, 2000	\$ 4,412	\$ 433,981	\$ 438,393
	=====	=====	=====

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

5

1503

PARKER & PARSLEY 90-A CONV., L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF CASH FLOWS  
For the years ended December 31

	2000	1999	1998
	-----	-----	-----
Cash flows from operating activities:			
Net income (loss)	\$ 135,356	\$ 34,513	\$ (15,498)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Impairment of oil and gas properties	-	-	11,795
Depletion	26,536	36,271	55,908
Gain on disposition of assets	(3,262)	-	-
Changes in assets and liabilities:			
Accounts receivable	(17,236)	(7,632)	12,991
Accounts payable	192	841	(2,835)
	-----	-----	-----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Net cash provided by operating activities	141,586	63,993	62,361
	-----	-----	-----
Cash flows from investing activities:			
Additions to oil and gas properties	(3,055)	(2,507)	(3,134)
Proceeds from asset dispositions	3,262	2,501	-
	-----	-----	-----
Net cash provided by (used in) investing activities	207	(6)	(3,134)
	-----	-----	-----
Cash flows used in financing activities:			
Cash distributions to partners	(152,116)	(53,463)	(67,773)
	-----	-----	-----
Net increase (decrease) in cash	(10,323)	10,524	(8,546)
Cash at beginning of year	41,094	30,570	39,116
	-----	-----	-----
Cash at end of year	\$ 30,771	\$ 41,094	\$ 30,570
	=====	=====	=====

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

6

1504

PARKER & PARSLEY 90-A CONV., L.P.  
(A Delaware Limited Partnership)

NOTES TO FINANCIAL STATEMENTS  
December 31, 2000, 1999 and 1998

NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS

Parker & Parsley 90-A Conv., L.P. (the "Partnership") was organized in 1990 as a general partnership under the laws of the State of Texas and was converted to a Delaware limited partnership in 1991. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA").

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Oil and gas properties - The Partnership utilizes the successful efforts method of accounting for its oil and gas properties and equipment. Under this method, all costs associated with productive wells and nonproductive development wells are capitalized while nonproductive exploration costs are expensed. Capitalized costs relating to proved properties are depleted using the unit-of-production method on a property-by-property basis based on proved oil (dominant mineral) reserves as evaluated by independent petroleum consultants. The carrying amounts of properties sold or otherwise disposed of and the related allowances for depletion are eliminated from the accounts and any gain or loss is included in results of operations.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Impairment of long-lived assets - In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the Partnership reviews its long-lived assets to be held and used on an individual property basis, including oil and gas properties accounted for under the successful efforts method of accounting, whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. An impairment loss is indicated if the sum of the expected future cash flows is less than the carrying amount of the assets. In this circumstance, the Partnership recognizes an impairment loss for the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset.

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

Net income (loss) per limited partnership interest - The net income (loss) per limited partnership interest is calculated by using the number of outstanding limited partnership interests.

7

1505

Income taxes - A Federal income tax provision has not been included in the financial statements as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

Statements of cash flows - For purposes of reporting cash flows, cash includes depository accounts held by banks.

General and administrative expenses - General and administrative expenses are allocated in part to the Partnership by the managing general partner. Allocated expenses are determined by the managing general partner based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Reclassifications - Certain reclassifications may have been made to the 1999 and 1998 financial statements to conform to the 2000 financial statement presentations.

Environmental - The Partnership is subject to extensive federal, state and local environmental laws and regulations. These laws, which are constantly changing, regulate the discharge of materials into the environment and may require the Partnership to remove or mitigate the environmental effects of the disposal or release of petroleum or chemical substances at various sites. Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Liabilities for expenditures of a noncapital nature are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated. Such liabilities are generally undiscounted unless the timing of cash payments for the liability or component are fixed or reliably determinable. No such liabilities have been accrued as of December 31, 2000.

Revenue recognition - The Partnership uses the entitlements method of

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

accounting for oil, natural gas liquids ("NGLs") and natural gas revenues.

### NOTE 3. IMPAIRMENT OF LONG-LIVED ASSETS

In accordance with SFAS 121, the Partnership reviews its proved oil and gas properties for impairment whenever events and circumstances indicate a decline in the recoverability of the carrying value of the Partnership's oil and gas properties. The Partnership has estimated the expected future cash flows of its oil and gas properties as of December 31, 2000, 1999 and 1998, based on proved reserves, and compared such estimated future cash flows to the respective carrying amount of the oil and gas properties to determine if the carrying amounts were likely to be recoverable. For those proved oil and gas properties for which the carrying amount exceeded the estimated future cash flows, an impairment was determined to exist; therefore, the Partnership adjusted the carrying amount of those oil and gas properties to their fair value as determined by discounting their expected future cash flows at a discount rate commensurate with the risks involved in the industry. As a result, the Partnership recognized a non-cash impairment provision of \$11,795 related to its proved oil and gas properties during 1998.

8

1506

### NOTE 4. INCOME TAXES

The financial statement basis of the Partnership's net assets and liabilities was \$109,150 greater than the tax basis at December 31, 2000.

The following is a reconciliation of net income (loss) per statements of operations with the net income per Federal income tax returns for the years ended December 31:

	2000	1999	1998
	-----	-----	-----
Net income (loss) per statements of operations	\$135,356	\$34,513	\$(15,498)
Depletion and depreciation for tax reporting purposes			
less than amounts for financial reporting purposes	23,651	33,412	51,723
Impairment of oil and gas properties for financial			
reporting purposes	--	--	11,795
Other, net	(403)	1,343	1,229
	-----	-----	-----
Net income per Federal income tax returns	\$158,604	\$69,268	\$49,249
	=====	=====	=====

### NOTE 5. OIL AND GAS PRODUCING ACTIVITIES

The following is a summary of the costs incurred, whether capitalized or expensed, related to the Partnership's oil and gas producing activities for the years ended December 31:

	2000	1999	1998
	-----	-----	-----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Development costs	\$ 3,055	\$ 2,507	\$ 3,134
	=====	=====	=====

Capitalized oil and gas properties consist of the following:

	2000	1999
	-----	-----
Proved properties:		
Property acquisition costs	\$ 69,332	\$ 69,332
Completed well and equipment	1,691,929	1,688,874
	-----	-----
	1,761,261	1,758,206
Accumulated depletion	(1,390,348)	(1,363,812)
	-----	-----
Net oil and gas properties	\$ 370,913	\$ 394,394
	=====	=====

9

1507

NOTE 6. RELATED PARTY TRANSACTIONS

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

	2000	1999	1998
	-----	-----	-----
Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$ 42,503	\$ 41,777	\$ 41,366
Reimbursement of general and administrative expenses	\$ 8,329	\$ 5,027	\$ 4,007

The Partnership participates in oil and gas activities through an income tax partnership (the "Program") pursuant to the Program agreement. Pioneer USA, P&P Employees 90-A Conv., L.P. ("EMPL"), Parker & Parsley 90-A, L.P. and the Partnership are parties to the Program agreement. EMPL is a limited partnership organized for the benefit of certain employees of Pioneer USA. EMPL was merged with Pioneer USA on December 28, 2000.

The costs and revenues of the Program are allocated to Pioneer USA and the Partnerships as follows:

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	Pioneer USA (1)	Partnerships (2)
	-----	-----
Revenues:		
Proceeds from disposition of depreciable and depletable properties -		
First three years	14.141414%	85.858586%
After first three years	19.191919%	80.808081%
All other revenues -		
First three years	14.141414%	85.858586%
After first three years	19.191919%	80.808081%
Costs and expenses:		
Lease acquisition costs, drilling and completion costs	9.090909%	90.909091%
Operating costs, reporting and legal expenses and general and administrative expenses -		
First three years	14.141414%	85.858586%
After first three years	19.191919%	80.808081%

(1) Excludes Pioneer USA's 1% general partner ownership which is allocated at the Partnership level and 14 limited partner interests owned by Pioneer USA.

(2) The allocation between the Partnership and Parker & Parsley 90-A, L.P. is 25.725191% and 74.274809%, respectively.

NOTE 7. OIL AND GAS INFORMATION (UNAUDITED)

The following table presents information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities during the years then ended. All of the Partnership's reserves are proved developed and located within the United States. The Partnership's reserves are based on an evaluation prepared by Williamson Petroleum Consultants, Inc., an independent petroleum consultant, using criteria established by the Securities and Exchange Commission.

10

1508

	Oil and NGLs (bbls)	Gas (mcf)
	-----	-----
Net proved reserves at January 1, 1998	137,987	205,757
Revisions	(49,089)	(52,907)
Production	(11,399)	(16,309)
	-----	-----
Net proved reserves at December 31, 1998	77,499	136,541
Revisions	71,585	121,688
Production	(10,130)	(14,989)
	-----	-----
Net proved reserves at December 31, 1999	138,954	243,240
Revisions	6,057	(59,715)
Production	(9,876)	(13,365)
	-----	-----

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Net proved reserves at December 31, 2000	135,135 =====	170,160 =====
--	------------------	------------------

As of December 31, 2000, the estimated present value of future net revenues of proved reserves, calculated using December 31, 2000 prices of \$26.64 per barrel of oil, \$13.25 per barrel of NGLs and \$7.89 per mcf of gas, discounted at 10% was approximately \$1,053,000 and undiscounted was \$2,025,000.

Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves. The Partnership emphasizes that reserve estimates are inherently imprecise and, accordingly, the estimates are expected to change as future information becomes available.

### Disclosures about Oil & Gas Producing Activities

#### Standardized Measure of Discounted Future Net Cash Flows

The standardized measure of discounted future net cash flows is computed by applying year-end prices of oil and gas (with consideration of price changes only to the extent provided by contractual arrangements) to the estimated future production of proved oil and gas reserves less estimated future expenditures (based on year-end costs) to be incurred in developing and producing the proved reserves, discounted using a rate of 10% per year to reflect the estimated timing of the future cash flows. A Federal income tax provision has not been calculated as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

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

	For the years ended December 31,		
	2000	1999	1998
	(in thousands)		
Oil and gas producing activities:			
Future cash inflows	\$ 4,309	\$ 3,455	\$ 85
Future production costs	(2,284)	(2,046)	(66)
	-----	-----	-----
	2,025	1,409	18
10% annual discount factor	(972)	(653)	(5)
	-----	-----	-----
Standardized measure of discounted future net cash flows	\$ 1,053 =====	\$ 756 =====	\$ 13 =====

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	For the years ended December 31,		
	2000	1999	1998
	(in thousands)		
<b>Oil and Gas Producing Activities:</b>			
Oil and gas sales, net of production costs	\$ (165)	\$ (76)	\$ (55)
Net changes in prices and production costs	446	419	(356)
Revisions of previous quantity estimates	(26)	511	(61)
Accretion of discount	76	13	56
Changes in production rates, timing and other	(34)	(242)	(14)
Change in present value of future net revenues	297	625	(430)
Balance, beginning of year	756	131	561
Balance, end of year	\$ 1,053	\$ 756	\$ 131

NOTE 8. MAJOR CUSTOMERS

The following table reflects the major customers of the Partnership's oil and gas sales (a major customer is defined as a customer whose sales exceed 10% of total sales) during the years ended December 31:

	2000	1999	1998
Plains Marketing, L.P.	54%	51%	-
TEPPCO Crude Oil LLC	12%	11%	-
NGTS LLC	10%	10%	-
Genesis Crude Oil, L.P.	-	-	57%
Western Gas Resources, Inc.	2%	5%	22%

At December 31, 2000, the amounts receivable from Plains Marketing, L.P., TEPPCO Crude Oil LLC and NGTS LLC were \$13,068, \$2,535 and \$1,423, respectively, which are included in the caption "Accounts receivable - oil and gas sales" in the accompanying Balance Sheet.

Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on the ability of the Partnership to sell its oil, NGLs and gas production.

NOTE 9. PARTNERSHIP AGREEMENT

The following is a brief summary of the more significant provisions of the limited partnership agreement:

Managing general partner - The managing general partner of the Partnership is Pioneer USA. Pioneer USA has the power and authority to manage, control



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

and administer all Program and Partnership affairs. As managing general partner and operator of the Partnership's properties, all production expenses are incurred by Pioneer USA and billed to the Partnership. The majority of the Partnership's oil and gas revenues are received directly by the Partnership, however, a portion of the oil and gas revenue is initially received by Pioneer USA prior to being paid to the Partnership. Under the Partnership agreement, the managing general partner pays 1% of the Partnership's acquisition, drilling and completion costs and 1% of its operating and general and administrative expenses. In return, it is allocated 1% of the Partnership's revenues.

12

1510

Limited partner liability - The maximum amount of liability of any limited partner is the total contributions of such partner plus his share of any undistributed profits.

Initial capital contributions - The partners entered into subscription agreements for aggregate capital contributions of \$2,359,000. Pioneer USA is required to contribute amounts equal to 1% of initial Partnership capital less commission, organization and offering costs allocated to the limited partners and to contribute amounts necessary to pay costs and expenses allocated to it under the Partnership agreement to the extent its share of revenues does not cover such costs.

13

1511

PARKER & PARSLEY 90-A CONV., L.P.  
(A DELAWARE LIMITED PARTNERSHIP)

THIS REPORT CONTAINS FORWARD LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. ACCORDINGLY, NO ASSURANCES CAN BE GIVEN THAT THE ACTUAL EVENTS AND RESULTS WILL NOT BE MATERIALLY DIFFERENT THAN THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of operations

2000 compared to 1999

The Partnership's oil and gas revenues increased 65% to \$279,230 for 2000 as compared to \$169,279 in 1999. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 2000, 6,255 barrels of oil, 3,621 barrels of natural gas liquids ("NGLs") and 13,365 mcf of gas were sold, or 12,104 barrel of oil equivalent ("BOEs"). In 1999, 6,133 barrels of oil, 3,997 barrels of NGLs and 14,989 mcf of gas were sold, or 12,628 BOEs. Due to the decline characteristics of the Partnership's oil and gas properties, management expects a certain amount of decline in production in the future until the Partnership's economically recoverable reserves are fully depleted.

The average price received per barrel of oil increased \$12.26, or 72%, from \$17.06 in 1999 to \$29.32 in 2000. The average price received per barrel of NGLs increased \$6.04, or 63%, from \$9.58 in 1999 to \$15.62 in 2000. The average price received per mcf of gas increased 67% from \$1.76 in 1999 to \$2.94 in 2000. The market price for oil and gas has been extremely volatile in the past decade, and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received in 2000.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Gain on disposition of assets of \$3,262 was recognized during 2000 resulting from equipment credits received on one well.

Total costs and expenses increased in 2000 to \$150,163 as compared to \$136,517 in 1999, an increase of \$13,646, or 10%. The increase was due to increases in production costs and general and administrative expenses ("G&A"), offset by a decline in depletion.

Production costs were \$114,159 in 2000 and \$93,178 in 1999, resulting in a \$20,981 increase, or 23%. The increase was primarily due to higher production taxes associated with higher oil and gas prices and additional well maintenance costs incurred to stimulate well production.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 34% from \$7,068 in 1999 to \$9,468 in 2000, primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$8,329 in 2000 and \$5,027 in 1999 for G&A incurred on behalf of the Partnership. The remaining G&A was paid directly by the Partnership. The managing general partner determines the allocated expenses based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Depletion was \$26,536 in 2000 as compared to \$36,271 in 1999, representing a decrease of \$9,735, or 27%. This decrease was primarily due to a 10,806 barrels of oil increase in proved reserves during 2000 as a result of higher commodity prices.

1999 compared to 1998

The Partnership's 1999 oil and gas revenues increased 11% to \$169,279 from \$152,905 in 1998. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 1999, 6,133 barrels of oil, 3,997 barrels

1512

of NGLs and 14,989 mcf of gas were sold, or 12,628 BOEs. In 1998, 7,476 barrels of oil, 3,923 barrels of NGLs and 16,309 mcf of gas were sold, or 14,117 BOEs.

The average price received per barrel of oil increased \$3.86, or 29%, from \$13.20 in 1998 to \$17.06 in 1999. The average price received per barrel of NGLs increased \$2.56, or 36%, from \$7.02 in 1998 to \$9.58 in 1999. The average price received per mcf of gas increased 7% from \$1.64 in 1998 to \$1.76 in 1999.

Total costs and expenses decreased in 1999 to \$136,517 as compared to \$170,483 in 1998, a decrease of \$33,966, or 20%. The decrease was due to reductions in depletion, the impairment of oil and gas properties and production costs, offset by an increase in G&A.

Production costs were \$93,178 in 1999 and \$97,819 in 1998, resulting in a \$4,641 decrease, or 5%. The decrease was due to declines in ad valorem taxes and well maintenance costs.

During this period, G&A increased 42% from \$4,961 in 1998 to \$7,068 in 1999 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$5,027 in

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

1999 and \$4,007 in 1998 for G&A incurred on behalf of the Partnership.

In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the managing general partner reviews the Partnership's oil and gas properties for impairment whenever events or circumstances indicate a decline in the recoverability of the carrying value of the Partnership's assets may have occurred. As a result of the review and evaluation of its long-lived assets for impairment, the Partnership recognized a non-cash charge of \$11,795 related to its oil and gas properties during 1998.

Depletion was \$36,271 in 1999 compared to \$55,908 in 1998, representing a decrease of \$19,637, or 35%. This decrease was primarily the result of an increase in proved reserves of 43,411 barrels of oil during 1999 as a result of higher commodity prices, a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 1998 and a decline in oil production of 1,343 barrels for the period ended December 31, 1999 compared to the same period in 1998.

### Petroleum industry

The petroleum industry has been characterized by volatile oil, NGL and natural gas commodity prices and relatively stable supplier costs during the three years ended December 31, 2000. During 1998, weather patterns, regional economic recessions and political matters combined to cause worldwide oil supplies to exceed demand resulting in a substantial decline in oil prices. Also during 1998, but to a lesser extent, market prices for natural gas declined. During 1999 and 2000, the Organization of Petroleum Exporting Countries ("OPEC") and certain other crude oil exporting nations announced reductions in their planned export volumes. Those announcements, together with the enactment of the announced reductions in export volumes, had a positive impact on world oil prices, as have overall natural gas supply and demand fundamentals on North American natural gas prices. Although the favorable commodity price environment and stable field service cost environment is expected to continue during 2001, there is no assurance that commodity prices will not return to a less favorable level or that field service costs will not escalate in the future, both of which could negatively impact the Partnership's future results of operations and cash distributions.

### Liquidity and capital resources

#### Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$77,593 during the year ended December 31, 2000 from 1999. This increase was due to an increase in oil and gas sales receipts of \$111,227, offset by increases in production costs paid of

1513

\$20,981, G&A expenses paid of \$2,400 and working capital of \$10,253. The increase in oil and gas receipts resulted from the increase in commodity prices during 2000 which contributed an additional \$118,292 to oil and gas receipts, offset by \$7,065 resulting from the decline in production during 2000. The increase in production costs was primarily due to increased production taxes associated with higher oil and gas prices and well maintenance costs incurred to stimulate well production. The increase in G&A was primarily due to higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

### Net Cash Provided by (Used in) Investing Activities

The Partnership's principal investing activities during 2000 and 1999 included expenditures related to equipment upgrades on active properties.

Proceeds from disposition of assets of \$3,262 was recognized during 2000 resulting from equipment credits received on one well. Proceeds of \$2,501 during 1999 were received from equipment credits on one active well and one temporarily abandoned well.

### Net Cash Used in Financing Activities

In 2000, cash distributions to the partners were \$152,116, of which \$1,521 was distributed to the managing general partner and \$150,595 to the limited partners. In 1999, cash distributions to the partners were \$53,463, of which \$535 was distributed to the managing general partner and \$52,928 to the limited partners.

1514

### PARKER & PARSLEY 90-A CONV., L.P.

### SELECTED FINANCIAL DATA

The following selected financial data for the Partnership should be read in connection with Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements included in the attached supplemental information.

	Six months ended June 30,		Years ended December		
	2001	2000	2000	1999	1998
Operating results:					
Oil and gas sales	\$147,209	\$ 125,481	\$ 279,230	\$ 169,279	\$ 152,905
	=====	=====	=====	=====	=====
Impairment of oil and gas properties	\$ --	\$ --	\$ --	\$ --	\$ 11,795
	=====	=====	=====	=====	=====
Net income (loss)	\$ 73,004	\$ 58,281	\$ 135,356	\$ 34,513	\$ (15,498)
	=====	=====	=====	=====	=====
Allocation of net income (loss):					
Managing general partner	\$ 730	\$ 583	\$ 1,354	\$ 345	\$ (155)
	=====	=====	=====	=====	=====
Limited partners	\$ 72,274	\$ 57,698	\$ 134,002	\$ 34,168	\$ (15,343)
	=====	=====	=====	=====	=====
Limited partners' net income (loss) per limited					

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

partnership interest	\$ 30.64	\$ 24.46	\$ 56.80	\$ 14.48	\$ (6.50)
	=====	=====	=====	=====	=====
Limited partners' cash distributions per limited partnership interest	\$ 19.99	\$ 27.22	\$ 63.84	\$ 22.44	\$ 28.44
	=====	=====	=====	=====	=====
As of period ended:					
Total assets	\$471,317	\$ 455,482	\$ 443,917	\$ 460,485	\$ 478,594
	=====	=====	=====	=====	=====

1515

PIONEER NATURAL RESOURCES COMPANY  
PIONEER NATURAL RESOURCES USA, INC.  
5205 NORTH O'CONNOR BLVD., SUITE 1400  
IRVING, TEXAS 75039

SUPPLEMENTAL INFORMATION

OF

PARKER & PARSLEY 90-A, L.P., A DELAWARE LIMITED PARTNERSHIP

TO

PROXY STATEMENT/PROSPECTUS DATED , 2001

-----

THE DATE OF THIS SUPPLEMENT IS , 2001

-----

This document contains important information specific to Parker & Parsley 90-A, L.P., and supplements the proxy statement/prospectus dated , 2001, of Pioneer Natural Resources Company and Pioneer Natural Resources USA, Inc., by which Pioneer USA is soliciting proxies to be voted at a special meeting of limited partners of the partnership. The purpose of the special meeting is for you to vote upon the merger of the partnership with and into Pioneer USA that, if completed, will result in your receiving common stock of Pioneer Natural Resources Company for your partnership interests.

This document contains the following information concerning Parker & Parsley 90-A, L.P.:

- o A table containing:
  - the aggregate initial investment by the limited partners
  - the aggregate historical limited partner distributions through July 31, 2001
  - the merger value attributable to partnership interests of limited partners, excluding Pioneer USA

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

- the merger value per \$1,000 limited partner investment
- the merger value per \$1,000 limited partner investment as a multiple of distributions for the past four quarterly distributions including the distribution in July 2001
- the book value per \$1,000 limited partner investment as of June 30, 2001 and as of December 31, 2000
- the going concern value per \$1,000 limited partner investment
- the liquidation value per \$1,000 limited partner investment
- the ordinary tax loss per \$1,000 limited partner investment in year of initial investment
- o Information about:
  - the legal opinion for the limited partners
  - the term of the partnership
- o The partnership's quarterly report on Form 10-Q, including management's discussion and analysis of financial condition and results of operations, for the six months ended June 30, 2001
- o The partnership's annual report on Form 10-K, including management's discussion and analysis of financial condition and results of operations, for the year ended December 31, 2000
- o Selected historical financial data for the partnership for the six months ended June 30, 2001 and 2000 and the five years ended December 31, 2000

-1-

1516

PARKER & PARSLEY 90-A, L.P.

SUPPLEMENTAL INFORMATION TABLE

Aggregate Initial Investment by the Limited Partners	(a)	\$
Aggregate Historical Limited Partner Distributions through July 31, 2001	(a)	\$
Merger Value Attributable to Partnership Interests of Limited Partners, Excluding Pioneer USA	(a), (b)	\$
Merger Value per \$1,000 Limited Partner Investment	(b), (c)	\$
Merger Value per \$1,000 Limited Partner Investment as a Multiple of Distributions for the past four quarterly distributions including the distribution in July 2001	(b), (c)	

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Book Value per \$1,000 Limited Partner Investment:

-- as of June 30, 2001 (c) \$

-- as of December 31, 2000 (c) \$

Going Concern Value per \$1,000 Limited Partner Investment (c), (d) \$

Liquidation Value per \$1,000 Limited Partner Investment (c), (e) \$

Ordinary Tax Loss per \$1,000 Limited Partner Investment in Year of Initial Investment (c), (f) \$

-----

(a) Stated in thousands.

(b) The merger value for the partnership is equal to the sum of the present value of estimated future net revenues from the partnership's estimated oil and gas reserves and its net working capital, in each case as of March 31, 2001, less its pro rata share, based on its reserve value, of the estimated expenses and fees of the mergers of all of the partnerships and less the cash distribution on July 13, 2001, by the partnership to its partners.

(c) Interests in some partnerships were sold in units at prices other than \$1,000. We have presented this information based on a \$1,000 initial investment for ease of use and comparison among partnerships. You should not assume that the amount shown per \$1,000 investment is the same as the value or amount attributable to a single unit investment.

(d) The going concern value for the partnership is based upon: (1) the sum of (A) the estimated net cash flow from the sale of the partnership's reserves during a 10-year operating period and (B) the estimated residual value from the sale of the partnership's remaining reserves at the end of the operating period, in each case using the same pricing and discount rate as in the merger value calculation, less (2) (A) partnership level general and administrative expenses, and (B) the cash distribution on July 13, 2001 by the partnership to its partners.

(e) The liquidation value for the partnership is based upon the sale of the partnership's reserves at the reserve value, less (1) liquidation expenses which are estimated to be the sum of (A) the partnership's pro rata share of the merger expenses and fees described in footnote (b) above and (B) 3% of the partnership's reserve value, and (2) the cash distribution on July 13, 2001 by the partnership to its partners. The liquidation expenses represent estimated costs to retain an investment banker or broker to sell the assets of the partnership and the legal and other closing costs associated with such transaction, including the wind-down costs of the partnership.

(f) Your ability to use your distributive share of the partnership's loss to offset your other income may have been subject to certain limitations at your level as a partner, and you may therefore wish to consult your tax advisor to determine the additional value, if any, actually realized by you in your particular circumstances.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

INFORMATION ABOUT THE LEGAL OPINION FOR THE LIMITED PARTNERS

The partnership agreement for the partnership requires that special legal counsel render an opinion on behalf of the limited partners to Pioneer USA that neither the grant nor the exercise of the right to approve the merger of the partnership by its limited partners will adversely affect the federal income tax classification of the partnership or any of its limited partners. Although not required by the partnership agreement, the opinion will also state that neither the grant nor exercise of such right will result in the loss of any limited partner's limited liability. In addition, the counsel designated to render the opinion is not required to be counsel other than counsel to Pioneer USA or the partnership. Both the designated counsel and the legal opinion must be approved by the limited partners. Pioneer USA has retained \_\_\_\_\_ of Dallas, Texas for the purpose of rendering this legal opinion on behalf of the limited partners to Pioneer USA. The merger proposals include an approval of that counsel and the form of its opinion. A copy of the opinion is attached as an exhibit to the merger proposals.

INFORMATION ABOUT THE TERM OF THE PARTNERSHIP

The term of the partnership is until December 31, 2039, unless the partnership is earlier terminated in accordance with the applicable provisions of its partnership agreement.

-2-

1517

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, 2001

Commission File No. 33-26097-05

PARKER & PARSLEY 90-A, L.P.

-----  
(Exact name of Registrant as specified in its charter)

Delaware

75-2329245

-----  
(State or other jurisdiction of  
incorporation or organization)

-----  
(I.R.S. Employer  
Identification Number)

5205 N. O'Connor Blvd., Suite 1400, Irving, Texas

75039

-----  
(Address of principal executive offices)

-----  
(Zip code)



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Registrant's Telephone Number, including area code : (972) 444-9001

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 / x / No / /

1518

PARKER & PARSLEY 90-A, L.P.

TABLE OF CONTENTS

	Page
Part I. Financial Information	
Item 1. Financial Statements	
Balance Sheets as of June 30, 2001 and December 31, 2000.....	3
Statements of Operations for the three and six months ended June 30, 2001 and 2000.....	4
Statement of Partners' Capital for the six months ended June 30, 2001.....	5
Statements of Cash Flows for the six months ended June 30, 2001 and 2000.....	6
Notes to Financial Statements.....	7
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.....	7
Part II. Other Information	
Item 6. Exhibits and Reports on Form 8-K.....	11
Signatures.....	12

1519

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

PARKER & PARSLEY 90-A, L.P.  
(A Delaware Limited Partnership)

Part I. Financial Information

Item 1. Financial Statements

BALANCE SHEETS

	June 30, 2001 ----- (Unaudited)	December 31, 2000 -----
ASSETS		
Current assets:		
Cash	\$ 236,952	\$ 92,685
Accounts receivable - oil and gas sales	95,199	122,067
	-----	-----
Total current assets	332,151	214,752
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	5,085,569	5,085,185
Accumulated depletion	(4,052,625)	(4,014,368)
	-----	-----
Net oil and gas properties	1,032,944	1,070,817
	-----	-----
	\$ 1,365,095	\$ 1,285,569
	=====	=====
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable - affiliate	\$ 22,274	\$ 15,770
Partners' capital:		
Managing general partner	13,509	12,779
Limited partners (6,811 interests)	1,329,312	1,257,020
	-----	-----
	1,342,821	1,269,799
	-----	-----
	\$ 1,365,095	\$ 1,285,569
	=====	=====

The financial information included as of June 30, 2001 has been prepared by the managing general partner without audit by independent public accountants.

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

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

(A Delaware Limited Partnership)

STATEMENTS OF OPERATIONS  
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2001	2000	2001	2000
Revenues:				
Oil and gas	\$ 188,539	\$ 178,954	\$ 424,897	\$ 362,257
Interest	1,752	2,175	3,409	3,758
Gain on disposition of assets	-	9,419	-	9,419
	-----	-----	-----	-----
	190,291	190,548	428,306	375,434
	-----	-----	-----	-----
Costs and expenses:				
Oil and gas production	88,253	89,154	165,130	159,970
General and administrative	5,824	6,057	14,385	11,738
Depletion	18,523	15,331	38,257	35,963
	-----	-----	-----	-----
	112,600	110,542	217,772	207,671
	-----	-----	-----	-----
Net income	\$ 77,691	\$ 80,006	\$ 210,534	\$ 167,763
	=====	=====	=====	=====
Allocation of net income:				
Managing general partner	\$ 777	\$ 800	\$ 2,105	\$ 1,678
	=====	=====	=====	=====
Limited partners	\$ 76,914	\$ 79,206	\$ 208,429	\$ 166,085
	=====	=====	=====	=====
Net income per limited partnership interest	\$ 11.29	\$ 11.62	\$ 30.60	\$ 24.38
	=====	=====	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

PARKER & PARSLEY 90-A, L.P.  
(A Delaware Limited Partnership)

STATEMENT OF PARTNERS' CAPITAL  
(Unaudited)

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	general partner -----	Limited partners -----	Total -----
Balance at January 1, 2001	\$ 12,779	\$1,257,020	\$1,269,799
Distributions	(1,375)	(136,137)	(137,512)
Net income	2,105 -----	208,429 -----	210,534 -----
Balance at June 30, 2001	\$ 13,509 =====	\$1,329,312 =====	\$1,342,821 =====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

5

1522

PARKER & PARSLEY 90-A, L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF CASH FLOWS  
(Unaudited)

	Six months ended June 30, -----	
	2001 -----	2000 -----
Cash flows from operating activities:		
Net income	\$ 210,534	\$ 167,763
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion	38,257	35,963
Gain on disposition of assets	-	(9,419)
Changes in assets and liabilities:		
Accounts receivable	26,868	(19,346)
Accounts payable	6,504	5,068
	-----	-----
Net cash provided by operating activities	282,163	180,029
	-----	-----
Cash flows from investing activities:		
Additions to oil and gas properties	(384)	(4,190)
Proceeds from asset dispositions	-	9,419
	-----	-----
Net cash provided by (used in) investing activities	(384)	5,229
	-----	-----

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Cash flows used in financing activities:		
Cash distributions to partners	(137,512)	(187,276)
	-----	-----
Net increase (decrease) in cash	144,267	(2,018)
Cash at beginning of period	92,685	122,649
	-----	-----
Cash at end of period	\$ 236,952	\$ 120,631
	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

6

1523

PARKER & PARSLEY 90-A, L.P.  
(A Delaware Limited Partnership)

NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Unaudited)

### Note 1. Organization and nature of operations

Parker & Parsley 90-A, L.P. (the "Partnership") is a limited partnership organized in 1990 under the laws of the State of Delaware.

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

### Note 2. Basis of presentation

In the opinion of management, the unaudited financial statements of the Partnership as of June 30, 2001 and for the three and six months ended June 30, 2001 and 2000 include all adjustments and accruals consisting only of normal recurring accrual adjustments which are necessary for a fair presentation of the results for the interim period. These interim results are not necessarily indicative of results for a full year. Certain reclassifications may have been made to the June 30, 2000 financial statements to conform to the June 30, 2001 financial statement presentations.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in this Form 10-Q pursuant to the rules and regulations of the Securities and Exchange Commission. The financial statements should be read in conjunction with the financial statements and the notes thereto contained in the Partnership's Report on Form 10-K for the year ended December 31, 2000, as filed with the Securities and Exchange Commission, a copy of which is available upon request by writing to Rich Dealy, Vice President and Chief Accounting Officer, 5205 North O'Connor Boulevard, Suite 1400, Irving, Texas 75039-3746.

### Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (1)

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

### Results of Operations

Six months ended June 30, 2001 compared with six months ended June 30, 2000

#### Revenues:

The Partnership's oil and gas revenues increased 17% to \$424,897 for the six months ended June 30, 2001 as compared to \$362,257 for the same period in 2000. The increase in revenues resulted from higher average prices received, offset by a decrease in production. For the six months ended June 30, 2001, 8,803 barrels

7

1524

of oil, 3,690 barrels of natural gas liquids ("NGLs") and 23,539 mcf of gas were sold, or 16,416 barrel of oil equivalents ("BOEs"). For the six months ended June 30, 2000, 8,965 barrels of oil, 5,338 barrels of NGLs and 19,897 mcf of gas were sold, or 17,619 BOEs.

The average price received per barrel of oil increased \$.43, or 2%, from \$27.46 for the six months ended June 30, 2000 to \$27.89 for the same period in 2001. The average price received per barrel of NGLs increased \$3.31, or 24%, from \$13.56 during the six months ended June 30, 2000 to \$16.87 for the same period in 2001. The average price received per mcf of gas increased 126% from \$2.20 during the six months ended June 30, 2000 to \$4.98 for the same period in 2001. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received during the six months ended June 30, 2001.

Gain on disposition of assets of \$9,419 was recognized during the six months ended June 30, 2000 resulting from equipment credits received on one fully depleted well.

#### Costs and Expenses:

Total costs and expenses increased to \$217,772 for the six months ended June 30, 2001 as compared to \$207,671 for the same period in 2000, an increase of \$10,101, or 5%. This increase was due to increases in production costs, general and administrative expenses ("G&A") and depletion.

Production costs were \$165,130 for the six months ended June 30, 2001 and \$159,970 for the same period in 2000 resulting in a \$5,160 increase, or 3%. The increase was due to higher production taxes associated with higher oil and gas prices and additional well maintenance costs incurred to stimulate well production, offset by a decrease in workover costs.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 23%, from \$11,738 for the six months ended June 30, 2000 to \$14,385 for the same period in 2001, primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues and an increase in audit and tax fees.

Depletion was \$38,257 for the six months ended June 30, 2001 as compared to \$35,963 for the same period in 2000, an increase of \$2,294, or 6%. This increase was primarily due to a reduction in proved reserves during the period ended June

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

30, 2001 as a result of lower commodity prices.

Three months ended June 30, 2001 compared with three months ended June 30, 2000

### Revenues:

The Partnership's oil and gas revenues increased 5% to \$188,539 for the three months ended June 30, 2001 as compared to \$178,954 for the same period in 2000. The increase in revenues resulted from higher average prices received for gas and NGLs, offset by lower average prices received for oil and a decrease in production. For the three months ended June 30, 2001, 4,081 barrels of oil,

8

1525

2,147 barrels of NGLs and 11,701 mcf of gas were sold, or 8,178 BOEs. For the three months ended June 30, 2000, 4,198 barrels of oil, 2,815 barrels of NGLs and 10,000 mcf of gas were sold, or 8,680 BOEs.

The average price received per barrel of oil decreased \$.22, or 1%, from \$27.54 for the three months ended June 30, 2000 to \$27.32 for the same period in 2001. The average price received per barrel of NGLs increased \$1.69, or 13%, from \$13.36 during the three months ended June 30, 2000 to \$15.05 for the same period in 2001. The average price received per mcf of gas increased 49% from \$2.57 during the three months ended June 30, 2000 to \$3.82 for the same period in 2001.

Gain on disposition of assets of \$9,419 was recognized during the three months ended June 30, 2000 from equipment credits received on one fully depleted well.

### Costs and Expenses:

Total costs and expenses increased to \$112,600 for the three months ended June 30, 2001 as compared to \$110,542 for the same period in 2000, an increase of \$2,058, or 2%. This increase was due to an increase in depletion, offset by declines in production costs and G&A.

Production costs were \$88,253 for the three months ended June 30, 2001 and \$89,154 for the same period in 2000 resulting in a \$901 decrease, or 1%. The decrease was due to lower workover costs, offset by additional well maintenance costs incurred to stimulate well production.

During this period, G&A decreased 4%, from \$6,057 for the three months ended June 30, 2000 to \$5,824 for the same period in 2001, primarily due to a decrease in audit and tax fees.

Depletion was \$18,523 for the three months ended June 30, 2001 as compared to \$15,331 for the same period in 2000, an increase of \$3,192, or 21%. This increase was primarily due to a reduction in proved reserves during the period ended June 30, 2001 as a result of lower commodity prices.

### Liquidity and Capital Resources

#### Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$102,134 during the six months ended June 30, 2001 from the same period ended June 30, 2000. This increase was due to an increase of \$62,291 in oil and gas sales receipts and a reduction of \$47,650 in working capital, offset by increases in production costs

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

of \$5,160 and G&A expenses of \$2,647. The increase in oil and gas receipts resulted from the increase in commodity prices during 2001 which contributed an additional \$76,480 to oil and gas receipts, offset by \$14,189 resulting from the decline in production during 2001 as compared to the same period in 2000. The increase in production costs was primarily due to increased production taxes associated with higher oil and gas prices and additional well maintenance costs incurred to stimulate well production, offset by a decrease in workover costs. The increase in G&A was primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues and an increase in audit and tax fees.

9

1526

### Net Cash Provided by (Used in) Investing Activities

The Partnership's principal investing activities during the six months ended June 30, 2001 and 2000 were for expenditures related to equipment upgrades on active oil and gas properties.

Proceeds of \$9,419 recognized during the six months ended June 30, 2000 were from equipment credits on one fully depleted well.

### Net Cash Used in Financing Activities

For the six months ended June 30, 2001, cash distributions to the partners were \$137,512, of which \$1,375 was distributed to the managing general partner and \$136,137 to the limited partners. For the same period ended June 30, 2000, cash distributions to the partners were \$187,276, of which \$1,873 was distributed to the managing general partner and \$185,403 to the limited partners.

For the three months ended June 30, 2001, no distributions were made by the partnership to its partners. Subsequent to June 30, 2001 the cash distribution that otherwise would have been mailed to partners in late June was made to holders of record as of July 9, 2001 and was mailed on July 13, 2001. For further information, see "Proposal to acquire partnerships" below.

### Proposal to acquire partnerships

On June 29, 2001, Pioneer Natural Resources Company ("Pioneer") filed with the Securities and Exchange Commission Amendment No. 1 to the Form S-4 Registration Statement (File No. 333- 59094) (the "preliminary proxy statement/prospectus"), which proposes an agreement and plan of merger among Pioneer, Pioneer Natural Resources USA, Inc. ("Pioneer USA"), a wholly-owned subsidiary of Pioneer, and 46 Parker & Parsley limited partnerships. Each partnership that approves the agreement and plan of merger and the other related merger proposals will merge with and into Pioneer USA upon the closing of the transactions described in the preliminary proxy statement/prospectus, and the partnership interests of each such partnership will be converted into the right to receive Pioneer common stock. The Partnership is one of the 46 Parker & Parsley limited partnerships that will be asked to approve the agreement and plan of merger. The preliminary proxy statement/prospectus is non-binding and is subject to, among other things, consideration of offers from third parties to purchase any partnership or its assets and the majority approval of the limited partnership interests in each partnership.

Pioneer USA will solicit proxies from limited partners to approve the mergers only when the proxy statement/prospectus is final and declared effective. No



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

solicitation will be made using preliminary materials. Nonetheless, copies of the preliminary proxy statement/prospectus may be obtained without charge upon request from Pioneer Natural Resources Company, 5205 North O'Connor Blvd., Suite 1400, Irving, Texas 75039, Attention: Investor Relations.

The limited partners are urged to read the proxy statement/prospectus of Pioneer filed with the Securities and Exchange Commission, when it is finalized, because it contains important information about the proposed mergers, including information about the direct and indirect interests of Pioneer USA and Pioneer in the mergers. The limited partners may also obtain the preliminary and (when filed) final proxy statement/prospectus and other relevant documents relating to

10

1527

the proposed mergers free through the internet web site that the Securities and Exchange Commission maintains at [www.sec.gov](http://www.sec.gov).

-----

- (1) "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" contains forward looking statements that involve risks and uncertainties. Accordingly, no assurances can be given that the actual events and results will not be materially different than the anticipated results described in the forward looking statements.

Part II. Other Information

Item 6. Exhibits and Reports on Form 8-K

- (a) Exhibits - none
- (b) Form 8-K - none

11

1528

PARKER & PARSLEY 90-A, L.P.  
(A Delaware Limited Partnership)

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 thereunto duly authorized.

PARKER & PARSLEY 90-A, L.P.

By: Pioneer Natural Resources USA, Inc.,  
Managing General Partner

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Dated: August 8, 2001

By: /s/ Rich Dealy

-----  
Rich Dealy, Vice President and  
Chief Accounting Officer

12

1529

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

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d)  
of the Securities Exchange Act of 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000

COMMISSION FILE NO. 33-26097-05

PARKER & PARSLEY 90-A, L.P.  
(Exact name of Registrant as specified in its charter)

DELAWARE

75-2329245

-----  
(State or other jurisdiction of  
incorporation or organization)

-----  
(I.R.S. Employer  
Identification Number)

1400 WILLIAMS SQUARE WEST, 5205 N. O'CONNOR BLVD., IRVING, TEXAS

75039

-----  
(Address of principal executive offices)

-----  
(Zip code)

Registrant's Telephone Number, including area code : (972) 444-9001

Securities registered pursuant to Section 12(b) of the Act: NONE  
Securities registered pursuant to Section 12(g) of the Act:  
LIMITED PARTNERSHIP INTERESTS (\$1,000 PER UNIT)  
-----

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

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

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

No market currently exists for the limited partnership interests of the Registrant. Based on the original purchase price, the aggregate market value of limited partnership interests owned by non-affiliates of the Registrant is \$6,664,000.

As of March 8, 2001, the number of outstanding limited partnership interests was 6,811.

The following documents are incorporated by reference into the indicated parts of this Annual Report on Form 10-K: None

PARTS I AND II OF THIS ANNUAL REPORT ON FORM 10-K (THE "REPORT") CONTAIN FORWARD LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. ACCORDINGLY, NO ASSURANCES CAN BE GIVEN THAT THE ACTUAL EVENTS AND RESULTS WILL NOT BE MATERIALLY DIFFERENT THAN THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS. SEE "ITEM 1. BUSINESS" FOR A DESCRIPTION OF VARIOUS FACTORS THAT COULD MATERIALLY AFFECT THE ABILITY OF THE PARTNERSHIP TO ACHIEVE THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS.

1530

### PART I

#### ITEM 1. BUSINESS

Parker & Parsley 90-A, L.P. (the "Partnership") is a limited partnership organized in 1990 under the laws of the State of Delaware. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA"). Pioneer USA is a wholly-owned subsidiary of Pioneer Natural Resources Company ("Pioneer"). As of March 8, 2001, the Partnership had 6,811 limited partnership interests outstanding.

The Partnership does not have any employees of its own. Pioneer USA employs 701 persons, many of whom dedicated a part of their time to the conduct of the Partnership's business during the period for which this Report is filed. Pioneer USA is responsible for all management functions.

The Partnership engages in oil and gas development and production and is not involved in any industry segment other than oil and gas. The Partnership's production is geographically concentrated in West Texas.

The principal markets during 2000 for the oil produced by the Partnership were refineries and oil transmission companies that have facilities near the Partnership's oil producing properties. During 2000, Pioneer USA marketed the Partnership's gas to a variety of purchasers. Of the Partnership's total oil and gas revenues for 2000, approximately 54%, 12% and 10% were attributable to sales made to Plains Marketing, L.P., TEPPCO Crude Oil LLC and NGTS LLC, respectively. Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on its ability to sell its oil, natural gas liquids ("NGLs") and gas production.

The Partnership's revenues, profitability, cash flow and future rate of growth are highly dependent on the prevailing prices of oil and gas, which are affected

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

by numerous factors beyond the Partnership's control. Oil and gas prices historically have been very volatile. A substantial or extended decline in the prices of oil or gas could have a material adverse effect on the Partnership's revenues, profitability and cash flow and could, under certain circumstances, result in a reduction in the carrying value of the Partnership's oil and gas properties.

Oil and gas production operations are subject to various types of regulations by local, state and federal agencies. The Partnership's operations are also subject to state conservation laws and regulations, including the establishment of maximum rates of production from wells and the regulation of spacing, plugging and abandonment of wells. Each state generally imposes a production or severance tax with respect to production and sale of oil and gas within their respective jurisdictions. Noncompliance with the laws and regulations may subject the Partnership to penalties, damages or other liabilities and compliance may increase the cost of the Partnership's operations.

The oil and gas business is also subject to environmental hazards such as oil spills, gas leaks and ruptures and discharges of toxic substances or gases that could expose the Partnership to substantial

2

1531

liability due to pollution and other environmental damages. Although the Partnership believes that its business operations do not impair environmental quality and that its costs of complying with any applicable environmental regulations are not currently significant, the Partnership cannot predict what, if any, effect these environmental regulations may have on its current or future operations.

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

No material part of the Partnership's business is seasonal and the Partnership conducts no foreign operations.

### ITEM 2. PROPERTIES

The Partnership's properties consist of leasehold interests in properties on which oil and gas wells are located. Such property interests are often subject to landowner royalties, overriding royalties and other oil and gas leasehold interests.

Fractional working interests in developmental oil and gas prospects located primarily in the Spraberry Trend Area of West Texas were acquired by the Partnership, resulting in the Partnership's participation in the drilling of 27 oil and gas wells. Two wells have been sold. At December 31, 2000, 25 wells were producing.

For information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities for the years then ended, see Note 7 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" below. Such reserves have been evaluated by Williamson Petroleum Consultants, Inc., an independent petroleum consultant.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

### ITEM 3. LEGAL PROCEEDINGS

The Partnership from time to time is a party to various legal proceedings incidental to its business involving claims in oil and gas leases or interests, other claims for damages in amounts not in excess of 10% of its current assets and other matters, none of which Pioneer USA believes to be material to the Partnership.

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

There were no matters submitted to a vote of the partners during the fourth quarter of 2000.

3

1532

## PART II

### ITEM 5. MARKET FOR LIMITED PARTNERSHIP INTERESTS AND LIMITED PARTNERSHIP DISTRIBUTIONS

At March 8, 2001, the Partnership had 6,811 outstanding limited partnership interests held of record by 525 subscribers. There is no established public trading market for the limited partnership interests. Under the limited partnership agreement, Pioneer USA has made certain commitments to purchase partnership interests at a computed value.

Revenues which, in the sole judgement of the managing general partner, are not required to meet the Partnership's obligations are distributed to the partners at least quarterly in accordance with the limited partnership agreement. During the years ended December 31, 2000 and 1999, \$434,802 and \$152,818, respectively, of such revenue-related distributions were made to the limited partners.

### ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth selected financial data for the years ended December 31:

	2000 -----	1999 -----	1998 -----	1997 -----	-----
Operating results:					
Oil and gas sales	\$ 806,344 =====	\$ 488,752 =====	\$ 441,480 =====	\$ 643,882 =====	\$ ==
Impairment of oil and gas properties	\$ - =====	\$ - =====	\$ 34,145 =====	\$ 321,019 =====	\$ ==
Net income (loss)	\$ 390,714 =====	\$ 99,965 =====	\$ (44,421) =====	\$ (149,948) =====	\$ ==
Allocation of net income (loss):					
Managing general partner	\$ 3,907	\$ 1,000	\$ (444)	\$ (1,499)	\$

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Limited partners	\$ 386,807	\$ 98,965	\$ (43,977)	\$ (148,449)	\$
Limited partners' net income (loss) per limited partnership interest	\$ 56.79	\$ 14.53	\$ (6.46)	\$ (21.80)	\$
Limited partners' cash distributions per limited partnership interest	\$ 63.84	\$ 22.44	\$ 28.44	\$ 53.06	\$
At year end:					
Identifiable assets	\$1,285,569	\$ 1,333,533	\$ 1,385,777	\$1,634,061	\$

4

1533

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

Results of Operations

2000 compared to 1999

The Partnership's oil and gas revenues increased 65% to \$806,344 for 2000 as compared to \$488,752 in 1999. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 2000, 18,065 barrels of oil, 10,454 barrels of natural gas liquids ("NGLs") and 38,570 mcf of gas were sold, or 34,947 barrel of oil equivalents ("BOEs"). In 1999, 17,702 barrels of oil, 11,546 barrels of NGLs and 43,302 mcf of gas were sold, or 36,465 BOEs. Due to the decline characteristics of the Partnership's oil and gas properties, management expects a certain amount of decline in production in the future until the Partnership's economically recoverable reserves are fully depleted.

The average price received per barrel of oil increased \$12.26, or 72% from \$17.06 in 1999 to \$29.32 in 2000. The average price received per barrel of NGLs increased \$6.04, or 63% from \$9.58 in 1999 to \$15.62 in 2000. The average price received per mcf of gas increased 67% in 2000 to \$2.94 compared to \$1.76 in 1999. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received in 2000.

Gain on disposition of assets of \$9,419 was recognized during 2000 resulting from equipment credits received on one fully depleted well.

Total costs and expenses increased in 2000 to \$433,960 as compared to \$394,007 in 1999, an increase of \$39,953, or 10%. This increase was primarily due to increases in production costs and general and administrative expenses ("G&A"), offset by a decline in depletion.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Production costs were \$329,608 in 2000 and \$269,017 in 1999, resulting in an increase of \$60,591, or 23%. The increase was primarily due to additional well maintenance and workover costs incurred to stimulate well production and higher production taxes associated with higher oil and gas prices.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 36% from \$20,244 in 1999 to \$27,629 in 2000 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$24,038 in 2000 and \$14,514 in 1999 for G&A incurred on behalf of the Partnership. The remaining G&A was paid directly by the Partnership. The managing general partner determines the allocated expenses based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

5

1534

Depletion was \$76,723 in 2000 compared to \$104,746 in 1999, representing a decrease of \$28,023, or 27%. This decrease was primarily due to a 33,982 barrels of oil increase in proved reserves during 2000 as a result of higher commodity prices.

1999 compared to 1998

The Partnership's 1999 oil and gas revenues increased 11% to \$488,752 from \$441,480 in 1998. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 1999, 17,702 barrels of oil, 11,546 barrels of NGLs and 43,302 mcf of gas were sold, or 36,465 BOEs. In 1998, 21,587 barrels of oil, 11,328 barrels of NGLs and 47,086 mcf of gas were sold, or 40,763 BOEs.

The average price received per barrel of oil increased \$3.86, or 29% from \$13.20 in 1998 to \$17.06 in 1999. The average price received per barrel of NGLs increased \$2.56, or 36% from \$7.02 in 1998 to \$9.58 in 1999. The average price received per mcf of gas increased 7% in 1999 to \$1.76 compared to \$1.64 in 1998.

Total costs and expenses decreased in 1999 to \$394,007 as compared to \$492,078 in 1998, a decrease of \$98,071, or 20%. This decrease was primarily due to declines in depletion, the impairment of oil and gas properties and production costs, offset by an increase in G&A.

Production costs were \$269,017 in 1999 and \$282,430 in 1998, resulting in a \$13,413 decline, or 5%. The decline includes a reduction in ad valorem taxes and less well maintenance costs.

During this period, G&A increased 43% from \$14,124 in 1998 to \$20,244 in 1999 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$14,514 in 1999 and \$11,560 in 1998 for G&A incurred on behalf of the Partnership.

In accordance with Statement of Financial Accounting Standards No. 121,

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

"Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the managing general partner reviews the Partnership's oil and gas properties for impairment whenever events or circumstances indicate a decline in the recoverability of the carrying value of the Partnership's assets may have occurred. As a result of the review and evaluation of its long-lived assets for impairment, the Partnership recognized a non-cash charge of \$34,145 related to its oil and gas properties during 1998.

Depletion was \$104,746 in 1999 compared to \$161,379 in 1998. This represented a decrease of \$56,633, or 35%. This decrease was primarily the result of an increase in proved reserves of 125,332 barrels of oil during 1999 as a result of higher commodity prices, a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 1998 and a decline in oil production of 3,885 barrels for the period ended December 31, 1999 compared to the same period in 1998.

6

1535

### Petroleum industry

The petroleum industry has been characterized by volatile oil, NGL and natural gas commodity prices and relatively stable supplier costs during the three years ended December 31, 2000. During 1998, weather patterns, regional economic recessions and political matters combined to cause worldwide oil supplies to exceed demand resulting in a substantial decline in oil prices. Also during 1998, but to a lesser extent, market prices for natural gas declined. During 1999 and 2000, the Organization of Petroleum Exporting Countries ("OPEC") and certain other crude oil exporting nations announced reductions in their planned export volumes. Those announcements, together with the enactment of the announced reductions in export volumes, had a positive impact on world oil prices, as have overall natural gas supply and demand fundamentals on North American natural gas prices. Although the favorable commodity price environment and stable field service cost environment is expected to continue during 2001, there is no assurance that commodity prices will not return to a less favorable level or that field service costs will not escalate in the future, both of which could negatively impact the Partnership's future results of operations and cash distributions.

### Liquidity and capital resources

#### Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$223,816 during the year ended December 31, 2000 from 1999. This increase was due to increases in oil and gas sales receipts of \$321,283, offset by increases in production costs paid of \$60,591, G&A expenses paid of \$7,385 and working capital of \$29,491. The increase in oil and gas receipts resulted from the increase in commodity prices during 2000 which contributed an additional \$341,604 to oil and gas receipts, offset by \$20,321 resulting from the decline in production during 2000. The increase in production costs was primarily due to increased production taxes associated with higher oil and gas prices and well maintenance costs incurred to stimulate well production. The increase in G&A was primarily due to higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues.

#### Net Cash Provided by (Used in) Investing Activities



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The Partnership's investing activities during 2000 and 1999 were for expenditures related to oil and gas equipment upgrades on active properties.

Proceeds from asset dispositions of \$9,419 were recognized during 2000 from equipment credits on one fully depleted well and proceeds of \$7,220 in 1999 were from equipment credits received on one active property and one temporarily abandoned property.

### Net Cash Used in Financing Activities

In 2000, cash distributions to the partners were \$439,194, of which \$4,392 was distributed to the managing general partner and \$434,802 to the limited partners. In 1999, cash distributions to the partners were \$154,362 of which \$1,544 was distributed to the managing general partner and \$152,818 to the limited partners.

7

1536

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

### INDEX TO FINANCIAL STATEMENTS

	Page
	----
Financial Statements of Parker & Parsley 90-A, L.P.:	
Independent Auditors' Report.....	9
Balance Sheets as of December 31, 2000 and 1999.....	10
Statements of Operations for the Years Ended December 31, 2000, 1999 and 1998.....	11
Statements of Partners' Capital for the Years Ended December 31, 2000, 1999 and 1998.....	12
Statements of Cash Flows for the Years Ended December 31, 2000, 1999 and 1998.....	13
Notes to Financial Statements.....	14

8

1537

### INDEPENDENT AUDITORS' REPORT

The Partners  
Parker & Parsley 90-A, L.P.  
(A Delaware Limited Partnership):

We have audited the balance sheets of Parker & Parsley 90-A, L.P. as of December 31, 2000 and 1999, and the related statements of operations, partners' capital

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parker & Parsley 90-A, L.P. as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Dallas, Texas  
March 9, 2001

9

1538

PARKER & PARSLEY 90-A, L.P.  
(A Delaware Limited Partnership)

BALANCE SHEETS  
December 31

	2000 -----	1999 -----
ASSETS -----		
Current assets:		
Cash	\$ 92,685	\$ 122,649
Accounts receivable - oil and gas sales	122,067	72,167
	-----	-----
Total current assets	214,752	194,816
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	5,085,185	5,076,362

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Accumulated depletion	(4,014,368)	(3,937,645)
	-----	-----
Net oil and gas properties	1,070,817	1,138,717
	-----	-----
	\$ 1,285,569	\$ 1,333,533
	=====	=====
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable - affiliate	\$ 15,770	\$ 15,254
Partners' capital:		
Managing general partner	12,779	13,264
Limited partners (6,811 interests)	1,257,020	1,305,015
	-----	-----
	1,269,799	1,318,279
	-----	-----
	\$ 1,285,569	\$ 1,333,533
	=====	=====

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

10

1539

PARKER & PARSLEY 90-A, L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF OPERATIONS  
For the years ended December 31

	2000	1999	1998
	-----	-----	-----
Revenues:			
Oil and gas	\$806,344	\$488,752	\$ 441,480
Interest	8,911	5,220	6,177
Gain on disposition of assets	9,419	-	-
	-----	-----	-----
	824,674	493,972	447,657
	-----	-----	-----
Costs and expenses:			
Oil and gas production	329,608	269,017	282,430

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

General and administrative	27,629	20,244	14,124
Impairment of oil and gas properties	-	-	34,145
Depletion	76,723	104,746	161,379
	-----	-----	-----
	433,960	394,007	492,078
	-----	-----	-----
Net income (loss)	\$390,714	\$ 99,965	\$ (44,421)
	=====	=====	=====
Allocation of net income (loss):			
Managing general partner	\$ 3,907	\$ 1,000	\$ (444)
	=====	=====	=====
Limited partners	\$386,807	\$ 98,965	\$ (43,977)
	=====	=====	=====
Net income (loss) per limited partnership interest	\$ 56.79	\$ 14.53	\$ (6.46)
	=====	=====	=====

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

11

1540

PARKER & PARSLEY 90-A, L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF PARTNERS' CAPITAL

	Managing general partner	Limited partners	Total
	-----	-----	-----
Partners' capital at January 1, 1998	\$ 16,209	\$ 1,596,562	\$ 1,612,771
Distributions	(1,957)	(193,717)	(195,674)
Net loss	(444)	(43,977)	(44,421)
	-----	-----	-----
Partners' capital at December 31, 1998	13,808	1,358,868	1,372,676
Distributions	(1,544)	(152,818)	(154,362)
Net income	1,000	98,965	99,965
	-----	-----	-----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Partners' capital at December 31, 1999	13,264	1,305,015	1,318,279
Distributions	(4,392)	(434,802)	(439,194)
Net income	3,907	386,807	390,714
	-----	-----	-----
Partners' capital at December 31, 2000	\$ 12,779	\$ 1,257,020	\$ 1,269,799
	=====	=====	=====

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

12

1541

PARKER & PARSLEY 90-A, L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF CASH FLOWS  
For the years ended December 31

	2000	1999	1998
	-----	-----	-----
Cash flows from operating activities:			
Net income (loss)	\$ 390,714	\$ 99,965	\$ (44,421)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Impairment of oil and gas properties	-	-	34,145
Depletion	76,723	104,746	161,379
Gain on disposition of assets	(9,419)	-	-
Changes in assets and liabilities:			
Accounts receivable	(49,900)	(22,046)	37,507
Accounts payable	516	2,153	(8,189)
	-----	-----	-----
Net cash provided by operating activities	408,634	184,818	180,421
	-----	-----	-----
Cash flows from investing activities:			
Additions to oil and gas properties	(8,823)	(7,237)	(9,047)
Proceeds from asset dispositions	9,419	7,220	-
	-----	-----	-----
Net cash provided by (used in) investing activities	596	(17)	(9,047)
	-----	-----	-----

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Cash flows used in financing activities:			
Cash distributions to partners	(439,194)	(154,362)	(195,674)
	-----	-----	-----
Net increase (decrease) in cash	(29,964)	30,439	(24,300)
Cash at beginning of year	122,649	92,210	116,510
	-----	-----	-----
Cash at end of year	\$ 92,685	\$ 122,649	\$ 92,210
	=====	=====	=====

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

13

1542

PARKER & PARSLEY 90-A, L.P.  
(A Delaware Limited Partnership)

NOTES TO FINANCIAL STATEMENTS  
December 31, 2000, 1999 and 1998

### NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS

Parker & Parsley 90-A, L.P. (the "Partnership") is a limited partnership organized in 1990 under the laws of the State of Delaware. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA").

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Oil and gas properties - The Partnership utilizes the successful efforts method of accounting for its oil and gas properties and equipment. Under this method, all costs associated with productive wells and nonproductive development wells are capitalized while nonproductive exploration costs are expensed. Capitalized costs relating to proved properties are depleted using the unit-of-production method on a property-by-property basis based on proved oil (dominant mineral) reserves as evaluated by independent petroleum consultants. The carrying amounts of properties sold or otherwise disposed of and the related allowances for depletion are eliminated from the accounts and any gain or loss is included in results of operations.

Impairment of long-lived assets - In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the Partnership reviews its long-lived assets to be held and used on an individual property basis, including oil and gas properties accounted for under the successful efforts method of accounting, whenever events or circumstances

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

indicate that the carrying value of those assets may not be recoverable. An impairment loss is indicated if the sum of the expected future cash flows is less than the carrying amount of the assets. In this circumstance, the Partnership recognizes an impairment loss for the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset.

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

Net income (loss) per limited partnership interest - The net income (loss) per limited partnership interest is calculated by using the number of outstanding limited partnership interests.

Income taxes - A Federal income tax provision has not been included in the financial statements as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

14

1543

Statements of cash flows - For purposes of reporting cash flows, cash includes depository accounts held by banks.

General and administrative expenses - General and administrative expenses are allocated in part to the Partnership by the managing general partner. Allocated expenses are determined by the managing general partner based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Reclassifications - Certain reclassifications may have been made to the 1999 and 1998 financial statements to conform to the 2000 financial statement presentations.

Environmental - The Partnership is subject to extensive federal, state and local environmental laws and regulations. These laws, which are constantly changing, regulate the discharge of materials into the environment and may require the Partnership to remove or mitigate the environmental effects of the disposal or release of petroleum or chemical substances at various sites. Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Liabilities for expenditures of a noncapital nature are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated. Such liabilities are generally undiscounted unless the timing of cash payments for the liability or component are fixed or reliably determinable. No such liabilities have been accrued as of December 31, 2000.

Revenue recognition - The Partnership uses the entitlements method of accounting for oil, natural gas liquids ("NGLs") and natural gas revenues.

### NOTE 3. IMPAIRMENT OF LONG-LIVED ASSETS

In accordance with SFAS 121, the Partnership reviews its proved oil and

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

gas properties for impairment whenever events and circumstances indicate a decline in the recoverability of the carrying value of the Partnership's oil and gas properties. The Partnership has estimated the expected future cash flows of its oil and gas properties as of December 31, 2000, 1999 and 1998, based on proved reserves, and compared such estimated future cash flows to the respective carrying amount of the oil and gas properties to determine if the carrying amounts were likely to be recoverable. For those proved oil and gas properties for which the carrying amount exceeded the estimated future cash flows, an impairment was determined to exist; therefore, the Partnership adjusted the carrying amount of those oil and gas properties to their fair value as determined by discounting their expected future cash flows at a discount rate commensurate with the risks involved in the industry. As a result, the Partnership recognized a non-cash impairment provision of \$34,145 related to its proved oil and gas properties during 1998.

15

1544

NOTE 4. INCOME TAXES

The financial statement basis of the Partnership's net assets and liabilities was \$315,080 greater than the tax basis at December 31, 2000.

The following is a reconciliation of net income (loss) per statements of operations with the net income per Federal income tax returns for the years ended December 31:

	2000 -----	1999 -----	1998 -----
Net income (loss) per statements of operations	\$ 390,714	\$ 99,965	\$ (44,145)
Depletion and depreciation provisions for tax reporting purposes less than amounts for financial reporting purposes	68,390	96,496	149,345
Impairment of oil and gas properties for financial reporting purposes	-	-	34,145
Other, net	(1,209)	3,745	3,745
	-----	-----	-----
Net income per Federal income tax returns	\$ 457,895 =====	\$ 200,206 =====	\$ 142,280 =====

NOTE 5. OIL AND GAS PRODUCING ACTIVITIES

The following is a summary of the costs incurred, whether capitalized or expensed, related to the Partnership's oil and gas producing activities for the years ended December 31:

	2000 -----	1999 -----	1998 -----
Development costs	\$ 8,823	\$ 7,237	\$ 9,047



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Capitalized oil and gas properties consist of the following:

	2000	1999
	-----	-----
Proved properties:		
Property acquisition costs	\$ 200,177	\$ 200,177
Completed wells and equipment	4,885,008	4,876,185
	-----	-----
Accumulated depletion	5,085,185 (4,014,368)	5,076,362 (3,937,645)
	-----	-----
Net oil and gas properties	\$ 1,070,817	\$ 1,138,717
	=====	=====

NOTE 6. RELATED PARTY TRANSACTIONS

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

	2000	1999	1998
	-----	-----	-----
Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$ 122,715	\$ 120,620	\$ 119,432
Reimbursement of general and administrative expenses	\$ 24,038	\$ 14,514	\$ 11,560

16

1545

The Partnership participates in oil and gas activities through an income tax partnership (the "Program") pursuant to the Program agreement. Pioneer USA and P&P Employees 90-A, L.P., ("EMPL"), Parker & Parsley 90-A Conv., L.P. and the Partnership (the "Partnerships") are parties to the Program agreement. EMPL is a limited partnership organized for the benefit of certain employees of Pioneer USA. EMPL was merged with Pioneer USA on December 28, 2000.

The costs and revenues of the Program are allocated to Pioneer USA and the Partnerships as follows:

	Pioneer USA (1)	Partnerships (2)
	-----	-----
Revenues:		

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Proceeds from disposition of depreciable and depletable properties -		
First three years	14.141414%	85.858586%
After first three years	19.191919%	80.808081%
All other revenues -		
First three years	14.141414%	85.858586%
After first three years	19.191919%	80.808081%
Costs and expenses:		
Lease acquisition costs, drilling and completion and all other costs	9.090909%	90.909091%
Operating costs, reporting and legal expenses and general and administrative expenses -		
First three years	14.141414%	85.858586%
After first three years	19.191919%	80.808081%

- (1) Excludes Pioneer USA's 1% general partner ownership which is allocated at the Partnership level and 147 limited partner interests owned by Pioneer USA.
- (2) The allocation between the Partnership and Parker & Parsley 90-A Conv., L.P. is 74.274809% and 25.725191%, respectively.

### NOTE 7. OIL AND GAS INFORMATION (UNAUDITED)

The following table presents information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities during the years then ended. All of the Partnership's reserves are proved developed and located within the United States. The Partnership's reserves are based on an evaluation prepared by Williamson Petroleum Consultants, Inc., an independent petroleum consultant, using criteria established by the Securities and Exchange Commission.

	Oil and NGLs (bbls)	Gas (mcf)
	-----	-----
Net proved reserves at January 1, 1998	398,405	594,075
Revisions	(141,729)	(152,757)
Production	(32,915)	(47,086)
	-----	-----
Net proved reserves at December 31, 1998	223,761	394,232
Revisions	206,682	351,371
Production	(29,248)	(43,302)
	-----	-----
Net proved reserves at December 31, 1999	401,195	702,301
Revisions	21,424	(168,710)
Production	(28,519)	(38,570)
	-----	-----
Net proved reserves at December 31, 2000	394,100	495,021
	=====	=====

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

As of December 31, 2000, the estimated present value of future net revenues of proved reserves, calculated using December 31, 2000 prices of \$26.64 per barrel of oil, \$13.25 per barrel of NGLs and \$7.89 per mcf of gas, discounted at 10% was approximately \$3,042,000 and undiscounted was \$5,865,000.

Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves. The Partnership emphasizes that reserve estimates are inherently imprecise and, accordingly, the estimates are expected to change as future information becomes available.

### Disclosures about Oil & Gas Producing Activities

#### Standardized Measure of Discounted Future Net Cash Flows

The standardized measure of discounted future net cash flows is computed by applying year-end prices of oil and gas (with consideration of price changes only to the extent provided by contractual arrangements) to the estimated future production of proved oil and gas reserves less estimated future expenditures (based on year-end costs) to be incurred in developing and producing the proved reserves, discounted using a rate of 10% per year to reflect the estimated timing of the future cash flows. A Federal income tax provision has not been calculated as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

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

	For the years ended December 31,		
	2000	1999	1998
	(in thousands)		
Oil and gas producing activities:			
Future cash inflows	\$ 12,560	\$ 9,975	\$ 2,464
Future production costs	(6,695)	(5,908)	(1,931)
	5,865	4,067	533
10% annual discount factor	(2,823)	(1,884)	(155)
	Standardized measure of discounted future net cash flows	\$ 3,042	\$ 2,183
			\$ 378

	For the years ended December 31,		
	2000	1999	1998
	(in thousands)		

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Oil and Gas Producing Activities:

Oil and gas sales, net of production costs	\$ (477)	\$ (220)	\$ (15)
Net changes in prices and production costs	1,267	1,209	(1,02)
Revisions of previous quantity estimates	(44)	1,476	(17)
Accretion of discount	218	38	16
Changes in production rates, timing and other	(105)	(698)	(4)
	-----	-----	-----
Change in present value of future net revenues	859	1,805	(1,23)
	-----	-----	-----
Balance, beginning of year	2,183	378	1,61
	-----	-----	-----
Balance, end of year	\$ 3,042	\$ 2,183	\$ 37
	=====	=====	=====

18

1547

NOTE 8. MAJOR CUSTOMERS

The following table reflects the major customers of the Partnership's oil and gas sales (a major customer is defined as a customer whose sales exceed 10% of total sales) during the years ended December 31:

	2000	1999	1998
	-----	-----	-----
Plains Marketing, L.P.	54%	51%	-
TEPPCO Crude Oil LLC	12%	11%	-
NGTS LLC	10%	10%	3%
Western Gas Resources, Inc.	2%	5%	22%
Genesis Crude Oil, L.P.	-	-	57%

At December 31, 2000, the amounts receivable from Plains Marketing, L.P., TEPPCO Crude Oil LLC and NGTS LLC were \$37,832, \$7,318 and \$4,105, respectively, which are included in the caption "Accounts receivable - oil and gas sales" in the accompanying Balance Sheet.

Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on the ability of the Partnership to sell its oil, NGLs and gas production.

NOTE 9. PARTNERSHIP AGREEMENT

The following is a brief summary of the more significant provisions of the limited partnership agreement:

Managing general partner - The managing general partner of the Partnership is Pioneer USA. Pioneer USA has the power and authority to manage, control and administer all Program and Partnership affairs. As managing general partner and operator of the Partnership's properties, all production expenses are incurred by Pioneer USA and billed to the Partnership. The

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

majority of the Partnership's oil and gas revenues are received directly by the Partnership, however, a portion of the oil and gas revenue is initially received by Pioneer USA prior to being paid to the Partnership. Under the limited partnership agreement, the managing general partner pays 1% of the Partnership's acquisition, drilling and completion costs and 1% of its operating and general and administrative expenses. In return, it is allocated 1% of the Partnership's revenues.

19

1548

Limited partner liability - The maximum amount of liability of any limited partner is the total contributions of such partner plus his share of any undistributed profits.

Initial capital contributions - The limited partners entered into subscription agreements for aggregate capital contributions of \$6,811,000. Pioneer USA is required to contribute amounts equal to 1% of initial Partnership capital less commission and organization and offering costs allocated to the limited partners and to contribute amounts necessary to pay costs and expenses allocated to it under the Partnership agreement to the extent its share of revenues does not cover such costs.

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

None.

20

1549

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE PARTNERSHIP

The Partnership does not have any officers or directors. Under the limited partnership agreement, the Partnership's managing general partner, Pioneer USA, is granted the exclusive right and full authority to manage, control and administer the Partnership's business.

Set forth below are the names, ages and positions of the directors and executive officers of Pioneer USA. Directors of Pioneer USA are elected to serve until the next annual meeting of stockholders or until their successors are elected and qualified.

Name	Age at December 31, 2000	Position
----	----	-----
Scott D. Sheffield	48	President

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Timothy L. Dove	44	Executive Vice President, Chief Financial Officer and Director
Dennis E. Fagerstone	51	Executive Vice President and Director
Mark L. Withrow	53	Executive Vice President, General Counsel and Director
Danny Kellum	46	Executive Vice President - Domestic Operations and Director
Rich Dealy	34	Vice President and Chief Accounting Officer

Scott D. Sheffield. Mr. Sheffield is a graduate of The University of Texas with a B.S. in Petroleum Engineering. Since August 1997, he has served as President, Chief Executive Officer and a director of Pioneer and President of Pioneer USA. Mr. Sheffield assumed the position of Chairman of the Board of Pioneer in August 1999. He served as a director of Pioneer USA from August 1997 until his resignation from the board in June 1999. Mr. Sheffield was the President and a director of Parker & Parsley Petroleum Company ("Parker & Parsley") from May 1990 until August 1997 and was the Chairman of the Board and Chief Executive Officer of Parker & Parsley from October 1990 until August 1997. He was the sole director of Parker & Parsley from May 1990 until October 1990. Mr. Sheffield joined Parker & Parsley Development Company ("PPDC"), a predecessor of Parker & Parsley, as a petroleum engineer in 1979. He served as Vice President - Engineering of PPDC from September 1981 until April 1985 when he was elected President and a director. In March 1989, Mr. Sheffield was elected Chairman of the Board and Chief Executive Officer of PPDC. Before joining PPDC's predecessor, Mr. Sheffield was employed as a production and reservoir engineer for Amoco Production Company.

Timothy L. Dove. Mr. Dove earned a B.S. in Mechanical Engineering from Massachusetts Institute of Technology in 1979 and received his M.B.A. in 1981 from the University of Chicago. He became Executive Vice President - Business Development of Pioneer and Pioneer USA in August 1997 and was also appointed a director of Pioneer USA in August 1997. Mr. Dove assumed the position of Chief Financial Officer of Pioneer and Pioneer USA effective February 1, 2000. Mr. Dove joined Parker & Parsley in May 1994 as Vice President - International and was promoted to Senior Vice President - Business Development in October 1996, in which position he served until August 1997. Prior to joining Parker & Parsley, Mr. Dove was employed with Diamond Shamrock Corp., and its successor, Maxus Energy Corp, in various capacities in international exploration and production, marketing, refining and marketing and planning and development.

Dennis E. Fagerstone. Mr. Fagerstone, a graduate of the Colorado School of Mines with a B.S. in Petroleum Engineering, became an Executive Vice President of Pioneer and Pioneer USA in August 1997. He was also appointed a director of Pioneer USA in August 1997. He served as Executive Vice President and Chief Operating Officer of MESA Inc. ("Mesa") from March 1, 1997 until August 1997. From October 1996 to February 1997, Mr. Fagerstone served as Senior Vice President and Chief Operating Officer of Mesa and from May 1991 to October 1996, he served as Vice President - Exploration and Production of Mesa. From June 1988 to May 1991, Mr. Fagerstone served as Vice President - Operations of Mesa.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Mark L. Withrow. Mr. Withrow, a graduate of Abilene Christian University with a B. S. in Accounting and Texas Tech University with a Juris Doctorate degree, became Executive Vice President, General Counsel and Secretary of Pioneer and Pioneer USA in August 1997. He was also appointed a director of Parker & Parsley from January 1991, when he joined Parker & Parsley, to January 1995, when he was appointed Senior Vice President - General Counsel. He was Parker & Parsley's Secretary from August 1992 until August 1997. Prior to joining Parker & Parsley, Mr. Withrow was the managing partner of the law firm of Turpin, Smith, Dyer, Saxe & MacDonald, Midland, Texas.

Danny Kellum. Mr. Kellum, who received a Bachelor of Science degree in Petroleum Engineering from Texas Tech University in 1979, was elected Executive Vice President - Domestic Operations of Pioneer and Pioneer USA on May 18, 2000 and Director of Pioneer USA on February 1, 2000. From January 2000 until May 2000, Mr. Kellum served as Vice President - Domestic Operations of Pioneer and Pioneer USA. Mr. Kellum served as Vice President Permian Division of Pioneer and Pioneer USA from April 1998 until December 1999. From 1989 until 1994 he served as Spraberry District Manager and as Vice President of the Spraberry and Permian Division for Parker & Parsley until August of 1997. Mr. Kellum joined Parker & Parsley as an operations engineer in 1981 after a brief career with Mobil Oil Corporation.

Rich Dealy. Mr. Dealy is a graduate of Eastern New Mexico University with a B.B.A. in Accounting and Finance and is a Certified Public Accountant. He became Vice President and Chief Accounting Officer of Pioneer and Pioneer USA in February 1998. Mr. Dealy served as Controller of Pioneer USA from August 1997 to February 1998. He served as Controller of Parker & Parsley from August 1995 to August 1997. Mr. Dealy joined Parker & Parsley as an Accounting Manager in July, 1992. He was previously employed with KPMG Peat Marwick as an Audit Senior, in charge of Parker & Parsley's audit.

### ITEM 11. EXECUTIVE COMPENSATION

The Partnership does not have any directors or officers. Management of the Partnership is performed by Pioneer USA, the managing general partner. The Partnership participates in oil and gas activities through an income tax partnership (the "Program") pursuant to the Program agreement. Under the Program agreement, Pioneer USA pays approximately 10% of the Program's acquisition, drilling and completion costs and approximately 15% during the first three years and approximately 20% after three years of its operating and general and administrative expenses. In return, they are allocated approximately 15% during the first three years and approximately 20% after three years of the Program's revenues.

The Partnership does not directly pay any salaries of the executive officers of Pioneer USA, but does pay a portion of Pioneer USA's general and administrative expenses of which these salaries are a part.

See Notes 6 and 9 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" for information regarding fees and reimbursements paid to the managing general partner by the Partnership.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

(a) Beneficial owners of more than five percent

The Partnership is not aware of any person who beneficially owns 5% or more of the outstanding limited partnership interests of the Partnership. Pioneer USA owned 147 limited partner interests at January 1, 2001.

(b) Security ownership of management

The Partnership does not have any officers or directors. The managing general partner of the Partnership, Pioneer USA, has the exclusive right and full authority to manage, control and administer the Partnership's business. Under the limited partnership agreement, limited partners holding a majority of the outstanding limited partnership interests have the right to take certain actions, including the removal of the managing general partner or any other general partner. The Partnership is not aware of any current arrangement or activity which may lead to such removal. The Partnership is not aware of any officer or director of Pioneer USA who beneficially owns limited partnership interests in the Partnership.

### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Transactions with the managing general partner

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

1552

23

	2000 -----	1999 -----	1998 -----
Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$ 122,715	\$ 120,620	\$ 119,432
Reimbursement of general and administrative expenses	\$ 24,038	\$ 14,514	\$ 11,560

Under the limited partnership agreement, the managing general partner pays 1% of the Partnership's acquisition, drilling and completion costs and 1% of its operating and general and administrative expenses. In return, it is allocated 1% of the Partnership's revenues. Also, see Notes 6 and 9 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data", regarding the Partnership's participation with the managing general partner in oil and gas activities of the Program.



PART IV

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

(a) 1. Financial statements

The following are filed as part of this Report:

Independent Auditors' Report

Balance sheets as of December 31, 2000 and 1999

Statements of operations for the years ended December 31,  
2000, 1999 and 1998

Statements of partners' capital for the years ended December  
31, 2000, 1999 and 1998

Statements of cash flows for the years ended December 31,  
2000, 1999 and 1998

Notes to financial statements

2. Financial statement schedules

All financial statement schedules have been omitted since the  
required information is in the financial statements or notes thereto,  
or is not applicable nor required.

(b) Reports on Form 8-K

None.

(c) Exhibits

The exhibits listed on the accompanying index to exhibits are filed or  
incorporated by reference as part of this Report.

S I G N A T U R E S

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, thereunto duly authorized.

PARKER & PARSLEY 90-A, L.P.

Dated: March 28, 2001

By: Pioneer Natural Resources USA, Inc.  
Managing General Partner

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

By: /s/ Scott D. Sheffield  
 -----  
 Scott D. Sheffield, President

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

/s/ Scott D. Sheffield ----- Scott D. Sheffield	President of Pioneer USA	March 28, 2001
/s/ Timothy L. Dove ----- Timothy L. Dove	Executive Vice President. Chief Financial Officer and Director of Pioneer USA	March 28, 2001
/s/ Dennis E. Fagerstone ----- Dennis E. Fagerstone	Executive Vice President and Director of Pioneer USA	March 28, 2001
/s/ Mark L. Withrow ----- Mark L. Withrow	Executive Vice President, General Counsel and Director of Pioneer USA	March 28, 2001
/s/ Danny Kellum ----- Danny Kellum	Executive Vice President - Domestic Operations and Director of Pioneer USA	March 28, 2001
/s/ Rich Dealy ----- Rich Dealy	Vice President and Chief Accounting Officer of Pioneer USA	March 28, 2001

PARKER & PARSLEY 90-A, L.P.

INDEX TO EXHIBITS

The following documents are incorporated by reference in response to Item 14(c):

Exhibit No. -----	Description -----	Page ----
----------------------	----------------------	--------------

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

- 3(a) Form of Agreement of Limited Partnership of Parker & Parsley 90-A, L.P. incorporated by reference to Exhibit A of the Post-Effective Amendment No. 1 of the Partnership's Registration Statement on Form S-1 (Registration No. 33-26097) -
- 4(b) Form of Limited Partner Subscription Agreement incorporated by reference to Exhibit C of the Post-Effective Amendment No. 1 of the Partnership's Registration Statement on Form S-1 (Registration No. 33-26097) -
- 4(b) Form of General Partner Subscription Agreement incorporated by reference to Exhibit D of the Post-Effective Amendment No. 1 of the Partnership's Registration Statement on Form S-1 (Registration No. 33-26097) -
- 4(b) Power of Attorney incorporated by reference to Exhibit B of Amendment No. 1 of the Partnership's Registration Statement on Form S-1 (Registration No. 33-26097) -
- 4(c) Specimen Certificate of Limited Partnership Interest incorporated by reference to Exhibit 4c of the Partnership's Registration Statement on Form S-1 (Registration No. 33-26097) -
- 10(b) Form of Development Drilling Program Agreement incorporated by reference to Exhibit B of the Post-Effective Amendment No. 1 of the Partnership's Registration Statement on Form S-1 (Registration No. 33-26097) -

PARKER & PARSLEY 90-A, L.P.

SELECTED FINANCIAL DATA

The following selected financial data for the Partnership should be read in connection with Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements included in the attached supplemental information.

Six months ended June 30,		Years ended December 31,		
2001	2000	2000	1999	1998

Operating results:

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Oil and gas sales	\$ 424,897	\$ 362,257	\$ 806,344	\$ 488,752	\$ 441,480
	=====	=====	=====	=====	=====
Impairment of oil and gas properties	\$ --	\$ --	\$ --	\$ --	\$ 34,145
	=====	=====	=====	=====	=====
Net income (loss)	\$ 210,534	\$ 167,763	\$ 390,714	\$ 99,965	\$ (44,421)
	=====	=====	=====	=====	=====
Allocation of net income (loss):					
Managing general partner	\$ 2,105	\$ 1,678	\$ 3,907	\$ 1,000	\$ (444)
	=====	=====	=====	=====	=====
Limited partners	\$ 208,429	\$ 166,085	\$ 386,807	\$ 98,965	\$ (43,977)
	=====	=====	=====	=====	=====
Limited partners' net income (loss) per limited partnership interest	\$ 30.60	\$ 24.38	\$ 56.79	\$ 14.53	\$ (6.46)
	=====	=====	=====	=====	=====
Limited partners' cash distributions per limited partnership interest	\$ 19.99	\$ 27.22	\$ 63.84	\$ 22.44	\$ 28.44
	=====	=====	=====	=====	=====
As of period ended:					
Total assets	\$1,365,095	\$1,319,088	\$1,285,569	\$1,333,533	\$1,385,777
	=====	=====	=====	=====	=====

1557

PIONEER NATURAL RESOURCES COMPANY  
PIONEER NATURAL RESOURCES USA, INC.  
5205 NORTH O'CONNOR BLVD., SUITE 1400  
IRVING, TEXAS 75039

SUPPLEMENTAL INFORMATION

OF

PARKER & PARSLEY 90-B CONV., L.P., A DELAWARE LIMITED PARTNERSHIP

TO

PROXY STATEMENT/PROSPECTUS DATED , 2001

-----

THE DATE OF THIS SUPPLEMENT IS , 2001

-----

This document contains important information specific to Parker & Parsley

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

90-B Conv., L.P., and supplements the proxy statement/prospectus dated 2001, of Pioneer Natural Resources Company and Pioneer Natural Resources USA, Inc., by which Pioneer USA is soliciting proxies to be voted at a special meeting of limited partners of the partnership. The purpose of the special meeting is for you to vote upon the merger of the partnership with and into Pioneer USA that, if completed, will result in your receiving common stock of Pioneer Natural Resources Company for your partnership interests.

This document contains the following information concerning Parker & Parsley 90-B Conv., L.P.:

- o A table containing:
  - the aggregate initial investment by the limited partners
  - the aggregate historical limited partner distributions through July 31, 2001
  - the merger value attributable to partnership interests of limited partners, excluding Pioneer USA
  - the merger value per \$1,000 limited partner investment
  - the merger value per \$1,000 limited partner investment as a multiple of distributions for the past four quarterly distributions including the distribution in July 2001
  - the book value per \$1,000 limited partner investment as of June 30, 2001 and as of December 31, 2000
  - the going concern value per \$1,000 limited partner investment
  - the liquidation value per \$1,000 limited partner investment
  - the ordinary tax loss per \$1,000 limited partner investment in year of initial investment
- o Information about:
  - the legal opinion for the limited partners
  - the term of the partnership
- o The partnership's quarterly report on Form 10-Q, including management's discussion and analysis of financial condition and results of operations, for the six months ended June 30, 2001
- o The partnership's annual report on Form 10-K, including management's discussion and analysis of financial condition and results of operations, for the year ended December 31, 2000
- o Selected historical financial data for the partnership for the six months ended June 30, 2001 and 2000 and the five years ended December 31, 2000

1558

## PARKER &amp; PARSLEY 90-B CONV., L.P.

## SUPPLEMENTAL INFORMATION TABLE

Aggregate Initial Investment by the Limited Partners	(a)	\$
Aggregate Historical Limited Partner Distributions through July 31, 2001	(a)	\$
Merger Value Attributable to Partnership Interests of Limited Partners, Excluding Pioneer USA	(a), (b)	\$
Merger Value per \$1,000 Limited Partner Investment	(b), (c)	\$
Merger Value per \$1,000 Limited Partner Investment as a Multiple of Distributions for the past four quarterly distributions including the distribution in July 2001	(b), (c)	
Book Value per \$1,000 Limited Partner Investment:		
--	as of June 30, 2001	(c) \$
--	as of December 31, 2000	(c) \$
Going Concern Value per \$1,000 Limited Partner Investment	(c), (d)	\$
Liquidation Value per \$1,000 Limited Partner Investment	(c), (e)	\$
Ordinary Tax Loss per \$1,000 Limited Partner Investment in Year of Initial Investment	(c), (f)	\$

-----

(a) Stated in thousands.

(b) The merger value for the partnership is equal to the sum of the present value of estimated future net revenues from the partnership's estimated oil and gas reserves and its net working capital, in each case as of March 31, 2001, less its pro rata share, based on its reserve value, of the estimated expenses and fees of the mergers of all of the partnerships and less the cash distribution on July 13, 2001, by the partnership to its partners.

(c) Interests in some partnerships were sold in units at prices other than \$1,000. We have presented this information based on a \$1,000 initial investment for ease of use and comparison among partnerships. You should not assume that the amount shown per \$1,000 investment is the same as the value or amount attributable to a single unit investment.

(d) The going concern value for the partnership is based upon: (1) the sum of (A) the estimated net cash flow from the sale of the partnership's reserves during a 10-year operating period and (B) the estimated residual value from the sale of the partnership's remaining reserves at the end of the operating period, in each case using the same pricing and discount rate as

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

in the merger value calculation, less (2) (A) partnership level general and administrative expenses, and (B) the cash distribution on July 13, 2001 by the partnership to its partners.

- (e) The liquidation value for the partnership is based upon the sale of the partnership's reserves at the reserve value, less (1) liquidation expenses which are estimated to be the sum of (A) the partnership's pro rata share of the merger expenses and fees described in footnote (b) above and (B) 3% of the partnership's reserve value, and (2) the cash distribution on July 13, 2001 by the partnership to its partners. The liquidation expenses represent estimated costs to retain an investment banker or broker to sell the assets of the partnership and the legal and other closing costs associated with such transaction, including the wind-down costs of the partnership.
- (f) Your ability to use your distributive share of the partnership's loss to offset your other income may have been subject to certain limitations at your level as a partner, and you may therefore wish to consult your tax advisor to determine the additional value, if any, actually realized by you in your particular circumstances.

### INFORMATION ABOUT THE LEGAL OPINION FOR THE LIMITED PARTNERS

The partnership agreement for the partnership requires that special legal counsel render an opinion on behalf of the limited partners to Pioneer USA that neither the grant nor the exercise of the right to approve the merger of the partnership by its limited partners will adversely affect the federal income tax classification of the partnership or any of its limited partners. Although not required by the partnership agreement, the opinion will also state that neither the grant nor exercise of such right will result in the loss of any limited partner's limited liability. In addition, the counsel designated to render the opinion is not required to be counsel other than counsel to Pioneer USA or the partnership. Both the designated counsel and the legal opinion must be approved by the limited partners. Pioneer USA has retained \_\_\_\_\_ of Dallas, Texas for the purpose of rendering this legal opinion on behalf of the limited partners to Pioneer USA. The merger proposals include an approval of that counsel and the form of its opinion. A copy of the opinion is attached as an exhibit to the merger proposals.

### INFORMATION ABOUT THE TERM OF THE PARTNERSHIP

The term of the partnership is until December 31, 2040, unless the partnership is earlier terminated in accordance with the applicable provisions of its partnership agreement.

-2-

1559

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

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

For the quarterly period ended June 30, 2001

Commission File No. 33-26097-08

PARKER & PARSLEY 90-B CONV., L.P.  
(Exact name of Registrant as specified in its charter)

Delaware

75-2329284

-----  
(State or other jurisdiction of  
incorporation or organization)

-----  
(I.R.S. Employer  
Identification Number)

5205 N. O'Connor Blvd., Suite 1400, Irving, Texas

75039

-----  
(Address of principal executive offices)

-----  
(Zip code)

Registrant's Telephone Number, including area code : (972) 444-9001

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 / x / No / /

1560

PARKER & PARSLEY 90-B CONV., L.P.

TABLE OF CONTENTS

	Page
Part I. Financial Information	
Item 1. Financial Statements	
Balance Sheets as of June 30, 2001 and December 31, 2000.....	3
Statements of Operations for the three and six months ended June 30, 2001 and 2000.....	4
Statement of Partners' Capital for the six months ended June 30, 2001.....	5



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Statements of Cash Flows for the six months ended June 30, 2001 and 2000.....	6
Notes to Financial Statements.....	7
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.....	7

Part II. Other Information

Item 6. Exhibits and Reports on Form 8-K.....	11
Signatures.....	12

1561

PARKER & PARSLEY 90-B CONV., L.P.  
(A Delaware Limited Partnership)

Part I. Financial Information

Item 1. Financial Statements
------------------------------

BALANCE SHEETS

	June 30, 2001	December 31, 2000
	-----	-----
	(Unaudited)	
ASSETS		
Current assets:		
Cash	\$ 369,346	\$ 132,300
Accounts receivable - oil and gas sales	166,716	209,552
	-----	-----
Total current assets	536,062	341,852
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	9,564,578	9,628,120
Accumulated depletion	(8,066,067)	(8,075,752)
	-----	-----
Net oil and gas properties	1,498,511	1,552,368
	-----	-----
	\$ 2,034,573	\$ 1,894,220
	=====	=====
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable - affiliate	\$ 32,466	\$ 15,580
Partners' capital:		
Managing general partner	20,020	18,785

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Limited partners (11,897 interests)	1,982,087	1,859,855
	-----	-----
	2,002,107	1,878,640
	-----	-----
	\$ 2,034,573	\$ 1,894,220
	=====	=====

The financial information included as of June 30, 2001 has been prepared by the managing general partner without audit by independent public accountants.

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

3

1562

PARKER & PARSLEY 90-B CONV., L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF OPERATIONS  
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2001	2000	2001	2000
	-----	-----	-----	-----
Revenues:				
Oil and gas	\$ 338,348	\$ 356,486	\$ 763,083	\$ 687,189
Interest	2,579	2,684	5,086	4,777
Gain on disposition of assets	1,079	-	3,054	2,023
	-----	-----	-----	-----
	342,006	359,170	771,223	693,989
	-----	-----	-----	-----
Costs and expenses:				
Oil and gas production	138,987	143,700	282,193	277,308
General and administrative	9,322	11,592	22,884	21,724
Depletion	27,479	25,752	54,399	52,512
Abandoned property	3,059	-	3,059	-
	-----	-----	-----	-----
	178,847	181,044	362,535	351,544
	-----	-----	-----	-----
Net income	\$ 163,159	\$ 178,126	\$ 408,688	\$ 342,445
	=====	=====	=====	=====
Allocation of net income:				
Managing general partner	\$ 1,632	\$ 1,781	\$ 4,087	\$ 3,424
	=====	=====	=====	=====
Limited partners	\$ 161,527	\$ 176,345	\$ 404,601	\$ 339,021
	=====	=====	=====	=====
Net income per limited partnership interest	\$ 13.58	\$ 14.83	\$ 34.01	\$ 28.50
	=====	=====	=====	=====

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants. The accompanying notes are an integral part of these financial statements.

4

1563

PARKER & PARSLEY 90-B CONV., L.P.  
(A Delaware Limited Partnership)

STATEMENT OF PARTNERS' CAPITAL  
(Unaudited)

	Managing general partner -----	Limited partners -----	Total -----
Balance at January 1, 2001	\$ 18,785	\$1,859,855	\$1,878,640
Distributions	(2,852)	(282,369)	(285,221)
Net income	4,087	404,601	408,688
	-----	-----	-----
Balance at June 30, 2001	\$ 20,020 =====	\$1,982,087 =====	\$2,002,107 =====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants. The accompanying notes are an integral part of these financial statements.

5

1564

PARKER & PARSLEY 90-B CONV., L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF CASH FLOWS  
(Unaudited)

Six months ended  
June 30,

-----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	2001 -----	2000 -----
Cash flows from operating activities:		
Net income	\$ 408,688	\$ 342,445
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion	54,399	52,512
Gain on disposition of assets	(3,054)	(2,023)
Changes in assets and liabilities:		
Accounts receivable	42,836	(25,998)
Accounts payable	16,886	12,818
	-----	-----
Net cash provided by operating activities	519,755	379,754
	-----	-----
Cash flows from investing activities:		
Additions to oil and gas properties	(542)	(10,356)
Proceeds from asset dispositions	3,054	2,023
	-----	-----
Net cash provided by (used in) investing activities	2,512	(8,333)
	-----	-----
Cash flows used in financing activities:		
Cash distributions to partners	(285,221)	(362,661)
	-----	-----
Net increase in cash	237,046	8,760
Cash at beginning of period	132,300	132,031
	-----	-----
Cash at end of period	\$ 369,346	\$ 140,791
	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

PARKER & PARSLEY 90-B CONV., L.P.  
(A Delaware Limited Partnership)

NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Unaudited)

Note 1. Organization and nature of operations

Parker & Parsley 90-B Conv., L.P. (the "Partnership") was organized as a general partnership in 1990 under the laws of the State of Texas and was converted to a Delaware limited partnership on August 1, 1991.

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

Note 2. Basis of presentation

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

In the opinion of management, the unaudited financial statements of the Partnership as of June 30, 2001 and for the three and six months ended June 30, 2001 and 2000 include all adjustments and accruals consisting only of normal recurring accrual adjustments which are necessary for a fair presentation of the results for the interim period. These interim results are not necessarily indicative of results for a full year. Certain reclassifications may have been made to the June 30, 2000 financial statements to conform to the June 30, 2001 financial statement presentations.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in this Form 10-Q pursuant to the rules and regulations of the Securities and Exchange Commission. The financial statements should be read in conjunction with the financial statements and the notes thereto contained in the Partnership's Report on Form 10-K for the year ended December 31, 2000, as filed with the Securities and Exchange Commission, a copy of which is available upon request by writing to Rich Dealy, Vice President and Chief Accounting Officer, 5205 North O'Connor Boulevard, Suite 1400, Irving, Texas 75039-3746.

### Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (1)

#### Results of Operations

Six months ended June 30, 2001 compared with six months ended June 30, 2000

#### Revenues:

The Partnership's oil and gas revenues increased 11% to \$763,083 for the six months ended June 30, 2001 as compared to \$687,189 for the same period in 2000. The increase in revenues resulted from higher average prices received, offset by

7

1566

a decrease in production. For the six months ended June 30, 2001, 17,353 barrels of oil, 6,410 barrels of natural gas liquids ("NGLs") and 35,369 mcf of gas were sold, or 29,658 barrel of oil equivalents ("BOEs"). For the six months ended June 30, 2000, 17,958 barrels of oil, 8,604 barrel of NGLs and 33,016 mcf of gas were sold, or 32,065 BOEs.

The average price received per barrel of oil increased \$.54, or 2%, from \$27.72 for the six months ended June 30, 2000 to \$28.26 for the same period in 2001. The average price received per barrel of NGLs increased \$2.09, or 15%, from \$14.00 during the six months ended June 30, 2000 to \$16.09 for the same period in 2001. The average price received per mcf of gas increased 130% from \$2.08 for the six months ended June 30, 2000 to \$4.79 for the same period in 2001. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received during the six months ended June 30, 2001.

Gains on disposition of assets of \$3,054 and \$2,023 were recognized during the six months ended June 30, 2001 and 2000, respectively. The gain recognized during the period in 2001 was due to salvage income received on one well plugged and abandoned during the current year. The gain recognized during the period in

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

2000 was from the sale of equipment on one fully depleted well.

### Costs and Expenses:

Total costs and expenses increased to \$362,535 for the six months ended June 30, 2001 as compared to \$351,544 for the same period in 2000, an increase of \$10,991, or 3%. This increase was due to increases in production costs, abandoned property costs, depletion and general and administrative expenses ("G&A").

Production costs were \$282,193 for the six months ended June 30, 2001 and \$277,308 for the same period in 2000, resulting in a \$4,885 increase, or 2%. This increase was primarily due to higher production taxes associated with higher oil and gas prices.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 5% from \$21,724 for the six months ended June 30, 2000 to \$22,884 for the same period in 2001, primarily due to an increase in audit and tax fees.

Depletion was \$54,399 for the six months ended June 30, 2001 as compared to \$52,512 for the same period in 2000, an increase of \$1,887, or 4%. This increase was due to downward revisions to proved reserves on several wells during the period ended June 30, 2001, offset by a reduction in the Partnership's net depletable basis from charges taken in accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121") during the fourth quarter of 2000 and a decline in oil production of 605 barrels for the six months ended June 30, 2001 as compared to the same period in 2000.

Abandoned property costs of \$3,059 were incurred during the six months ended June 30, 2001 due to the plugging and abandonment of one well during the current period.

8

1567

Three months ended June 30, 2001 compared with three months ended June 30, 2000

### Revenues:

The Partnership's oil and gas revenues decreased 5% to \$338,348 for the three months ended June 30, 2001 as compared to \$356,486 for the same period in 2000. The decrease in revenues resulted from lower average prices received for oil and NGLs and a decline in production, offset by higher average prices received for gas. For the three months ended June 30, 2001, 8,598 barrels of oil, 3,171 barrels of NGLs and 16,373 mcf of gas were sold, or 14,498 BOEs. For the three months ended June 30, 2000, 8,968 barrels of oil, 4,625 barrels of NGLs and 17,395 mcf of gas were sold, or 16,492 BOEs.

The average price received per barrel of oil decreased \$.51, or 2%, from \$27.75 for the three months ended June 30, 2000 to \$27.24 for the same period in 2001. The average price received per barrel of NGLs decreased \$.22, or 2%, from \$14.10 during the three months ended June 30, 2000 to \$13.88 for the same period in 2001. The average price received per mcf of gas increased 50% from \$2.44 during the three months ended June 30, 2000 to \$3.67 for the same period in 2001.

Gain on disposition of assets of \$1,079 was recognized during the three months

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

ended June 30, 2001 due to salvage income received on one well plugged and abandoned during the current period.

### Costs and Expenses:

Total costs and expenses decreased to \$178,847 for the three months ended June 30, 2001 as compared to \$181,044 for the same period in 2000, a decrease of \$2,197, or 1%. This decrease was due to declines in production costs and G&A, offset by increases in abandoned property costs and depletion.

Production costs were \$138,987 for the three months ended June 30, 2001 and \$143,700 for the same period in 2000, resulting in a \$4,713 decrease, or 3%. The decrease was primarily due to lower workover expense.

During this period, G&A decreased 20% from \$11,592 for the three months ended June 30, 2000 to \$9,322 for the same period in 2001, principally due to a lower percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of decreased oil and gas revenues and a decline in audit and tax fees.

Depletion was \$27,479 for the three months ended June 30, 2001 as compared to \$25,752 for the same period in 2000, an increase of \$1,727, or 7%. This increase was due to downward revisions to proved reserves on several properties during the period ended June 30, 2001, offset by a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 2000 and a decline in oil production of 370 barrels for the three months ended June 30, 2001 as compared to the same period in 2000.

9

1568

Abandoned property costs of \$3,059 were incurred during the three months ended June 30, 2001 due to the plugging and abandonment of one well during the current period.

### Liquidity and Capital Resources

#### Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$140,001 during the six months ended June 30, 2001 from the same period ended June 30, 2000. This increase resulted from an increase of \$76,203 in oil and gas sales receipts and a reduction in working capital of \$72,902, offset by increases in production costs of \$4,885, abandoned property costs of \$3,059 and G&A expenses of \$1,160. The increase in oil and gas receipts resulted from the increase in commodity prices during 2001 which contributed an additional \$117,367 to oil and gas receipts, offset by \$41,164 resulting from the decline in production during 2001 as compared to the same period in 2000. The increase in production costs was primarily due to increased production taxes associated with higher oil and gas prices. The increase in G&A was primarily due to an increase in audit and tax fees.

#### Net Cash Provided by (Used in) Investing Activities

The Partnership's principal investing activities for the six months ended June 30, 2001 and 2000 were for expenditures related to oil and gas equipment upgrades on active properties.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Proceeds from asset dispositions of \$3,054 and \$2,023 were received during the six months ended June 30, 2001 and 2000, respectively. The proceeds recognized during the period in 2001 were due to salvage income from one well plugged and abandoned during the current year. The proceeds recognized during 2000 were derived from the sale of equipment on one fully depleted well.

### Net Cash Used in Financing Activities

For the six months ended June 30, 2001, cash distributions to the partners were \$285,221, of which \$2,852 was distributed to the managing general partner and \$282,369 to the limited partners. For the same period ended June 30, 2000, cash distributions to the partners were \$362,661, of which \$3,627 was distributed to the managing general partner and \$359,034 to the limited partners.

For the three months ended June 30, 2001, no distributions were made by the partnership to its partners. Subsequent to June 30, 2001 the cash distribution that otherwise would have been mailed to partners in late June was made to holders of record as of July 9, 2001 and was mailed on July 13, 2001. For further information, see "Proposal to acquire partnerships" below.

### Proposal to acquire partnerships

On June 29, 2001, Pioneer Natural Resources Company ("Pioneer") filed with the Securities and Exchange Commission Amendment No. 1 to the Form S-4 Registration Statement (File No. 333-59094) (the "preliminary proxy statement/prospectus"), which proposes an agreement and plan of merger among Pioneer, Pioneer Natural Resources USA, Inc. ("Pioneer USA"), a wholly-owned subsidiary of Pioneer, and 46 Parker & Parsley limited partnerships. Each partnership that approves the agreement and plan of merger and the other related merger proposals will merge

10

1569

with and into Pioneer USA upon the closing of the transactions described in the preliminary proxy statement/prospectus, and the partnership interests of each such partnership will be converted into the right to receive Pioneer common stock. The Partnership is one of the 46 Parker & Parsley limited partnerships that will be asked to approve the agreement and plan of merger. The preliminary proxy statement/prospectus is non-binding and is subject to, among other things, consideration of offers from third parties to purchase any partnership or its assets and the majority approval of the limited partnership interests in each partnership.

Pioneer USA will solicit proxies from limited partners to approve the mergers only when the proxy statement/prospectus is final and declared effective. No solicitation will be made using preliminary materials. Nonetheless, copies of the preliminary proxy statement/prospectus may be obtained without charge upon request from Pioneer Natural Resources Company, 5205 North O'Connor Blvd., Suite 1400, Irving, Texas 75039, Attention: Investor Relations.

The limited partners are urged to read the proxy statement/prospectus of Pioneer filed with the Securities and Exchange Commission, when it is finalized, because it contains important information about the proposed mergers, including information about the direct and indirect interests of Pioneer USA and Pioneer in the mergers. The limited partners may also obtain the preliminary and (when filed) final proxy statement/prospectus and other relevant documents relating to the proposed mergers free through the internet web site that the Securities and Exchange Commission maintains at [www.sec.gov](http://www.sec.gov).

-----



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

- (1) "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" contains forward looking statements that involve risks and uncertainties. Accordingly, no assurances can be given that the actual events and results will not be materially different than the anticipated results described in the forward looking statements.

Part II. Other Information

Item 6. Exhibits and Reports on Form 8-K

- (a) Exhibits - none  
(b) Form 8-K - none

11

1570

PARKER & PARSLEY 90-B CONV., L.P.  
(A Delaware Limited Partnership)

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 thereunto duly authorized.

PARKER & PARSLEY 90-B CONV., L.P.

By: Pioneer Natural Resources USA, Inc.,  
Managing General Partner

Dated: August 6, 2001

By: /s/ Rich Dealy

-----  
Rich Dealy, Vice President and  
Chief Accounting Officer

12

1571

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

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d)  
of the Securities Exchange Act of 1934

1521

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000

COMMISSION FILE NO. 33-26097-08

PARKER & PARSLEY 90-B CONV., L.P.  
(Exact name of Registrant as specified in its charter)

DELAWARE	75-2329284
-----	-----
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

1400 WILLIAMS SQUARE WEST, 5205 N. O'CONNOR BLVD., IRVING, TEXAS	75039
-----	-----
(Address of principal executive offices)	(Zip code)

Registrant's Telephone Number, including area code : (972) 444-9001

Securities registered pursuant to Section 12(b) of the Act: NONE  
Securities registered pursuant to Section 12(g) of the Act:  
LIMITED PARTNERSHIP INTERESTS (\$1,000 PER UNIT)

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

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

No market currently exists for the limited partnership interests of the Registrant. Based on the original purchase price, the aggregate market value of limited partnership interests owned by non-affiliates of the Registrant is \$11,817,000.

As of March 8, 2001, the number of outstanding limited partnership interests was 11,897.

The following documents are incorporated by reference into the indicated parts of this Annual Report on Form 10-K: None  
PARTS I AND II OF THIS ANNUAL REPORT ON FORM 10-K (THE "REPORT") CONTAIN FORWARD LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. ACCORDINGLY, NO ASSURANCES CAN BE GIVEN THAT THE ACTUAL EVENTS AND RESULTS WILL NOT BE MATERIALLY DIFFERENT THAN THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS. SEE "ITEM 1. BUSINESS" FOR A DESCRIPTION OF VARIOUS FACTORS THAT COULD MATERIALLY AFFECT THE ABILITY OF THE PARTNERSHIP TO ACHIEVE THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS.

1572

# Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

## PART I

### ITEM 1. BUSINESS

Parker & Parsley 90-B Conv., L.P. (the "Partnership") was organized in 1990 as a general partnership under the laws of the State of Texas. The Partnership converted to a Delaware limited partnership on August 1, 1991. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA"). Pioneer USA is a wholly-owned subsidiary of Pioneer Natural Resources Company ("Pioneer"). As of March 8, 2001, the Partnership had 11,897 limited partnership interests outstanding.

The Partnership does not have any employees of its own. Pioneer USA employs 701 persons, many of whom dedicated a part of their time to the conduct of the Partnership's business during the period for which this Report is filed. Pioneer USA supplies all management functions.

The Partnership engages in oil and gas development and production and is not involved in any industry segment other than oil and gas. The Partnership's production is geographically concentrated in West Texas.

The principal markets during 2000 for the oil produced by the Partnership were refineries and oil transmission companies that have facilities near the Partnership's oil producing properties. During 2000, Pioneer USA marketed the Partnership's gas to a variety of purchasers, none of which accounted for 10% or more of the Partnership's oil and gas revenues. Of the Partnership's total oil and gas revenues for 2000, approximately 48% was attributable to sales made to Plains Marketing, L.P., 10% to TEPPCO Crude Oil LLC and 10% to Phillips Petroleum Company. Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on its ability to sell its oil, natural gas liquids ("NGLs") and gas production.

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

Oil and gas production operations are subject to various types of regulations by local, state and federal agencies. The Partnership's operations are also subject to state conservation laws and regulations, including the establishment of maximum rates of production from wells and the regulation of spacing, plugging and abandonment of wells. Each state generally imposes a production or severance tax with respect to production and sale of oil and gas within their respective jurisdictions. Noncompliance with the laws and regulations may subject the Partnership to penalties, damages or

other liabilities and compliance may increase the cost of the Partnership's operations. The oil and gas business is also subject to environmental hazards such as oil spills, gas leaks and ruptures and discharges of toxic substances or gases that could expose the Partnership to substantial liability due to pollution and other environmental damages. Although the Partnership believes that its business operations do not impair environmental quality and that its

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

costs of complying with any applicable environmental regulations are not currently significant, the Partnership cannot predict what, if any, effect these environmental regulations may have on its current or future operations.

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

No material part of the Partnership's business is seasonal and the Partnership conducts no foreign operations.

### ITEM 2. PROPERTIES

The Partnership's properties consist of leasehold interests in properties on which oil and gas wells are located. Such property interests are often subject to landowner royalties, overriding royalties and other oil and gas leasehold interests.

Fractional working interests in developmental oil and gas prospects located primarily in the Spraberry Trend Area of West Texas were acquired by the Partnership, resulting in the Partnership's participation in the drilling of 104 oil and gas wells. One well has been plugged and abandoned. At December 31, 2000, the Partnership had 103 producing oil and gas wells.

For information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities for the years then ended, see Note 7 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" below. Such reserves have been evaluated by Williamson Petroleum Consultants, Inc., an independent petroleum consultant.

### ITEM 3. LEGAL PROCEEDINGS

The Partnership from time to time is a party to various legal proceedings incidental to its business involving claims in oil and gas leases or interests, other claims for damages in amounts not in excess of 10% of its current assets and other matters, none of which Pioneer USA believes to be material to the Partnership.

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

There were no matters submitted to a vote of the partners during the fourth quarter of 2000.

## PART II

### ITEM 5. MARKET FOR LIMITED PARTNERSHIP INTERESTS AND LIMITED PARTNERSHIP DISTRIBUTIONS

At March 8, 2001, the Partnership had 11,897 outstanding limited partnership interests held of record by 665 subscribers. There is no established public

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

trading market for the limited partnership interests. Under the limited partnership agreement, Pioneer USA has made certain commitments to purchase partnership interests at a computed value.

Revenues which, in the sole judgement of the managing general partner, are not required to meet the Partnership's obligations are distributed to the partners at least quarterly in accordance with the limited partnership agreement. During the years ended December 31, 2000 and 1999, \$825,165 and \$271,636, respectively, of such revenue-related distributions were made to the limited partners.

### ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth selected financial data for the years ended December 31:

	2000	1999	1998	1997
	-----	-----	-----	-----
Operating results:				
-----				
Oil and gas sales	\$ 1,513,122	\$ 907,791	\$ 764,787	\$ 1,118,6
	=====	=====	=====	=====
Impairment of oil and gas properties	\$ 31,774	\$ 88,497	\$ 275,430	\$ 328,5
	=====	=====	=====	=====
Net income (loss)	\$ 787,438	\$ 164,414	\$ (373,956)	\$ (55,1
	=====	=====	=====	=====
Allocation of net income (loss):				
Managing general partner	\$ 7,874	\$ 1,644	\$ (3,740)	\$ (5
	=====	=====	=====	=====
Limited partners	\$ 779,564	\$ 162,770	\$ (370,216)	\$ (54,63
	=====	=====	=====	=====
Limited partners' net income (loss) per limited partnership interest	\$ 65.53	\$ 13.68	\$ (31.12)	\$ (4.
	=====	=====	=====	=====
Limited partners' cash distributions per limited partnership interest	\$ 69.36	\$ 22.83	\$ 23.66	\$ 52.
	=====	=====	=====	=====
At year end:				
-----				
Identifiable assets	\$ 1,894,220	\$ 1,949,209	\$ 2,057,408	\$ 2,727,5
	=====	=====	=====	=====

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

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

#### Results of Operations

2000 compared to 1999

The Partnership's oil and gas revenues increased 67% to \$1,513,122 for 2000 as compared to \$907,791 in 1999. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 2000, 36,592 barrels of oil, 16,796 barrels of natural gas liquids ("NGLs") and 64,786 mcf of gas were sold, or 64,186 barrel of oil equivalents ("BOEs"). In 1999, 36,383 barrels of oil, 17,481 barrels of NGLs and 70,803 mcf of gas were sold, or 65,665 BOEs. Due to the decline characteristics of the Partnership's oil and gas properties, management expects a certain amount of decline in production in the future until the Partnership's economically recoverable reserves are fully depleted.

The average price received per barrel of oil increased \$12.00, or 70%, from \$17.23 in 1999 to \$29.23 in 2000. The average price received per barrel of NGLs increased \$5.96, or 63%, from \$9.49 in 1999 to \$15.45 in 2000. The average price received per mcf of gas increased 75% from \$1.62 in 1999 to \$2.84 in 2000. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received in 2000.

A gain on disposition of assets of \$2,023 recognized in 2000 was due to equipment credits received on one fully depleted well.

Total costs and expenses decreased to \$739,327 in 2000 as compared to \$749,072 in 1999, a decrease of \$9,745, or 1%. The decrease was due to declines in the impairment of oil and gas properties and depletion, offset by increases in production costs and general and administrative expenses ("G&A").

Production costs were \$557,245 in 2000 and \$478,183 in 1999, resulting in an increase of \$79,062, or 17%. The increase was primarily due to higher production taxes associated with higher oil and gas prices and additional well maintenance and workover costs incurred to stimulate well production.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 30% from \$35,038 in 1999 to \$45,379 in 2000 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$40,368 in 2000 and \$27,181 in 1999 for G&A incurred on behalf of the Partnership. The remaining G&A was paid directly by the Partnership. The managing general partner determines the allocated expenses based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the managing general partner reviews the Partnership's oil and gas properties for impairment whenever events or circumstances indicate a decline in the recoverability of the carrying value of the Partnership's assets may have occurred. As a result of the review and evaluation of its long-lived assets for impairment, the Partnership recognized non-cash charges of \$31,774 and \$88,497 related to its oil and gas properties during 2000 and 1999, respectively.

Depletion was \$104,929 in 2000 compared to \$147,354 in 1999, representing a decrease of \$42,425, or 29%. The decrease was primarily due to a 27,994 barrels of oil increase in proved reserves during 2000 as a result of higher commodity prices and a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 1999.

1999 compared to 1998

The Partnership's 1999 oil and gas revenues increased 19% to \$907,791 from \$764,787 in 1998. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 1999, 36,383 barrels of oil, 17,481 barrels of NGLs and 70,803 mcf of gas were sold, or 65,665 BOEs. In 1998, 41,140 barrels of oil, 17,403 barrels of NGLs and 73,460 mcf of gas were sold, or 70,786 BOEs.

The average price received per barrel of oil increased \$4.11, or 31%, from \$13.12 in 1998 to \$17.23 in 1999. The average price received per barrel of NGLs increased \$2.89, or 44%, from \$6.60 in 1998 to \$9.49 in 1999. The average price received per mcf of gas increased 8% from \$1.50 in 1998 to \$1.62 in 1999.

Gain on disposition of assets of \$1,669 for 1998 was attributable to credits received from the disposal of oil and gas equipment on a fully depleted well and on one well that was plugged and abandoned in a prior year.

Total costs and expenses decreased to \$749,072 in 1999 as compared to \$1,147,349 in 1998, a decrease of \$398,277, or 35%. The decrease was due to declines in the impairment of oil and gas properties, depletion and production costs, offset by an increase in G&A.

Production costs were \$478,183 in 1999 and \$517,526 in 1998, resulting in a \$39,343 decrease, or 8%. The decrease was due to declines in well maintenance costs, ad valorem taxes and workover costs, offset by an increase in production taxes due to increased oil and gas sales.

During this period, G&A increased 31% from \$26,722 in 1998 to \$35,038 in 1999 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$27,181 in 1999 and \$22,923 in 1998 for G&A incurred on behalf of the Partnership.

The Partnership recognized non-cash SFAS 121 charges of \$88,497 and \$275,430 related to its oil and gas properties during 1999 and 1998, respectively.

Depletion was \$147,354 in 1999 compared to \$327,671 in 1998. This represented a

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

decrease of \$180,317, or 55%. The decrease was primarily due to an increase in proved reserves of 280,631 barrels of oil during 1999 as a result of higher commodity prices, a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 1998 and a decline in oil production of 4,757 barrels for the period ended December 31, 1999 compared to the same period in 1998.

### Petroleum industry

The petroleum industry has been characterized by volatile oil, NGL and natural gas commodity prices and relatively stable supplier costs during the three years ended December 31, 2000. During 1998, weather patterns, regional economic recessions and political matters combined to cause worldwide oil supplies to exceed demand resulting in a substantial decline in oil prices. Also during 1998, but to a lesser extent, market prices for natural gas declined. During 1999 and 2000, the Organization of Petroleum Exporting Countries ("OPEC") and certain other crude oil exporting nations announced reductions in their planned export volumes. Those announcements, together with the enactment of the announced reductions in export volumes, had a positive impact on world oil prices, as have overall natural gas supply and demand fundamentals on North American natural gas prices. Although the favorable commodity price environment and stable field service cost environment is expected to continue during 2001, there is no assurance that commodity prices will not return to a less favorable level or that field service costs will not escalate in the future, both of which could negatively impact the Partnership's future results of operations and cash distributions.

### Liquidity and capital resources

#### Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$504,622 during the year ended December 31, 2000 from 1999. This increase was due to an increase in oil and gas sales receipts of \$611,256, offset by increases in production costs paid of \$79,062, G&A expenses paid of \$10,341 and working capital of \$17,231. The increase in oil and gas receipts resulted from the increase in commodity prices during 2000 which contributed an additional \$632,790 to oil and gas receipts, offset by \$21,534 resulting from the decline in production during 2000. The increase in production costs was primarily due to increased production taxes associated with higher oil and gas prices and additional well maintenance and workover costs incurred to stimulate well production. The increase in G&A was primarily due to higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues.

#### Net Cash Used in Investing Activities

The Partnership's principal investing activities during 2000 and 1999 included expenditures related to equipment upgrades on active oil and gas properties.

Proceeds from disposition of assets of \$2,023 recognized in 2000 were due to equipment credits received on one fully depleted well.

#### Net Cash Used in Financing Activities



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

In 2000, cash distributions to the partners were \$833,500, of which \$8,335 was distributed to the managing general partner and \$825,165 to the limited partners. In 1999, cash distributions to the partners were \$274,380, of which \$2,744 was distributed to the managing general partner and \$271,636 to the limited partners.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO FINANCIAL STATEMENTS

	Page
	----
Financial Statements of Parker & Parsley 90-B Conv., L.P.:	
Independent Auditors' Report.....	10
Balance Sheets as of December 31, 2000 and 1999.....	11
Statements of Operations for the Years Ended December 31, 2000, 1999 and 1998.....	12
Statements of Partners' Capital for the Years Ended December 31, 2000, 1999 and 1998.....	13
Statements of Cash Flows for the Years Ended December 31, 2000, 1999 and 1998.....	14
Notes to Financial Statements.....	15

INDEPENDENT AUDITORS' REPORT

The Partners  
Parker & Parsley 90-B Conv., L.P.  
(A Delaware Limited Partnership):

We have audited the balance sheets of Parker & Parsley 90-B Conv., L.P. as of December 31, 2000 and 1999, and the related statements of operations, partners' capital and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parker & Parsley 90-B Conv., L.P. as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Dallas, Texas  
March 9, 2001

10

1581

PARKER & PARSLEY 90-B CONV., L.P.  
(A Delaware Limited Partnership)

BALANCE SHEETS  
December 31

	2000	1999
	-----	-----
ASSETS		
-----		
Current assets:		
Cash	\$ 132,300	\$ 132,031
Accounts receivable - oil and gas sales	209,552	143,411
	-----	-----
Total current assets	341,852	275,442
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	9,628,120	9,612,816
Accumulated depletion	(8,075,752)	(7,939,049)
	-----	-----
Net oil and gas properties	1,552,368	1,673,767
	-----	-----

1530



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Depletion	104,929	147,354	327,671
	-----	-----	-----
	739,327	749,072	1,147,349
	-----	-----	-----
Net income (loss)	\$ 787,438	\$ 164,414	\$ (373,956)
	=====	=====	=====
Allocation of net income (loss):			
Managing general partner	\$ 7,874	\$ 1,644	\$ (3,740)
	=====	=====	=====
Limited partners	\$ 779,564	\$ 162,770	\$ (370,216)
	=====	=====	=====
Net income (loss) per limited partnership interest	\$ 65.53	\$ 13.68	\$ (31.12)
	=====	=====	=====

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

12

1583

PARKER & PARSLEY 90-B CONV., L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF PARTNERS' CAPITAL

	Managing general partner	Limited partners	Total
	-----	-----	-----
Partners' capital at January 1, 1998	\$ 26,929	\$2,666,043	\$2,692,972

1532

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Distributions	(2,843)	(281,505)	(284,348)
Net loss	(3,740)	(370,216)	(373,956)
	-----	-----	-----
Partners' capital at December 31, 1998	20,346	2,014,322	2,034,668
Distributions	(2,744)	(271,636)	(274,380)
Net income	1,644	162,770	164,414
	-----	-----	-----
Partners' capital at December 31, 1999	19,246	1,905,456	1,924,702
Distributions	(8,335)	(825,165)	(833,500)
Net income	7,874	779,564	787,438
	-----	-----	-----
Partners' capital at December 31, 2000	\$ 18,785	\$1,859,855	\$1,878,640
	=====	=====	=====

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

13

1584

PARKER & PARSLEY 90-B CONV., L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF CASH FLOWS  
For the years ended December 31

	2000	1999	1998
	-----	-----	-----
Cash flows from operating activities:			
Net income (loss)	\$ 787,438	\$ 164,414	\$ (373,956)
Adjustments to reconcile net income (loss)			

1533

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

to net cash provided by operating activities:			
Impairment of oil and gas properties	31,774	88,497	275,430
Depletion	104,929	147,354	327,671
Gain on disposition of assets	(2,023)	--	(1,669)
Changes in assets and liabilities:			
Accounts receivable	(66,141)	(59,604)	42,963
Accounts payable	(8,927)	1,767	(11,798)
	-----	-----	-----
Net cash provided by operating activities	847,050	342,428	258,641
	-----	-----	-----
Cash flows from investing activities:			
Additions to oil and gas properties	(15,304)	(12,347)	(18,344)
Proceeds from disposition of assets	2,023	--	1,669
	-----	-----	-----
Net cash used in investing activities	(13,281)	(12,347)	(16,675)
	-----	-----	-----
Cash flows used in financing activities:			
Cash distributions to partners	(833,500)	(274,380)	(284,348)
	-----	-----	-----
Net increase (decrease) in cash	269	55,701	(42,382)
Cash at beginning of year	132,031	76,330	118,712
	-----	-----	-----
Cash at end of year	\$ 132,300	\$ 132,031	\$ 76,330
	=====	=====	=====

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

PARKER & PARSLEY 90-B CONV., L.P.  
(A Delaware Limited Partnership)

NOTES TO FINANCIAL STATEMENTS  
December 31, 2000, 1999 and 1998

NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS

Parker & Parsley 90-B Conv., L.P. (the "Partnership") was organized as a general partnership in 1990 under the laws of the State of Texas and was converted to a Delaware limited partnership on August 1, 1991. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA").

The Partnership engages in oil and gas development and production in Texas

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

and is not involved in any industry segment other than oil and gas.

### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Oil and gas properties - The Partnership utilizes the successful efforts method of accounting for its oil and gas properties and equipment. Under this method, all costs associated with productive wells and nonproductive development wells are capitalized while nonproductive exploration costs are expensed. Capitalized costs relating to proved properties are depleted using the unit-of-production method on a property-by-property basis based on proved oil (dominant mineral) reserves as evaluated by independent petroleum consultants. The carrying amounts of properties sold or otherwise disposed of and the related allowances for depletion are eliminated from the accounts and any gain or loss is included in results of operations.

Impairment of long-lived assets - In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the Partnership reviews its long-lived assets to be held and used on an individual property basis, including oil and gas properties accounted for under the successful efforts method of accounting, whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. An impairment loss is indicated if the sum of the expected future cash flows is less than the carrying amount of the assets. In this circumstance, the Partnership recognizes an impairment loss for the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset.

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

Net income (loss) per limited partnership interest - The net income (loss) per limited partnership interest is calculated by using the number of outstanding limited partnership interests.

15

1586

Income taxes - A Federal income tax provision has not been included in the financial statements as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

Statements of cash flows - For purposes of reporting cash flows, cash includes depository accounts held by banks.

General and administrative expenses - General and administrative expenses are allocated in part to the Partnership by the managing general partner. Allocated expenses are determined by the managing general partner based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Reclassifications - Certain reclassifications may have been made to the 1999 and 1998 financial statements to conform to the 2000 financial statement presentations.

Environmental - The Partnership is subject to extensive federal, state and local environmental laws and regulations. These laws, which are constantly changing, regulate the discharge of materials into the environment and may require the Partnership to remove or mitigate the environmental effects of the disposal or release of petroleum or chemical substances at various sites. Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Liabilities for expenditures of a noncapital nature are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated. Such liabilities are generally undiscounted unless the timing of cash payments for the liability or component are fixed or reliably determinable. No such liabilities have been accrued as of December 31, 2000.

Revenue recognition - The Partnership uses the entitlements method of accounting for oil, natural gas liquids ("NGLs") and natural gas revenues.

### NOTE 3. IMPAIRMENT OF LONG-LIVED ASSETS

In accordance with SFAS 121, the Partnership reviews its proved oil and gas properties for impairment whenever events and circumstances indicate a decline in the recoverability of the carrying value of the Partnership's oil and gas properties. The Partnership has estimated the expected future cash flows of its oil and gas properties as of December 31, 2000, 1999 and 1998, based on proved reserves, and compared such estimated future cash flows to the respective carrying amount of the oil and gas properties to determine if the carrying amounts were likely to be recoverable. For those proved oil and gas properties for which the carrying amount exceeded the estimated future cash flows, an impairment was determined to exist; therefore, the Partnership adjusted the carrying amount of those oil and gas properties to their fair value as determined by discounting their expected future cash flows at a discount rate commensurate with the risks involved in the industry. As a result, the Partnership recognized non-cash impairment provisions of \$31,774, \$88,497 and \$275,430 related to its proved oil and gas properties during 2000, 1999 and 1998, respectively.

16

1587

### NOTE 4. INCOME TAXES

The financial statement basis of the Partnership's net assets and liabilities was \$233,211 greater than the tax basis at December 31, 2000.

The following is a reconciliation of net income (loss) per statements of operations with the net income per Federal income tax returns for the years ended December 31:

	2000	1999	1998
	-----	-----	-----
Net income (loss) per statements of operations	\$ 787,438	\$ 164,414	\$(373,956)
Depletion and depreciation provisions for tax			



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

reporting purposes less than amounts for financial reporting purposes	90,499	132,570	175,500
Impairment of oil and gas properties for financial reporting purposes	31,774	88,497	275,430
Other, net	(1,742)	(4,660)	3,987
	-----	-----	-----
Net income per Federal income tax returns	\$ 907,969	\$ 380,821	\$ 80,961
	=====	=====	=====

NOTE 5. OIL AND GAS PRODUCING ACTIVITIES

The following is a summary of the costs incurred, whether capitalized or expensed, related to the Partnership's oil and gas producing activities for the years ended December 31:

	2000	1999	1998
	-----	-----	-----
Development costs	\$ 15,304	\$ 12,347	\$ 18,344
	=====	=====	=====

Capitalized oil and gas properties consist of the following:

	2000	1999
	-----	-----
Proved properties:		
Property acquisition costs	\$ 369,498	\$ 369,498
Completed wells and equipment	9,258,622	9,243,318
	-----	-----
Accumulated depletion	9,628,120	9,612,816
	(8,075,752)	(7,939,049)
	-----	-----
Net oil and gas properties	\$1,552,368	\$1,673,767
	=====	=====

NOTE 6. RELATED PARTY TRANSACTIONS

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

	2000	1999	1998
	-----	-----	-----
Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$ 211,037	\$ 214,306	\$ 209,549

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Reimbursement of general and administrative expenses	\$ 40,368	\$ 27,181	\$ 22,923
--	-----------	-----------	-----------

17

1588

The Partnership participates in oil and gas activities through an income tax partnership (the "Program") pursuant to the Program agreement. Pioneer USA, P&P Employees 90-B Conv., L.P. ("EMPL"), Parker & Parsley 90-B, L.P. and the Partnership (the "Partnerships") are parties to the Program agreement. EMPL is a limited partnership organized for the benefit of certain employees of Pioneer USA. EMPL was merged with Pioneer USA on December 28, 2000.

The costs and revenues of the Program are allocated to Pioneer USA and the Partnerships as follows:

	Pioneer USA(1)	Partnerships(2)
Revenues:		
Proceeds from disposition of depreciable and depletable properties:		
First three years	14.141414%	85.858586%
After first three years	19.191919%	80.808081%
All other revenues		
First three years	14.141414%	85.858586%
After first three years	19.191919%	80.808081%
Costs and expenses:		
Lease acquisition costs, drilling and completion costs and all other costs	9.090909%	90.909091%
Operating costs, reporting and legal expenses and general and administrative expenses:		
First three years	14.141414%	85.858586%
After first three years	19.191919%	80.808081%

(1) Excludes Pioneer USA's 1% general partner ownership which is allocated at the Partnership level and 80 limited partner interests owned by Pioneer USA.

(2) The allocation between the Partnership and Parker & Parsley 90-B, L.P. is 26.94006% and 73.05994%, respectively.

NOTE 7. OIL AND GAS INFORMATION (UNAUDITED)

The following table presents information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities during the years then ended. All of the Partnership's reserves are proved developed and located within the United States. The Partnership's reserves are based on an evaluation prepared by Williamson Petroleum Consultants, Inc., an independent petroleum consultant, using criteria established by the Securities and Exchange Commission.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	Oil and NGLs (bbls)	Gas (mcf)
	-----	-----
Net proved reserves at January 1, 1998	914,930	864,646
Revisions	(446,456)	(190,771)
Production	(58,543)	(73,460)
	-----	-----
Net proved reserves at December 31, 1998	409,931	600,415
Revisions	435,645	666,249
Production	(53,864)	(70,803)
	-----	-----
Net proved reserves at December 31, 1999	791,712	1,195,861
Revisions	15,019	(155,368)
Production	(53,388)	(64,786)
	-----	-----
Net proved reserves at December 31, 2000	753,343	975,707
	=====	=====

As of December 31, 2000, the estimated present value of future net revenues of proved reserves, calculated using December 31, 2000 prices of \$26.64 per barrel of oil, \$13.19 per barrel of NGLs and \$7.66 per mcf of gas, discounted at 10% was approximately \$5,752,000 and undiscounted was \$11,644,000.

Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves. The Partnership emphasizes that reserve estimates are inherently imprecise and, accordingly, the estimates are expected to change as future information becomes available.

Disclosures about Oil & Gas Producing Activities

Standardized Measure of Discounted Future Net Cash Flows

The standardized measure of discounted future net cash flows is computed by applying year-end prices of oil and gas (with consideration of price changes only to the extent provided by contractual arrangements) to the estimated future production of proved oil and gas reserves less estimated future expenditures (based on year-end costs) to be incurred in developing and producing the proved reserves, discounted using a rate of 10% per year to reflect the estimated timing of the future cash flows. A Federal income tax provision has not been calculated as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

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

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	For the years ended December 31,		
	2000	1999	1998
	(in thousands)		
Oil and gas producing activities:			
Future cash inflows	\$ 24,248	\$ 19,527	\$ 4,449
Future production costs	(12,604)	(10,978)	(3,339)
	11,644	8,549	1,110
10% annual discount factor	(5,892)	(4,165)	(375)
Standardized measure of discounted future net cash flows	\$ 5,752	\$ 4,384	\$ 735

19

1590

	For the years ended December 31,		
	2000	1999	1998
	(in thousands)		
Oil and Gas Producing Activities:			
Oil and gas sales, net of production costs	\$ (956)	\$ (430)	\$ (247)
Net changes in prices and production costs	2,152	2,137	(2,389)
Revisions of previous quantity estimates	(71)	3,126	(518)
Accretion of discount	438	74	362
Changes in production rates, timing and other	(195)	(1,258)	(94)
Change in present value of future net revenues	1,368	3,649	(2,886)
Balance, beginning of year	4,384	735	3,621
Balance, end of year	\$ 5,752	\$ 4,384	\$ 735

NOTE 8. MAJOR CUSTOMERS

The following table reflects the major customers of the Partnership's oil and gas sales (a major customer is defined as a customer whose sales exceed 10% of total sales) during the years ended December 31:

2000	1999	1998
------	------	------

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Plains Marketing, L.P.	48%	46%	-
TEPPCO Crude Oil LLC	10%	11%	-
Genesis Crude Oil, L.P.	-	-	58%
Western Gas Resources, Inc.	4%	5%	21%
Phillips Petroleum Company	10%	5%	5%

At December 31, 2000, the amounts receivable from Plains Marketing, L.P., TEPPCO Crude Oil LLC and Phillips Petroleum Company were \$65,440, \$13,643 and \$7,386, respectively, which are included in the caption "Accounts receivable - oil and gas sales" in the accompanying Balance Sheet.

Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on the ability of the Partnership to sell its oil, NGLs and gas production.

NOTE 9. PARTNERSHIP AGREEMENT

The following is a brief summary of the more significant provisions of the Partnership agreement:

Managing general partner - The managing general partner of the Partnership is Pioneer USA. Pioneer USA has the power and authority to manage, control and administer all Program and Partnership affairs. As managing general partner and operator of the Partnership's properties, all production expenses are incurred by Pioneer USA and billed to the Partnership. The

20

1591

majority of the Partnership's oil and gas revenues are received directly by the Partnership, however, a portion of the oil and gas revenue is initially received by Pioneer USA prior to being paid to the Partnership. Under the Partnership agreement, the managing general partner pays 1% of the Partnership's acquisition, drilling and completion costs and 1% of its operating and general and administrative expenses. In return, it is allocated 1% of the Partnership's revenues.

Limited partner liability - The maximum amount of liability of any limited partner is the total contributions of such partner plus his share of any undistributed profits.

Initial capital contributions - The partners entered into subscription agreements for aggregate capital contributions of \$11,897,000. The managing general partner is required to contribute amounts equal to 1% of initial Partnership capital less commission and organization and offering costs allocated to the limited partners and to contribute amounts necessary to pay costs and expenses allocated to it under the Partnership agreement to the extent its share of revenues does not cover such costs.

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

None.

## PART III

## ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE PARTNERSHIP

The Partnership does not have any officers or directors. Under the limited partnership agreement, the Partnership's managing general partner, Pioneer USA, is granted the exclusive right and full authority to manage, control and administer the Partnership's business.

Set forth below are the names, ages and positions of the directors and executive officers of Pioneer USA. Directors of Pioneer USA are elected to serve until the next annual meeting of stockholders or until their successors are elected and qualified.

Name -----	Age at December 31, 2000 ----	Position -----
Scott D. Sheffield	48	President
Timothy L. Dove	44	Executive Vice President, Chief Financial Officer and Director
Dennis E. Fagerstone	51	Executive Vice President and Director
Mark L. Withrow	53	Executive Vice President, General Counsel and Director
Danny Kellum	46	Executive Vice President - Domestic Operations and Director
Rich Dealy	34	Vice President and Chief Accounting Officer

Scott D. Sheffield. Mr. Sheffield is a graduate of The University of Texas with a B.S. in Petroleum Engineering. Since August 1997, he has served as President, Chief Executive Officer and a director of Pioneer and President of Pioneer USA. Mr. Sheffield assumed the position of Chairman of the Board of Pioneer in August 1999. He served as a director of Pioneer USA from August 1997 until his resignation from the board in June 1999. Mr. Sheffield was the President and a director of Parker & Parsley Petroleum Company ("Parker & Parsley") from May 1990 until August 1997 and was the Chairman of the Board and Chief Executive Officer of Parker & Parsley from October 1990 until August 1997. He was the sole director of Parker & Parsley from May 1990 until October 1990. Mr. Sheffield joined Parker & Parsley Development Company ("PPDC"), a predecessor of Parker & Parsley, as a petroleum engineer in 1979. He served as Vice President - Engineering of PPDC from September 1981 until April 1985 when he was elected President and a director. In March 1989, Mr. Sheffield was elected Chairman of the Board and Chief Executive Officer of PPDC. Before joining PPDC's predecessor, Mr. Sheffield was employed as a production and reservoir engineer for Amoco Production Company.

Timothy L. Dove. Mr. Dove earned a B.S. in Mechanical Engineering from Massachusetts Institute of Technology in 1979 and received his M.B.A. in 1981 from the University of Chicago. He became Executive Vice President - Business Development of Pioneer and Pioneer USA in August 1997 and was also appointed a director of Pioneer USA in August 1997. Mr. Dove assumed the position of Chief Financial Officer of Pioneer and Pioneer USA effective February 1, 2000. Mr. Dove joined Parker & Parsley in May 1994 as Vice President - International and was promoted to Senior Vice President - Business Development in October 1996, in which position he served until August 1997. Prior to joining Parker & Parsley, Mr. Dove was employed with Diamond Shamrock Corp., and its successor, Maxus Energy Corp, in various capacities in international exploration and production, marketing, refining and marketing and planning and development.

Dennis E. Fagerstone. Mr. Fagerstone, a graduate of the Colorado School of Mines with a B.S. in Petroleum Engineering, became an Executive Vice President of Pioneer and Pioneer USA in August 1997. He was also appointed a director of Pioneer USA in August 1997. He served as Executive Vice President and Chief Operating Officer of MESA Inc. ("Mesa") from March 1, 1997 until August 1997. From October 1996 to February 1997, Mr. Fagerstone served as Senior Vice President and Chief Operating Officer of Mesa and from May 1991 to October 1996, he served as Vice President - Exploration and Production of Mesa. From June 1988 to May 1991, Mr. Fagerstone served as Vice President - Operations of Mesa.

Mark L. Withrow. Mr. Withrow, a graduate of Abilene Christian University with a B. S. in Accounting and Texas Tech University with a Juris Doctorate degree, became Executive Vice President, General Counsel and Secretary of Pioneer and Pioneer USA in August 1997. He was also appointed a director of Pioneer USA in August 1997. Mr. Withrow was Vice President - General Counsel of Parker & Parsley from January 1991, when he joined Parker & Parsley, to January 1995, when he was appointed Senior Vice President - General Counsel. He was Parker & Parsley's Secretary from August 1992 until August 1997. Prior to joining Parker & Parsley, Mr. Withrow was the managing partner of the law firm of Turpin, Smith, Dyer, Saxe & MacDonald, Midland, Texas.

Danny Kellum. Mr. Kellum, who received a Bachelor of Science degree in Petroleum Engineering from Texas Tech University in 1979, was elected Executive Vice President - Domestic Operations of Pioneer and Pioneer USA on May 18, 2000 and Director of Pioneer USA on February 1, 2000. From January 2000 until May 2000, Mr. Kellum served as Vice President - Domestic Operations of Pioneer and Pioneer USA. Mr. Kellum served as Vice President Permian Division of Pioneer and Pioneer USA from April 1998 until December 1999. From 1989 until 1994 he served as Spraberry District Manager and as Vice President of the Spraberry and Permian Division for Parker & Parsley until August of 1997. Mr. Kellum joined Parker & Parsley as an operations engineer in 1981 after a brief career with Mobil Oil Corporation.

Rich Dealy. Mr. Dealy is a graduate of Eastern New Mexico University with a B.B.A. in Accounting and Finance and is a Certified Public Accountant. He became Vice President and Chief Accounting Officer of Pioneer and Pioneer USA in February 1998. Mr. Dealy served as Controller of Pioneer USA from August 1997 to February 1998. He served as Controller of Parker & Parsley from August 1995 to August 1997. Mr. Dealy joined Parker & Parsley as an Accounting Manager in July, 1992. He was previously employed with KPMG Peat Marwick as an Audit Senior, in charge of Parker & Parsley's audit.

ITEM 11. EXECUTIVE COMPENSATION

The Partnership does not have any directors or officers. Management of the Partnership is performed by Pioneer USA, the managing general partner. The Partnership participates in oil and gas activities through an income tax partnership (the "Program") pursuant to the Program agreement. Under the Program agreement, Pioneer USA pays approximately 10% of the Program's acquisition, drilling and completion costs and approximately 15% during the first three years and approximately 20% after three years of its operating and general and administrative expenses. In return, they are allocated approximately 15% during the first three years and approximately 20% after three years of the Program's revenues.

The Partnership does not directly pay any salaries of the executive officers of Pioneer USA, but does pay a portion of Pioneer USA's general and administrative expenses of which these salaries are a part.

See Notes 6 and 9 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" for information regarding fees and reimbursements paid to the managing general partner by the Partnership.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

(a) Beneficial owners of more than five percent

The Partnership is not aware of any person who beneficially owns 5% or more of the outstanding limited partnership interests of the Partnership. Pioneer USA owned 80 limited partnership interests at January 1, 2001.

(b) Security ownership of management

The Partnership does not have any officers or directors. The managing general partner of the Partnership, Pioneer USA, has the exclusive right and full authority to manage, control and administer the Partnership's business. Under the limited partnership agreement, limited partners holding a majority of the outstanding limited partnership interests have the right to take certain actions, including the removal of the managing general partner or any other general partner. The Partnership is not aware of any current arrangement or activity which may lead to such removal. The Partnership is not aware of any officer or director of Pioneer USA who beneficially owns limited partnership interests in the Partnership.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Transactions with the managing general partner

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:



1595

	2000	1999	1998
	-----		
Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$ 211,037	\$ 214,306	\$ 209,549
Reimbursement of general and administrative expenses	\$ 40,368	\$ 27,181	\$ 22,923

Under the limited partnership agreement, the managing general partner pays 1% of the Partnership's acquisition, drilling and completion costs and 1% of its operating and general and administrative expenses. In return, it is allocated 1% of the Partnership's revenues. Also, see Notes 6 and 9 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data", regarding the Partnership's participation with the managing general partner in oil and gas activities of the Program.

1596

## PART IV

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

## (a) 1. Financial statements

The following are filed as part of this Report:

Independent Auditors' Report

Balance sheets as of December 31, 2000 and 1999

Statements of operations for the years ended December 31, 2000, 1999 and 1998

Statements of partners' capital for the years ended December 31, 2000, 1999 and 1998

Statements of cash flows for the years ended December 31, 2000, 1999 and 1998

Notes to financial statements

## 2. Financial statement schedules

All financial statement schedules have been omitted since the required information is in the financial statements or notes thereto, or is not applicable nor required.

## (b) Reports on Form 8-K

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

None.

(c) Exhibits

The exhibits listed on the accompanying index to exhibits are filed or incorporated by reference as part of this Report.

26

1597

S I G N A T U R E S

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, thereunto duly authorized.

PARKER & PARSLEY 90-B CONV., L.P.

Dated: March 28, 2001

By: Pioneer Natural Resources USA, Inc.  
Managing General Partner

By: /s/ Scott D. Sheffield

-----  
Scott D. Sheffield, President

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

/s/ Scott D. Sheffield ----- Scott D. Sheffield	President of Pioneer USA	March 28, 2001
/s/ Timothy L. Dove ----- Timothy L. Dove	Executive Vice President, Chief Financial Officer and Director of Pioneer USA	March 28, 2001
/s/ Dennis E. Fagerstone ----- Dennis E. Fagerstone	Executive Vice President and Director of Pioneer USA	March 28, 2001
/s/ Mark L. Withrow ----- Mark L. Withrow	Executive Vice President, General Counsel and Director of Pioneer USA	March 28, 2001
/s/ Danny Kellum ----- Danny Kellum	Executive Vice President - Domestic Operations and Director of Pioneer USA	March 28, 2001
/s/ Rich Dealy	Vice President and Chief Accounting	March 28, 2001

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

----- Officer of Pioneer USA  
Rich Dealy

27

1598

PARKER & PARSLEY 90-B CONV., L.P.

INDEX TO EXHIBITS

The following documents are incorporated by reference in response to Item 14(c):

Exhibit No. -----	Description -----	Page ----
3 (a)	Form of Agreement of Limited Partnership of Parker & Parsley 90-B Conv., L.P. incorporated by reference to Exhibit A of the Post-Effective Amendment No. 1 of the Partnership's Registration Statement on Form S-1 (Registration No. 33-26097)	-
4 (b)	Form of Limited Partner Subscription Agreement incorporated by reference to Exhibit C of the Post-Effective Amendment No. 1 of the Partnership's Registration Statement on Form S-1 (Registration No. 33-26097)	-
4 (b)	Form of General Partner Subscription Agreement incorporated by reference to Exhibit D of the Post-Effective Amendment No. 1 of the Partnership's Registration Statement on Form S-1 (Registration No. 33-26097)	-
4 (b)	Power of Attorney incorporated by reference to Exhibit B of Amendment No. 1 of the Partnership's Registration Statement on Form S-1 (Registration No. 33-26097)	-
4 (c)	Specimen Certificate of Limited Partnership Interest incorporated by reference to Exhibit 4c of the Partnership's Registration Statement on Form S-1 (Registration No. 33-26097)	-
10 (b)	Form of Development Drilling Program Agreement incorporated by reference to Exhibit B of the Post-Effective Amendment No. 1 of the Partnership's Registration Statement on Form S-1 (Registration No. 33-26097)	-

1599

## PARKER &amp; PARSLEY 90-B CONV., L.P.

## SELECTED FINANCIAL DATA

The following selected financial data for the Partnership should be read in connection with Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements included in the attached supplemental information.

	Six months ended June 30,		Years ended December		
	2001	2000	2000	1999	1998
Operating results:					
Oil and gas sales	\$ 763,083	\$ 687,189	\$1,513,122	\$ 907,791	\$ 764,787
Impairment of oil and gas properties	\$ --	\$ --	\$ 31,774	\$ 88,497	\$ 275,430
Net income (loss)	\$ 408,688	\$ 342,445	\$ 787,438	\$ 164,414	\$ (373,956)
Allocation of net income (loss):					
Managing general partner	\$ 4,087	\$ 3,424	\$ 7,874	\$ 1,644	\$ (3,740)
Limited partners	\$ 404,601	\$ 339,021	\$ 779,564	\$ 162,770	\$ (370,216)
Limited partners' net income (loss) per limited partnership interest	\$ 34.01	\$ 28.50	\$ 65.53	\$ 13.68	\$ (31.12)
Limited partners' cash distributions per limited partnership interest	\$ 23.73	\$ 30.18	\$ 69.36	\$ 22.83	\$ 23.66
As of period ended:					
Total assets	\$2,034,573	\$1,941,811	\$1,894,220	\$1,949,209	\$2,057,408

1600

PIONEER NATURAL RESOURCES COMPANY  
PIONEER NATURAL RESOURCES USA, INC.  
5205 NORTH O'CONNOR BLVD., SUITE 1400  
IRVING, TEXAS 75039

SUPPLEMENTAL INFORMATION

OF

PARKER & PARSLEY 90-B, L.P., A DELAWARE LIMITED PARTNERSHIP

TO

PROXY STATEMENT/PROSPECTUS DATED , 2001

-----

THE DATE OF THIS SUPPLEMENT IS , 2001

-----

This document contains important information specific to Parker & Parsley 90-B, L.P., and supplements the proxy statement/prospectus dated , 2001, of Pioneer Natural Resources Company and Pioneer Natural Resources USA, Inc., by which Pioneer USA is soliciting proxies to be voted at a special meeting of limited partners of the partnership. The purpose of the special meeting is for you to vote upon the merger of the partnership with and into Pioneer USA that, if completed, will result in your receiving common stock of Pioneer Natural Resources Company for your partnership interests.

This document contains the following information concerning Parker & Parsley 90-B, L.P.:

- o A table containing:
  - the aggregate initial investment by the limited partners
  - the aggregate historical limited partner distributions through July 31, 2001
  - the merger value attributable to partnership interests of limited partners, excluding Pioneer USA
  - the merger value per \$1,000 limited partner investment
  - the merger value per \$1,000 limited partner investment as a multiple of distributions for the past four quarterly distributions including the distribution in July 2001
  - the book value per \$1,000 limited partner investment as of June 30, 2001 and as of December 31, 2000
  - the going concern value per \$1,000 limited partner investment

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

- the liquidation value per \$1,000 limited partner investment
- the ordinary tax loss per \$1,000 limited partner investment in year of initial investment
- o Information about:
  - the legal opinion for the limited partners
  - the term of the partnership
- o The partnership's quarterly report on Form 10-Q, including management's discussion and analysis of financial condition and results of operations, for the six months ended June 30, 2001
- o The partnership's annual report on Form 10-K, including management's discussion and analysis of financial condition and results of operations, for the year ended December 31, 2000
- o Selected historical financial data for the partnership for the six months ended June 30, 2001 and 2000 and the five years ended December 31, 2000

-1-

1601

PARKER & PARSLEY 90-B, L.P.

SUPPLEMENTAL INFORMATION TABLE

Aggregate Initial Investment by the Limited Partners (a)	\$
Aggregate Historical Limited Partner Distributions through July 31, 2001 (a)	\$
Merger Value Attributable to Partnership Interests of Limited Partners, Excluding Pioneer USA (a), (b)	\$
Merger Value per \$1,000 Limited Partner Investment (b), (c)	\$
Merger Value per \$1,000 Limited Partner Investment as a Multiple of Distributions for the past four quarterly distributions including the distribution in July 2001 (b), (c)	
Book Value per \$1,000 Limited Partner Investment:	
-- as of June 30, 2001 (c)	\$
-- as of December 31, 2000 (c)	\$
Going Concern Value per \$1,000 Limited Partner Investment (c), (d)	\$
Liquidation Value per \$1,000 Limited Partner Investment (c), (e)	\$
Ordinary Tax Loss per \$1,000 Limited Partner Investment in Year of Initial Investment (c), (f)	\$

- 
- (a) Stated in thousands.
  - (b) The merger value for the partnership is equal to the sum of the present value of estimated future net revenues from the partnership's estimated oil and gas reserves and its net working capital, in each case as of March 31, 2001, less its pro rata share, based on its reserve value, of the estimated expenses and fees of the mergers of all of the partnerships and less the cash distribution on July 13, 2001, by the partnership to its partners.
  - (c) Interests in some partnerships were sold in units at prices other than \$1,000. We have presented this information based on a \$1,000 initial investment for ease of use and comparison among partnerships. You should not assume that the amount shown per \$1,000 investment is the same as the value or amount attributable to a single unit investment.
  - (d) The going concern value for the partnership is based upon: (1) the sum of (A) the estimated net cash flow from the sale of the partnership's reserves during a 10-year operating period and (B) the estimated residual value from the sale of the partnership's remaining reserves at the end of the operating period, in each case using the same pricing and discount rate as in the merger value calculation, less (2) (A) partnership level general and administrative expenses, and (B) the cash distribution on July 13, 2001 by the partnership to its partners.
  - (e) The liquidation value for the partnership is based upon the sale of the partnership's reserves at the reserve value, less (1) liquidation expenses which are estimated to be the sum of (A) the partnership's pro rata share of the merger expenses and fees described in footnote (b) above and (B) 3% of the partnership's reserve value, and (2) the cash distribution on July 13, 2001 by the partnership to its partners. The liquidation expenses represent estimated costs to retain an investment banker or broker to sell the assets of the partnership and the legal and other closing costs associated with such transaction, including the wind-down costs of the partnership.
  - (f) Your ability to use your distributive share of the partnership's loss to offset your other income may have been subject to certain limitations at your level as a partner, and you may therefore wish to consult your tax advisor to determine the additional value, if any, actually realized by you in your particular circumstances.

INFORMATION ABOUT THE LEGAL OPINION FOR THE LIMITED PARTNERS

The partnership agreement for the partnership requires that special legal counsel render an opinion on behalf of the limited partners to Pioneer USA that neither the grant nor the exercise of the right to approve the merger of the partnership by its limited partners will adversely affect the federal income tax classification of the partnership or any of its limited partners. Although not required by the partnership agreement, the opinion will also state that neither the grant nor exercise of such right will result in the loss of any limited partner's limited liability. In addition, the counsel designated to render the opinion is not required to be counsel other than counsel to Pioneer USA or the partnership. Both the designated counsel and the legal opinion must be approved

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

by the limited partners. Pioneer USA has retained \_\_\_\_\_ of Dallas, Texas for the purpose of rendering this legal opinion on behalf of the limited partners to Pioneer USA. The merger proposals include an approval of that counsel and the form of its opinion. A copy of the opinion is attached as an exhibit to the merger proposals.

INFORMATION ABOUT THE TERM OF THE PARTNERSHIP

The term of the partnership is until December 31, 2040, unless the partnership is earlier terminated in accordance with the applicable provisions of its partnership agreement.

-2-

1602

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, 2001

Commission File No. 33-26097-07

PARKER & PARSLEY 90-B, L.P.

-----  
(Exact name of Registrant as specified in its charter)

Delaware

75-2329287

-----  
(State or other jurisdiction of  
incorporation or organization)

-----  
(I.R.S. Employer  
Identification Number)

5205 N. O'Connor Blvd., Suite 1400, Irving, Texas

75039

-----  
(Address of principal executive offices)

-----  
(Zip code)

Registrant's Telephone Number, including area code : (972) 444-9001

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



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

requirements for the past 90 days.

Yes / x / No / /

1603

PARKER & PARSLEY 90-B, L.P.

TABLE OF CONTENTS

	Page
Part I. Financial Information	
Item 1. Financial Statements	
Balance Sheets as of June 30, 2001 and December 31, 2000.....	3
Statements of Operations for the three and six months ended June 30, 2001 and 2000.....	4
Statement of Partners' Capital for the six months ended June 30, 2001.....	5
Statements of Cash Flows for the six months ended June 30, 2001 and 2000.....	6
Notes to Financial Statements.....	7
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.....	7
Part II. Other Information	
Item 6. Exhibits and Reports on Form 8-K.....	11
Signatures.....	12

2

1604

PARKER & PARSLEY 90-B, L.P.  
(A Delaware Limited Partnership)

# Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

## Part I. Financial Information

### Item 1. Financial Statements

#### BALANCE SHEETS

	June 30, 2001	December 31, 2000
	----- (Unaudited)	-----
ASSETS		
Current assets:		
Cash	\$ 1,006,322	\$ 364,895
Accounts receivable - oil and gas sales	454,542	568,283
	-----	-----
Total current assets	1,460,864	933,178
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	25,938,605	26,110,930
Accumulated depletion	(21,873,017)	(21,899,717)
	-----	-----
Net oil and gas properties	4,065,588	4,211,213
	-----	-----
	\$ 5,526,452	\$ 5,144,391
	=====	=====
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable - affiliate	\$ 88,337	\$ 42,091
Partners' capital:		
Managing general partner	54,385	51,027
Limited partners (32,264 interests)	5,383,730	5,051,273
	-----	-----
	5,438,115	5,102,300
	-----	-----
	\$ 5,526,452	\$ 5,144,391
	=====	=====

The financial information included as of June 30, 2001 has been prepared by the managing general partner without audit by independent public accountants.

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

PARKER & PARSLEY 90-B, L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF OPERATIONS  
(Unaudited)

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	Three months ended June 30,		Six months ended June 30,	
	2001	2000	2001	2000
Revenues:				
Oil and gas	\$ 917,666	\$ 966,583	\$2,069,524	\$1,863,518
Interest	7,073	7,402	14,158	13,142
Gain on disposition of assets	2,926	-	8,283	5,487
	-----	-----	-----	-----
	927,665	973,985	2,091,965	1,882,147
	-----	-----	-----	-----
Costs and expenses:				
Oil and gas production	376,953	389,681	765,323	752,025
General and administrative	25,284	31,430	61,934	58,911
Depletion	74,458	69,726	147,093	142,347
Abandoned property	8,296	-	8,296	-
	-----	-----	-----	-----
	484,991	490,837	982,646	953,283
	-----	-----	-----	-----
Net income	\$ 442,674	\$ 483,148	\$1,109,319	\$ 928,864
	=====	=====	=====	=====
Allocation of net income:				
Managing general partner	\$ 4,427	\$ 4,832	\$ 11,093	\$ 9,289
	=====	=====	=====	=====
Limited partners	\$ 438,247	\$ 478,316	\$1,098,226	\$ 919,575
	=====	=====	=====	=====
Net income per limited partnership interest	\$ 13.58	\$ 14.82	\$ 34.04	\$ 28.50
	=====	=====	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

PARKER & PARSLEY 90-B, L.P.  
(A Delaware Limited Partnership)

STATEMENT OF PARTNERS' CAPITAL  
(Unaudited)

Managing general partner	Limited partners	Total
-----	-----	-----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Balance at January 1, 2001	\$ 51,027	\$5,051,273	\$5,102,300
Distributions	(7,735)	(765,769)	(773,504)
Net income	11,093	1,098,226	1,109,319
	-----	-----	-----
Balance at June 30, 2001	\$ 54,385	\$5,383,730	\$5,438,115
	=====	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

5

1607

PARKER & PARSLEY 90-B, L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF CASH FLOWS  
(Unaudited)

	Six months ended June 30,	
	2001	2000
	-----	-----
Cash flows from operating activities:		
Net income	\$1,109,319	\$ 928,864
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion	147,093	142,347
Gain on disposition of assets	(8,283)	(5,487)
Changes in assets and liabilities:		
Accounts receivable	113,741	(19,535)
Accounts payable	46,246	35,060
	-----	-----
Net cash provided by operating activities	1,408,116	1,081,249
	-----	-----
Cash flows from investing activities:		
Additions to oil and gas properties	(1,468)	(28,083)
Proceeds from asset dispositions	8,283	5,487
	-----	-----
Net cash provided by (used in) investing activities	6,815	(22,596)

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Cash flows used in financing activities:		
Cash distributions to partners	(773,504)	(983,517)
Net increase in cash	641,427	75,136
Cash at beginning of period	364,895	311,017
Cash at end of period	\$1,006,322	\$ 386,153

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

6

1608

PARKER & PARSLEY 90-B, L.P.  
(A Delaware Limited Partnership)

NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Unaudited)

Note 1. Organization and nature of operations

Parker & Parsley 90-B, L.P. (the "Partnership") is a limited partnership organized in 1990 under the laws of the State of Delaware.

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

Note 2. Basis of presentation

In the opinion of management, the unaudited financial statements of the Partnership as of June 30, 2001 and for the three and six months ended June 30, 2001 and 2000 include all adjustments and accruals consisting only of normal recurring accrual adjustments which are necessary for a fair presentation of the results for the interim period. These interim results are not necessarily indicative of results for a full year. Certain reclassifications may have been made to the June 30, 2000 financial statements to conform to the June 30, 2001 financial statement presentations.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in this Form 10-Q pursuant to the rules and regulations of the Securities and Exchange Commission. The financial statements should be read in conjunction with the financial statements and the notes thereto contained in the Partnership's Report on Form 10-K for the year ended December 31, 2000, as filed with the Securities and Exchange Commission, a copy of which is available upon request by writing to Rich Dealy, Vice President and Chief Accounting Officer, 5205 North O'Connor Boulevard, Suite 1400, Irving, Texas 75039-3746.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

### Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (1)

#### Results of Operations

Six months ended June 30, 2001 compared with six months ended June 30, 2000

#### Revenues:

The Partnership's oil and gas revenues increased 11% to \$2,069,524 for the six months ended June 30, 2001 as compared to \$1,863,518 for the same period in 2000. The increase in revenues resulted from higher average prices received, offset by a decrease in production. For the six months ended June 30, 2001, 47,052 barrels of oil, 17,412 barrels of natural gas liquids ("NGLs") and 95,918

7

1609

mcf of gas were sold, or 80,450 barrel of oil equivalents ("BOEs"). For the six months ended June 30, 2000, 48,699 barrels of oil, 23,339 barrels of NGLs and 89,536 mcf of gas were sold, or 86,961 BOEs.

The average price received per barrel of oil increased \$.54, or 2%, from \$27.72 for the six months ended June 30, 2000 to \$28.26 for the same period in 2001. The average price received per barrel of NGLs increased \$2.09, or 15%, from \$14.00 during the six months ended June 30, 2000 to \$16.09 for the same period in 2001. The average price received per mcf of gas increased 130% from \$2.08 for the six months ended June 30, 2000 to \$4.79 for the same period in 2001. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received during the six months ended June 30, 2001.

Gains on disposition of assets of \$8,283 and \$5,487 were recognized during the six months ended June 30, 2001 and 2000, respectively. The gain recognized during the period in 2001 was due to salvage income received from one well plugged and abandoned during the current year. The gain recognized during the period in 2000 was from the sale of equipment on one fully depleted well.

#### Costs and Expenses:

Total costs and expenses increased to \$982,646 for the six months ended June 30, 2001 as compared to \$953,283 for the same period in 2000, an increase of \$29,363, or 3%. The increase was due to increases in production costs, abandoned property costs, depletion and general and administrative expenses ("G&A").

Production costs were \$765,323 for the six months ended June 30, 2001 and \$752,025 for the same period in 2000, resulting in a \$13,298 increase, or 2%. The increase was primarily the result of higher production taxes associated with higher oil and gas prices.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 5% from \$58,911 for the six months ended June 30, 2000 to \$61,934 for the same period in 2001, primarily due to an increase in tax and audit fees.

Depletion was \$147,093 for the six months ended June 30, 2001 as compared to

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

\$142,347 for the same period in 2000, an increase of \$4,746, or 3%. This increase was primarily due to downward revisions to proved reserves on several wells during the period ended June 30, 2001, offset by a reduction in the Partnership's net depletable basis from charges taken in accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121") during the fourth quarter of 2000 and a decline in oil production of 1,647 barrels for the six months ended June 30, 2001 as compared to the same period in 2000.

Abandoned property costs of \$8,296 were incurred during the six months ended June 30, 2001 due to the plugging and abandonment of one well during the current year.

8

1610

Three months ended June 30, 2001 compared with three months ended June 30, 2000

### Revenues:

The Partnership's oil and gas revenues decreased 5% to \$917,666 for the three months ended June 30, 2001 as compared to \$966,583 for the same period in 2000. The decrease in revenues resulted from a decline in production and lower average prices received for oil and NGLs, offset by higher average prices received for gas. For the three months ended June 30, 2001, 23,315 barrels of oil, 8,603 barrels of NGLs and 44,414 mcf of gas were sold, or 39,320 BOEs. For the three months ended June 30, 2000, 24,312 barrels of oil, 12,529 barrels of NGLs and 47,154 mcf of gas were sold, or 44,700 BOEs.

The average price received per barrel of oil decreased \$.51, or 2%, from \$27.75 for the three months ended June 30, 2000 to \$27.24 for the same period in 2001. The average price received per barrel of NGLs decreased \$.22, or 2%, from \$14.10 during the three months ended June 30, 2000 to \$13.88 for the same period in 2001. The average price received per mcf of gas increased 50% from \$2.44 during the three months ended June 30, 2000 to \$3.67 for the same period in 2001.

Gain on disposition of assets of \$2,926 was recognized during the three months ended June 30, 2001 due to salvage income received from one well plugged and abandoned during the current period.

### Costs and Expenses:

Total costs and expenses decreased to \$484,991 for the three months ended June 30, 2001 as compared to \$490,837 for the same period in 2000, a decrease of \$5,846, or 2%. This decrease was due to declines in production costs and G&A, offset by increases in abandoned property costs and depletion.

Production costs were \$376,953 for the three months ended June 30, 2001 and \$389,681 for the same period in 2000 resulting in a \$12,728 decrease, or 3%. This decrease was primarily due to lower workover expense.

During this period, G&A decreased 20% from \$31,430 for the three months ended June 30, 2000 to \$25,284 for the same period in 2001, primarily due to a lower percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of decreased oil and gas revenues and a decline in audit and tax fees.

Depletion was \$74,458 for the three months ended June 30, 2001 as compared to

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

\$69,726 for the same period in 2000, an increase of \$4,732, or 7%. This increase was primarily due to downward revisions to proved reserves on several wells during the period ended June 30, 2001, offset by a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 2000 and a decline in oil production of 997 barrels for the three months ended June 30, 2001 as compared to the same period in 2000.

Abandoned property costs of \$8,296 were incurred during the three months ended June 30, 2001 due to the plugging and abandonment of one well during the current period.

9

1611

### Liquidity and Capital Resources

#### Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$326,867 during the six months ended June 30, 2001 from the same period ended June 30, 2000. This increase resulted from an increase of \$207,022 in oil and gas sales receipts and a reduction in working capital of \$144,462, offset by increases in production costs of \$13,298, abandoned property costs of \$8,296 and G&A expenses of \$3,023. The increase in oil and gas receipts resulted from the increase in commodity prices during 2001 which contributed an additional \$318,339 to oil and gas receipts, offset by \$111,317 resulting from the decline in production during 2001 as compared to the same period in 2000. The increase in production costs was primarily due to increased production taxes associated with higher oil and gas prices. The increase in G&A was primarily due to an increase in audit and tax fees.

#### Net Cash Provided by (Used in) Investing Activities

The Partnership's principal investing activities for the six months ended June 30, 2001 and 2000 were related to expenditures for upgrades of oil and gas equipment on active properties.

Proceeds from asset dispositions of \$8,283 and \$5,487 were received during the six months ended June 30, 2001 and 2000, respectively. The proceeds recognized during the period in 2001 were due to salvage income from one well plugged and abandoned during the current year. The proceeds recognized during 2000 were from the sale of equipment on one fully depleted well.

#### Net Cash Used in Financing Activities

For the six months ended June 30, 2001, cash distributions to the partners were \$773,504, of which \$7,735 was distributed to the managing general partner and \$765,769 to the limited partners. For the same period ended June 30, 2000, cash distributions to the partners were \$983,517, of which \$9,835 was distributed to the managing general partner and \$973,682 to the limited partners.

For the three months ended June 30, 2001, no distributions were made by the partnership to its partners. Subsequent to June 30, 2001 the cash distribution that otherwise would have been mailed to partners in late June was made to holders of record as of July 9, 2001 and was mailed on July 13, 2001. For further information, see "Proposal to acquire partnerships" below.

#### Proposal to acquire partnerships



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

On June 29, 2001, Pioneer Natural Resources Company ("Pioneer") filed with the Securities and Exchange Commission Amendment No. 1 to the Form S-4 Registration Statement (File No. 333-59094) (the "preliminary proxy statement/prospectus"), which proposes an agreement and plan of merger among Pioneer, Pioneer Natural Resources USA, Inc. ("Pioneer USA"), a wholly-owned subsidiary of Pioneer, and 46 Parker & Parsley limited partnerships. Each partnership that approves the agreement and plan of merger and the other related merger proposals will merge with and into Pioneer USA upon the closing of the transactions described in the preliminary proxy statement/prospectus, and the partnership interests of each such partnership will be converted into the right to receive Pioneer common stock. The Partnership is one of the 46 Parker & Parsley limited partnerships

10

1612

that will be asked to approve the agreement and plan of merger. The preliminary proxy statement/prospectus is non-binding and is subject to, among other things, consideration of offers from third parties to purchase any partnership or its assets and the majority approval of the limited partnership interests in each partnership.

Pioneer USA will solicit proxies from limited partners to approve the mergers only when the proxy statement/prospectus is final and declared effective. No solicitation will be made using preliminary materials. Nonetheless, copies of the preliminary proxy statement/prospectus may be obtained without charge upon request from Pioneer Natural Resources Company, 5205 North O'Connor Blvd., Suite 1400, Irving, Texas 75039, Attention: Investor Relations.

The limited partners are urged to read the proxy statement/prospectus of Pioneer filed with the Securities and Exchange Commission, when it is finalized, because it contains important information about the proposed mergers, including information about the direct and indirect interests of Pioneer USA and Pioneer in the mergers. The limited partners may also obtain the preliminary and (when filed) final proxy statement/prospectus and other relevant documents relating to the proposed mergers free through the internet web site that the Securities and Exchange Commission maintains at [www.sec.gov](http://www.sec.gov).

-----

- (1) "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" contains forward looking statements that involve risks and uncertainties. Accordingly, no assurances can be given that the actual events and results will not be materially different than the anticipated results described in the forward looking statements.

### Part II. Other Information

Item 6. Exhibits and Reports on Form 8-K

- (a) Exhibits - none
- (b) Form 8-K - none

11

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

1613

PARKER & PARSLEY 90-B, L.P.  
(A Delaware Limited Partnership)

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 thereunto duly authorized.

PARKER & PARSLEY 90-B, L.P.

By: Pioneer Natural Resources USA, Inc.,  
Managing General Partner

Dated: August 6, 2001

By: /s/ Rich Dealy

-----  
Rich Dealy, Vice President and  
Chief Accounting Officer

12

1614

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

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d)  
of the Securities Exchange Act of 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000

COMMISSION FILE NO. 33-26097-07

PARKER & PARSLEY 90-B, L.P.  
(Exact name of Registrant as specified in its charter)

DELAWARE

-----  
(State or other jurisdiction of  
incorporation or organization)

75-2

-----  
(I.R.S. E  
Identificati

# Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

1400 WILLIAMS SQUARE WEST, 5205 N. O'CONNOR BLVD., IRVING, TEXAS

-----  
(Address of principal executive offices)

Registrant's Telephone Number, including area code: (972) 444-9001

Securities registered pursuant to Section 12(b) of the Act: NONE  
Securities registered pursuant to Section 12(g) of the Act:  
LIMITED PARTNERSHIP INTERESTS (\$1,000 PER UNIT)

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

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

No market currently exists for the limited partnership interests of the Registrant. Based on the original purchase price, the aggregate market value of limited partnership interests owned by non-affiliates of the Registrant is \$32,181,000.

As of March 8, 2001, the number of outstanding limited partnership interests was 32,264.

The following documents are incorporated by reference into the indicated parts of this Annual Report on Form 10-K: None

PARTS I AND II OF THIS ANNUAL REPORT ON FORM 10-K (THE "REPORT") CONTAIN FORWARD LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. ACCORDINGLY, NO ASSURANCES CAN BE GIVEN THAT THE ACTUAL EVENTS AND RESULTS WILL NOT BE MATERIALLY DIFFERENT THAN THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS. SEE "ITEM 1. BUSINESS" FOR A DESCRIPTION OF VARIOUS FACTORS THAT COULD MATERIALLY AFFECT THE ABILITY OF THE PARTNERSHIP TO ACHIEVE THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS.

1615

## PART I

### ITEM 1. BUSINESS

Parker & Parsley 90-B, L.P. (the "Partnership") is a limited partnership organized in 1990 under the laws of the State of Delaware. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA"). Pioneer USA is a wholly-owned subsidiary of Pioneer Natural Resources Company ("Pioneer"). As of March 8, 2001, the Partnership had 32,264 limited partnership interests outstanding.

The Partnership does not have any employees of its own. Pioneer USA employs 701 persons, many of whom dedicated a part of their time to the conduct of the Partnership's business during the period for which this Report is filed. Pioneer USA supplies all management functions.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The Partnership engages in oil and gas development and production and is not involved in any industry segment other than oil and gas. The Partnership's production is geographically concentrated in West Texas.

The principal markets during 2000 for the oil produced by the Partnership were refineries and oil transmission companies that have facilities near the Partnership's oil producing properties. During 2000, Pioneer USA marketed the Partnership's gas to a variety of purchasers, none of which accounted for 10% or more of the Partnership's oil and gas revenues. Of the Partnership's total oil and gas revenues for 2000, approximately 48% was attributable to sales made to Plains Marketing, L.P., 10% to TEPPCO Crude Oil LLC and 10% to Phillips Petroleum Company. Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on its ability to sell its oil, natural gas liquids ("NGLs") and gas production.

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

Oil and gas production operations are subject to various types of regulations by local, state and federal agencies. The Partnership's operations are also subject to state conservation laws and regulations, including the establishment of maximum rates of production from wells and the regulation of spacing, plugging and abandonment of wells. Each state generally imposes a production or severance tax with respect to production and sale of oil and gas within their respective jurisdictions. Noncompliance with the laws and regulations may subject the Partnership to penalties, damages or other liabilities and compliance may increase the cost of the Partnership's operations. The oil and gas business is also subject to environmental hazards such as oil spills, gas leaks and ruptures and discharges of toxic substances or gases that could expose the Partnership to substantial

liability due to pollution and other environmental damages. Although the Partnership believes that its business operations do not impair environmental quality and that its costs of complying with any applicable environmental regulations are not currently significant, the Partnership cannot predict what, if any, effect these environmental regulations may have on its current or future operations.

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

No material part of the Partnership's business is seasonal and the Partnership

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

conducts no foreign operations.

### ITEM 2. PROPERTIES

The Partnership's properties consist of leasehold interests in properties on which oil and gas wells are located. Such property interests are often subject to landowner royalties, overriding royalties and other oil and gas leasehold interests.

Fractional working interests in developmental oil and gas prospects located primarily in the Spraberry Trend Area of West Texas were acquired by the Partnership, resulting in the Partnership's participation in the drilling of 104 oil and gas wells. One well has been plugged and abandoned. At December 31, 2000, the Partnership had 103 producing oil and gas wells.

For information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities for the years then ended, see Note 7 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" below. Such reserves have been evaluated by Williamson Petroleum Consultants, Inc., an independent petroleum consultant.

### ITEM 3. LEGAL PROCEEDINGS

The Partnership from time to time is a party to various legal proceedings incidental to its business involving claims in oil and gas leases or interests, other claims for damages in amounts not in excess of 10% of its current assets and other matters, none of which Pioneer USA believes to be material to the Partnership.

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

There were no matters submitted to a vote of the partners during the fourth quarter of 2000.

3

1617

## PART II

### ITEM 5. MARKET FOR LIMITED PARTNERSHIP INTERESTS AND LIMITED PARTNERSHIP DISTRIBUTIONS

At March 8, 2001, the Partnership had 32,264 outstanding limited partnership interests held of record by 2,201 subscribers. There is no established public trading market for the limited partnership interests. Under the limited partnership agreement, Pioneer USA has made certain commitments to purchase partnership interests at a computed value.

Revenues which, in the sole judgement of the managing general partner, are not required to meet the Partnership's obligations are distributed to the partners at least quarterly in accordance with the limited partnership agreement. During the years ended December 31, 2000 and 1999, \$2,237,802 and \$736,663, respectively, of such revenue-related distributions were made to the limited partners.

### ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth selected financial data for the years ended

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

December 31:

	2000 -----	1999 -----	1998 -----	1997 -----
Operating results:				
-----				
Oil and gas sales	\$ 4,103,548 =====	\$ 2,461,819 =====	\$ 2,074,056 =====	\$ 3,033,675 =====
Impairment of oil and gas properties	\$ 86,231 =====	\$ 240,063 =====	\$ 744,642 =====	\$ 891,257 =====
Net income (loss)	\$ 2,136,271 =====	\$ 447,469 =====	\$ (1,011,459) =====	\$ (149,382) =====
Allocation of net income (loss):				
Managing general partner	\$ 21,363 =====	\$ 4,475 =====	\$ (10,115) =====	\$ (1,494) =====
Limited partners	\$ 2,114,908 =====	\$ 442,994 =====	\$ (1,001,344) =====	\$ (147,888) =====
Limited partners' net income (loss) per limited partnership interest	\$ 65.55 =====	\$ 13.73 =====	\$ (31.04) =====	\$ (4.58) =====
Limited partners' cash distributions per limited partnership interest	\$ 69.36 =====	\$ 22.83 =====	\$ 23.66 =====	\$ 52.38 =====
At year end:				
-----				
Identifiable assets	\$ 5,144,391 =====	\$ 5,292,769 =====	\$ 5,585,045 =====	\$ 7,399,664 =====

4

1618

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

Results of Operations

2000 compared to 1999

The Partnership's oil and gas revenues increased 67% to \$4,103,548 for 2000 as compared to \$2,461,819 in 1999. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 2000, 99,252 barrels of oil, 45,552 barrels of natural gas liquids ("NGLs") and 175,696 mcf of gas were sold, or 174,087 barrel of oil equivalents ("BOEs"). In 1999, 98,658

1566

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

barrels of oil, 47,406 barrels of NGLs and 192,016 mcf of gas were sold, or 178,067 BOEs. Due to the decline characteristics of the Partnership's oil and gas properties, management expects a certain amount of decline in production in the future until the Partnership's economically recoverable reserves are fully depleted.

The average price received per barrel of oil increased \$12.00, or 70%, from \$17.23 in 1999 to \$29.23 in 2000. The average price received per barrel of NGLs increased \$5.96, or 63%, from \$9.49 in 1999 to \$15.45 in 2000. The average price received per mcf of gas increased 75% from \$1.62 in 1999 to \$2.84 in 2000. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received in 2000.

Gain on disposition of assets of \$5,487 recognized in 2000 was due to equipment credits received on one fully depleted well.

Total costs and expenses decreased in 2000 to \$2,004,420 as compared to \$2,029,978 in 1999, a decrease of \$25,558, or 1%. The decrease was due to declines in the impairment of oil and gas properties and depletion, offset by increases in production costs and general and administrative expenses ("G&A").

Production costs were \$1,511,223 in 2000 and \$1,296,822 in 1999, resulting in an increase of \$214,401, or 17%. The increase was primarily due to higher production taxes associated with higher oil and gas prices and additional well maintenance and workover costs incurred to stimulate well production.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 31% from \$93,562 in 1999 to \$122,731 in 2000 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$109,474 in 2000 and \$73,707 in 1999 for G&A incurred on behalf of the Partnership. The remaining G&A was paid directly by the Partnership. The managing general partner determines the allocated expenses based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

5

1619

In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the managing general partner reviews the Partnership's oil and gas properties for impairment whenever events or circumstances indicate a decline in the recoverability of the carrying value of the Partnership's assets may have occurred. As a result of the review and evaluation of its long-lived assets for impairment, the Partnership recognized non-cash charges of \$86,231 and \$240,063 related to its oil and gas properties during 2000 and 1999, respectively.

Depletion was \$284,235 in 2000 compared to \$399,531 in 1999, representing a decrease of \$115,296, or 29%. This decrease was primarily due to an 81,075 barrels of oil increase in proved reserves during 2000 as a result of higher commodity prices and a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 1999.

1999 compared to 1998

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The Partnership's 1999 oil and gas revenues increased 19% to \$2,461,819 from \$2,074,056 in 1998. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 1999, 98,658 barrels of oil, 47,406 barrels of NGLs and 192,016 mcf of gas were sold, or 178,067 BOEs. In 1998, 111,585 barrels of oil, 47,190 barrels of NGLs and 199,215 mcf of gas were sold, or 191,978 BOEs.

The average price received per barrel of oil increased \$4.11, or 31%, from \$13.12 in 1998 to \$17.23 in 1999. The average price received per barrel of NGLs increased \$2.89, or 44%, from \$6.60 in 1998 to \$9.49 in 1999. The average price received per mcf of gas increased 8% from \$1.50 in 1998 to \$1.62 in 1999.

A gain on disposition of assets of \$4,527 recognized during 1998 was due to credits received from the disposal of oil and gas equipment on one fully depleted well and one well that was plugged and abandoned in a prior year.

Total costs and expenses decreased in 1999 to \$2,029,978 as compared to \$3,108,696 in 1998, a decrease of \$1,078,718, or 35%. The decrease was due to declines in the impairment of oil and gas properties, depletion and production costs, offset by an increase in G&A.

Production costs were \$1,296,822 in 1999 and \$1,403,494 in 1998, resulting in a \$106,672 decrease, or 8%. The decrease was due to declines in well maintenance costs, ad valorem taxes and workover costs.

During this period, G&A increased 29% from \$72,284 in 1998 to \$93,562 in 1999 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$73,707 in 1999 and \$62,152 in 1998 for G&A incurred on behalf of the Partnership.

The Partnership recognized non-cash SFAS 121 charges of \$240,063 and \$744,642 related to its oil and gas properties during 1999 and 1998, respectively.

6

1620

Depletion was \$399,531 in 1999 compared to \$888,276 in 1998. This represented a decrease of \$488,745, or 55%. This decrease was primarily due to an increase in proved reserves of 761,146 barrels of oil during 1999 due to higher commodity prices, a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 1998 and a decline in oil production of 12,927 barrels for the period ended December 31, 1999 compared to the same period in 1998.

Petroleum industry

The petroleum industry has been characterized by volatile oil, NGL and natural gas commodity prices and relatively stable supplier costs during the three years ended December 31, 2000. During 1998, weather patterns, regional economic recessions and political matters combined to cause worldwide oil supplies to exceed demand resulting in a substantial decline in oil prices. Also during 1998, but to a lesser extent, market prices for natural gas declined. During 1999 and 2000, the Organization of Petroleum Exporting Countries ("OPEC") and certain other crude oil exporting nations announced reductions in their planned export volumes. Those announcements, together with the enactment of the announced reductions in export volumes, had a positive impact on world oil prices, as have overall natural gas supply and demand fundamentals on North American natural gas prices. Although the favorable commodity price environment and stable field service cost environment is expected to continue during 2001,



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

there is no assurance that commodity prices will not return to a less favorable level or that field service costs will not escalate in the future, both of which could negatively impact the Partnership's future results of operations and cash distributions.

### Liquidity and capital resources

#### Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$1,473,163 during the year ended December 31, 2000 from 1999. This increase was due to an increase in oil and gas sales receipts of \$1,657,757 and a decline in working capital of \$58,976, offset by increases in production costs paid of \$214,401 and G&A expenses paid of \$29,169. The increase in oil and gas receipts resulted from the increase in commodity prices during 2000 which contributed an additional \$1,715,313 to oil and gas receipts, offset by \$57,556 resulting from the decline in production during 2000. The increase in production costs was primarily due to increased production taxes associated with higher oil and gas prices and additional well maintenance and workover costs incurred to stimulate well production. The increase in G&A was primarily due to higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues.

#### Net Cash Used in Investing Activities

The Partnership's principal investing activities during 2000 and 1999 included expenditures related to equipment upgrades on active oil and gas properties.

Proceeds from disposition of assets of \$5,487 recognized in 2000 were due to equipment credits received on one fully depleted well.

7

1621

#### Net Cash Used in Financing Activities

In 2000, cash distributions to the partners were \$2,260,406, of which \$22,604 was distributed to the managing general partner and \$2,237,802 to the limited partners. In 1999, cash distributions to the partners were \$744,104, of which \$7,441 was distributed to the managing general partner and \$736,663 to the limited partners.

8

1622

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO FINANCIAL STATEMENTS

	Page
	----
Financial Statements of Parker & Parsley 90-B, L.P.:	
Independent Auditors' Report.....	10
Balance Sheets as of December 31, 2000 and 1999.....	11
Statements of Operations for the Years Ended December 31, 2000, 1999 and 1998.....	12
Statements of Partners' Capital for the Years Ended December 31, 2000, 1999 and 1998.....	13
Statements of Cash Flows for the Years Ended December 31, 2000, 1999 and 1998.....	14
Notes to Financial Statements.....	15

INDEPENDENT AUDITORS' REPORT

The Partners  
Parker & Parsley 90-B, L.P.  
(A Delaware Limited Partnership):

We have audited the balance sheets of Parker & Parsley 90-B, L.P. as of December 31, 2000 and 1999, and the related statements of operations, partners' capital and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parker & Parsley 90-B, L.P. as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Dallas, Texas  
March 9, 2001

10

1624

PARKER & PARSLEY 90-B, L.P.  
(A Delaware Limited Partnership)

BALANCE SHEETS  
December 31

	2000	1999
	-----	-----
ASSETS		
-----		
Current assets:		
Cash	\$ 364,895	\$ 311,017
Accounts receivable - oil and gas sales	568,283	441,577
	-----	-----
Total current assets	933,178	752,594
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	26,110,930	26,069,426
Accumulated depletion	(21,899,717)	(21,529,251)
	-----	-----
Net oil and gas properties	4,211,213	4,540,175
	-----	-----
	\$ 5,144,391	\$ 5,292,769
	=====	=====
LIABILITIES AND PARTNERS' CAPITAL		
-----		
Current liabilities:		
Accounts payable - affiliate	\$ 42,091	\$ 66,334
Partners' capital:		

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Managing general partner	51,027	52,268
Limited partners (32,264 interests)	5,051,273	5,174,167
	-----	-----
	5,102,300	5,226,435
	-----	-----
	\$ 5,144,391	\$ 5,292,769
	=====	=====

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

11

1625

PARKER & PARSLEY 90-B, L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF OPERATIONS  
For the years ended December 31

	2000	1999	1998
	-----	-----	-----
Revenues:			
Oil and gas	\$ 4,103,548	\$ 2,461,819	\$ 2,074,056
Interest	31,656	15,628	18,654
Gain on disposition of assets	5,487	-	4,527
	-----	-----	-----
	4,140,691	2,477,447	2,097,237
	-----	-----	-----
Costs and expenses:			
Oil and gas production	1,511,223	1,296,822	1,403,494
General and administrative	122,731	93,562	72,284
Impairment of oil and gas properties	86,231	240,063	744,642
Depletion	284,235	399,531	888,276
	-----	-----	-----
	2,004,420	2,029,978	3,108,696
	-----	-----	-----
Net income (loss)	\$ 2,136,271	\$ 447,469	\$ (1,011,459)
	=====	=====	=====

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Allocation of net income (loss):			
Managing general partner	\$ 21,363	\$ 4,475	\$ (10,115)
	=====	=====	=====
Limited partners	\$ 2,114,908	\$ 442,994	\$ (1,001,344)
	=====	=====	=====
Net income (loss) per limited partnership interest	\$ 65.55	\$ 13.73	\$ (31.04)
	=====	=====	=====

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

12

1626

PARKER & PARSLEY 90-B, L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF PARTNERS' CAPITAL

	Managing general partner	Limited partners	Total
	-----	-----	-----
Partners' capital at January 1, 1998	\$ 73,061	\$ 7,232,631	\$ 7,305,692
Distributions	(7,712)	(763,451)	(771,163)
Net loss	(10,115)	(1,001,344)	(1,011,459)
	-----	-----	-----
Partners' capital at December 31, 1998	55,234	5,467,836	5,523,070
Distributions	(7,441)	(736,663)	(744,104)
Net income	4,475	442,994	447,469
	-----	-----	-----
Partners' capital at December 31, 1999	52,268	5,174,167	5,226,435
Distributions	(22,604)	(2,237,802)	(2,260,406)
Net income	21,363	2,114,908	2,136,271
	-----	-----	-----
Partners' capital at December 31, 2000	\$ 51,027	\$ 5,051,273	\$ 5,102,300
	=====	=====	=====

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

13

1627

PARKER & PARSLEY 90-B, L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF CASH FLOWS  
For the years ended December 31

	2000	1999	1998
	-----	-----	-----
Cash flows from operating activities:			
Net income (loss)	\$ 2,136,271	\$ 447,469	\$ (1,011,459)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Impairment of oil and gas properties	86,231	240,063	744,642
Depletion	284,235	399,531	888,276
Gain on disposition of assets	(5,487)	-	(4,527)
Changes in assets and liabilities:			
Accounts receivable	(126,706)	(214,284)	116,516
Accounts payable	(24,243)	4,359	(31,997)
	-----	-----	-----
Net cash provided by operating activities	2,350,301	877,138	701,451
	-----	-----	-----
Cash flows from investing activities:			
Additions to oil and gas properties	(41,504)	(33,486)	(49,747)
Proceeds from disposition of assets	5,487	-	4,527
	-----	-----	-----
Net cash used in investing activities	(36,017)	(33,486)	(45,220)
	-----	-----	-----
Cash flows used in financing activities:			
Cash distributions to partners	(2,260,406)	(744,104)	(771,163)
	-----	-----	-----
Net increase (decrease) in cash	53,878	99,548	(114,932)
Cash at beginning of year	311,017	211,469	326,401
	-----	-----	-----
Cash at end of year	\$ 364,895	\$ 311,017	\$ 211,469
	=====	=====	=====

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

14

1628

PARKER & PARSLEY 90-B, L.P.  
(A Delaware Limited Partnership)

NOTES TO FINANCIAL STATEMENTS  
December 31, 2000, 1999 and 1998

NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS

Parker & Parsley 90-B, L.P. (the "Partnership") is a limited partnership organized in 1990 under the laws of the State of Delaware. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA").

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Oil and gas properties - The Partnership utilizes the successful efforts method of accounting for its oil and gas properties and equipment. Under this method, all costs associated with productive wells and nonproductive development wells are capitalized while nonproductive exploration costs are expensed. Capitalized costs relating to proved properties are depleted using the unit-of-production method on a property-by-property basis based on proved oil (dominant mineral) reserves as evaluated by independent petroleum consultants. The carrying amounts of properties sold or otherwise disposed of and the related allowances for depletion are eliminated from the accounts and any gain or loss is included in results of operations.

Impairment of long-lived assets - In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the Partnership reviews its long-lived assets to be held and used on an individual property basis, including oil and gas properties accounted for under the successful efforts method of accounting, whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. An impairment loss is indicated if the sum of the expected future cash flows is less than the carrying amount of the assets. In this circumstance, the Partnership recognizes an impairment loss for the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset.

Use of estimates in the preparation of financial statements - Preparation of the accompanying financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Actual results could differ from those estimates.

Net income (loss) per limited partnership interest - The net income (loss) per limited partnership interest is calculated by using the number of outstanding limited partnership interests.

Income taxes - A Federal income tax provision has not been included in the financial statements as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

15

1629

Statements of cash flows - For purposes of reporting cash flows, cash includes depository accounts held by banks.

General and administrative expenses - General and administrative expenses are allocated in part to the Partnership by the managing general partner. Allocated expenses are determined by the managing general partner based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Reclassifications - Certain reclassifications may have been made to the 1999 and 1998 financial statements to conform to the 2000 financial statement presentations.

Environmental - The Partnership is subject to extensive federal, state and local environmental laws and regulations. These laws, which are constantly changing, regulate the discharge of materials into the environment and may require the Partnership to remove or mitigate the environmental effects of the disposal or release of petroleum or chemical substances at various sites. Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Liabilities for expenditures of a noncapital nature are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated. Such liabilities are generally undiscounted unless the timing of cash payments for the liability or component are fixed or reliably determinable. No such liabilities have been accrued as of December 31, 2000.

Revenue recognition - The Partnership uses the entitlements method of accounting for oil, natural gas liquids ("NGLs") and natural gas revenues.

### NOTE 3. IMPAIRMENT OF LONG-LIVED ASSETS

In accordance with SFAS 121, the Partnership reviews its proved oil and gas properties for impairment whenever events and circumstances indicate a decline in the recoverability of the carrying value of the Partnership's oil and gas properties. The Partnership has estimated the expected future cash flows of its oil and gas properties as of December 31, 2000, 1999 and 1998, based on proved reserves, and compared such estimated future cash flows to the respective carrying amount of the oil and gas properties to determine if the carrying amounts were likely to be recoverable. For those proved oil and gas properties for which the carrying amount exceeded the estimated future cash flows, an impairment was determined to exist; therefore, the Partnership adjusted the carrying amount of those oil and gas properties to their fair value as determined by discounting their expected future cash flows at a discount rate commensurate with the risks involved in the industry. As a result, the Partnership recognized non-cash impairment provisions of \$86,231, \$240,063 and



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

\$744,642 related to its proved oil and gas properties during 2000, 1999 and 1998, respectively.

16

1630  
NOTE 4. INCOME TAXES

The financial statement basis of the Partnership's net assets and liabilities was \$632,807 greater than the tax basis at December 31, 2000.

The following is a reconciliation of net income (loss) per statements of operations with the net income per Federal income tax returns for the years ended December 31:

	2000 -----	1999 -----
Net income (loss) per statements of operations	\$ 2,136,271	\$ 447,469
Depletion and depreciation provisions for tax reporting purposes less than amounts for financial reporting purposes	246,057	359,438
Impairment of oil and gas properties for financial reporting purposes	86,231	240,063
Other, net	(4,768)	(12,935)
	-----	-----
Net income per Federal income tax returns	\$ 2,463,791 =====	\$ 1,034,035 =====

NOTE 5. OIL AND GAS PRODUCING ACTIVITIES

The following is a summary of the costs incurred, whether capitalized or expensed, related to the Partnership's oil and gas producing activities for the years ended December 31:

	2000 -----	1999 -----	1998 -----
Development costs	\$ 41,504 =====	\$ 33,486 =====	\$ 49,747 =====

Capitalized oil and gas properties consist of the following:

	2000 -----	1999 -----
Proved properties:		

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Property acquisition costs	\$ 1,002,057	\$ 1,002,057
Completed wells and equipment	25,108,873	25,067,369
	-----	-----
	26,110,930	26,069,426
Accumulated depletion	(21,899,717)	(21,529,251)
	-----	-----
Net oil and gas properties	\$ 4,211,213	\$ 4,540,175
	=====	=====

NOTE 6. RELATED PARTY TRANSACTIONS

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

	2000	1999	1998
	-----	-----	-----
Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$ 572,323	\$ 581,191	\$ 568,275
	-----	-----	-----
Reimbursement of general and administrative expenses	\$ 109,474	\$ 73,707	\$ 62,152

17

1631

The Partnership participates in oil and gas activities through an income tax partnership (the "Program") pursuant to the Program agreement. Pioneer USA and P&P Employees 90-B Conv., L.P. ("EMPL"), Parker & Parsley 90-B Conv., L.P. and the Partnership (the "Partnerships") are parties to the Program agreement. EMPL is a limited partnership organized for the benefit of certain employees of Pioneer USA. EMPL was merged with Pioneer USA on December 28, 2000.

The costs and revenues of the Program are allocated to Pioneer USA and the Partnerships as follows:

	Pioneer USA (1)	Partnerships (2)
	-----	-----
Revenues:		
Proceeds from disposition of depreciable and depletable properties		
First three years	14.141414%	85.858586%
After first three years	19.191919%	80.808081%
All other revenues		
First three years	14.141414%	85.858586%

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

After first three years	19.191919%	80.808081%
Costs and expenses:		
Lease acquisition costs, drilling and completion costs and all other costs	9.090909%	90.909091%
Operating costs, reporting and legal expenses and general and administrative expenses		
First three years	14.141414%	85.858586%
After first three years	19.191919%	80.808081%

- (1) Excludes Pioneer USA's 1% general partner ownership which is allocated at the Partnership level and 83 limited partner interests owned by Pioneer USA.
- (2) The allocation between the Partnership and Parker & Parsley 90-B Conv., L.P. is 73.05994% and 26.94006%, respectively.

NOTE 7. OIL AND GAS INFORMATION (UNAUDITED)

The following table presents information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities during the years then ended. All of the Partnership's reserves are proved developed and located within the United States. The Partnership's reserves are based on an evaluation prepared by Williamson Petroleum Consultants, Inc., an independent petroleum consultant, using criteria established by the Securities and Exchange Commission.

	Oil and NGLs (bbls)	Gas (mcf)
	-----	-----
Net proved reserves at January 1, 1998	2,481,201	2,344,959
Revisions	(1,210,571)	(517,240)
Production	(158,775)	(199,215)
	-----	-----
Net proved reserves at December 31, 1998	1,111,855	1,628,504
Revisions	1,181,592	1,807,095
Production	(146,064)	(192,016)
	-----	-----
Net proved reserves at December 31, 1999	2,147,383	3,243,583
Revisions	46,430	(419,625)
Production	(144,804)	(175,696)
	-----	-----
Net proved reserves at December 31, 2000	2,049,009	2,648,262
	=====	=====

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

revenues of proved reserves, calculated using December 31, 2000 prices of \$26.64 per barrel of oil, \$13.19 per barrel of NGLs and \$7.66 per mcf of gas, discounted at 10% was approximately \$15,617,000 and undiscounted was \$31,632,000.

Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves. The Partnership emphasizes that reserve estimates are inherently imprecise and, accordingly, the estimates are expected to change as future information becomes available.

### Disclosures about Oil & Gas Producing Activities

#### Standardized Measure of Discounted Future Net Cash Flows

The standardized measure of discounted future net cash flows is computed by applying year-end prices of oil and gas (with consideration of price changes only to the extent provided by contractual arrangements) to the estimated future production of proved oil and gas reserves less estimated future expenditures (based on year-end costs) to be incurred in developing and producing the proved reserves, discounted using a rate of 10% per year to reflect the estimated timing of the future cash flows. A Federal income tax provision has not been calculated as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

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

	For the years ended December 31,		
	2000	1999	1998
	-----	-----	-----
	(in thousands)		
Oil and gas producing activities:			
Future cash inflows	\$ 65,926	\$ 52,962	\$ 12,063
Future production costs	(34,294)	(29,776)	(9,053)
	-----	-----	-----
	31,632	23,186	3,010
10% annual discount factor	(16,015)	(11,296)	(1,016)
	-----	-----	-----
Standardized measure of discounted future net cash flows	\$ 15,617	\$ 11,890	\$ 1,994
	=====	=====	=====

For the years ended December 31,

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	2000	1999	1998
	(in thousands)		
Oil and Gas Producing Activities:			
Oil and gas sales, net of production costs	\$ (2,592)	\$ (1,165)	\$ (671)
Net changes in prices and production costs	5,824	5,796	(6,480)
Revisions of previous quantity estimates	(153)	8,478	(1,405)
Accretion of discount	1,189	199	982
Changes in production rates, timing and other	(541)	(3,412)	(254)
	-----	-----	-----
Change in present value of future net revenues	3,727	9,896	(7,828)
	-----	-----	-----
Balance, beginning of year	11,890	1,994	9,822
	-----	-----	-----
Balance, end of year	\$ 15,617	\$ 11,890	\$ 1,994
	=====	=====	=====

19

1633

NOTE 8. MAJOR CUSTOMERS

The following table reflects the major customers of the Partnership's oil and gas sales (a major customer is defined as a customer whose sales exceed 10% of total sales) during the years ended December 31:

	2000	1999	1998
	-----	-----	-----
Plains Marketing, L.P.	48%	46%	-
TEPPCO Crude Oil LLC	10%	11%	-
Genesis Crude Oil, L.P.	-	-	58%
Western Gas Resources, Inc.	4%	5%	22%
Phillips Petroleum Company	10%	5%	5%

At December 31, 2000, the amounts receivable from Plains Marketing, L.P., TEPPCO Crude Oil LLC and Phillips Petroleum Company were \$177,462, \$37,001 and \$20,032, respectively, which are included in the caption "Accounts receivable - oil and gas sales" in the accompanying Balance Sheet.

Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on the ability of the Partnership to sell its oil, NGLs and gas production.

NOTE 9. PARTNERSHIP AGREEMENT

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The following is a brief summary of the more significant provisions of the limited partnership agreement:

Managing general partner - The managing general partner of the Partnership is Pioneer USA. Pioneer USA has the power and authority to manage, control and administer all Program and Partnership affairs. As managing general partner and operator of the Partnership's properties, all production expenses are incurred by Pioneer USA and billed to the Partnership. The

20

1634

majority of the Partnership's oil and gas revenues are received directly by the Partnership, however, a portion of the oil and gas revenue is initially received by Pioneer USA prior to being paid to the Partnership. Under the Partnership agreement, the managing general partner pays 1% of the Partnership's acquisition, drilling and completion costs and 1% of its operating and general and administrative expenses. In return, it is allocated 1% of the Partnership's revenues.

Limited partner liability - The maximum amount of liability of any limited partner is the total contributions of such partner plus his share of any undistributed profits.

Initial capital contributions - The limited partners entered into subscription agreements for aggregate capital contributions of \$32,264,000. The managing general partner is required to contribute amounts equal to 1% of initial Partnership capital less commission and organization and offering costs allocated to the limited partners and to contribute amounts necessary to pay costs and expenses allocated to it under the Partnership agreement to the extent its share of revenues does not cover such costs.

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

None.

21

1635

### PART III

### ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE PARTNERSHIP

The Partnership does not have any officers or directors. Under the limited partnership agreement, the Partnership's managing general partner, Pioneer USA, is granted the exclusive right and full authority to manage, control and administer the Partnership's business.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Set forth below are the names, ages and positions of the directors and executive officers of Pioneer USA. Directors of Pioneer USA are elected to serve until the next annual meeting of stockholders or until their successors are elected and qualified.

Name -----	Age at December 31, 2000 -----	Position -----
Scott D. Sheffield	48	President
Timothy L. Dove	44	Executive Vice President, Chief Financial Officer and Director
Dennis E. Fagerstone	51	Executive Vice President and Director
Mark L. Withrow	53	Executive Vice President, General Counsel and Director
Danny Kellum	46	Executive Vice President - Domestic Operations and Director
Rich Dealy	34	Vice President and Chief Accounting Officer

Scott D. Sheffield. Mr. Sheffield is a graduate of The University of Texas with a B.S. in Petroleum Engineering. Since August 1997, he has served as President, Chief Executive Officer and a director of Pioneer and President of Pioneer USA. Mr. Sheffield assumed the position of Chairman of the Board of Pioneer in August 1999. He served as a director of Pioneer USA from August 1997 until his resignation from the board in June 1999. Mr. Sheffield was the President and a director of Parker & Parsley Petroleum Company ("Parker & Parsley") from May 1990 until August 1997 and was the Chairman of the Board and Chief Executive Officer of Parker & Parsley from October 1990 until August 1997. He was the sole director of Parker & Parsley from May 1990 until October 1990. Mr. Sheffield joined Parker & Parsley Development Company ("PPDC"), a predecessor of Parker & Parsley, as a petroleum engineer in 1979. He served as Vice President - Engineering of PPDC from September 1981 until April 1985 when he was elected President and a director. In March 1989, Mr. Sheffield was elected Chairman of the Board and Chief Executive Officer of PPDC. Before joining PPDC's predecessor, Mr. Sheffield was employed as a production and reservoir engineer for Amoco Production Company.

Timothy L. Dove. Mr. Dove earned a B.S. in Mechanical Engineering from Massachusetts Institute of Technology in 1979 and received his M.B.A. in 1981 from the University of Chicago. He became Executive Vice President - Business Development of Pioneer and Pioneer USA in August 1997 and was also appointed a director of Pioneer USA in August 1997. Mr. Dove assumed the position of Chief Financial Officer of Pioneer and Pioneer USA effective February 1, 2000. Mr. Dove joined Parker & Parsley in May 1994 as Vice President - International and

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

was promoted to Senior Vice President - Business Development in October 1996, in which position he served until August 1997. Prior to joining Parker & Parsley, Mr. Dove was employed with Diamond Shamrock Corp., and its successor, Maxus Energy Corp, in various capacities in international exploration and production, marketing, refining and marketing and planning and development.

Dennis E. Fagerstone. Mr. Fagerstone, a graduate of the Colorado School of Mines with a B.S. in Petroleum Engineering, became an Executive Vice President of Pioneer and Pioneer USA in August 1997. He was also appointed a director of Pioneer USA in August 1997. He served as Executive Vice President and Chief Operating Officer of MESA Inc. ("Mesa") from March 1, 1997 until August 1997. From October 1996 to February 1997, Mr. Fagerstone served as Senior Vice President and Chief Operating Officer of Mesa and from May 1991 to October 1996, he served as Vice President - Exploration and Production of Mesa. From June 1988 to May 1991, Mr. Fagerstone served as Vice President - Operations of Mesa.

Mark L. Withrow. Mr. Withrow, a graduate of Abilene Christian University with a B. S. in Accounting and Texas Tech University with a Juris Doctorate degree, became Executive Vice President, General Counsel and Secretary of Pioneer and Pioneer USA in August 1997. He was also appointed a director of Pioneer USA in August 1997. Mr. Withrow was Vice President - General Counsel of Parker & Parsley from January 1991, when he joined Parker & Parsley, to January 1995, when he was appointed Senior Vice President - General Counsel. He was Parker & Parsley's Secretary from August 1992 until August 1997. Prior to joining Parker & Parsley, Mr. Withrow was the managing partner of the law firm of Turpin, Smith, Dyer, Saxe & MacDonald, Midland, Texas.

Danny Kellum. Mr. Kellum, who received a Bachelor of Science degree in Petroleum Engineering from Texas Tech University in 1979, was elected Executive Vice President - Domestic Operations of Pioneer and Pioneer USA on May 18, 2000 and Director of Pioneer USA on February 1, 2000. From January 2000 until May 2000, Mr. Kellum served as Vice President - Domestic Operations of Pioneer and Pioneer USA. Mr. Kellum served as Vice President Permian Division of Pioneer and Pioneer USA from April 1998 until December 1999. From 1989 until 1994 he served as Spraberry District Manager and as Vice President of the Spraberry and Permian Division for Parker & Parsley until August of 1997. Mr. Kellum joined Parker & Parsley as an operations engineer in 1981 after a brief career with Mobil Oil Corporation.

Rich Dealy. Mr. Dealy is a graduate of Eastern New Mexico University with a B.B.A. in Accounting and Finance and is a Certified Public Accountant. He became Vice President and Chief Accounting Officer of Pioneer and Pioneer USA in February 1998. Mr. Dealy served as Controller of Pioneer USA from August 1997 to February 1998. He served as Controller of Parker & Parsley from August 1995 to August 1997. Mr. Dealy joined Parker & Parsley as an Accounting Manager in July, 1992. He was previously employed with KPMG Peat Marwick as an Audit Senior, in charge of Parker & Parsley's audit.

1637

### ITEM 11. EXECUTIVE COMPENSATION

The Partnership does not have any directors or officers. Management of the Partnership is performed by Pioneer USA, the managing general partner. The Partnership participates in oil and gas activities through an income tax partnership (the "Program") pursuant to the Program agreement. Under the Program agreement, Pioneer USA pays approximately 10% of the Program's acquisition, drilling and completion costs and approximately 15% during the first three years and approximately 20% after three years of its operating and general and



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

administrative expenses. In return, they are allocated approximately 15% during the first three years and approximately 20% after three years of the Program's revenues.

The Partnership does not directly pay any salaries of the executive officers of Pioneer USA, but does pay a portion of Pioneer USA's general and administrative expenses of which these salaries are a part.

See Notes 6 and 9 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" for information regarding fees and reimbursements paid to the managing general partner by the Partnership.

### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

#### (a) Beneficial owners of more than five percent

The Partnership is not aware of any person who beneficially owns 5% or more of the outstanding limited partnership interests of the Partnership. Pioneer USA owned 83 limited partnership interests at January 1, 2001.

#### (b) Security ownership of management

The Partnership does not have any officers or directors. The managing general partner of the Partnership, Pioneer USA, has the exclusive right and full authority to manage, control and administer the Partnership's business. Under the limited partnership agreement, limited partners holding a majority of the outstanding limited partnership interests have the right to take certain actions, including the removal of the managing general partner or any other general partner. The Partnership is not aware of any current arrangement or activity which may lead to such removal. The Partnership is not aware of any officer or director of Pioneer USA who beneficially owns limited partnership interests in the Partnership.

### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Transactions with the managing general

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

24

1638

	2000 -----	1999 -----	1998 -----
Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$ 572,323	\$ 581,191	\$ 568,275
Reimbursement of general and administrative expenses	\$ 109,474	\$ 73,707	\$ 62,152

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Under the limited partnership agreement, the managing general partner pays 1% of the Partnership's acquisition, drilling and completion costs and 1% of its operating and general and administrative expenses. In return, it is allocated 1% of the Partnership's revenues. Also see Notes 6 and 9 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data", regarding the Partnership's participation with the managing general partner in oil and gas activities of the Program.

25

1639

### PART IV

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

(a) 1. Financial statements

The following are filed as part of this Report:

Independent Auditors' Report

Balance sheets as of December 31, 2000 and 1999

Statements of operations for the years ended December 31, 2000, 1999 and 1998

Statements of partners' capital for the years ended December 31, 2000, 1999 and 1998

Statements of cash flows for the years ended December 31, 2000, 1999 and 1998

Notes to financial statements

2. Financial statement schedules

All financial statement schedules have been omitted since the required information is in the financial statements or notes thereto, or is not applicable nor required.

(b) Reports on Form 8-K

None.

(c) Exhibits

The exhibits listed on the accompanying index to exhibits are filed or incorporated by reference as part of this Report.

26

1640

S I G N A T U R E S

1586

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

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, thereunto duly authorized.

PARKER & PARSLEY 90-B, L.P.

Dated: March 28, 2001

By: Pioneer Natural Resources USA, Inc.  
Managing General Partner

By: /s/ Scott D. Sheffield  
-----  
Scott D. Sheffield, President

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

/s/ Scott D. Sheffield ----- Scott D. Sheffield	President of Pioneer USA	March 28, 2001
/s/ Timothy L. Dove ----- Timothy L. Dove	Executive Vice President, Chief Financial Officer and Director of Pioneer USA	March 28, 2001
/s/ Dennis E. Fagerstone ----- Dennis E. Fagerstone	Executive Vice President and Director of Pioneer USA	March 28, 2001
/s/ Mark L. Withrow ----- Mark L. Withrow	Executive Vice President, General Counsel and Director of Pioneer USA	March 28, 2001
/s/ Danny Kellum ----- Danny Kellum	Executive Vice President - Domestic Operations and Director of Pioneer USA	March 28, 2001
/s/ Rich Dealy ----- Rich Dealy	Vice President and Chief Accounting Officer of Pioneer USA	March 28, 2001

# Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

## INDEX TO EXHIBITS

The following documents are incorporated by reference in response to Item 14(c) :

Exhibit No. -----	Description -----	Page ----
3(a)	Form of Agreement of Limited Partnership of Parker & Parsley 90-B, L.P. incorporated by reference to Exhibit A of the Post-Effective Amendment No. 1 of the Partnership's Registration Statement on Form S-1 (Registration No. 33-26097)	-
4(b)	Form of Limited Partner Subscription Agreement incorporated by reference to Exhibit C of the Post-Effective Amendment No. 1 of the Partnership's Registration Statement on Form S-1 (Registration No. 33-26097)	-
4(b)	Form of General Partner Subscription Agreement incorporated by reference to Exhibit D of the Post-Effective Amendment No. 1 of the Partnership's Registration Statement on Form S-1 (Registration No. 33-26097)	-
4(b)	Power of Attorney incorporated by reference to Exhibit B of Amendment No. 1 of the Partnership's Registration Statement on Form S-1 (Registration No. 33-26097)	-
4(c)	Specimen Certificate of Limited Partnership Interest incorporated by reference to Exhibit 4c of the Partnership's Registration Statement on Form S-1 (Registration No. 33-26097)	-
10(b)	Form of Development Drilling Program Agreement incorporated by reference to Exhibit B of the Post-Effective Amendment No. 1 of the Partnership's Registration Statement on Form S-1 (Registration No. 33-26097)	-

PARKER & PARSLEY 90-B, L.P.

### SELECTED FINANCIAL DATA

The following selected financial data for the Partnership should be read in connection with Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements included in the attached supplemental information.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	Six months ended June 30,		Years ended December		
	2001	2000	2000	1999	1998
Operating results:					
Oil and gas sales	\$2,069,524	\$1,863,518	\$4,103,548	\$2,461,819	\$ 2,074,056
Impairment of oil and gas properties	\$ --	\$ --	\$ 86,231	\$ 240,063	\$ 744,642
Net income (loss)	\$1,109,319	\$ 928,864	\$2,136,271	\$ 447,469	\$ (1,011,459)
Allocation of net income (loss):					
Managing general partner	\$ 11,093	\$ 9,289	\$ 21,363	\$ 4,475	\$ (10,115)
Limited partners	\$1,098,226	\$ 919,575	\$2,114,908	\$ 442,994	\$ (1,001,344)
Limited partners' net income (loss) per limited partnership interest	\$ 34.04	\$ 28.50	\$ 65.55	\$ 13.73	\$ (31.04)
Limited partners' cash distributions per limited partnership interest	\$ 23.73	\$ 30.18	\$ 69.36	\$ 22.83	\$ 23.66
As of period ended:					
Total assets	\$5,526,452	\$5,273,176	\$5,144,391	\$5,292,769	\$ 5,585,045

1643

PIONEER NATURAL RESOURCES COMPANY  
PIONEER NATURAL RESOURCES USA, INC.  
5205 NORTH O'CONNOR BLVD., SUITE 1400  
IRVING, TEXAS 75039

SUPPLEMENTAL INFORMATION

OF

PARKER & PARSLEY 90-C CONV., L.P., A DELAWARE LIMITED PARTNERSHIP

# Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

TO

PROXY STATEMENT/PROSPECTUS DATED \_\_\_\_\_, 2001

-----  
THE DATE OF THIS SUPPLEMENT IS \_\_\_\_\_, 2001  
-----

This document contains important information specific to Parker & Parsley 90-C Conv., L.P., and supplements the proxy statement/prospectus dated \_\_\_\_\_, 2001, of Pioneer Natural Resources Company and Pioneer Natural Resources USA, Inc., by which Pioneer USA is soliciting proxies to be voted at a special meeting of limited partners of the partnership. The purpose of the special meeting is for you to vote upon the merger of the partnership with and into Pioneer USA that, if completed, will result in your receiving common stock of Pioneer Natural Resources Company for your partnership interests.

This document contains the following information concerning Parker & Parsley 90-C Conv., L.P.:

- o A table containing:
  - the aggregate initial investment by the limited partners
  - the aggregate historical limited partner distributions through July 31, 2001
  - the merger value attributable to partnership interests of limited partners, excluding Pioneer USA
  - the merger value per \$1,000 limited partner investment
  - the merger value per \$1,000 limited partner investment as a multiple of distributions for the past four quarterly distributions including the distribution in July 2001
  - the book value per \$1,000 limited partner investment as of June 30, 2001 and as of December 31, 2000
  - the going concern value per \$1,000 limited partner investment
  - the liquidation value per \$1,000 limited partner investment
  - the ordinary tax loss per \$1,000 limited partner investment in year of initial investment
- o Information about:
  - the legal opinion for the limited partners
  - the term of the partnership
- o The partnership's quarterly report on Form 10-Q, including management's discussion and analysis of financial condition and results of operations, for the six months ended June 30, 2001

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

- o The partnership's annual report on Form 10-K, including management's discussion and analysis of financial condition and results of operations, for the year ended December 31, 2000
  
- o Selected historical financial data for the partnership for the six months ended June 30, 2001 and 2000 and the five years ended December 31, 2000

-1-

1644

PARKER & PARSLEY 90-C CONV., L.P.

### SUPPLEMENTAL INFORMATION TABLE

Aggregate Initial Investment by the Limited Partners (a)	\$ 7,5
Aggregate Historical Limited Partner Distributions through July 31, 2001 (a)	\$ 4,9
Merger Value Attributable to Partnership Interests of Limited Partners, Excluding Pioneer USA (a), (b)	\$ 1,8
Merger Value per \$1,000 Limited Partner Investment (b), (c)	\$247.
Merger Value per \$1,000 Limited Partner Investment as a Multiple of Distributions for the past four quarterly distributions including the distribution in July 2001 (b), (c)	3.
Book Value per \$1,000 Limited Partner Investment:	
-- as of June 30, 2001 (c)	\$139.
-- as of December 31, 2000 (c)	\$132.
Going Concern Value per \$1,000 Limited Partner Investment (c), (d)	\$229.
Liquidation Value per \$1,000 Limited Partner Investment (c), (e)	\$240.
Ordinary Tax Loss per \$1,000 Limited Partner Investment in Year of Initial Investment (c), (f)	\$ 1

-----

(a) Stated in thousands.

(b) The merger value for the partnership is equal to the sum of the present value of estimated future net revenues from the partnership's estimated oil and gas reserves and its net working capital, in each case as of March 31, 2001, less its pro rata share, based on its reserve value, of the estimated expenses and fees of the mergers of all of the partnerships and less the cash distribution on July 13, 2001, by the partnership to its partners.

(c) Interests in some partnerships were sold in units at prices other than \$1,000. We have presented this information based on a \$1,000 initial investment for ease of use and comparison among partnerships. You should not assume that the amount shown per \$1,000 investment is the same as the

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

value or amount attributable to a single unit investment.

- (d) The going concern value for the partnership is based upon: (1) the sum of (A) the estimated net cash flow from the sale of the partnership's reserves during a 10-year operating period and (B) the estimated residual value from the sale of the partnership's remaining reserves at the end of the operating period, in each case using the same pricing and discount rate as in the merger value calculation, less (2) (A) partnership level general and administrative expenses, and (B) the cash distribution on July 13, 2001 by the partnership to its partners.
- (e) The liquidation value for the partnership is based upon the sale of the partnership's reserves at the reserve value, less (1) liquidation expenses which are estimated to be the sum of (A) the partnership's pro rata share of the merger expenses and fees described in footnote (b) above and (B) 3% of the partnership's reserve value, and (2) the cash distribution on July 13, 2001 by the partnership to its partners. The liquidation expenses represent estimated costs to retain an investment banker or broker to sell the assets of the partnership and the legal and other closing costs associated with such transaction, including the wind-down costs of the partnership.
- (f) Your ability to use your distributive share of the partnership's loss to offset your other income may have been subject to certain limitations at your level as a partner, and you may therefore wish to consult your tax advisor to determine the additional value, if any, actually realized by you in your particular circumstances.

### INFORMATION ABOUT THE LEGAL OPINION FOR THE LIMITED PARTNERS

The partnership agreement for the partnership requires that special legal counsel render an opinion on behalf of the limited partners to Pioneer USA that neither the grant nor the exercise of the right to approve the merger of the partnership by its limited partners will adversely affect the federal income tax classification of the partnership or any of its limited partners. Although not required by the partnership agreement, the opinion will also state that neither the grant nor exercise of such right will result in the loss of any limited partner's limited liability. In addition, the counsel designated to render the opinion is not required to be counsel other than counsel to Pioneer USA or the partnership. Both the designated counsel and the legal opinion must be approved by the limited partners. Pioneer USA has retained \_\_\_\_\_ of Dallas, Texas for the purpose of rendering this legal opinion on behalf of the limited partners to Pioneer USA. The merger proposals include an approval of that counsel and the form of its opinion. A copy of the opinion is attached as an exhibit to the merger proposals.

### INFORMATION ABOUT THE TERM OF THE PARTNERSHIP

The term of the partnership is until December 31, 2040, unless the partnership is earlier terminated in accordance with the applicable provisions of its partnership agreement.

-2-

1645

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



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

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, 2001

Commission File No. 33-26097-10

PARKER & PARSLEY 90-C CONV., L.P.  
(Exact name of Registrant as specified in its charter)

Delaware

75-2347264

-----  
(State or other jurisdiction of  
incorporation or organization)

-----  
(I.R.S. Employer  
Identification Number)

5205 N. O'Connor Blvd., Suite 1400, Irving, Texas

75039

-----  
(Address of principal executive offices)

-----  
(Zip code)

Registrant's Telephone Number, including area code : (972) 444-9001

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 / x / No / /

1646

PARKER & PARSLEY 90-C CONV., L.P.

TABLE OF CONTENTS

Page

# Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

## Part I. Financial Information

Item 1.	Financial Statements	
	Balance Sheets as of June 30, 2001 and December 31, 2000.....	3
	Statements of Operations for the three and six months ended June 30, 2001 and 2000.....	4
	Statement of Partners' Capital for the six months ended June 30, 2001.....	5
	Statements of Cash Flows for the six months ended June 30, 2001 and 2000.....	6
	Notes to Financial Statements.....	7
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations.....	7

## Part II. Other Information

Item 6.	Exhibits and Reports on Form 8-K.....	11
	Signatures.....	12

2

1647

### PARKER & PARSLEY 90-C CONV., L.P. (A Delaware Limited Partnership)

## Part I. Financial Information

### Item 1. Financial Statements

#### BALANCE SHEETS

	June 30, 2001	December 31, 2000
	----- (Unaudited)	-----
ASSETS		
Current assets:		
Cash	\$ 221,203	\$ 106,593
Accounts receivable - oil and gas sales	89,315	119,396
	-----	-----
Total current assets	310,518	225,989
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	5,801,749	5,798,493

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Accumulated depletion	(5,028,486)	(5,000,618)
	-----	-----
Net oil and gas properties	773,263	797,875
	-----	-----
	\$ 1,083,781	\$ 1,023,864
	=====	=====
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable - affiliate	\$ 23,477	\$ 14,074
Partners' capital:		
Managing general partner	10,572	10,067
Limited partners (7,531 interests)	1,049,732	999,723
	-----	-----
	1,060,304	1,009,790
	-----	-----
	\$ 1,083,781	\$ 1,023,864
	=====	=====

The financial information included as of June 30, 2001 has been prepared by the managing general partner without audit by independent public accountants.

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

PARKER & PARSLEY 90-C CONV., L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF OPERATIONS  
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2001	2000	2001	2000
	-----	-----	-----	-----
Revenues:				
Oil and gas	\$ 213,193	\$ 221,187	\$ 444,118	\$ 414,898
Interest	1,624	1,946	3,412	3,443
	-----	-----	-----	-----
	214,817	223,133	447,530	418,341
	-----	-----	-----	-----
Costs and expenses:				
Oil and gas production	97,643	77,437	193,283	161,148
General and administrative	6,504	7,156	14,679	13,090
Depletion	14,385	12,574	27,868	26,316
	-----	-----	-----	-----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	118,532	97,167	235,830	200,554
	-----	-----	-----	-----
Net income	\$ 96,285	\$ 125,966	\$ 211,700	\$ 217,787
	=====	=====	=====	=====
Allocation of net income:				
Managing general partner	\$ 963	\$ 1,260	\$ 2,117	\$ 2,178
	=====	=====	=====	=====
Limited partners	\$ 95,322	\$ 124,706	\$ 209,583	\$ 215,609
	=====	=====	=====	=====
Net income per limited partnership interest	\$ 12.66	\$ 16.56	\$ 27.83	\$ 28.63
	=====	=====	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

4

1649

PARKER & PARSLEY 90-C CONV., L.P.  
(A Delaware Limited Partnership)

STATEMENT OF PARTNERS' CAPITAL  
(Unaudited)

	Managing general partner	Limited partners	Total
	-----	-----	-----
Balance at January 1, 2001	\$ 10,067	\$ 999,723	\$1,009,790
Distributions	(1,612)	(159,574)	(161,186)
Net income	2,117	209,583	211,700
	-----	-----	-----
Balance at June 30, 2001	\$ 10,572	\$1,049,732	\$1,060,304
	=====	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

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

5

1650

PARKER & PARSLEY 90-C CONV., L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF CASH FLOWS  
(Unaudited)

	Six months ended June 30,	
	2001	2000
	-----	-----
Cash flows from operating activities:		
Net income	\$ 211,700	\$ 217,787
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion	27,868	26,316
Changes in assets and liabilities:		
Accounts receivable	30,081	(13,427)
Accounts payable	9,403	7,249
	-----	-----
Net cash provided by operating activities	279,052	237,925
	-----	-----
Cash flows used in investing activities:		
Additions to oil and gas properties	(3,256)	(15,344)
Cash flows used in financing activities:		
Cash distributions to partners	(161,186)	(216,896)
	-----	-----
Net increase in cash	114,610	5,685
Cash at beginning of period	106,593	107,295
	-----	-----
Cash at end of period	\$ 221,203	\$ 112,980
	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

6

1651

# Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

PARKER & PARSLEY 90-C CONV., L.P.  
(A Delaware Limited Partnership)

## NOTES TO FINANCIAL STATEMENTS June 30, 2001 (Unaudited)

### Note 1. Organization and nature of operations

Parker & Parsley 90-C Conv., L.P. (the "Partnership") was organized as a general partnership in 1990 under the laws of the State of Texas and was converted to a Delaware limited partnership on August 1, 1991.

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

### Note 2. Basis of presentation

In the opinion of management, the unaudited financial statements of the Partnership as of June 30, 2001 and for the three and six months ended June 30, 2001 and 2000 include all adjustments and accruals consisting only of normal recurring accrual adjustments which are necessary for a fair presentation of the results for the interim period. These interim results are not necessarily indicative of results for a full year. Certain reclassifications may have been made to the June 30, 2000 financial statements to conform to the June 30, 2001 financial statement presentations.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in this Form 10-Q pursuant to the rules and regulations of the Securities and Exchange Commission. The financial statements should be read in conjunction with the financial statements and the notes thereto contained in the Partnership's Report on Form 10-K for the year ended December 31, 2000, as filed with the Securities and Exchange Commission, a copy of which is available upon request by writing to Rich Dealy, Vice President and Chief Accounting Officer, 5205 North O'Connor Boulevard, Suite 1400, Irving, Texas 75039-3746.

### Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (1)

#### Results of Operations

Six months ended June 30, 2001 compared with six months ended June 30, 2000

#### Revenues:

The Partnership's oil and gas revenues increased 7% to \$444,118 for the six months ended June 30, 2001 as compared to \$414,898 for the same period in 2000. The increase in revenues resulted from higher average prices received, offset by

a decline in production. For the six months ended June 30, 2001, 11,505 barrels of oil, 2,477 barrels of natural gas liquids ("NGLs") and 17,805 mcf of gas were sold, or 16,950 barrel of oil equivalent ("BOEs"). For the six months ended June 30, 2000, 11,959 barrels of oil, 4,427 barrels of NGLs and 14,092 mcf of

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

gas were sold, or 18,735 BOEs.

The average price received per barrel of oil increased slightly from \$27.46 for the six months ended June 30, 2000 to \$27.55 for the same period in 2001. The average price received per barrel of NGLs increased \$3.24, or 25%, from \$12.80 during the six months ended June 30, 2000 to \$16.04 for the same period in 2001. The average price received per mcf of gas increased 133% from \$2.11 during the six months ended June 30, 2000 to \$4.91 for the same period in 2001. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received during the six months ended June 30, 2001.

### Costs and Expenses:

Total costs and expenses increased to \$235,830 for the six months ended June 30, 2001 as compared to \$200,554 for the same period in 2000, an increase of \$35,276, or 18%. This increase was due to increases in production costs, general and administrative expenses ("G&A") and depletion.

Production costs were \$193,283 for the six months ended June 30, 2001 and \$161,148 for the same period in 2000, resulting in a \$32,135 increase, or 20%. The increase was primarily due to additional well maintenance and workover costs incurred to stimulate well production and higher production taxes associated with higher oil and gas prices.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 12% from \$13,090 for the six months ended June 30, 2000 to \$14,679 for the same period in 2001, primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues and an increase in audit and tax fees.

Depletion was \$27,868 for the six months ended June 30, 2001 as compared to \$26,316 for the same period in 2000, an increase of \$1,552, or 6%. This increase was the result of a reduction in proved reserves during the period ended June 30, 2001 due to lower commodity prices, offset by a decline in oil production of 454 barrels for the six months ended June 30, 2001 compared to the same period in 2000.

Three months ended June 30, 2001 compared with three months ended June 30, 2000

### Revenues:

The Partnership's oil and gas revenues decreased 4% to \$213,193 for the three months ended June 30, 2001 as compared to \$221,187 for the same period in 2000. The decrease in revenues resulted from a decline in production and lower average prices received for oil, offset by higher average prices received for gas and NGLs. For the three months ended June 30, 2001, 5,694 barrels of oil, 1,618

barrels of NGLs and 9,654 mcf of gas were sold, or 8,921 BOEs. For the three months ended June 30, 2000, 6,157 barrels of oil, 2,484 barrels of NGLs and 7,658 mcf of gas were sold, or 9,917 BOEs.

The average price received per barrel of oil decreased \$.75, or 3%, from \$27.75

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

for the three months ended June 30, 2000 to \$27.00 for the same period in 2001. The average price received per barrel of NGLs increased \$1.82, or 14%, from \$12.68 during the three months ended June 30, 2000 to \$14.50 for the same period in 2001. The average price received per mcf of gas increased 52% from \$2.44 during the three months ended June 30, 2000 to \$3.72 for the same period in 2001.

### Costs and Expenses:

Total costs and expenses increased to \$118,532 for the three months ended June 30, 2001 as compared to \$97,167 for the same period in 2000, an increase of \$21,365, or 22%. This increase was due to increases in production costs and depletion, offset by a decrease in G&A.

Production costs were \$97,643 for the three months ended June 30, 2001 and \$77,437 for the same period in 2000, resulting in a \$20,206 increase, or 26%. The increase was primarily due to additional well maintenance and workover costs incurred to stimulate well production.

During this period, G&A decreased 9% from \$7,156 for the three months ended June 30, 2000 to \$6,504 for the same period in 2001, primarily due to a lower percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of a decline in oil and gas revenues and a decline in audit and tax fees.

Depletion was \$14,385 for the three months ended June 30, 2001 as compared to \$12,574 for the same period in 2000, an increase of \$1,811, or 14%. This increase was the result of a reduction in proved reserves during the period ended June 30, 2001 due to lower commodity prices, offset by a decline in oil production of 463 barrels for the three months ended June 30, 2001 compared to the same period in 2000.

### Liquidity and Capital Resources

#### Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$41,127 during the six months ended June 30, 2001 from the same period ended June 30, 2000. This increase was due to a reduction in working capital of \$45,662 and an increase of \$29,189 in oil and gas sales receipts, offset by increases in production costs of \$32,135 and G&A expenses of \$1,589. The increase in oil and gas receipts resulted from the increase in commodity prices during 2001 which contributed an additional \$54,741 to oil and gas receipts, offset by \$25,552 resulting from the decline in production during 2001 as compared to the same period in 2000. The increase in production costs was primarily due to additional well maintenance and workover costs incurred to stimulate well production and increased production taxes associated with higher oil and gas prices. The increase in G&A was primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues and an increase in audit and tax fees.

#### Net Cash Used in Investing Activities

The Partnership's principal investing activities during the six months ended June 30, 2001 and 2000 were related to expenditures for oil and gas equipment



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

upgrades on active properties.

### Net Cash Used in Financing Activities

For the six months ended June 30, 2001, cash distributions to the partners were \$161,186, of which \$1,612 was distributed to the managing general partner and \$159,574 to the limited partners. For the same period ended June 30, 2000, cash distributions to the partners were \$216,896, of which \$2,169 was distributed to the managing general partner and \$214,727 to the limited partners.

For the three months ended June 30, 2001, no distributions were made by the partnership to its partners. Subsequent to June 30, 2001 the cash distribution that otherwise would have been mailed to partners in late June was made to holders of record as of July 9, 2001 and was mailed on July 13, 2001. For further information, see "Proposal to acquire partnerships" below.

### Proposal to acquire partnerships

On June 29, 2001, Pioneer Natural Resources Company ("Pioneer") filed with the Securities and Exchange Commission Amendment No. 1 to the Form S-4 Registration Statement (File No. 333-59094) (the "preliminary proxy statement/prospectus"), which proposes an agreement and plan of merger among Pioneer, Pioneer Natural Resources USA, Inc. ("Pioneer USA"), a wholly-owned subsidiary of Pioneer, and 46 Parker & Parsley limited partnerships. Each partnership that approves the agreement and plan of merger and the other related merger proposals will merge with and into Pioneer USA upon the closing of the transactions described in the preliminary proxy statement/prospectus, and the partnership interests of each such partnership will be converted into the right to receive Pioneer common stock. The Partnership is one of the 46 Parker & Parsley limited partnerships that will be asked to approve the agreement and plan of merger. The preliminary proxy statement/prospectus is non-binding and is subject to, among other things, consideration of offers from third parties to purchase any partnership or its assets and the majority approval of the limited partnership interests in each partnership.

Pioneer USA will solicit proxies from limited partners to approve the mergers only when the proxy statement/prospectus is final and declared effective. No solicitation will be made using preliminary materials. Nonetheless, copies of the preliminary proxy statement/prospectus may be obtained without charge upon request from Pioneer Natural Resources Company, 5205 North O'Connor Blvd., Suite 1400, Irving, Texas 75039, Attention: Investor Relations.

The limited partners are urged to read the proxy statement/prospectus of Pioneer filed with the Securities and Exchange Commission, when it is finalized, because it contains important information about the proposed mergers, including information about the direct and indirect interests of Pioneer USA and Pioneer in the mergers. The limited partners may also obtain the preliminary and (when filed) final proxy statement/prospectus and other relevant documents relating to the proposed mergers free through the internet web site that the Securities and Exchange Commission maintains at [www.sec.gov](http://www.sec.gov).

-----

- (1) "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" contains forward looking statements that involve risks and uncertainties. Accordingly, no assurances can be given that the

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

actual events and results will not be materially different than the anticipated results described in the forward looking statements.

Part II. Other Information

Item 6. Exhibits and Reports on Form 8-K

- (a) Exhibits - none
- (b) Form 8-K - none

11

1656

PARKER & PARSLEY 90-C CONV., L.P.  
(A Delaware Limited Partnership)

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 thereunto duly authorized.

PARKER & PARSLEY 90-C CONV., L.P.

By: Pioneer Natural Resources USA, Inc.,  
Managing General Partner

Dated: August 7, 2001

By: /s/ Rich Dealy

-----  
Rich Dealy, Vice President and  
Chief Accounting Officer

12

1657

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

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d)  
of the Securities Exchange Act of 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

COMMISSION FILE NO. 33-26097-10

PARKER & PARSLEY 90-C CONV., L.P.  
(Exact name of Registrant as specified in its charter)

DELAWARE

-----  
(State or other jurisdiction of  
incorporation or organization)

75-234

-----  
(I.R.S. Emp  
Identification

1400 WILLIAMS SQUARE WEST, 5205 N. O'CONNOR BLVD., IRVING, TEXAS

750

-----  
(Address of principal executive offices)

-----  
(Zip

Registrant's Telephone Number, including area code: (972) 444-9001

Securities registered pursuant to Section 12(b) of the Act: NONE  
Securities registered pursuant to Section  
12(g) of the Act:  
LIMITED PARTNERSHIP INTERESTS (\$1,000 PER UNIT)  
-----

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

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

No market currently exists for the limited partnership interests of the Registrant. Based on the original purchase price, the aggregate market value of limited partnership interests owned by non-affiliates of the Registrant is \$7,501,000.

As of March 8, 2001, the number of outstanding limited partnership interests was 7,531.

The following documents are incorporated by reference into the indicated parts of this Annual Report on Form 10-K: None

PARTS I AND II OF THIS ANNUAL REPORT ON FORM 10-K (THE "REPORT") CONTAIN FORWARD LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. ACCORDINGLY, NO ASSURANCES CAN BE GIVEN THAT THE ACTUAL EVENTS AND RESULTS WILL NOT BE MATERIALLY DIFFERENT THAN THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS. SEE "ITEM 1. BUSINESS" FOR A DESCRIPTION OF VARIOUS FACTORS THAT COULD MATERIALLY AFFECT THE ABILITY OF THE PARTNERSHIP TO ACHIEVE THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS.

1658

PART I

ITEM 1. BUSINESS

Parker & Parsley 90-C Conv., L.P. (the "Partnership") is a general partnership organized in 1990 under the laws of the State of Texas. The Partnership converted to a Delaware limited partnership on August 1, 1991. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA"). Pioneer USA is a wholly-owned subsidiary of Pioneer Natural Resources Company ("Pioneer"). As of March 8, 2001, the Partnership had 7,531 limited partnership interests outstanding.

The Partnership does not have any employees of its own. Pioneer USA employs 701 persons, many of whom dedicated a part of their time to the conduct of the Partnership's business during the period for which this Report is filed. Pioneer USA is responsible for all management functions.

The Partnership engages in oil and gas development and production and is not involved in any industry segment other than oil and gas. The Partnership's production is geographically concentrated in West Texas.

The principal markets during 2000 for the oil produced by the Partnership were refineries and oil transmission companies that have facilities near the Partnership's oil producing properties. During 2000, Pioneer USA marketed the Partnership's gas to a variety of purchasers, none of which accounted for 10% or more of the Partnership's oil and gas revenues. Of the Partnership's total oil and gas revenues for 2000, approximately 64% was attributable to sales made to Plains Marketing, L.P. Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on its ability to sell its oil, natural gas liquids ("NGLs") and gas production.

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

Oil and gas production operations are subject to various types of regulations by local, state and federal agencies. The Partnership's operations are also subject to state conservation laws and regulations, including the establishment of maximum rates of production from wells and the regulation of spacing, plugging and abandonment of wells. Each state generally imposes a production or severance tax with respect to production and sale of oil and gas within their respective jurisdictions. Noncompliance with the laws and regulations may subject the Partnership to penalties, damages or other liabilities and compliance may increase the cost of the Partnership's operations.

The oil and gas business is also subject to environmental hazards such as oil spills, gas leaks and ruptures and discharges of toxic substances or gases that could expose the Partnership to substantial

2

1659

liability due to pollution and other environmental damages. Although the Partnership believes that its business operations do not impair environmental quality and that its costs of complying with any applicable environmental regulations are not currently significant, the Partnership cannot predict what,

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

if any, effect these environmental regulations may have on its current or future operations.

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

No material part of the Partnership's business is seasonal and the Partnership conducts no foreign operations.

### ITEM 2. PROPERTIES

The Partnership's properties consist of leasehold interests in properties on which oil and gas wells are located. Such property interests are often subject to landowner royalties, overriding royalties and other oil and gas leasehold interests.

Fractional working interests in developmental oil and gas prospects located primarily in the Spraberry Trend Area of West Texas were acquired by the Partnership, resulting in the Partnership's participation in the drilling of 44 oil and gas wells. One well was sold and one well was plugged and abandoned due to uneconomical operations. At December 31, 2000, the Partnership had 42 producing oil and gas wells.

For information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities for the years then ended, see Note 7 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" below. Such reserves have been evaluated by Williamson Petroleum Consultants, Inc., an independent petroleum consultant.

### ITEM 3. LEGAL PROCEEDINGS

The Partnership from time to time is a party to various legal proceedings incidental to its business involving claims in oil and gas leases or interests, other claims for damages in amounts not in excess of 10% of its current assets and other matters, none of which Pioneer USA believes to be material to the Partnership.

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

There were no matters submitted to a vote of the partners during the fourth quarter of 2000.

## PART II

### ITEM 5. MARKET FOR LIMITED PARTNERSHIP INTERESTS AND LIMITED PARTNERSHIP DISTRIBUTIONS

At March 8, 2001, the Partnership had 7,531 outstanding limited partnership

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

interests held of record by 505 subscribers. There is no established public trading market for the limited partnership interests. Under the limited partnership agreement, Pioneer USA has made certain commitments to purchase partnership interests at a computed value.

Revenues which, in the sole judgement of the managing general partner, are not required to meet the Partnership's obligations are distributed to the partners at least quarterly in accordance with the limited partnership agreement. During the years ended December 31, 2000 and 1999, \$492,300 and \$135,825, respectively, of such revenue-related distributions were made to the limited partners.

### ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth selected financial data for the years ended December 31:

	2000	1999	1998	1997
	-----	-----	-----	-----
Operating results:				
-----				
Oil and gas sales	\$ 917,184	\$ 537,893	\$ 430,499	\$ 661,475
	=====	=====	=====	=====
Impairment of oil and gas properties	\$ -	\$ -	\$ 185,784	\$ 79,288
	=====	=====	=====	=====
Net income (loss)	\$ 509,518	\$ 137,106	\$ (258,625)	\$ 105,740
	=====	=====	=====	=====
Allocation of net income (loss):				
Managing general partner	\$ 5,095	\$ 1,371	\$ (2,586)	\$ 1,057
	=====	=====	=====	=====
Limited partners	\$ 504,423	\$ 135,735	\$ (256,039)	\$ 104,683
	=====	=====	=====	=====
Limited partners' net income (loss) per limited partnership interest	\$ 66.98	\$ 18.02	\$ (34.00)	\$ 13.90
	=====	=====	=====	=====
Limited partners' cash distributions per limited partnership interest	\$ 65.37	\$ 18.04	\$ 17.30	\$ 47.53
	=====	=====	=====	=====
At year end:				
-----				
Identifiable assets	\$ 1,023,864	\$ 1,014,263	\$ 1,011,034	\$ 1,411,804
	=====	=====	=====	=====

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

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

#### Results of Operations

2000 compared to 1999

The Partnership's oil and gas revenues increased 71% to \$917,184 for 2000 as compared to \$537,893 in 1999. The increase in revenues resulted from higher average prices received and an increase in production. In 2000, 23,602 barrels of oil, 9,171 barrels of natural gas liquids ("NGLs") and 30,423 mcf of gas were sold, or 37,844 barrel of oil equivalents ("BOEs"). In 1999, 23,568 barrels of oil, 9,050 barrels of NGLs and 29,399 mcf of gas were sold, or 37,518 BOEs. Due to the decline characteristics of the Partnership's oil and gas properties, management expects a certain amount of decline in production in the future until the Partnership's economically recoverable reserves are fully depleted.

The average price received per barrel of oil increased \$12.21, or 71%, from \$17.13 in 1999 to \$29.34 in 2000. The average price received per barrel of NGLs increased \$5.60, or 60%, from \$9.31 in 1999 to \$14.91 in 2000. The average price received per mcf of gas increased 70% from \$1.70 in 1999 to \$2.89 in 2000. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than received in 2000.

Gains on dispositions of assets of \$388 and \$104 recognized during 2000 and 1999, respectively, were due to equipment credits received on a fully depleted well in each year.

Total costs and expenses increased in 2000 to \$416,488 compared to \$405,150 in 1999, an increase of \$11,338, or 3%. This increase was due to increases in production costs and general and administrative expenses ("G&A"), offset by a decline in depletion.

Production costs were \$334,055 in 2000 and \$297,353 in 1999, resulting in an increase of \$36,702, or 12%. The increase was primarily due to higher production taxes associated with higher oil and gas prices and additional well maintenance costs incurred to stimulate well production.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period G&A increased 45% from \$20,987 in 1999 to \$30,429 in 2000 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$27,439 in 2000 and \$16,060 in 1999 for G&A incurred on behalf of the Partnership. The remaining G&A was paid directly by the Partnership. The managing general partner determines the allocated expenses based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Depletion was \$52,004 in 2000 as compared to \$86,810 in 1999, representing a decrease of \$34,806, or 40%. This decrease was primarily due to a 31,374 barrels of oil increase in proved reserves during 2000 as a result of higher commodity prices.

1999 compared to 1998

The Partnership's 1999 oil and gas revenues increased 25% to \$537,893 from \$430,499 in 1998. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 1999, 23,568 barrels of oil, 9,050 barrels of NGLs and 29,399 mcf of gas were sold, or 37,518 BOEs. In 1998, 24,493 barrels of oil, 8,694 barrels of NGLs and 30,348 mcf of gas were sold, or 38,245 BOEs.

The average price received per barrel of oil increased \$3.89, or 29%, from \$13.24 in 1998 to \$17.13 in 1999. The average price received per barrel of NGLs increased \$2.51, or 37%, from \$6.80 in 1998 to \$9.31 in 1999. The average price received per mcf of gas increased 10% from \$1.55 in 1998 to \$1.70 in 1999.

Total costs and expenses decreased in 1999 to \$405,150 compared to \$693,871 in 1998, a decrease of \$288,721, or 42%. This decrease was due to declines in the impairment of oil and gas properties, depletion and production costs, offset by an increase in G&A.

Production costs were \$297,353 in 1999 and \$314,363 in 1998, resulting in a decrease of \$17,010, or 5%. The decrease was due to declines in well maintenance costs and ad valorem taxes, offset by an increase in production taxes.

During this period G&A increased 39% from \$15,084 in 1998 to \$20,987 in 1999 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$16,060 in 1999 and \$12,838 in 1998 for G&A incurred on behalf of the Partnership.

In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the managing general partner reviews the Partnership's oil and gas properties for impairment whenever events or circumstances indicate a decline in the recoverability of the carrying value of the Partnership's assets may have occurred. As a result of the review and evaluation of its long-lived assets for impairment, the Partnership recognized a non-cash charge of \$185,784 related to its oil and gas properties during 1998.

Depletion was \$86,810 in 1999 compared to \$178,640 in 1998. This represented a decrease of \$91,830, or 51%. This decrease was primarily the result of an increase in proved reserves of 207,077 barrels of oil during 1999 as a result of higher commodity prices and a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 1998.

The petroleum industry has been characterized by volatile oil, NGL and natural gas commodity prices and relatively stable supplier costs during the three years ended December 31, 2000. During 1998, weather patterns, regional economic



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

recessions and political matters combined to cause worldwide oil supplies to exceed demand resulting in a substantial decline in oil prices. Also during 1998, but to a lesser extent, market prices for natural gas declined. During 1999 and 2000, the Organization of Petroleum Exporting Countries ("OPEC") and certain other crude oil exporting nations announced reductions in their planned export volumes. Those announcements, together with the enactment of the announced reductions in export volumes, had a positive impact on world oil prices, as have overall natural gas supply and demand fundamentals on North American natural gas prices. Although the favorable commodity price environment and stable field service cost environment is expected to continue during 2001, there is no assurance that commodity prices will not return to a less favorable level or that field service costs will not escalate in the future, both of which could negatively impact the Partnership's future results of operations and cash distributions.

### Liquidity and capital resources

#### Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$330,268 during the year ended December 31, 2000 from 1999. This increase was due to an increase in oil and gas sales receipts of \$383,466, offset by increases in production costs paid of \$36,702, G&A expenses paid of \$9,442 and working capital of \$7,054. The increase in oil and gas receipts resulted from the increase in commodity prices during 2000 which contributed an additional \$377,706 to oil and gas receipts and \$5,760 resulting from the increase in production during 2000. The increase in production costs was primarily due to increased production taxes associated with higher oil and gas prices and well maintenance costs incurred to stimulate well production. The increase in G&A was primarily due to higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues.

#### Net Cash Used in Investing Activities

The Partnership's investing activities during 2000 and 1999 included expenditures related to equipment upgrades on active oil and gas properties.

Proceeds from dispositions of assets of \$388 and \$104 recognized during 2000 and 1999, respectively, were related to equipment credits received on a fully depleted well in each year.

#### Net Cash Used in Financing Activities

In 2000, cash distributions to the partners were \$497,273, of which \$4,973 was distributed to the managing general partner and \$492,300 to the limited partners. In 1999, cash distributions to the partners were \$137,197, of which \$1,372 was distributed to the managing general partner and \$135,825 to the limited partners.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	Page
	----
Financial Statements of Parker & Parsley 90-C Conv., L.P:	
Independent Auditors' Report.....	9
Balance Sheets as of December 31, 2000 and 1999.....	10
Statements of Operations for the Years Ended December 31, 2000, 1999 and 1998.....	11
Statements of Partners' Capital for the Years Ended December 31, 2000, 1999 and 1998.....	12
Statements of Cash Flows for the Years Ended December 31, 2000, 1999 and 1998.....	13
Notes to Financial Statements.....	14

INDEPENDENT AUDITORS' REPORT

The Partners

Parker & Parsley 90-C Conv., L.P.  
(A Delaware Limited Partnership):

We have audited the balance sheets of Parker & Parsley 90-C Conv., L.P. as of December 31, 2000 and 1999, and the related statements of operations, partners' capital and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parker & Parsley 90-C Conv., L.P. as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Dallas, Texas

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

March 9, 2001

9

1666

PARKER & PARSLEY 90-C CONV., L.P.  
(A Delaware Limited Partnership)

BALANCE SHEETS  
December 31

	2000	
	-----	
ASSETS		
-----		
Current assets:		
Cash	\$ 106,593	\$
Accounts receivable - oil and gas sales	119,396	
	-----	
Total current assets	225,989	
	-----	
Oil and gas properties - at cost, based on the successful efforts accounting method	5,798,493	
Accumulated depletion	(5,000,618)	
	-----	
Net oil and gas properties	797,875	
	-----	
	\$ 1,023,864	\$
	=====	
 LIABILITIES AND PARTNERS' CAPITAL		
-----		
Current liabilities:		
Accounts payable - affiliate	\$ 14,074	\$
Partners' capital:		
Managing general partner	10,067	
Limited partners (7,531 interests)	999,723	
	-----	
	1,009,790	
	-----	
	\$ 1,023,864	\$
	=====	

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

10

1667

PARKER & PARSLEY 90-C CONV., L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF OPERATIONS  
For the years ended December 31

	2000 -----	1999 -----
Revenues:		
Oil and gas	\$ 917,184	\$ 537,893
Interest	8,434	4,259
Gain on disposition of assets	388	104
	-----	-----
	926,006	542,256
	-----	-----
Costs and expenses:		
Oil and gas production	334,055	297,353
General and administrative	30,429	20,987
Impairment of oil and gas properties	-	-
Depletion	52,004	86,810
	-----	-----
	416,488	405,150
	-----	-----
Net income (loss)	\$ 509,518 =====	\$ 137,106 =====
Allocation of net income (loss):		
Managing general partner	\$ 5,095 =====	\$ 1,371 =====
Limited partners	\$ 504,423 =====	\$ 135,735 =====
Net income (loss) per limited partnership interest	\$ 66.98	\$ 18.02

=====

=====

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

11

1668

PARKER & PARSLEY 90-C CONV., L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF PARTNERS' CAPITAL

	Managing general partner	Limited partners	
	-----	-----	
Partners' capital at January 1, 1998	\$ 13,848	\$ 1,374,010	\$
Distributions	(1,316)	(130,281)	
Net loss	(2,586)	(256,039)	
	-----	-----	
Partners' capital at December 31, 1998	9,946	987,690	
Distributions	(1,372)	(135,825)	
Net income	1,371	135,735	
	-----	-----	
Partners' capital at December 31, 1999	9,945	987,600	
Distributions	(4,973)	(492,300)	
Net income	5,095	504,423	
	-----	-----	
Partners' capital at December 31, 2000	\$ 10,067	\$ 999,723	\$
	=====	=====	

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

12

1669

PARKER & PARSLEY 90-C CONV., L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF CASH FLOWS  
For the years ended December 31

	2000	1999
	-----	-----
Cash flows from operating activities:		
Net income (loss)	\$ 509,518	\$ 137,106
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Impairment of oil and gas properties	-	-
Depletion	52,004	86,810
Gain on disposition of assets	(388)	(104)
Changes in assets and liabilities:		
Accounts receivable	(39,543)	(38,453)
Accounts payable	(2,644)	3,320
	-----	-----
Net cash provided by operating activities	518,947	188,679
	-----	-----
Cash flows from investing activities:		
Additions to oil and gas properties	(22,764)	(10,512)
Proceeds from disposition of assets	388	104
	-----	-----
Net cash used in investing activities	(22,376)	(10,408)
	-----	-----
Cash flows used in financing activities:		
Cash distributions to partners	(497,273)	(137,197)
	-----	-----

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Net increase (decrease) in cash	(702)	41,074
Cash at beginning of year	107,295	66,221
	-----	-----
Cash at end of year	\$ 106,593	\$ 107,295
	=====	=====

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

13

1670

PARKER & PARSLEY 90-C CONV., L.P.  
(A Delaware Limited Partnership)

NOTES TO FINANCIAL STATEMENTS  
December 31, 2000, 1999 and 1998

### NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS

Parker & Parsley 90-C Conv., L.P. (the "Partnership") is a general partnership organized in 1990 under the laws of the State of Texas. The Partnership converted to a Delaware limited partnership on August 1, 1991. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA").

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Oil and gas properties - The Partnership utilizes the successful efforts method of accounting for its oil and gas properties and equipment. Under this method, all costs associated with productive wells and nonproductive development wells are capitalized while nonproductive exploration costs are expensed. Capitalized costs relating to proved properties are depleted using the unit-of- production method on a property-by-property basis based on proved oil (dominant mineral) reserves as evaluated by independent petroleum consultants. The carrying amounts of properties sold or otherwise disposed of and the related allowances for depletion are eliminated from the accounts and any gain or loss is included in results of operations.

Impairment of long-lived assets - In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the Partnership reviews its long-lived assets to be held and used on an individual property basis, including oil and gas properties accounted for under the successful efforts method of accounting, whenever events or circumstances

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

indicate that the carrying value of those assets may not be recoverable. An impairment loss is indicated if the sum of the expected future cash flows is less than the carrying amount of the assets. In this circumstance, the Partnership recognizes an impairment loss for the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset.

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

Net income (loss) per limited partnership interest - The net income (loss) per limited partnership interest is calculated by using the number of outstanding limited partnership interests.

Income taxes - A Federal income tax provision has not been included in the financial statements as the income (loss) of the Partnership is included in the individual Federal income tax returns of the respective partners.

14

1671

Statements of cash flows - For purposes of reporting cash flows, cash includes depository accounts held by banks.

General and administrative expenses - General and administrative expenses are allocated in part to the Partnership by the managing general partner. Allocated expenses are determined by the managing general partner based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Reclassifications - Certain reclassifications may have been made to the 1999 and 1998 financial statements to conform to the 2000 financial statement presentations.

Environmental - The Partnership is subject to extensive federal, state and local environmental laws and regulations. These laws, which are constantly changing, regulate the discharge of materials into the environment and may require the Partnership to remove or mitigate the environmental effects of the disposal or release of petroleum or chemical substances at various sites. Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Liabilities for expenditures of a noncapital nature are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated. Such liabilities are generally undiscounted unless the timing of cash payments for the liability or component are fixed or reliably determinable. No such liabilities have been accrued as of December 31, 2000.

Revenue recognition - The Partnership uses the entitlements method of accounting for oil, natural gas liquids ("NGLs") and natural gas revenues.

NOTE 3. IMPAIRMENT OF LONG-LIVED ASSETS



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

In accordance with SFAS 121, the Partnership reviews its proved oil and gas properties for impairment whenever events and circumstances indicate a decline in the recoverability of the carrying value of the Partnership's oil and gas properties. The Partnership has estimated the expected future cash flows of its oil and gas properties as of December 31, 2000, 1999 and 1998, based on proved reserves, and compared such estimated future cash flows to the respective carrying amount of the oil and gas properties to determine if the carrying amounts were likely to be recoverable. For those proved oil and gas properties for which the carrying amount exceeded the estimated future cash flows, an impairment was determined to exist; therefore, the Partnership adjusted the carrying amount of those oil and gas properties to their fair value as determined by discounting their expected future cash flows at a discount rate commensurate with the risks involved in the industry. As a result, the Partnership recognized a non-cash impairment provision of \$185,784 related to its proved oil and gas properties during 1998.

15

1672

### NOTE 4. INCOME TAXES

The financial statement basis of the Partnership's net assets and liabilities was \$49,618 less than the tax basis at December 31, 2000.

The following is a reconciliation of net income (loss) per statements of operations with the net income (loss) per Federal income tax returns for the years ended December 31:

	2000	1999
	-----	-----
Net income (loss) per statements of operations	\$ 509,518	\$ 137,106
Depletion and depreciation provisions for tax reporting purposes less than amounts for financial reporting purposes	40,369	76,676
Impairment of oil and gas properties for financial reporting purposes	-	-
Intangible development costs capitalized for financial reporting purposes and expensed for tax reporting purposes	(385)	-
Other, net	(1,143)	(1,786)
	-----	-----
Net income (loss) per Federal income tax returns	\$ 548,359	\$ 211,996
	=====	=====

### NOTE 5. OIL AND GAS PRODUCING ACTIVITIES

The following is a summary of the costs incurred, whether capitalized or expensed, related to the Partnership's oil and gas producing activities for the

1617

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

years ended December 31:

	2000 -----	1999 -----
Development costs	\$ 22,764 =====	\$ 10,512 =====

Capitalized oil and gas properties consist of the following:

	2000 -----
Proved properties:	
Property acquisition costs	\$ 226,701
Completed wells and equipment	5,571,792 -----
	5,798,493
Accumulated depletion	(5,000,618) -----
Net oil and gas properties	\$ 797,875 =====

NOTE 6. RELATED PARTY TRANSACTIONS

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

16

1673

	2000 -----	1999 -----
Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$ 130,806	\$ 126,701
Reimbursement of general and administrative expenses	\$ 27,439	\$ 16,060

The Partnership participates in oil and gas activities through an income tax partnership (the "Program") pursuant to the Program agreement. Pioneer USA,

1618

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

P&P Employees 90-C Conv., L.P. ("EMPL"), Parker & Parsley 90-C, L.P. and the Partnership (the "Partnerships") are parties to the Program agreement. EMPL is a limited partnership organized for the benefit of certain employees of Pioneer USA. EMPL was merged with Pioneer USA on December 28, 2000.

The costs and revenues of the Program are allocated to Pioneer USA and the Partnerships as follows:

	Pioneer USA (1)
Revenues:	
Proceeds from disposition of depreciable and depletable properties -	
First three years	14.141414%
After first three years	19.191919%
All other revenues -	
First three years	14.141414%
After first three years	19.191919%
Costs and expenses:	
Lease acquisition costs, drilling and completion costs and all other costs	9.090909%
Operating costs, reporting and legal expenses and general and administrative expenses -	
First three years	14.141414%
After first three years	19.191919%

- (1) Excludes Pioneer USA's 1% general partner ownership which is allocated at the Partnership level and 30 limited partner interests owned by Pioneer USA.
- (2) The allocation between the Partnership and Parker & Parsley 90-C, L.P. is 38.349119% and 61.650881%, respectively.

### NOTE 7. OIL AND GAS INFORMATION (UNAUDITED)

The following table represents information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities during the years then ended. All of the Partnership's reserves are proved developed and located within the United States. The Partnership's reserves are based on an evaluation prepared by Williamson Petroleum Consultants, Inc., an independent petroleum consultant, using criteria established by the Securities and Exchange Commission.

17

1674

	Oil and NGLs (bbls)
Net proved reserves at January 1, 1998	424,601
Revisions	(204,124)

1619

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Production	(33,187)
	-----
Net proved reserves at December 31, 1998	187,290
Revisions	293,912
Production	(32,618)
	-----
Net proved reserves at December 31, 1999	448,584
Revisions	50,848
Production	(32,773)
	-----
Net proved reserves at December 31, 2000	466,659
	=====

As of December 31, 2000, the estimated present value of future net revenues of proved reserves, calculated using December 31, 2000 prices of \$26.64 per barrel of oil, \$13.22 per barrel of NGLs and \$7.80 per mcf of gas, discounted at 10% was approximately \$3,245,000 and undiscounted was \$6,366,000.

Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves. The Partnership emphasizes that reserve estimates are inherently imprecise and, accordingly, the estimates are expected to change as future information becomes available.

Disclosures about Oil & Gas Producing Activities

Standardized Measure of Discounted Future Net Cash Flows

The standardized measure of discounted future net cash flows is computed by applying year-end prices of oil and gas (with consideration of price changes only to the extent provided by contractual arrangements) to the estimated future production of proved oil and gas reserves less estimated future expenditures (based on year-end costs) to be incurred in developing and producing the proved reserves, discounted using a rate of 10% per year to reflect the estimated timing of the future cash flows. A Federal income tax provision has not been calculated as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

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

	For the years ended Dec	
	-----	-----
	2000	1999
	-----	-----
	(in thousands)	

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Oil and gas producing activities:		
Future cash inflows	\$ 14,206	\$ 11,167
Future production costs	(7,840)	(6,472)
	-----	-----
	6,366	4,695
10% annual discount factor	(3,121)	(2,211)
	-----	-----
Standardized measure of discounted future net cash flows	\$ 3,245	\$ 2,484
	=====	=====

18

1675

	For the years ended De	
	2000	1999
	-----	-----
		(in thousands)
Oil and Gas Producing Activities:		
Oil and gas sales, net of production costs	\$ (583)	\$ (241)
Net changes in prices and production costs	932	1,084
Revisions of previous quantity estimates	257	2,216
Accretion of discount	248	30
Changes in production rates, timing and other	(93)	(906)
	-----	-----
Change in present value of future net revenues	761	2,183
	-----	-----
Balance, beginning of year	2,484	301
	-----	-----
Balance, end of year	\$ 3,245	\$ 2,484
	=====	=====

NOTE 8. MAJOR CUSTOMERS

The following table reflects the major customers of the Partnership's oil and gas sales (a major customer is defined as a customer whose sales exceed 10% of total sales) during the years ended December 31:

	2000	1999
	-----	-----
Plains Marketing, L.P.	64%	62%
Genesis Crude Oil, L.P.	-	-

1621

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Western Gas Resources, Inc.

2%

3%

At December 31, 2000, the amount receivable from Plains Marketing, L.P. was \$48,722 which is included in the caption "Accounts receivable - oil and gas sales" in the accompanying Balance Sheet.

Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on the ability of the Partnership to sell its oil, NGLs and gas production.

### NOTE 9. PARTNERSHIP AGREEMENT

The following is a brief summary of the more significant provisions of the limited partnership agreement:

Managing general partner - The managing general partner of the Partnership is Pioneer USA. Pioneer USA has the power and authority to manage, control and administer all Program and Partnership affairs. As managing general partner and operator of the Partnership's properties, all production expenses are incurred by Pioneer USA and billed to the Partnership. The majority of the Partnership's oil and gas revenues are received directly by the Partnership, however, a portion of the oil and gas revenue is initially received by Pioneer USA prior to being paid to the Partnership. Under the Partnership agreement, the managing general partner pays

19

1676

1% of the Partnership's acquisition, drilling and completion costs and 1% of its operating and general and administrative expenses. In return, it is allocated 1% of the Partnership's revenues.

Limited partner liability - The maximum amount of liability of any limited partner is the total contributions of such partner plus his share of any undistributed profits.

Initial capital contributions - The partners entered into subscription agreements for aggregate capital contributions of \$7,531,000. Pioneer USA is required to contribute amounts equal to 1% of initial Partnership capital less commission and organization and offering costs allocated to the limited partners and to contribute amounts necessary to pay costs and expenses allocated to it under the Partnership agreement to the extent its share of revenues does not cover such costs.

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

None.

20

1677

# Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

## PART III

### ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE PARTNERSHIP

The Partnership does not have any officers or directors. Under the limited partnership agreement, the Partnership's managing general partner, Pioneer USA, is granted the exclusive right and full authority to manage, control and administer the Partnership's business.

Set forth below are the names, ages and positions of the directors and executive officers of Pioneer USA. Directors of Pioneer USA are elected to serve until the next annual meeting of stockholders or until their successors are elected and qualified.

Name -----	Age at December 31, 2000 -----	Position -----
Scott D. Sheffield	48	President
Timothy L. Dove	44	Executive Vice President, Chief Financial Officer and Director
Dennis E. Fagerstone	51	Executive Vice President and Director
Mark L. Withrow	53	Executive Vice President, General Counsel and Director
Danny Kellum	46	Executive Vice President - Director Operations and Director
Rich Dealy	34	Vice President and Chief Accounting Officer

Scott D. Sheffield. Mr. Sheffield is a graduate of The University of Texas with a B.S. in Petroleum Engineering. Since August 1997, he has served as President, Chief Executive Officer and a director of Pioneer and President of Pioneer USA. Mr. Sheffield assumed the position of Chairman of the Board of Pioneer in August 1999. He served as a director of Pioneer USA from August 1997 until his resignation from the board in June 1999. Mr. Sheffield was the President and a director of Parker & Parsley Petroleum Company ("Parker & Parsley") from May 1990 until August 1997 and was the Chairman of the Board and Chief Executive Officer of Parker & Parsley from October 1990 until August 1997. He was the sole director of Parker & Parsley from May 1990 until October 1990. Mr. Sheffield joined Parker & Parsley Development Company ("PPDC"), a predecessor of Parker & Parsley, as a petroleum engineer in 1979. He served as Vice President - Engineering of PPDC from September 1981 until April 1985 when he was elected President and a director. In March 1989, Mr. Sheffield was elected Chairman of the Board and Chief Executive Officer of PPDC. Before joining PPDC's predecessor, Mr. Sheffield was employed as a production and reservoir engineer for Amoco Production Company.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Timothy L. Dove. Mr. Dove earned a B.S. in Mechanical Engineering from Massachusetts Institute of Technology in 1979 and received his M.B.A. in 1981 from the University of Chicago. He became Executive Vice President - Business Development of Pioneer and Pioneer USA in August 1997 and was also appointed a director of Pioneer USA in August 1997. Mr. Dove assumed the position of Chief Financial Officer of Pioneer and Pioneer USA effective February 1, 2000. Mr. Dove joined Parker & Parsley in May 1994 as Vice President - International and was promoted to Senior Vice President - Business Development in October 1996, in which position he served until August 1997. Prior to joining Parker & Parsley, Mr. Dove was employed with Diamond Shamrock Corp., and its successor, Maxus Energy Corp, in various capacities in international exploration and production, marketing, refining and marketing and planning and development.

Dennis E. Fagerstone. Mr. Fagerstone, a graduate of the Colorado School of Mines with a B.S. in Petroleum Engineering, became an Executive Vice President of Pioneer and Pioneer USA in August 1997. He was also appointed a director of Pioneer USA in August 1997. He served as Executive Vice President and Chief Operating Officer of MESA Inc. ("Mesa") from March 1, 1997 until August 1997. From October 1996 to February 1997, Mr. Fagerstone served as Senior Vice President and Chief Operating Officer of Mesa and from May 1991 to October 1996, he served as Vice President - Exploration and Production of Mesa. From June 1988 to May 1991, Mr. Fagerstone served as Vice President - Operations of Mesa.

Mark L. Withrow. Mr. Withrow, a graduate of Abilene Christian University with a B. S. in Accounting and Texas Tech University with a Juris Doctorate degree, became Executive Vice President, General Counsel and Secretary of Pioneer and Pioneer USA in August 1997. He was also appointed a director of Pioneer USA in August 1997. Mr. Withrow was Vice President - General Counsel of Parker & Parsley from January 1991, when he joined Parker & Parsley, to January 1995, when he was appointed Senior Vice President - General Counsel. He was Parker & Parsley's Secretary from August 1992 until August 1997. Prior to joining Parker & Parsley, Mr. Withrow was the managing partner of the law firm of Turpin, Smith, Dyer, Saxe & MacDonald, Midland, Texas.

Danny Kellum. Mr. Kellum, who received a Bachelor of Science degree in Petroleum Engineering from Texas Tech University in 1979, was elected Executive Vice President - Domestic Operations of Pioneer and Pioneer USA on May 18, 2000 and Director of Pioneer USA on February 1, 2000. From January 2000 until May 2000, Mr. Kellum served as Vice President - Domestic Operations of Pioneer and Pioneer USA. Mr. Kellum served as Vice President Permian Division of Pioneer and Pioneer USA from April 1998 until December 1999. From 1989 until 1994 he served as Spraberry District Manager and as Vice President of the Spraberry and Permian Division for Parker & Parsley until August of 1997. Mr. Kellum joined Parker & Parsley as an operations engineer in 1981 after a brief career with Mobil Oil Corporation.

Rich Dealy. Mr. Dealy is a graduate of Eastern New Mexico University with a B.B.A. in Accounting and Finance and is a Certified Public Accountant. He became Vice President and Chief Accounting Officer of Pioneer and Pioneer USA in February 1998. Mr. Dealy served as Controller of Pioneer USA from August 1997 to February 1998. He served as Controller of Parker & Parsley from August 1995 to August 1997. Mr. Dealy joined Parker & Parsley as an Accounting Manager in July, 1992. He was previously employed with KPMG Peat Marwick as an Audit Senior, in charge of Parker & Parsley's audit.



1679

ITEM 11. EXECUTIVE COMPENSATION

The Partnership does not have any directors or officers. Management of the Partnership is performed by Pioneer USA, the managing general partner. The Partnership participates in oil and gas activities through an income tax partnership (the "Program") pursuant to the Program agreement. Under the Program agreement, Pioneer USA pays approximately 10% of the Program's acquisition, drilling and completion costs and approximately 15% during the first three years and approximately 20% after three years of its operating and general and administrative expenses. In return, they are allocated approximately 15% during the first three years and approximately 20% after three years of the Program's revenues.

The Partnership does not directly pay any salaries of the executive officers of Pioneer USA, but does pay a portion of Pioneer USA's general and administrative expenses of which these salaries are a part.

See Notes 6 and 9 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" for information regarding fees and reimbursements paid to the managing general partner by the Partnership.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

(a) Beneficial owners of more than five percent

The Partnership is not aware of any person who beneficially owns 5% or more of the outstanding limited partnership interests of the Partnership. Pioneer USA owned 30 limited partner interests at January 1, 2001.

(b) Security ownership of management

The Partnership does not have any officers or directors. The managing general partner of the Partnership, Pioneer USA, has the exclusive right and full authority to manage, control and administer the Partnership's business. Under the limited partnership agreement, limited partners holding a majority of the outstanding limited partnership interests have the right to take certain actions, including the removal of the managing general partner or any other general partner. The Partnership is not aware of any current arrangement or activity which may lead to such removal. The Partnership is not aware of any officer or director of Pioneer USA who beneficially owns limited partnership interests in the Partnership.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Transactions with the managing general partner

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

1680

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	2000 -----	1999 -----
Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$ 130,806	\$ 126,701
Reimbursement of general and administrative expenses	\$ 27,439	\$ 16,060

Under the limited partnership agreement, the managing general partner pays 1% of the Partnership's acquisition, drilling and completion costs and 1% of its operating and general and administrative expenses. In return, it is allocated 1% of the Partnership's revenues. Also, see Notes 6 and 9 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data", regarding the Partnership's participation with the managing general partner in oil and gas activities of the Program.

24

1681

PART IV

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

(a) 1. Financial statements

The following are filed as part of this Report:

Independent Auditors' Report

Balance sheets as of December 31, 2000 and 1999

Statements of operations for the years ended December 31, 2000, 1999 and 1998

Statements of partners' capital for the years ended December 31, 2000, 1999 and 1998

Statements of cash flows for the years ended December 31, 2000, 1999 and 1998

Notes to financial statements

2. Financial statement schedules

All financial statement schedules have been omitted since the required information is in the financial statements or notes thereto, or is not applicable nor required.

(b) Reports on Form 8-K

None.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

(c) Exhibits

The exhibits listed on the accompanying index to exhibits are filed or incorporated by reference as part of this Report.

1682

S I G N A T U R E S

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, thereunto duly authorized.

PARKER & PARSLEY 90-C CONV., L.P.

Dated: March 26, 2001

By: Pioneer Natural Resources USA, Inc.  
Managing General Partner

By: /s/ Scott D. Sheffield  
-----  
Scott D. Sheffield, President

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

/s/ Scott D. Sheffield  
-----  
Scott D. Sheffield

President of Pioneer USA

Ma

/s/ Timothy L. Dove  
-----  
Timothy L. Dove

Executive Vice President, Chief  
Financial Officer and Director of  
Pioneer USA

Ma

/s/ Dennis E. Fagerstone  
-----  
Dennis E. Fagerstone

Executive Vice President and  
Director of Pioneer USA

Ma

/s/ Mark L. Withrow  
-----  
Mark L. Withrow

Executive Vice President, General  
Counsel and Director of Pioneer USA

Ma

/s/ Danny Kellum  
-----  
Danny Kellum

Executive Vice President - Domestic  
Operations and Director of Pioneer  
USA

Ma

/s/ Rich Dealy  
-----

Vice President and Chief Accounting  
Officer of Pioneer USA

Ma

Rich Dealy

26

1683

PARKER & PARSLEY 90-C CONV., L.P.

INDEX TO EXHIBITS

The following documents are incorporated by reference in response to Item 14(c):

Exhibit No. -----	Description -----
3(a)	Form of Agreement of Limited Partnership of Parker & Parsley 90-C Conv., L.P. incorporated by reference to Exhibit A of the Post-Effective Amendment No. 1 of the Partnership's Registration Statement on Form S-1 (Registration No. 33-26097)
4(b)	Form of Limited Partner Subscription Agreement incorporated by reference to Exhibit C of the Post-Effective Amendment No. 1 of the Partnership's Registration Statement on Form S-1 (Registration No. 33-26097)
4(b)	Form of General Partner Subscription Agreement incorporated by reference to Exhibit D of the Post-Effective Amendment No. 1 of the Partnership's Registration Statement on Form S-1 (Registration No. 33-26097)
4(b)	Power of Attorney incorporated by reference to Exhibit B of Amendment No. 1 of the Partnership's Registration Statement on Form S-1 (Registration No. 33-26097)
4(c)	Specimen Certificate of Limited Partnership Interest incorporated by reference to Exhibit 4c of the Partnership's Registration Statement on Form S-1 (Registration No. 33-26097)
10(b)	Form of Development Drilling Program Agreement incorporated by reference to Exhibit B of the Post-Effective Amendment No. 1 of the Partnership's Registration Statement on Form S-1 (Registration No. 33-26097)

27

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

1684

PARKER & PARSLEY 90-C CONV., L.P.

SELECTED FINANCIAL DATA

The following selected financial data for the Partnership should be read in connection with Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements included in the attached supplemental information.

	Six months ended June 30,		Years ended December		
	2001	2000	2000	1999	1998
Operating results:					
Oil and gas sales	\$ 444,118	\$ 414,898	\$ 917,184	\$ 537,893	\$ 430,499
Impairment of oil and gas properties	\$ --	\$ --	\$ --	\$ --	\$ 185,784
Net income (loss)	\$ 211,700	\$ 217,787	\$ 509,518	\$ 137,106	\$ (258,625)
Allocation of net income (loss):					
Managing general partner	\$ 2,117	\$ 2,178	\$ 5,095	\$ 1,371	\$ (2,586)
Limited partners	\$ 209,583	\$ 215,609	\$ 504,423	\$ 135,735	\$ (256,039)
Limited partners' net income (loss) per limited partnership interest	\$ 27.83	\$ 28.63	\$ 66.98	\$ 18.02	\$ (34.00)
Limited partners' cash distributions per limited partnership interest	\$ 21.19	\$ 28.51	\$ 65.37	\$ 18.04	\$ 17.30
As of period ended:					
Total assets	\$1,083,781	\$1,022,403	\$1,023,864	\$1,014,263	\$1,011,034

1685

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

PIONEER NATURAL RESOURCES COMPANY  
PIONEER NATURAL RESOURCES USA, INC.  
5205 NORTH O'CONNOR BLVD., SUITE 1400  
IRVING, TEXAS 75039

SUPPLEMENTAL INFORMATION

OF

PARKER & PARSLEY 90-C, L.P., A DELAWARE LIMITED PARTNERSHIP

TO

PROXY STATEMENT/PROSPECTUS DATED \_\_\_\_\_, 2001

-----

THE DATE OF THIS SUPPLEMENT IS \_\_\_\_\_, 2001

-----

This document contains important information specific to Parker & Parsley 90-C, L.P., and supplements the proxy statement/prospectus dated \_\_\_\_\_, 2001, of Pioneer Natural Resources Company and Pioneer Natural Resources USA, Inc., by which Pioneer USA is soliciting proxies to be voted at a special meeting of limited partners of the partnership. The purpose of the special meeting is for you to vote upon the merger of the partnership with and into Pioneer USA that, if completed, will result in your receiving common stock of Pioneer Natural Resources Company for your partnership interests.

This document contains the following information concerning Parker & Parsley 90-C, L.P.:

- o A table containing:
  - the aggregate initial investment by the limited partners
  - the aggregate historical limited partner distributions through July 31, 2001
  - the merger value attributable to partnership interests of limited partners, excluding Pioneer USA
  - the merger value per \$1,000 limited partner investment
  - the merger value per \$1,000 limited partner investment as a multiple of distributions for the past four quarterly distributions including the distribution in July 2001
  - the book value per \$1,000 limited partner investment as of June 30, 2001 and as of December 31, 2000
  - the going concern value per \$1,000 limited partner investment
  - the liquidation value per \$1,000 limited partner investment
  - the ordinary tax loss per \$1,000 limited partner investment in year of initial investment

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

- o Information about:
  - the legal opinion for the limited partners
  - the term of the partnership
  
- o The partnership's quarterly report on Form 10-Q, including management's discussion and analysis of financial condition and results of operations, for the six months ended June 30, 2001
  
- o The partnership's annual report on Form 10-K, including management's discussion and analysis of financial condition and results of operations, for the year ended December 31, 2000
  
- o Selected historical financial data for the partnership for the six months ended June 30, 2001 and 2000 and the five years ended December 31, 2000

-1-

1686

PARKER & PARSLEY 90-C, L.P.

### SUPPLEMENTAL INFORMATION TABLE

Aggregate Initial Investment by the Limited Partners(a)

Aggregate Historical Limited Partner Distributions through July 31, 2001(a)

Merger Value Attributable to Partnership Interests of Limited Partners, Excluding Pioneer USA(a),

Merger Value per \$1,000 Limited Partner Investment(b), (c)

Merger Value per \$1,000 Limited Partner Investment as a Multiple of Distributions for the past four quarterly distributions including the distribution in July 2001(b), (c)

Book Value per \$1,000 Limited Partner Investment:

-- as of June 30, 2001(c)

-- as of December 31, 2000(c)

Going Concern Value per \$1,000 Limited Partner Investment(c), (d)

Liquidation Value per \$1,000 Limited Partner Investment(c), (e)

Ordinary Tax Loss per \$1,000 Limited Partner Investment in Year of Initial Investment(c), (f)

-----

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

- (a) Stated in thousands.
- (b) The merger value for the partnership is equal to the sum of the present value of estimated future net revenues from the partnership's estimated oil and gas reserves and its net working capital, in each case as of March 31, 2001, less its pro rata share, based on its reserve value, of the estimated expenses and fees of the mergers of all of the partnerships and less the cash distribution on July 13, 2001, by the partnership to its partners.
- (c) Interests in some partnerships were sold in units at prices other than \$1,000. We have presented this information based on a \$1,000 initial investment for ease of use and comparison among partnerships. You should not assume that the amount shown per \$1,000 investment is the same as the value or amount attributable to a single unit investment.
- (d) The going concern value for the partnership is based upon: (1) the sum of (A) the estimated net cash flow from the sale of the partnership's reserves during a 10-year operating period and (B) the estimated residual value from the sale of the partnership's remaining reserves at the end of the operating period, in each case using the same pricing and discount rate as in the merger value calculation, less (2) (A) partnership level general and administrative expenses, and (B) the cash distribution on July 13, 2001 by the partnership to its partners.
- (e) The liquidation value for the partnership is based upon the sale of the partnership's reserves at the reserve value, less (1) liquidation expenses which are estimated to be the sum of (A) the partnership's pro rata share of the merger expenses and fees described in footnote (b) above and (B) 3% of the partnership's reserve value, and (2) the cash distribution on July 13, 2001 by the partnership to its partners. The liquidation expenses represent estimated costs to retain an investment banker or broker to sell the assets of the partnership and the legal and other closing costs associated with such transaction, including the wind-down costs of the partnership.
- (f) Your ability to use your distributive share of the partnership's loss to offset your other income may have been subject to certain limitations at your level as a partner, and you may therefore wish to consult your tax advisor to determine the additional value, if any, actually realized by you in your particular circumstances.

### INFORMATION ABOUT THE LEGAL OPINION FOR THE LIMITED PARTNERS

The partnership agreement for the partnership requires that special legal counsel render an opinion on behalf of the limited partners to Pioneer USA that neither the grant nor the exercise of the right to approve the merger of the partnership by its limited partners will adversely affect the federal income tax classification of the partnership or any of its limited partners. Although not required by the partnership agreement, the opinion will also state that neither the grant nor exercise of such right will result in the loss of any limited partner's limited liability. In addition, the counsel designated to render the opinion is not required to be counsel other than counsel to Pioneer USA or the partnership. Both the designated counsel and the legal opinion must be approved by the limited partners. Pioneer USA has retained \_\_\_\_\_ of Dallas, Texas for the purpose of rendering this legal opinion on behalf of the limited partners to Pioneer USA. The merger proposals include an approval of that counsel and the form of its opinion. A copy of the opinion is attached as an exhibit to the merger proposals.



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

INFORMATION ABOUT THE TERM OF THE PARTNERSHIP

The term of the partnership is until December 31, 2039, unless the partnership is earlier terminated in accordance with the applicable provisions of its partnership agreement.

-2-

1687

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, 2001

Commission File No. 33-26097-09

PARKER & PARSLEY 90-C, L.P.  
(Exact name of Registrant as specified in its charter)

Delaware

75-2347262

-----  
(State or other jurisdiction of  
incorporation or organization)

-----  
(I.R.S. Employer  
Identification Number)

5205 N. O'Connor Blvd., Suite 1400, Irving, Texas

75039

-----  
(Address of principal executive offices)

-----  
(Zip code)

Registrant's Telephone Number, including area code : (972) 444-9001

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 / x / No / /

1688

1633

PARKER & PARSLEY 90-C, L.P.

TABLE OF CONTENTS

	Page
Part I. Financial Information	
Item 1. Financial Statements	
Balance Sheets as of June 30, 2001 and December 31, 2000.....	3
Statements of Operations for the three and six months ended June 30, 2001 and 2000.....	4
Statement of Partners' Capital for the six months ended June 30, 2001.....	5
Statements of Cash Flows for the six months ended June 30, 2001 and 2000.....	6
Notes to Financial Statements.....	7
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.....	7
Part II. Other Information	
Item 6. Exhibits and Reports on Form 8-K.....	11
Signatures.....	12

PARKER & PARSLEY 90-C, L.P.  
(A Delaware Limited Partnership)

Part I. Financial Information

Item 1. Financial Statements

BALANCE SHEETS

	June 30, 2001	December 31, 2000
	-----	-----
	(Unaudited)	
ASSETS		
Current assets:		

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Cash	\$ 346,965	\$ 162,620
Accounts receivable - oil and gas sales	143,592	191,950
	-----	-----
Total current assets	490,557	354,570
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	9,327,018	9,321,783
Accumulated depletion	(8,084,866)	(8,040,111)
	-----	-----
Net oil and gas properties	1,242,152	1,281,672
	-----	-----
	\$ 1,732,709	\$ 1,636,242
	=====	=====
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable - affiliate	\$ 37,845	\$ 22,567
Partners' capital:		
Managing general partner	16,899	16,087
Limited partners (12,107 interests)	1,677,965	1,597,588
	-----	-----
	1,694,864	1,613,675
	-----	-----
	\$ 1,732,709	\$ 1,636,242
	=====	=====

The financial information included as of June 30, 2001 has been prepared by the managing general partner without audit by independent public accountants.

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

PARKER & PARSLEY 90-C, L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF OPERATIONS  
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2001	2000	2001	2000
	-----	-----	-----	-----
Revenues:				
Oil and gas	\$ 342,737	\$ 355,412	\$ 713,977	\$ 666,799
Interest	2,505	3,011	5,313	5,335
	-----	-----	-----	-----
	345,242	358,423	719,290	672,134
	-----	-----	-----	-----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Costs and expenses:				
Oil and gas production	156,985	124,494	310,730	259,060
General and administrative	10,457	11,499	23,553	21,038
Depletion	23,106	20,219	44,755	42,327
	-----	-----	-----	-----
	190,548	156,212	379,038	322,425
	-----	-----	-----	-----
Net income	\$ 154,694	\$ 202,211	\$ 340,252	\$ 349,709
	=====	=====	=====	=====
Allocation of net income:				
Managing general partner	\$ 1,547	\$ 2,022	\$ 3,403	\$ 3,497
	=====	=====	=====	=====
Limited partners	\$ 153,147	\$ 200,189	\$ 336,849	\$ 346,212
	=====	=====	=====	=====
Net income per limited partnership interest	\$ 12.65	\$ 16.54	\$ 27.82	\$ 28.60
	=====	=====	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

4

1691

PARKER & PARSLEY 90-C, L.P.  
(A Delaware Limited Partnership)

STATEMENT OF PARTNERS' CAPITAL  
(Unaudited)

	Managing general partner	Limited partners	Total
	-----	-----	-----
Balance at January 1, 2001	\$ 16,087	\$1,597,588	\$1,613,675
Distributions	(2,591)	(256,472)	(259,063)
Net income	3,403	336,849	340,252
	-----	-----	-----
Balance at June 30, 2001	\$ 16,899	\$1,677,965	\$1,694,864
	=====	=====	=====

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

5

1692

PARKER & PARSLEY 90-C, L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF CASH FLOWS  
(Unaudited)

	Six months ended June 30,	
	2001	2000
Cash flows from operating activities:		
Net income	\$ 340,252	\$ 349,709
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion	44,755	42,327
Changes in assets and liabilities:		
Accounts receivable	48,358	(21,390)
Accounts payable	15,278	11,754
Net cash provided by operating activities	448,643	382,400
Cash flows used in investing activities:		
Additions to oil and gas properties	(5,235)	(24,668)
Cash flows used in financing activities:		
Cash distributions to partners	(259,063)	(348,687)
Net increase in cash	184,345	9,045
Cash at beginning of period	162,620	164,100
Cash at end of period	\$ 346,965	\$ 173,145

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

6

1693

# Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

PARKER & PARSLEY 90-C, L.P.  
(A Delaware Limited Partnership)

NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Unaudited)

## Note 1. Organization and nature of operations

Parker & Parsley 90-C, L.P. (the "Partnership") is a limited partnership organized in 1990 under the laws of the State of Delaware.

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

## Note 2. Basis of presentation

In the opinion of management, the unaudited financial statements of the Partnership as of June 30, 2001 and for the three and six months ended June 30, 2001 and 2000 include all adjustments and accruals consisting only of normal recurring accrual adjustments which are necessary for a fair presentation of the results for the interim period. These interim results are not necessarily indicative of results for a full year. Certain reclassifications may have been made to the June 30, 2000 financial statements to conform to the June 30, 2001 financial statement presentations.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in this Form 10-Q pursuant to the rules and regulations of the Securities and Exchange Commission. The financial statements should be read in conjunction with the financial statements and the notes thereto contained in the Partnership's Report on Form 10-K for the year ended December 31, 2000, as filed with the Securities and Exchange Commission, a copy of which is available upon request by writing to Rich Dealy, Vice President and Chief Accounting Officer, 5205 North O'Connor Boulevard, Suite 1400, Irving, Texas 75039-3746.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (1)

### Results of Operations

Six months ended June 30, 2001 compared with six months ended June 30, 2000

#### Revenues:

The Partnership's oil and gas revenues increased 7% to \$713,977 for the six months ended June 30, 2001 as compared to \$666,799 for the same period in 2000. The increase in revenues resulted from higher average prices received, offset by a decline in production. For the six months ended June 30, 2001, 18,497 barrels

of oil, 3,982 barrels of natural gas liquids ("NGLs") and 28,625 mcf of gas were sold, or 27,250 barrel of oil equivalents ("BOEs"). For the six months ended

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

June 30, 2000, 19,227 barrels of oil, 7,105 barrels of NGLs and 22,664 mcf of gas were sold, or 30,109 BOEs.

The average price received per barrel of oil increased slightly from \$27.46 for the six months ended June 30, 2000 to \$27.55 for the same period in 2001. The average price received per barrel of NGLs increased \$3.24, or 25%, from \$12.80 during the six months ended June 30, 2000 to \$16.04 for the same period in 2001. The average price received per mcf of gas increased 133% from \$2.11 during the six months ended June 30, 2000 to \$4.91 for the same period in 2001. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received during the six months ended June 30, 2001.

### Costs and Expenses:

Total costs and expenses increased to \$379,038 for the six months ended June 30, 2001 as compared to \$322,425 for the same period in 2000, an increase of \$56,613, or 18%. This increase was due to increases in production costs, general and administrative expenses ("G&A") and depletion.

Production costs were \$310,730 for the six months ended June 30, 2001 and \$259,060 for the same period in 2000, resulting in a \$51,670 increase, or 20%. This increase was primarily due to additional well maintenance and workover costs incurred to stimulate well production and higher production taxes associated with higher oil and gas prices.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 12% from \$21,038 for the six months ended June 30, 2000 to \$23,553 for the same period in 2001, primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues and an increase in audit and tax fees.

Depletion was \$44,755 for the six months ended June 30, 2001 as compared to \$42,327 for the same period in 2000, an increase of \$2,428, or 6%. This increase was the result of a reduction in proved reserves during the period ended June 30, 2001 due to lower commodity prices, offset by a decline in oil production of 730 barrels for the six months ended June 30, 2001 compared to the same period in 2000.

Three months ended June 30, 2001 compared with three months ended June 30, 2000

### Revenues:

The Partnership's oil and gas revenues decreased 4% to \$342,737 for the three months ended June 30, 2001 as compared to \$355,412 for the same period in 2000. The decrease in revenues resulted from a decline in production and lower average prices received for oil, offset by higher average prices received for gas and NGLs. For the three months ended June 30, 2001, 9,158 barrels of oil, 2,603 barrels of NGLs and 15,519 mcf of gas were sold, or 14,348 BOEs. For the three

months ended June 30, 2000, 9,904 barrels of oil, 3,979 barrels of NGLs and 12,323 mcf of gas were sold, or 15,937 BOEs.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The average price received per barrel of oil decreased \$.75, or 3%, from \$27.75 for the three months ended June 30, 2000 to \$27.00 for the same period in 2001. The average price received per barrel of NGLs increased \$1.82, or 14%, from \$12.68 during the three months ended June 30, 2000 to \$14.50 for the same period in 2001. The average price received per mcf of gas increased 52% from \$2.44 during the three months ended June 30, 2000 to \$3.72 for the same period in 2001.

### Costs and Expenses:

Total costs and expenses increased to \$190,548 for the three months ended June 30, 2001 as compared to \$156,212 for the same period in 2000, an increase of \$34,336, or 22%. This increase was due to increases in production costs and depletion, offset by a decrease in G&A.

Production costs were \$156,985 for the three months ended June 30, 2001 and \$124,494 for the same period in 2000, resulting in a \$32,491 increase, or 26%. The increase was primarily due to additional well maintenance and workover costs incurred to stimulate well production.

During this period, G&A decreased 9% from \$11,499 for the three months ended June 30, 2000 to \$10,457 for the same period in 2001, primarily due to a lower percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of a decline in oil and gas revenues and a decrease in audit and tax fees.

Depletion was \$23,106 for the three months ended June 30, 2001 as compared to \$20,219 for the same period in 2000, an increase of \$2,887, or 14%. This increase was the result of a reduction in proved reserves during the period ended June 30, 2001 due to lower commodity prices, offset by a decline in oil production of 746 barrels for the three months ended June 30, 2001 compared to the same period in 2000.

### Liquidity and Capital Resources

#### Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$66,243 during the six months ended June 30, 2001 from the same period ended June 30, 2000. This increase was due to a reduction in working capital of \$73,272 and an increase of \$47,156 in oil and gas sales receipts, offset by increases in production costs of \$51,670 and G&A expenses of \$2,515. The increase in oil and gas receipts resulted from the increase in commodity prices during 2001 which contributed an additional \$88,093 to oil and gas receipts, offset by \$40,937 resulting from the decline in production during 2001 as compared to the same period in 2000. The increase in production costs was primarily due to additional well maintenance and workover costs incurred to stimulate well production and higher production taxes associated with higher oil and gas prices. The increase in G&A was primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues and an increase in audit and tax fees.

#### Net Cash Used in Investing Activities

The Partnership's principal investing activities during the six months ended



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

June 30, 2001 and 2000 were related to expenditures for upgrades of oil and gas equipment on active properties.

### Net Cash Used in Financing Activities

For the six months ended June 30, 2001, cash distributions to the partners were \$259,063, of which \$2,591 was distributed to the managing general partner and \$256,472 to the limited partners. For the same period ended June 30, 2000, cash distributions to the partners were \$348,687, of which \$3,487 was distributed to the managing general partner and \$345,200 to the limited partners.

For the three months ended June 30, 2001, no distributions were made by the partnership to its partners. Subsequent to June 30, 2001 the cash distribution that otherwise would have been mailed to partners in late June was made to holders of record as of July 9, 2001 and was mailed on July 13, 2001. For further information, see "Proposal to acquire partnerships" below.

### Proposal to acquire partnerships

On June 29, 2001, Pioneer Natural Resources Company ("Pioneer") filed with the Securities and Exchange Commission Amendment No. 1 to the Form S-4 Registration Statement (File No. 333-59094) (the "preliminary proxy statement/prospectus"), which proposes an agreement and plan of merger among Pioneer, Pioneer Natural Resources USA, Inc. ("Pioneer USA"), a wholly-owned subsidiary of Pioneer, and 46 Parker & Parsley limited partnerships. Each partnership that approves the agreement and plan of merger and the other related merger proposals will merge with and into Pioneer USA upon the closing of the transactions described in the preliminary proxy statement/prospectus, and the partnership interests of each such partnership will be converted into the right to receive Pioneer common stock. The Partnership is one of the 46 Parker & Parsley limited partnerships that will be asked to approve the agreement and plan of merger. The preliminary proxy statement/prospectus is non-binding and is subject to, among other things, consideration of offers from third parties to purchase any partnership or its assets and the majority approval of the limited partnership interests in each partnership.

Pioneer USA will solicit proxies from limited partners to approve the mergers only when the proxy statement/prospectus is final and declared effective. No solicitation will be made using preliminary materials. Nonetheless, copies of the preliminary proxy statement/prospectus may be obtained without charge upon request from Pioneer Natural Resources Company, 5205 North O'Connor Blvd., Suite 1400, Irving, Texas 75039, Attention: Investor Relations.

The limited partners are urged to read the proxy statement/prospectus of Pioneer filed with the Securities and Exchange Commission, when it is finalized, because it contains important information about the proposed mergers, including information about the direct and indirect interests of Pioneer USA and Pioneer in the mergers. The limited partners may also obtain the preliminary and (when filed) final proxy statement/prospectus and other relevant documents relating to the proposed mergers free through the internet web site that the Securities and Exchange Commission maintains at [www.sec.gov](http://www.sec.gov).

- 
- (1) "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" contains forward looking statements that involve risks and uncertainties. Accordingly, no assurances can be given that the actual events and results will not be materially different than the anticipated results described in the forward looking statements.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Part II. Other Information

Item 6. Exhibits and Reports on Form 8-K

- (a) Exhibits - none
- (b) Form 8-K - none

11

1698

PARKER & PARSLEY 90-C, L.P.  
(A Delaware Limited Partnership)

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 thereunto duly authorized.

PARKER & PARSLEY 90-C, L.P.

By: Pioneer Natural Resources USA, Inc.,  
Managing General Partner

Dated: August 7, 2001

By: /s/ Rich Dealy

-----  
Rich Dealy, Vice President and  
Chief Accounting Officer

12

1699

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

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d)  
of the Securities Exchange Act of 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000

COMMISSION FILE NO. 33-26097-09

PARKER & PARSLEY 90-C, L.P.  
(Exact name of Registrant as specified in its charter)

DELAWARE

75-2347262

1642

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

-----  
(State or other jurisdiction of  
incorporation or organization)

-----  
(I.R.S. Employer  
Identification Number)

-----  
1400 WILLIAMS SQUARE WEST, 5205 N. O'CONNOR BLVD., IRVING, TEXAS  
-----

-----  
75039  
-----

(Address of principal executive offices)

(Zip code)

Registrant's Telephone Number, including area code : (972) 444-9001

Securities registered pursuant to Section 12(b) of the Act: NONE

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

LIMITED PARTNERSHIP INTERESTS (\$1,000 PER UNIT)

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

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

No market currently exists for the limited partnership interests of the Registrant. Based on the original purchase price, the aggregate market value of limited partnership interests owned by non-affiliates of the Registrant is \$12,080,000.

As of March 8, 2001, the number of outstanding limited partnership interests was 12,107.

The following documents are incorporated by reference into the indicated parts of this Annual Report on Form 10-K: None  
Parts I and II of this annual report on Form 10-K (the "Report") contain forward looking statements that involve risks and uncertainties. Accordingly, no assurances can be given that the actual events and results will not be materially different than the anticipated results described in the forward looking statements. See "Item 1. Business" for a description of various factors that could materially affect the ability of the Partnership to achieve the anticipated results described in the forward looking statements.

1700

PART I

ITEM 1. BUSINESS

Parker & Parsley 90-C, L.P. (the "Partnership") is a limited partnership organized in 1990 under the laws of the State of Delaware. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA").

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Pioneer USA is a wholly-owned subsidiary of Pioneer Natural Resources Company ("Pioneer"). As of March 8, 2001, the Partnership had 12,107 limited partnership interests outstanding.

The Partnership does not have any employees of its own. Pioneer USA employs 701 persons, many of whom dedicated a part of their time to the conduct of the Partnership's business during the period for which this Report is filed. Pioneer USA is responsible for all management functions.

The Partnership engages in oil and gas development and production and is not involved in any industry segment other than oil and gas. The Partnership's production is geographically concentrated in West Texas.

The principal markets during 2000 for the oil produced by the Partnership were refineries and oil transmission companies that have facilities near the Partnership's oil producing properties. During 2000, Pioneer USA marketed the Partnership's gas to a variety of purchasers, none of which accounted for 10% or more of the Partnership's oil and gas revenues. Of the Partnership's total oil and gas revenues for 2000, approximately 64% was attributable to sales made to Plains Marketing, L.P. Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on its ability to sell its oil, natural gas liquids ("NGLs") and gas production.

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

Oil and gas production operations are subject to various types of regulations by local, state and federal agencies. The Partnership's operations are also subject to state conservation laws and regulations, including the establishment of maximum rates of production from wells and the regulation of spacing, plugging and abandonment of wells. Each state generally imposes a production or severance tax with respect to production and sale of oil and gas within their respective jurisdictions. Noncompliance with the laws and regulations may subject the Partnership to penalties, damages or other liabilities and compliance may increase the cost of the Partnership's operations.

The oil and gas business is also subject to environmental hazards such as oil spills, gas leaks and ruptures and discharges of toxic substances or gases that could expose the Partnership to substantial liability due to pollution and other environmental damages. Although the Partnership believes that

its business operations do not impair environmental quality and that its costs of complying with any applicable environmental regulations are not currently significant, the Partnership cannot predict what, if any, effect these environmental regulations may have on its current or future operations.

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

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

proved reserves.

No material part of the Partnership's business is seasonal and the Partnership conducts no foreign operations.

### ITEM 2. PROPERTIES

The Partnership's properties consist of leasehold interests in properties on which oil and gas are located. Such property interests are often subject to landowner royalties, overriding royalties and other oil and gas leasehold interests.

Fractional working interests in developmental oil and gas prospects located primarily in the Spraberry Trend Area of West Texas were acquired by the Partnership, resulting in the Partnership's participation in the drilling of 44 oil and gas wells. One well was sold and one well was plugged and abandoned due to uneconomical operations. At December 31, 2000, the Partnership had 42 producing oil and gas wells.

For information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities for the years then ended, see Note 7 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" below. Such reserves have been evaluated by Williamson Petroleum Consultants, Inc., an independent petroleum consultant.

### ITEM 3. LEGAL PROCEEDINGS

The Partnership from time to time is a party to various legal proceedings incidental to its business involving claims in oil and gas leases or interests, other claims for damages in amounts not in excess of 10% of its current assets and other matters, none of which Pioneer USA believes to be material to the Partnership.

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

There were no matters submitted to a vote of the partners during the fourth quarter of 2000.

3

1702

## PART II

### ITEM 5. MARKET FOR LIMITED PARTNERSHIP INTERESTS AND LIMITED PARTNERSHIP DISTRIBUTIONS

At March 8, 2001, the Partnership had 12,107 outstanding limited partnership interests held of record by 901 subscribers. There is no established public trading market for the limited partnership interests. Under the limited partnership agreement, Pioneer USA has made certain commitments to purchase partnership interests at a computed value.

Revenues which, in the sole judgement of the managing general partner, are not required to meet the Partnership's obligations are distributed to the partners at least quarterly in accordance with the limited partnership agreement. During the years ended December 31, 2000 and 1999, \$791,434 and \$218,354, respectively,

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

of such revenue-related distributions were made to the limited partners.

### ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth selected financial data for the years ended December 31:

	2000	1999	1998	1997	1996
	-----	-----	-----	-----	-----
Operating results:					
-----					
Oil and gas sales	\$1,474,499	\$ 864,722	\$ 692,090	\$1,063,396	\$ 1,346,
	=====	=====	=====	=====	=====
Impairment of oil and gas properties	\$ --	\$ --	\$ 298,622	\$ 127,213	\$
	=====	=====	=====	=====	=====
Net income (loss)	\$ 818,778	\$ 220,855	\$ (416,064)	\$ 168,261	\$ 577,
	=====	=====	=====	=====	=====
Allocation of net income (loss):					
Managing general partner	\$ 8,188	\$ 2,209	\$ (4,161)	\$ 1,683	\$ 5,
	=====	=====	=====	=====	=====
Limited partners	\$ 810,590	\$ 218,646	\$ (411,903)	\$ 166,578	\$ 572,
	=====	=====	=====	=====	=====
Limited partners' net income (loss) per limited partnership interest	\$ 66.95	\$ 18.06	\$ (34.02)	\$ 13.76	\$ 47
	=====	=====	=====	=====	=====
Limited partners' cash distributions per limited partnership interest	\$ 65.37	\$ 18.04	\$ 17.30	\$ 47.53	\$ 51
	=====	=====	=====	=====	=====
At year end:					
-----					
Identifiable assets	\$1,636,242	\$1,621,156	\$1,617,114	\$2,261,689	\$ 2,664,
	=====	=====	=====	=====	=====

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

#### Results of Operations

2000 compared to 1999

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The Partnership's oil and gas revenues increased 71% to \$1,474,499 for 2000 as compared to \$864,722 in 1999. The increase in revenues resulted from higher average prices received and an increase in production. In 2000, 37,944 barrels of oil, 14,742 barrels of natural gas liquids ("NGLs") and 48,907 mcf of gas were sold, or 60,837 barrel of oil equivalents ("BOEs"). In 1999, 37,886 barrels of oil, 14,547 barrels of NGLs and 47,265 mcf of gas were sold, or 60,311 BOEs. Due to the decline characteristics of the Partnership's oil and gas properties, management expects a certain amount of decline in production in the future until the Partnership's economically recoverable reserves are fully depleted.

The average price received per barrel of oil increased \$12.21, or 71%, from \$17.13 in 1999 to \$29.34 in 2000. The average price received per barrel of NGLs increased \$5.60, or 60%, from \$9.31 in 1999 to \$14.91 in 2000. The average price received per mcf of gas increased 70% from \$1.70 in 1999 to \$2.89 in 2000. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received in 2000.

Gains on disposition of assets of \$624 and \$167 recognized during 2000 and 1999, respectively, were due to equipment credits received on a fully depleted well in each year.

Total costs and expenses increased in 2000 to \$669,449 as compared to \$650,544 in 1999, an increase of \$18,905, or 3%. This increase was due to increases in production costs and general and administrative expenses ("G&A"), offset by a decline in depletion.

Production costs were \$537,048 in 2000 and \$477,835 in 1999, resulting in an increase of \$59,213, or 12%. The increase was primarily due to higher production taxes associated with higher oil and gas prices and additional well maintenance costs incurred to stimulate well production

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period G&A increased 47% from \$33,223 in 1999 to \$48,801 in 2000 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$44,112 in 2000 and \$25,818 in 1999 for G&A incurred on behalf of the Partnership. The remaining G&A was paid directly by the Partnership. The managing general partner determines the allocated expenses based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Depletion was \$83,600 in 2000 compared to \$139,486 in 1999, representing a decrease of \$55,886, or 40%. This decrease was primarily due to a 50,718 barrels of oil increase in proved reserves during 2000 as a result of higher commodity prices.

1999 compared to 1998

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The Partnership's 1999 oil and gas revenues increased 25% to \$864,722 from \$692,090 in 1998. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 1999, 37,886 barrels of oil, 14,547 barrels of NGLs and 47,265 mcf of gas were sold, or 60,311 BOEs. In 1998, 39,380 barrels of oil, 13,978 barrels of NGLs and 48,787 mcf of gas were sold, or 61,489 BOEs.

The average price received per barrel of oil increased \$3.89, or 29%, from \$13.24 in 1998 to \$17.13 in 1999. The average price received per barrel of NGLs increased \$2.51, or 37%, from \$6.80 in 1998 to \$9.31 in 1999. The average price received per mcf of gas increased 10% from \$1.55 in 1998 to \$1.70 in 1999.

Total costs and expenses decreased in 1999 to \$650,544 as compared to \$1,115,454 in 1998, a decrease of \$464,910, or 42%. This decrease was due to declines in the impairment of oil and gas properties, depletion and production costs, offset by an increase in G&A.

Production costs were \$477,835 in 1999 and \$505,571 in 1998, resulting in a \$27,736 decrease, or 5%. The decrease was due to declines in well maintenance costs and ad valorem taxes, offset by an increase in production taxes

During this period G&A increased 37% from \$24,190 in 1998 to \$33,223 in 1999 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$25,818 in 1999 and \$20,639 in 1998 for G&A incurred on behalf of the Partnership.

In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the managing general partner reviews the Partnership's oil and gas properties for impairment whenever events or circumstances indicate a decline in the recoverability of the carrying value of the Partnership's assets may have occurred. As a result of the review and evaluation of its long-lived assets for impairment, the Partnership recognized a non-cash charge of \$298,622 related to its oil and gas properties during 1998.

Depletion was \$139,486 in 1999 compared to \$287,071 in 1998. This represented a decrease of \$147,585, or 51%. This decrease was primarily the result of an increase in proved reserves of 332,733 barrels of oil during 1999 as a result of higher commodity prices and a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 1998.

### Petroleum industry

The petroleum industry has been characterized by volatile oil, NGL and natural gas commodity prices and relatively stable supplier costs during the three years ended December 31, 2000. During 1998,

weather patterns, regional economic recessions and political matters combined to cause worldwide oil supplies to exceed demand resulting in a substantial decline in oil prices. Also during 1998, but to a lesser extent, market prices for natural gas declined. During 1999 and 2000, the Organization of Petroleum Exporting Countries ("OPEC") and certain other crude oil exporting nations announced reductions in their planned export volumes. Those announcements, together with the enactment of the announced reductions in export volumes, had a



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

positive impact on world oil prices, as have overall natural gas supply and demand fundamentals on North American natural gas prices. Although the favorable commodity price environment and stable field service cost environment is expected to continue during 2001, there is no assurance that commodity prices will not return to a less favorable level or that field service costs will not escalate in the future, both of which could negatively impact the Partnership's future results of operations and cash distributions.

Liquidity and capital resources

Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$532,008 during the year ended December 31, 2000 from 1999. This increase was due to an increase in oil and gas sales receipts of \$616,371, offset by increases in production costs paid of \$59,213, G&A expenses paid of \$15,578 and working capital of \$9,572. The increase in oil and gas receipts resulted from the increase in commodity prices during 2000 which contributed an additional \$607,017 to oil and gas receipts and an increase of \$9,354 resulting from the increase in production during 2000. The increase in production costs was primarily due to increased production taxes associated with higher oil and gas prices and well maintenance costs incurred to stimulate well production. The increase in G&A was primarily due to higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues.

Net Cash Used in Investing Activities

The Partnership's investing activities during 2000 and 1999 included expenditures related to equipment upgrades on active oil and gas properties.

Proceeds from disposition of assets of \$624 and \$167 recognized during 2000 and 1999, respectively, were related to equipment credits received on a fully depleted well in each year.

Net Cash Used in Financing Activities

In 2000, cash distributions to the partners were \$799,428, of which \$7,994 was distributed to the managing general partner and \$791,434 to the limited partners. In 1999, cash distributions to the partners were \$220,560, of which \$2,206 was distributed to the managing general partner and \$218,354 to the limited partners.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO FINANCIAL STATEMENTS

	Page
	----
Financial Statements of Parker & Parsley 90-C, L.P.:	
Independent Auditors' Report.....	9
Balance Sheets as of December 31, 2000 and 1999.....	10
Statements of Operations for the Years Ended December 31,	

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

2000, 1999 and 1998.....	11
Statements of Partners' Capital for the Years Ended December 31, 2000, 1999 and 1998.....	12
Statements of Cash Flows for the Years Ended December 31, 2000, 1999 and 1998.....	13
Notes to Financial Statements.....	14

INDEPENDENT AUDITORS' REPORT

The Partners  
Parker & Parsley 90-C, L.P.  
(A Delaware Limited Partnership):

We have audited the balance sheets of Parker & Parsley 90-C, L.P. as of December 31, 2000 and 1999, and the related statements of operations, partners' capital and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parker & Parsley 90-C, L.P. as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Dallas, Texas  
March 9, 2001

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

PARKER & PARSLEY 90-C, L.P.  
(A Delaware Limited Partnership)

BALANCE SHEETS  
December 31

	2000	1999
	-----	-----
ASSETS		
-----		
Current assets:		
Cash	\$ 162,620	\$ 164,100
Accounts receivable - oil and gas sales	191,950	128,379
	-----	-----
Total current assets	354,570	292,479
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	9,321,783	9,285,188
Accumulated depletion	(8,040,111)	(7,956,511)
	-----	-----
Net oil and gas properties	1,281,672	1,328,677
	-----	-----
	\$ 1,636,242	\$ 1,621,156
	=====	=====
LIABILITIES AND PARTNERS' CAPITAL		
-----		
Current liabilities:		
Accounts payable - affiliate	\$ 22,567	\$ 26,831
Partners' capital:		
Managing general partner	16,087	15,893
Limited partners (12,107 interests)	1,597,588	1,578,432
	-----	-----
	1,613,675	1,594,325
	\$ 1,636,242	\$ 1,621,156
	=====	=====

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

10

1709

PARKER & PARSLEY 90-C, L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF OPERATIONS  
For the years ended December 31

	2000	1999	1998
	-----	-----	-----
Revenues:			
Oil and gas	\$ 1,474,499	\$ 864,722	\$ 692,090
Interest	13,104	6,510	7,300
Gain on disposition of assets	624	167	--
	-----	-----	-----
	1,488,227	871,399	699,390
	-----	-----	-----
Costs and expenses:			
Oil and gas production	537,048	477,835	505,571
General and administrative	48,801	33,223	24,190
Impairment of oil and gas properties	--	--	298,622
Depletion	83,600	139,486	287,071
	-----	-----	-----
	669,449	650,544	1,115,454
	-----	-----	-----
Net income (loss)	\$ 818,778	\$ 220,855	\$ (416,064)
	=====	=====	=====
Allocation of net income (loss):			
Managing general partner	\$ 8,188	\$ 2,209	\$ (4,161)
	=====	=====	=====
Limited partners	\$ 810,590	\$ 218,646	\$ (411,903)
	=====	=====	=====
Net income (loss) per limited partnership interest	\$ 66.95	\$ 18.06	\$ (34.02)
	=====	=====	=====

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

11

1710

PARKER & PARSLEY 90-C, L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF PARTNERS' CAPITAL

	Managing general partner	Limited partners	Total
	-----	-----	-----
Partners' capital at January 1, 1998	\$ 22,166	\$2,199,485	\$2,221,651
Distributions	(2,115)	(209,442)	(211,557)
Net loss	(4,161)	(411,903)	(416,064)
	-----	-----	-----
Partners' capital at December 31, 1998	15,890	1,578,140	1,594,030
Distributions	(2,206)	(218,354)	(220,560)
Net income	2,209	218,646	220,855
	-----	-----	-----
Partners' capital at December 31, 1999	15,893	1,578,432	1,594,325
Distributions	(7,994)	(791,434)	(799,428)
Net income	8,188	810,590	818,778
	-----	-----	-----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Partners' capital at December 31, 2000	\$ 16,087 =====	\$1,597,588 =====	\$1,613,675 =====
--	--------------------	----------------------	----------------------

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

12

1711

PARKER & PARSLEY 90-C, L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF CASH FLOWS  
For the years ended December 31

	2000	1999	1998
	-----	-----	-----
Cash flows from operating activities:			
Net income (loss)	\$ 818,778	\$ 220,855	\$ (416,064)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Impairment of oil and gas properties	-	-	298,622
Depletion	83,600	139,486	287,071
Gain on disposition of assets	(624)	(167)	-
Changes in assets and liabilities:			
Accounts receivable	(63,571)	(62,010)	45,989
Accounts payable	(4,264)	3,747	(16,954)
	-----	-----	-----
Net cash provided by operating activities	833,919	301,911	198,664
	-----	-----	-----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Cash flows from investing activities:			
Additions to oil and gas properties	(36,595)	(16,900)	(21,456)
Proceeds from disposition of assets	624	167	-
	-----	-----	-----
Net cash used in investing activities	(35,971)	(16,733)	(21,456)
	-----	-----	-----
Cash flows used in financing activities:			
Cash distributions to partners	(799,428)	(220,560)	(211,557)
	-----	-----	-----
Net increase (decrease) in cash	(1,480)	64,618	(34,349)
Cash at beginning of year	164,100	99,482	133,831
	-----	-----	-----
Cash at end of year	\$ 162,620	\$ 164,100	\$ 99,482
	=====	=====	=====

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

13

1712

PARKER & PARSLEY 90-C, L.P.  
(A Delaware Limited Partnership)

NOTES TO FINANCIAL STATEMENTS  
December 31, 2000, 1999 and 1998

NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS

Parker & Parsley 90-C, L.P. (the "Partnership") is a limited partnership organized in 1990 under the laws of the State of Delaware. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA").

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

the preparation of the accompanying financial statements follows:

Oil and gas properties - The Partnership utilizes the successful efforts method of accounting for its oil and gas properties and equipment. Under this method, all costs associated with productive wells and nonproductive development wells are capitalized while nonproductive exploration costs are expensed. Capitalized costs relating to proved properties are depleted using the unit-of-production method on a property-by-property basis based on proved oil (dominant mineral) reserves as evaluated by independent petroleum consultants. The carrying amounts of properties sold or otherwise disposed of and the related allowances for depletion are eliminated from the accounts and any gain or loss is included in results of operations.

Impairment of long-lived assets - In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the Partnership reviews its long-lived assets to be held and used on an individual property basis, including oil and gas properties accounted for under the successful efforts method of accounting, whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. An impairment loss is indicated if the sum of the expected future cash flows is less than the carrying amount of the assets. In this circumstance, the Partnership recognizes an impairment loss for the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset.

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

Net income (loss) per limited partnership interest - The net income (loss) per limited partnership interest is calculated by using the number of outstanding limited partnership interests.

Income taxes - A Federal income tax provision has not been included in the financial statements as the income (loss) of the Partnership is included in the individual Federal income tax returns of the respective partners.

14

1713

Statements of cash flows - For purposes of reporting cash flows, cash includes depository accounts held by banks.

General and administrative expenses - General and administrative expenses are allocated in part to the Partnership by the managing general partner. Allocated expenses are determined by the managing general partner based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Reclassifications - Certain reclassifications may have been made to the 1999 and 1998 financial statements to conform to the 2000 financial statement presentations.

Environmental - The Partnership is subject to extensive federal, state and



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

local environmental laws and regulations. These laws, which are constantly changing, regulate the discharge of materials into the environment and may require the Partnership to remove or mitigate the environmental effects of the disposal or release of petroleum or chemical substances at various sites. Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Liabilities for expenditures of a noncapital nature are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated. Such liabilities are generally undiscounted unless the timing of cash payments for the liability or component are fixed or reliably determinable. No such liabilities have been accrued as of December 31, 2000.

Revenue recognition - The Partnership uses the entitlements method of accounting for oil, natural gas liquids ("NGLs") and natural gas revenues.

### NOTE 3. IMPAIRMENT OF LONG-LIVED ASSETS

In accordance with SFAS 121, the Partnership reviews its proved oil and gas properties for impairment whenever events and circumstances indicate a decline in the recoverability of the carrying value of the Partnership's oil and gas properties. The Partnership has estimated the expected future cash flows of its oil and gas properties as of December 31, 2000, 1999 and 1998, based on proved reserves, and compared such estimated future cash flows to the respective carrying amount of the oil and gas properties to determine if the carrying amounts were likely to be recoverable. For those proved oil and gas properties for which the carrying amount exceeded the estimated future cash flows, an impairment was determined to exist; therefore, the Partnership adjusted the carrying amount of those oil and gas properties to their fair value as determined by discounting their expected future cash flows at a discount rate commensurate with the risks involved in the industry. As a result, the Partnership recognized a non-cash impairment provision of \$298,622 related to its proved oil and gas properties during 1998.

15

1714

### NOTE 4. INCOME TAXES

The financial statement basis of the Partnership's net assets and liabilities was \$81,171 less than the tax basis at December 31, 2000.

The following is a reconciliation of net income (loss) per statements of operations with the net income (loss) per Federal income tax returns for the years ended December 31:

	2000	1999	1998
	-----	-----	-----
Net income (loss) per statements of operations	\$ 818,778	\$ 220,855	\$(416,064)
Depletion and depreciation provisions for tax reporting purposes less than amounts for financial reporting purposes	64,630	123,267	81,152
Impairment of oil and gas properties for financial reporting purposes	--	--	298,622
Intangible development costs capitalized for financial reporting purposes and expensed for tax reporting purposes	(619)	--	--

1657

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Other, net	(1,775)	(4,424)	4,552
	-----	-----	-----
Net income (loss) per Federal income tax return	\$ 881,014	\$ 339,698	\$ (31,738)
	=====	=====	=====

NOTE 5. OIL AND GAS PRODUCING ACTIVITIES

The following is a summary of the costs incurred, whether capitalized or expensed, related to the Partnership's oil and gas producing activities for the years ended December 31:

	2000	1999	1998
	-----	-----	-----
Development costs	\$ 36,595	\$ 16,900	\$ 21,456
	=====	=====	=====

Capitalized oil and gas properties consist of the following:

	2000	
	-----	-----
Proved properties:		
Property acquisition costs	\$ 364,450	\$
Completed wells and equipment	8,957,333	8,
	-----	-----
Accumulated depletion	9,321,783	9,
	(8,040,111)	(7,
	-----	-----
Net oil and gas properties	\$ 1,281,672	\$ 1,
	=====	=====

NOTE 6. RELATED PARTY TRANSACTIONS

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

	2000	1999	
	-----	-----	-----
Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$ 210,287	\$ 203,686	\$
Reimbursement of general and administrative expenses	\$ 44,112	\$ 25,818	\$

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

16

1715

The Partnership participates in oil and gas activities through an income tax partnership (the "Program") pursuant to the Program agreement. Pioneer USA and P&P Employees 90-C Conv., L.P. ("EMPL") (the "Entities"), Parker & Parsley 90-C Conv., L.P. and the Partnership (the "Partnerships") are parties to the Program agreement. EMPL is a limited partnership organized for the benefit of certain employees of Pioneer USA. EMPL was merged with Pioneer USA on December 28, 2000.

The costs and revenues of the Program are allocated to Pioneer USA and the Partnerships as follows:

	Pioneer USA (1)	Partnerships (2)
	-----	-----
Revenues:		
Proceeds from disposition of depreciable and depletable properties:		
First three years	14.141414%	85.858586%
After first three years	19.191919%	80.808081%
All other revenues:		
First three years	14.141414%	85.858586%
After first three years	19.191919%	80.808081%
Costs and expenses:		
Lease acquisition costs, drilling and completion costs and all other costs	9.090909%	90.909091%
Operating costs, reporting and legal expenses and general and administrative expenses:		
First three years	14.141414%	85.858586%
After first three years	19.191919%	80.808081%

(1) Excludes Pioneer USA's 1% general partner ownership which is allocated at the Partnership level and 27 limited partner interests owned by Pioneer USA.

(2) The allocation between the Partnership and Parker & Parsley 90-C Conv., L.P. is 61.650881% and 38.349119%, respectively.

NOTE 7. OIL AND GAS INFORMATION (UNAUDITED)

The following table presents information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities during the years then ended. All of the Partnership's reserves are proved developed and located within the United States. The Partnership's reserves are based on an evaluation prepared by Williamson Petroleum Consultants, Inc., an independent petroleum consultant, using criteria established by the Securities and Exchange Commission.

	Oil and NGLs (bbls)	Gas (mcf)
	-----	-----
Net proved reserves at January 1, 1998	682,212	685,617

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Revisions	(327,935)	(275,264)
Production	(53,358)	(48,787)
	-----	-----
Net proved reserves at December 31, 1998	300,919	361,566
Revisions	472,259	575,173
Production	(52,433)	(47,265)
	-----	-----
Net proved reserves at December 31, 1999	720,745	889,474
Revisions	82,135	(88,650)
Production	(52,686)	(48,907)
	-----	-----
Net proved reserves at December 31, 2000	750,194	751,917
	=====	=====

17

1716

As of December 31, 2000, the estimated present value of future net revenues of proved reserves, calculated using December 31, 2000 prices of \$26.64 per barrel of oil, \$13.22 per barrel of NGLs and \$7.80 per mcf of gas, discounted at 10% was approximately \$5,217,000 and undiscounted was \$10,234,000.

Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves. The Partnership emphasizes that reserve estimates are inherently imprecise and, accordingly, the estimates are expected to change as future information becomes available.

Disclosures about Oil & Gas Producing Activities

Standardized Measure of Discounted Future Net Cash Flows

The standardized measure of discounted future net cash flows is computed by applying year-end prices of oil and gas (with consideration of price changes only to the extent provided by contractual arrangements) to the estimated future production of proved oil and gas reserves less estimated future expenditures (based on year-end costs) to be incurred in developing and producing the proved reserves, discounted using a rate of 10% per year to reflect the estimated timing of the future cash flows. A Federal income tax provision has not been calculated as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

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

For the years ended December 31,

-----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	2000 -----	1999 -----	1998 -----
	(in thousands)		
Oil and gas producing activities:			
Future cash inflows	\$ 22,838	\$ 17,942	\$ 3,279
Future production costs	(12,604)	(10,399)	(2,609)
	-----	-----	-----
10% annual discount factor	10,234 (5,017)	7,543 (3,552)	670 (187)
	-----	-----	-----
Standardized measure of discounted future net cash flows	\$ 5,217	\$ 3,991	\$ 483
	=====	=====	=====

18

1717

	For the years ended December 31,		
	2000 -----	1999 -----	1998 -----
	(in thousands)		
Oil and Gas Producing Activities:			
Oil and gas sales, net of production costs	\$ (937)	\$ (387)	\$ (187)
Net changes in prices and production costs	1,497	1,742	(1,792)
Revisions of previous quantity estimates	417	3,560	(381)
Accretion of discount	399	48	268
Changes in production rates, timing and other	(150)	(1,455)	(105)
	-----	-----	-----
Change in present value of future net revenues	1,226	3,508	(2,197)
	-----	-----	-----
Balance, beginning of year	3,991	483	2,680
	-----	-----	-----
Balance, end of year	\$ 5,217	\$ 3,991	\$ 483
	=====	=====	=====

NOTE 8. MAJOR CUSTOMERS

The following table reflects the major customers of the Partnership's oil and gas sales (a major customer is defined as a customer whose sales exceed 10% of total sales) during the years ended December 31:

	2000 -----	1999 -----	1998 -----
Plains Marketing, L.P.	64%	62%	-
Genesis Crude Oil, L.P.	-	-	69%

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Western Gas Resources, Inc.

2%

3%

13%

At December 31, 2000, the amount receivable from Plains Marketing, L.P. was \$78,327 which is included in the caption "Accounts receivable - oil and gas sales" in the accompanying Balance Sheet.

Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on the ability of the Partnership to sell its oil, NGLs and gas production.

### NOTE 9. PARTNERSHIP AGREEMENT

The following is a brief summary of the more significant provisions of the limited partnership agreement:

Managing general partner - The managing general partner of the Partnership is Pioneer USA. Pioneer USA has the power and authority to manage, control and administer all Program and Partnership affairs. As managing general partner and operator of the Partnership's properties, all production expenses are incurred by Pioneer USA and billed to the Partnership. The majority of the Partnership's oil and gas revenues are received directly by the Partnership, however, a portion of the oil and gas revenue is initially received by Pioneer USA prior to being paid to the Partnership. Under the Partnership agreement, the managing general partner pays 1% of the Partnership's acquisition, drilling and completion costs and 1% of its operating and general and administrative expenses. In return, it is allocated 1% of the Partnership's revenues.

19

1718

Limited partner liability - The maximum amount of liability of any limited partner is the total contributions of such partner plus his share of any undistributed profits.

Initial capital contributions - The limited partners entered into subscription agreements for aggregate capital contributions of \$12,107,000. The managing general partner is required to contribute amounts equal to 1% of initial Partnership capital less commission and organization and offering costs allocated to the limited partners and to contribute amounts necessary to pay costs and expenses allocated to it under the Partnership agreement to the extent its share of revenues does not cover such costs.

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

None.

20

1719

## PART III

### ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE PARTNERSHIP

The Partnership does not have any officers or directors. Under the limited partnership agreement, the Partnership's managing general partner, Pioneer USA,

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

is granted the exclusive right and full authority to manage, control and administer the Partnership's business.

Set forth below are the names, ages and positions of the directors and executive officers of Pioneer USA. Directors of Pioneer USA are elected to serve until the next annual meeting of stockholders or until their successors are elected and qualified.

Name -----	Age at December 31, 2000 -----	Position -----
Scott D. Sheffield	48	President
Timothy L. Dove	44	Executive Vice President, Chief Financial Officer and Director
Dennis E. Fagerstone	51	Executive Vice President and Director
Mark L. Withrow	53	Executive Vice President, General Counsel and Director
Danny Kellum	46	Executive Vice President - Domestic Operations and Director
Rich Dealy	34	Vice President and Chief Accounting Officer

Scott D. Sheffield. Mr. Sheffield is a graduate of The University of Texas with a B.S. in Petroleum Engineering. Since August 1997, he has served as President, Chief Executive Officer and a director of Pioneer and President of Pioneer USA. Mr. Sheffield assumed the position of Chairman of the Board of Pioneer in August 1999. He served as a director of Pioneer USA from August 1997 until his resignation from the board in June 1999. Mr. Sheffield was the President and a director of Parker & Parsley Petroleum Company ("Parker & Parsley") from May 1990 until August 1997 and was the Chairman of the Board and Chief Executive Officer of Parker & Parsley from October 1990 until August 1997. He was the sole director of Parker & Parsley from May 1990 until October 1990. Mr. Sheffield joined Parker & Parsley Development Company ("PPDC"), a predecessor of Parker & Parsley, as a petroleum engineer in 1979. He served as Vice President - Engineering of PPDC from September 1981 until April 1985 when he was elected President and a director. In March 1989, Mr. Sheffield was elected Chairman of the Board and Chief Executive Officer of PPDC. Before joining PPDC's predecessor, Mr. Sheffield was employed as a production and reservoir engineer for Amoco Production Company.

Timothy L. Dove. Mr. Dove earned a B.S. in Mechanical Engineering from Massachusetts Institute of Technology in 1979 and received his M.B.A. in 1981 from the University of Chicago. He became Executive Vice President - Business Development of Pioneer and Pioneer USA in August 1997 and was also appointed a

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

director of Pioneer USA in August 1997. Mr. Dove assumed the position of Chief Financial Officer of Pioneer and Pioneer USA effective February 1, 2000. Mr. Dove joined Parker & Parsley in May 1994 as Vice President - International and was promoted to Senior Vice President - Business Development in October 1996, in which position he served until August 1997. Prior to joining Parker & Parsley, Mr. Dove was employed with Diamond Shamrock Corp., and its successor, Maxus Energy Corp, in various capacities in international exploration and production, marketing, refining and marketing and planning and development.

Dennis E. Fagerstone. Mr. Fagerstone, a graduate of the Colorado School of Mines with a B.S. in Petroleum Engineering, became an Executive Vice President of Pioneer and Pioneer USA in August 1997. He was also appointed a director of Pioneer USA in August 1997. He served as Executive Vice President and Chief Operating Officer of MESA Inc. ("Mesa") from March 1, 1997 until August 1997. From October 1996 to February 1997, Mr. Fagerstone served as Senior Vice President and Chief Operating Officer of Mesa and from May 1991 to October 1996, he served as Vice President - Exploration and Production of Mesa. From June 1988 to May 1991, Mr. Fagerstone served as Vice President - Operations of Mesa.

Mark L. Withrow. Mr. Withrow, a graduate of Abilene Christian University with a B. S. in Accounting and Texas Tech University with a Juris Doctorate degree, became Executive Vice President, General Counsel and Secretary of Pioneer and Pioneer USA in August 1997. He was also appointed a director of Pioneer USA in August 1997. Mr. Withrow was Vice President - General Counsel of Parker & Parsley from January 1991, when he joined Parker & Parsley, to January 1995, when he was appointed Senior Vice President - General Counsel. He was Parker & Parsley's Secretary from August 1992 until August 1997. Prior to joining Parker & Parsley, Mr. Withrow was the managing partner of the law firm of Turpin, Smith, Dyer, Saxe & MacDonald, Midland, Texas.

Danny Kellum. Mr. Kellum, who received a Bachelor of Science degree in Petroleum Engineering from Texas Tech University in 1979, was elected Executive Vice President - Domestic Operations of Pioneer and Pioneer USA on May 18, 2000 and Director of Pioneer USA on February 1, 2000. From January 2000 until May 2000, Mr. Kellum served as Vice President - Domestic Operations of Pioneer and Pioneer USA. Mr. Kellum served as Vice President Permian Division of Pioneer and Pioneer USA from April 1998 until December 1999. From 1989 until 1994 he served as Spraberry District Manager and as Vice President of the Spraberry and Permian Division for Parker & Parsley until August of 1997. Mr. Kellum joined Parker & Parsley as an operations engineer in 1981 after a brief career with Mobil Oil Corporation.

Rich Dealy. Mr. Dealy is a graduate of Eastern New Mexico University with a B.B.A. in Accounting and Finance and is a Certified Public Accountant. He became Vice President and Chief Accounting Officer of Pioneer and Pioneer USA in February 1998. Mr. Dealy served as Controller of Pioneer USA from August 1997 to February 1998. He served as Controller of Parker & Parsley from August 1995 to August 1997. Mr. Dealy joined Parker & Parsley as an Accounting Manager in July, 1992. He was previously employed with KPMG Peat Marwick as an Audit Senior, in charge of Parker & Parsley's audit.

### ITEM 11. EXECUTIVE COMPENSATION

The Partnership does not have any directors or officers. Management of the



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Partnership is performed by Pioneer USA, the managing general partner. The Partnership participates in oil and gas activities through an income tax partnership (the "Program") pursuant to the Program agreement. Under the Program agreement, Pioneer USA pays approximately 10% of the Program's acquisition, drilling and completion costs and approximately 15% during the first three years and approximately 20% after three years of its operating and general and administrative expenses. In return, they are allocated approximately 15% during the first three years and approximately 20% after three years of the Program's revenues.

The Partnership does not directly pay any salaries of the executive officers or employees of Pioneer USA, but does pay a portion of Pioneer USA's general and administrative expenses of which these salaries are a part.

See Notes 6 and 9 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" for information regarding fees and reimbursements paid to the managing general partner by the Partnership.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

(a) Beneficial owners of more than five percent

The Partnership is not aware of any person who beneficially owns 5% or more of the outstanding limited partnership interests of the Partnership. Pioneer USA owned 27 limited partner interests at January 1, 2001.

(b) Security ownership of management

The Partnership does not have any officers or directors. The managing general partner of the Partnership, Pioneer USA, has the exclusive right and full authority to manage, control and administer the Partnership's business. Under the limited partnership agreement, limited partners holding a majority of the outstanding limited partnership interests have the right to take certain actions, including the removal of the managing general partner or any other general partner. The Partnership is not aware of any current arrangement or activity which may lead to such removal. The Partnership is not aware of any officer or director of Pioneer USA who beneficially owns limited partnership interests in the Partnership.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Transactions with the managing general partner

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

1722

23

	2000	1999	1998
Payment of lease operating and supervision charges in accordance with standard	-----	-----	-----

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

industry operating agreements	\$ 210,287	\$ 203,686	\$199,461
Reimbursement of general and administrative expenses	\$ 44,112	\$ 25,818	\$ 20,639

Under the limited partnership agreement, the managing general partner pays 1% of the Partnership's acquisition, drilling and completion costs and 1% of its operating and general and administrative expenses. In return, it is allocated 1% of the Partnership's revenues. Also, see Notes 6 and 9 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data", regarding the Partnership's participation with the managing general partner in oil and gas activities of the Program.

24

1723

### PART IV

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

##### (a) 1. Financial statements

The following are filed as part of this Report:

Independent Auditors' Report

Balance sheets as of December 31, 2000 and 1999

Statements of operations for the years ended December 31, 2000, 1999 and 1998

Statements of partners' capital for the years ended December 31, 2000, 1999 and 1998

Statements of cash flows for the years ended December 31, 2000, 1999 and 1998

Notes to financial statements

##### 2. Financial statement schedules

All financial statement schedules have been omitted since the required information is in the financial statements or notes thereto, or is not applicable nor required.

##### (b) Reports on Form 8-K

None.

##### (c) Exhibits

The exhibits listed on the accompanying index to exhibits are filed or incorporated by reference as part of this Report.

25

1724



# Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

## INDEX TO EXHIBITS

The following documents are incorporated by reference in response to Item 14(c):

Exhibit No.	Description	Page
3 (a)	Form of Agreement of Limited Partnership of Parker & Parsley 90-C, L.P. incorporated by reference to Exhibit A of the Post-Effective Amendment No. 1 of the Partnership's Registration Statement on Form S-1 (Registration No. 33-26097)	-
4 (b)	Form of Limited Partner Subscription Agreement incorporated by reference to Exhibit C of the Post-Effective Amendment No. 1 of the Partnership's Registration Statement on Form S-1 (Registration No. 33-26097)	-
4 (b)	Form of General Partner Subscription Agreement incorporated by reference to Exhibit D of the Post-Effective Amendment No. 1 of the Partnership's Registration Statement on Form S-1 (Registration No. 33-26097)	-
4 (b)	Power of Attorney incorporated by reference to Exhibit B of Amendment No. 1 of the Partnership's Registration Statement on Form S-1 (Registration No. 33-26097)	-
4 (c)	Specimen Certificate of Limited Partnership Interest incorporated by reference to Exhibit 4c of the Partnership's Registration Statement on Form S-1 (Registration No. 33-26097)	-
10 (b)	Form of Development Drilling Program Agreement incorporated by reference to Exhibit B of the Post-Effective Amendment No. 1 of the Partnership's Registration Statement on Form S-1 (Registration No. 33-26097)	-

PARKER & PARSLEY 90-C, L.P.

### SELECTED FINANCIAL DATA

The following selected financial data for the Partnership should be read in

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

connection with Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements included in the attached supplemental information.

	Six months ended June 30,		Years ended December		
	2001	2000	2000	1999	1998
Operating results:					
Oil and gas sales	\$ 713,977	\$ 666,799	\$1,474,499	\$ 864,722	\$ 692,090
Impairment of oil and gas properties	\$ --	\$ --	\$ --	\$ --	\$ 298,622
Net income (loss)	\$ 340,252	\$ 349,709	\$ 818,778	\$ 220,855	\$ (416,064)
Allocation of net income (loss):					
Managing general partner	\$ 3,403	\$ 3,497	\$ 8,188	\$ 2,209	\$ (4,161)
Limited partners	\$ 336,849	\$ 346,212	\$ 810,590	\$ 218,646	\$ (411,903)
Limited partners' net income (loss) per limited partnership interest	\$ 27.82	\$ 28.60	\$ 66.95	\$ 18.06	\$ (34.02)
Limited partners' cash distributions per limited partnership interest	\$ 21.18	\$ 28.51	\$ 65.37	\$ 18.04	\$ 17.30
As of period ended:					
Total assets	\$1,732,709	\$1,633,932	\$1,636,242	\$1,621,156	\$1,617,114

1727

PIONEER NATURAL RESOURCES COMPANY  
PIONEER NATURAL RESOURCES USA, INC.  
5205 NORTH O'CONNOR BLVD., SUITE 1400  
IRVING, TEXAS 75039

SUPPLEMENTAL INFORMATION

# Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

OF

PARKER & PARSLEY PRIVATE INVESTMENT 90, L.P., A DELAWARE LIMITED PARTNERSHIP

TO

PROXY STATEMENT/PROSPECTUS DATED , 2001

-----

THE DATE OF THIS SUPPLEMENT IS , 2001

-----

This document contains important information specific to Parker & Parsley Private Investment 90, L.P., and supplements the proxy statement/prospectus dated , 2001, of Pioneer Natural Resources Company and Pioneer Natural Resources USA, Inc., by which Pioneer USA is soliciting proxies to be voted at a special meeting of limited partners of the partnership. The purpose of the special meeting is for you to vote upon the merger of the partnership with and into Pioneer USA that, if completed, will result in your receiving common stock of Pioneer Natural Resources Company for your partnership interests.

This document contains the following information concerning Parker & Parsley Private Investment 90, L.P.:

- o A table containing:
  - the aggregate initial investment by the limited partners
  - the aggregate historical limited partner distributions through July 31, 2001
  - the merger value attributable to partnership interests of limited partners, excluding Pioneer USA
  - the merger value per \$1,000 limited partner investment
  - the merger value per \$1,000 limited partner investment as a multiple of distributions for the past four quarterly distributions including the distribution in July 2001
  - the book value per \$1,000 limited partner investment as of June 30, 2001 and as of December 31, 2000
  - the going concern value per \$1,000 limited partner investment
  - the liquidation value per \$1,000 limited partner investment
  - the ordinary tax loss per \$1,000 limited partner investment in year of initial investment
- o Information about:
  - the legal opinion for the limited partners
  - the term of the partnership
- o The partnership's financial statements, including management's

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

discussion and analysis of financial condition and results of operations, for the six months ended June 30, 2001

- o The partnership's financial statements, including management's discussion and analysis of financial condition and results of operations, for the year ended December 31, 2000
  
- o Selected historical financial data for the partnership for the six months ended June 30, 2001 and 2000 and the five years ended December 31, 2000

-1-

1728

PARKER & PARSLEY PRIVATE INVESTMENT 90, L.P.

### SUPPLEMENTAL INFORMATION TABLE

Aggregate Initial Investment by the Limited Partners (a)	\$
Aggregate Historical Limited Partner Distributions through July 31, 2001 (a)	\$
Merger Value Attributable to Partnership Interests of Limited Partners, Excluding Pioneer USA(a), (b)	\$
Merger Value per \$1,000 Limited Partner Investment (b), (c)	\$
Merger Value per \$1,000 Limited Partner Investment as a Multiple of Distributions for the past four quarterly distributions including the distribution in July 2001(b), (c)	
Book Value per \$1,000 Limited Partner Investment:	
-- as of June 30, 2001(c)	\$
-- as of December 31, 2000(c)	\$
Going Concern Value per \$1,000 Limited Partner Investment (c), (d)	\$
Liquidation Value per \$1,000 Limited Partner Investment (c), (e)	\$
Ordinary Tax Loss per \$1,000 Limited Partner Investment in Year of Initial Investment (c), (f)	\$

-----

(a) Stated in thousands.

(b) The merger value for the partnership is equal to the sum of the present value of estimated future net revenues from the partnership's estimated oil and gas reserves and its net working capital, in each case as of March 31, 2001, less its pro rata share, based on its reserve value, of the estimated expenses and fees of the mergers of all of the partnerships and less the cash distribution on July 13, 2001, by the partnership to its partners.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

- (c) Interests in some partnerships were sold in units at prices other than \$1,000. We have presented this information based on a \$1,000 initial investment for ease of use and comparison among partnerships. You should not assume that the amount shown per \$1,000 investment is the same as the value or amount attributable to a single unit investment.
- (d) The going concern value for the partnership is based upon: (1) the sum of (A) the estimated net cash flow from the sale of the partnership's reserves during a 10-year operating period and (B) the estimated residual value from the sale of the partnership's remaining reserves at the end of the operating period, in each case using the same pricing and discount rate as in the merger value calculation, less (2) (A) partnership level general and administrative expenses, and (B) the cash distribution on July 13, 2001 by the partnership to its partners.
- (e) The liquidation value for the partnership is based upon the sale of the partnership's reserves at the reserve value, less (1) liquidation expenses which are estimated to be the sum of (A) the partnership's pro rata share of the merger expenses and fees described in footnote (b) above and (B) 3% of the partnership's reserve value, and (2) the cash distribution on July 13, 2001 by the partnership to its partners. The liquidation expenses represent estimated costs to retain an investment banker or broker to sell the assets of the partnership and the legal and other closing costs associated with such transaction, including the wind-down costs of the partnership.
- (f) Your ability to use your distributive share of the partnership's loss to offset your other income may have been subject to certain limitations at your level as a partner, and you may therefore wish to consult your tax advisor to determine the additional value, if any, actually realized by you in your particular circumstances.

### INFORMATION ABOUT THE LEGAL OPINION FOR THE LIMITED PARTNERS

The partnership agreement for the partnership requires that special legal counsel render an opinion on behalf of the limited partners to Pioneer USA that neither the grant nor the exercise of the right to approve the merger of the partnership by its limited partners will adversely affect the federal income tax classification of the partnership or any of its limited partners. Although not required by the partnership agreement, the opinion will also state that neither the grant nor exercise of such right will result in the loss of any limited partner's limited liability. In addition, the counsel designated to render the opinion is not required to be counsel other than counsel to Pioneer USA or the partnership. Both the designated counsel and the legal opinion must be approved by the limited partners. Pioneer USA has retained \_\_\_\_\_ of Dallas, Texas for the purpose of rendering this legal opinion on behalf of the limited partners to Pioneer USA. The merger proposals include an approval of that counsel and the form of its opinion. A copy of the opinion is attached as an exhibit to the merger proposals.

### INFORMATION ABOUT THE TERM OF THE PARTNERSHIP

The term of the partnership is until December 31, 2040, unless the partnership is earlier terminated in accordance with the applicable provisions of its partnership agreement.



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

PARKER & PARSLEY PRIVATE INVESTMENT 90, L.P.

(A Delaware Limited Partnership)

FINANCIAL STATEMENTS

June 30, 2001 and December 31, 2000

(Unaudited)

1730

PARKER & PARSLEY PRIVATE INVESTMENT 90, L.P.

(A Delaware Limited Partnership)

BALANCE SHEETS

	June 30, 2001 ----- (Unaudited)	December 31, 2000 -----
ASSETS		
Current assets:		
Cash	\$ 382,161	\$ 168,054
Accounts receivable - oil and gas sales	136,254	197,750
	-----	-----
Total current assets	518,415	365,804
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	8,474,146	8,464,366
Accumulated depletion	(7,141,170)	(7,073,249)
	-----	-----
Net oil and gas properties	1,332,976	1,391,117
	-----	-----
	\$ 1,851,391	\$ 1,756,921
	=====	=====
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable - affiliate	\$ 34,418	\$ 13,453
Partners' capital:		
Managing general partner	22,383	21,649
Limited partners (274.25 interests)	1,794,590	1,721,819
	-----	-----
	1,816,973	1,743,468
	-----	-----
	\$ 1,851,391	\$ 1,756,921
	=====	=====

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The financial information included as of June 30, 2001 has been prepared by the managing general partner without audit by independent public accountants.

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

2

1731

### PARKER & PARSLEY PRIVATE INVESTMENT 90, L.P. (A Delaware Limited Partnership)

#### STATEMENTS OF OPERATIONS (Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2001	2000	2001	2000
Revenues:				
Oil and gas	\$ 325,097	\$ 354,405	\$ 722,006	\$ 692,013
Interest	2,673	3,526	5,593	5,952
	327,770	357,931	727,599	697,965
Costs and expenses:				
Oil and gas production	141,149	125,781	261,648	238,333
General and administrative	8,129	11,169	19,906	21,297
Depletion	45,248	27,085	67,921	58,913
	194,526	164,035	349,475	318,543
Net income	\$ 133,244	\$ 193,896	\$ 378,124	\$ 379,422
Allocation of net income:				
Managing general partner	\$ 1,332	\$ 1,939	\$ 3,781	\$ 3,794
Limited partners	\$ 131,912	\$ 191,957	\$ 374,343	\$ 375,628
Net income per limited partnership interest	\$ 480.99	\$ 699.94	\$1,364.97	\$1,369.66

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

3

1732

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

PARKER & PARSLEY PRIVATE INVESTMENT 90, L.P.  
(A Delaware Limited Partnership)

STATEMENT OF PARTNERS' CAPITAL  
(Unaudited)

	Managing general partner	Limited partners	Total
	-----	-----	-----
Balance at January 1, 2001	\$ 21,649	\$1,721,819	\$1,743,468
Distributions	(3,047)	(301,572)	(304,619)
Net income	3,781	374,343	378,124
	-----	-----	-----
Balance at June 30, 2001	\$ 22,383	\$1,794,590	\$1,816,973
	=====	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

4

1733

PARKER & PARSLEY PRIVATE INVESTMENT 90, L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF CASH FLOWS  
(Unaudited)

	Six months ended June 30,	
	2001	2000
	-----	-----
Cash flows from operating activities:		
Net income	\$ 378,124	\$ 379,422
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion	67,921	58,913
Changes in assets and liabilities:		
Accounts receivable	61,496	(32,670)
Accounts payable	20,965	11,585
	-----	-----
Net cash provided by operating activities	528,506	417,250

1675

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Cash flows used in investing activities:		
Additions to oil and gas properties	(9,780)	(29,680)
Cash flows used in financing activities:		
Cash distributions to partners	(304,619)	(367,336)
Net increase in cash	214,107	20,234
Cash at beginning of period	168,054	174,341
Cash at end of period	\$ 382,161	\$ 194,575

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

5

1734

PARKER & PARSLEY PRIVATE INVESTMENT 90, L.P.  
(A Delaware Limited Partnership)

NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Unaudited)

Note 1. Organization and nature of operations

Parker & Parsley Private Investment 90, L.P. (the "Partnership") was organized in 1990 as a general partnership under the laws of the State of Texas and was converted to a Delaware limited partnership in 1991.

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

Note 2. Basis of presentation

In the opinion of management, the unaudited financial statements of the Partnership as of June 30, 2001 and for the three and six months ended June 30, 2001 and 2000 include all adjustments and accruals consisting only of normal recurring accrual adjustments which are necessary for a fair presentation of the results for the interim period. These interim results are not necessarily indicative of results for a full year. Certain reclassifications may have been made to the June 30, 2000 financial statements to conform to the June 30, 2001 financial statement presentations.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in these interim financial statements. The financial statements should be read in conjunction with the financial statements and the notes thereto contained in the Partnership's report for the year ended December 31, 2000, a copy of which is available upon request by writing to Rich Dealy, Vice President and Chief Accounting Officer, 5205 North O'Connor Boulevard, Suite 1400, Irving, Texas 75039-3746.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

### Management's Discussion and Analysis of Financial Condition and Results of Operations (1)

#### Results of Operations

Six months ended June 30, 2001 compared with six months ended June 30, 2000

#### Revenues:

The Partnership's oil and gas revenues increased 4% to \$722,006 for the six months ended June 30, 2001 as compared to \$692,013 for the same period in 2000. The increase in revenues resulted from higher average prices received, offset by

6

1735

a decrease in production. For the six months ended June 30, 2001, 17,815 barrels of oil, 4,772 barrels of natural gas liquids ("NGLs") and 29,299 mcf of gas were sold, or 27,470 barrel of oil equivalents ("BOEs"). For the six months ended June 30, 2000, 19,734 barrels of oil, 6,946 barrels of NGLs and 24,989 mcf of gas were sold, or 30,845 BOEs.

The average price received per barrel of oil increased \$.36, or 1%, from \$27.42 for the six months ended June 30, 2000 to \$27.78 for the same period in 2001. The average price received per barrel of NGLs increased \$3.03, or 22%, from \$14.06 during the six months ended June 30, 2000 to \$17.09 for the same period in 2001. The average price received per mcf of gas increased 132% from \$2.14 during the six months ended June 30, 2000 to \$4.97 for the same period in 2001. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received during the six months ended June 30, 2001.

#### Costs and Expenses:

Total costs and expenses increased to \$349,475 for the six months ended June 30, 2001 as compared to \$318,543 for the same period in 2000, an increase of \$30,932, or 10%. This increase was due to higher production costs and depletion, offset by a decrease in general and administrative expenses ("G&A").

Production costs were \$261,648 for the six months ended June 30, 2001 and \$238,333 for the same period in 2000, resulting in a \$23,315 increase, or 10%. The increase was the result of additional well maintenance and workover costs incurred to stimulate well production and higher production taxes due to higher oil and gas prices.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A decreased 7%, from \$21,297 for the six months ended June 30, 2000 to \$19,906 for the same period in 2001, due to a decrease in audit and tax fees.

Depletion was \$67,921 for the six months ended June 30, 2001 as compared to \$58,913 for the same period in 2000, an increase of \$9,008, or 15%. The increase was the result of a decrease in proved reserves during the period ended June 30, 2001 due to lower commodity prices, offset by a decrease in oil production of 1,919 barrels for the six months ended June 30, 2001 as compared to the same period in 2000.

1736

Three months ended June 30, 2001 compared with three months ended June 30, 2000

Revenues:

The Partnership's oil and gas revenues decreased 8% to \$325,097 for the three months ended June 30, 2001 as compared to \$354,405 for the same period in 2000. The decrease in revenues resulted from higher average prices received for gas and NGLs, offset by a decrease in production and lower average prices received for oil. For the three months ended June 30, 2001, 8,406 barrels of oil, 2,746 barrels of NGLs and 14,386 mcf of gas were sold, or 13,550 BOEs. For the three months ended June 30, 2000, 9,833 barrels of oil, 3,739 barrels of NGLs and 12,235 mcf of gas were sold, or 15,611 BOEs.

The average price received per barrel of oil decreased \$.32, or 1%, from \$27.56 for the three months ended June 30, 2000 to \$27.24 for the three months ended June 30, 2001. The average price received per barrel of NGLs increased \$1.02, or 7%, from \$14.06 during the three months ended June 30, 2000 to \$15.08 for the same period in 2001. The average price received per mcf of gas increased 51% to \$3.81 during the three months ended June 30, 2001 from \$2.52 during the same period in 2000.

Costs and Expenses:

Total costs and expenses increased to \$194,526 for the three months ended June 30, 2001 as compared to \$164,035 for the same period in 2000, an increase of \$30,491, or 19%. This increase was due to increases in depletion and production costs, offset by a decrease in G&A.

Production costs were \$141,149 for the three months ended June 30, 2001 and \$125,781 for the same period in 2000 resulting in a \$15,368 increase, or 12%. This increase was due to additional well maintenance and workover costs incurred to stimulate well production.

During this period, G&A decreased 27%, from \$11,169 for the three months ended June 30, 2000 to \$8,129 for the same period in 2001, primarily due to a lower allocation of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of decreased oil and gas revenues.

Depletion was \$45,248 for the three months ended June 30, 2001 as compared to \$27,085 for the same period in 2000, an increase of \$18,163, or 67%. This increase was attributable to a decrease in proved reserves during the period ended June 30, 2001 due to lower commodity prices, offset by a decrease in oil production of 1,427 barrels for the three months ended June 30, 2001 as compared to the same period in 2000.

1737

Liquidity and Capital Resources

Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$111,256 during the six

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

months ended June 30, 2001 from the same period ended June 30, 2000 This increase was due to an increase in oil and gas sales receipts of \$29,634 and reductions in working capital of \$103,546 and G&A expenses of \$1,391, offset by an increase in production costs of \$23,315. The increase in oil and gas receipts resulted from the increase in commodity prices during 2001 which contributed an additional \$98,698 to oil and gas receipts, offset by \$69,064 resulting from the decline in production during 2001 as compared to the same period in 2000. The increase in production costs was primarily due to additional well maintenance and workover costs incurred to stimulate well production and increased production taxes associated with higher oil and gas prices. The decrease in G&A was due to a decrease in audit and tax fees.

### Net Cash Used in Investing Activities

The Partnership's principal investing activities during the six months ended June 30, 2001 and 2000 included expenditures related to equipment upgrades on various oil and gas properties.

### Net Cash Used in Financing Activities

For the six months ended June 30, 2001, cash distributions to the partners were \$304,619, of which \$3,047 was distributed to the managing general partner and \$301,572 to the limited partners. For the same period ended June 30, 2000, cash distributions to the partners were \$367,336, of which \$3,674 was distributed to the managing general partner and \$363,662 to the limited partners.

For the three months ended June 30, 2001, no distributions were made by the partnership to its partners. Subsequent to June 30, 2001 the cash distribution that otherwise would have been mailed to partners in late June was made to holders of record as of July 9, 2001 and was mailed on July 13, 2001. For further information, see "Proposal to acquire partnerships" below.

### Proposal to acquire partnerships

On June 29, 2001, Pioneer Natural Resources Company ("Pioneer") filed with the Securities and Exchange Commission Amendment No. 1 to the Form S-4 Registration Statement (File No. 333- 59094) (the "preliminary proxy statement/prospectus"), which proposes an agreement and plan of merger among Pioneer, Pioneer Natural Resources USA, Inc. ("Pioneer USA"), a wholly-owned subsidiary of Pioneer, and 46 Parker & Parsley limited partnerships. Each partnership that approves the agreement and plan of merger and the other related merger proposals will merge with and into Pioneer USA upon the closing of the transactions described in the preliminary proxy statement/prospectus, and the partnership interests of each such partnership will be converted into the right to receive Pioneer common stock. The Partnership is one of the 46 Parker & Parsley limited partnerships that will be asked to approve the agreement and plan of merger. The preliminary proxy statement/prospectus is non-binding and is subject to, among other things, consideration of offers from third parties to purchase any partnership or its assets and the majority approval of the limited partnership interests in each partnership.

Pioneer USA will solicit proxies from limited partners to approve the mergers only when the proxy statement/prospectus is final and declared effective. No solicitation will be made using preliminary materials. Nonetheless, copies of the preliminary proxy statement/prospectus may be obtained without charge upon request from Pioneer Natural Resources Company, 5205 North O'Connor Blvd., Suite 1400, Irving, Texas 75039, Attention: Investor Relations.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The limited partners are urged to read the proxy statement/prospectus of Pioneer filed with the Securities and Exchange Commission, when it is finalized, because it contains important information about the proposed mergers, including information about the direct and indirect interests of Pioneer USA and Pioneer in the mergers. The limited partners may also obtain the preliminary and (when filed) final proxy statement/prospectus and other relevant documents relating to the proposed mergers free through the internet web site that the Securities and Exchange Commission maintains at [www.sec.gov](http://www.sec.gov).

-----

- (1) "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" contains forward looking statements that involve risks and uncertainties. Accordingly, no assurances can be given that the actual events and results will not be materially different than the anticipated results described in the forward looking statements.

10

1739

PARKER & PARSLEY PRIVATE INVESTMENT 90, L.P.  
(A Delaware Limited Partnership)

FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITORS' REPORT

December 31, 2000 and 1999

1740

INDEPENDENT AUDITORS' REPORT

The Partners  
Parker & Parsley Private Investment 90, L.P.  
(A Delaware Limited Partnership):

We have audited the balance sheets of Parker & Parsley Private Investment 90, L.P. as of December 31, 2000 and 1999, and the related statements of operations, partners' capital and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parker & Parsley Private Investment 90, L.P. as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Dallas, Texas  
March 9, 2001

2

1741

PARKER & PARSLEY PRIVATE INVESTMENT 90, L.P.  
(A Delaware Limited Partnership)

BALANCE SHEETS  
December 31

	2000 -----	1999 -----
ASSETS -----		
Current assets:		
Cash	\$ 168,054	\$ 174,341
Accounts receivable - oil and gas sales	197,750	117,410
	-----	-----
Total current assets	365,804	291,751
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	8,464,366	8,438,988
Accumulated depletion	(7,073,249)	(6,916,963)
	-----	-----
Net oil and gas properties	1,391,117	1,522,025
	-----	-----
	\$ 1,756,921	\$ 1,813,776
	=====	=====

LIABILITIES AND PARTNERS' CAPITAL

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

-----		
Current liabilities:		
Accounts payable - affiliate	\$ 13,453	\$ 24,649
Partners' capital:		
Managing general partner	21,649	22,105
Limited partners (274.25 interests)	1,721,819	1,767,022
	-----	-----
	1,743,468	1,789,127
	-----	-----
	\$ 1,756,921	\$ 1,813,776
	=====	=====

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

3

1742

PARKER & PARSLEY PRIVATE INVESTMENT 90, L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF OPERATIONS  
For the years ended December 31

	2000	1999
	-----	-----
Revenues:		
Oil and gas	\$ 1,508,541	\$ 776,849
Interest	14,348	7,221
Gain on disposition of assets	2,385	-
	-----	-----
	1,525,274	784,070
	-----	-----
Costs and expenses:		
Oil and gas production	502,676	379,923
General and administrative	41,729	29,997
Impairment of oil and gas properties	49,757	-
Depletion	106,529	143,268
	-----	-----
	700,691	553,188
	-----	-----
Net income (loss)	\$ 824,583	\$ 230,882
	=====	=====

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Allocation of net income (loss):		
Managing general partner	\$ 8,246	\$ 2,309
	=====	=====
Limited partners	\$ 816,337	\$ 228,573
	=====	=====
Net income (loss) per limited partnership interest	\$ 2,976.62	\$ 833.45
	=====	=====

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

4

1743

PARKER & PARSLEY PRIVATE INVESTMENT 90, L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF PARTNERS' CAPITAL

	Managing general partner	Limited partners	Total
	-----	-----	-----
Partners' capital at January 1, 1998	\$ 29,418	\$ 2,491,033	\$ 2,520,451
Distributions	(2,635)	(260,830)	(263,465)
Net loss	(4,428)	(438,400)	(442,828)
	-----	-----	-----
Partners' capital at December 31, 1998	22,355	1,791,803	1,814,158
Distributions	(2,559)	(253,354)	(255,913)
Net income	2,309	228,573	230,882
	-----	-----	-----
Partners' capital at December 31, 1999	22,105	1,767,022	1,789,127
Distributions	(8,702)	(861,540)	(870,242)
Net income	8,246	816,337	824,583
	-----	-----	-----
Partners' capital at December 31, 2000	\$ 21,649	\$ 1,721,819	\$ 1,743,468
	=====	=====	=====

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

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

5

1744

PARKER & PARSLEY PRIVATE INVESTMENT 90, L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF CASH FLOWS  
For the years ended December 31

	2000	1999
	-----	-----
Cash flows from operating activities:		
Net income (loss)	\$ 824,583	\$ 230,882
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Impairment of oil and gas properties	49,757	-
Depletion	106,529	143,268
Gain on disposition of assets	(2,385)	-
Changes in assets and liabilities:		
Accounts receivable	(80,340)	(50,462)
Accounts payable	(11,196)	4,017
	-----	-----
Net cash provided by operating activities	886,948	327,705
	-----	-----
Cash flows from investing activities:		
Additions to oil and gas properties	(25,378)	(14,048)
Proceeds from asset dispositions	2,385	2,124
	-----	-----
Net cash provided by (used in) investing activities	(22,993)	(11,924)
	-----	-----
Cash flows used in financing activities:		
Cash distributions to partners	(870,242)	(255,913)
	-----	-----
Net increase (decrease) in cash	(6,287)	59,868
Cash at beginning of year	174,341	114,473
	-----	-----
Cash at end of year	\$ 168,054	\$ 174,341
	=====	=====

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

PARKER & PARSLEY PRIVATE INVESTMENT 90, L.P.  
(A Delaware Limited Partnership)

NOTES TO FINANCIAL STATEMENTS  
December 31, 2000, 1999 and 1998

NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS

Parker & Parsley Private Investment 90, L.P. (the "Partnership") was organized in 1990 as a general partnership under the laws of the State of Texas and was converted to a Delaware limited partnership in 1991. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA").

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Oil and gas properties - The Partnership utilizes the successful efforts method of accounting for its oil and gas properties and equipment. Under this method, all costs associated with productive wells and nonproductive development wells are capitalized while nonproductive exploration costs are expensed. Capitalized costs relating to proved properties are depleted using the unit-of-production method on a property-by-property basis based on proved oil (dominant mineral) reserves as evaluated by independent petroleum consultants. The carrying amounts of properties sold or otherwise disposed of and the related allowances for depletion are eliminated from the accounts and any gain or loss is included in results of operations.

Impairment of long-lived assets - In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the Partnership reviews its long-lived assets to be held and used on an individual property basis, including oil and gas properties accounted for under the successful efforts method of accounting, whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. An impairment loss is indicated if the sum of the expected future cash flows is less than the carrying amount of the assets. In this circumstance, the Partnership recognizes an impairment loss for the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset.

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

Net income (loss) per limited partnership interest - The net income (loss) per limited partnership interest is calculated by using the number of outstanding limited partnership interests.

1746

Income taxes - A Federal income tax provision has not been included in the financial statements as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

Statements of cash flows - For purposes of reporting cash flows, cash includes depository accounts held by banks.

General and administrative expenses - General and administrative expenses are allocated in part to the Partnership by the managing general partner. Allocated expenses are determined by the managing general partner based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Reclassifications - Certain reclassifications may have been made to the 1999 and 1998 financial statements to conform to the 2000 financial statement presentations.

Environmental - The Partnership is subject to extensive federal, state and local environmental laws and regulations. These laws, which are constantly changing, regulate the discharge of materials into the environment and may require the Partnership to remove or mitigate the environmental effects of the disposal or release of petroleum or chemical substances at various sites. Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Liabilities for expenditures of a noncapital nature are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated. Such liabilities are generally discounted unless the timing of cash payments for the liability or component are fixed or reliably determinable. No such liabilities have been accrued as of December 31, 2000.

Revenue recognition - The Partnership uses the entitlements method of accounting for oil, natural gas liquids ("NGLs") and natural gas revenues.

NOTE 3. IMPAIRMENT OF LONG-LIVED ASSETS

In accordance with SFAS 121, the Partnership reviews its proved oil and gas properties for impairment whenever events and circumstances indicate a decline in the recoverability of the carrying value of the Partnership's oil and gas properties. The Partnership has estimated the expected future cash flows of its oil and gas properties as of December 31, 2000, 1999 and 1998, based on proved reserves, and compared such estimated future cash flows to the respective carrying amount of the oil and gas properties to determine if the carrying amounts were likely to be recoverable. For those proved oil and gas properties for which the carrying amount exceeded the estimated future cash flows, an impairment was determined to exist; therefore, the Partnership adjusted the carrying amount of those oil and gas properties to their fair value as determined by discounting their expected future cash flows at a discount rate commensurate with the risks involved in the industry. As a result, the Partnership recognized non-cash impairment provisions of \$49,757 and \$373,422 related to its proved oil and gas properties during 2000 and 1998, respectively.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

1747

NOTE 4. INCOME TAXES

The financial statement basis of the Partnership's net assets and liabilities was \$139,996 greater than the tax basis at December 31, 2000.

The following is a reconciliation of net income (loss) per statements of operations with the net income per Federal income tax returns for the years ended December 31:

	2000	1999	
	-----	-----	
Net income (loss) per statements of operations	\$ 824,583	\$ 230,882	\$ (
Depletion and depreciation for tax reporting purposes less than amounts for financial reporting purposes	93,056	131,771	
Impairment of oil and gas properties for financial reporting purposes	49,757	-	
Other, net	(1,853)	432	
	-----	-----	
Net income per Federal income tax returns	\$ 965,543	\$ 363,085	\$
	=====	=====	==

NOTE 5. OIL AND GAS PRODUCING ACTIVITIES

The following is a summary of the costs incurred, whether capitalized or expensed, related to the Partnership's oil and gas producing activities for the years ended December 31:

	2000	1999	1998
	-----	-----	-----
Development costs	\$ 25,378	\$ 14,048	\$ 11,793
	=====	=====	=====

Capitalized oil and gas properties consist of the following:

	2000	1999
	-----	-----
Proved properties:		
Property acquisition costs	\$ 98,110	\$ 98,110
Completed wells and equipment	8,366,256	8,340,878
	-----	-----
Accumulated depletion	8,464,366	8,438,988
	(7,073,249)	(6,916,963)
	-----	-----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Net oil and gas properties	\$ 1,391,117 =====	\$ 1,522,025 =====
----------------------------	-----------------------	-----------------------

9

1748

NOTE 6. RELATED PARTY TRANSACTIONS

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

	2000 -----	1999 -----	1998 -----
Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$ 186,568	\$ 174,796	\$ 187,435
Reimbursement of general and administrative expenses	\$ 37,554	\$ 23,205	\$ 16,483

The Partnership participates in oil and gas activities through an income tax partnership (the "Program") pursuant to the Program agreement. Pioneer USA, P&P Employees 90 Private Conv., L.P. ("EMPL") and the Partnership are parties to the Program agreement. EMPL is a limited partnership organized for the benefit of certain employees of Pioneer USA. EMPL was merged with Pioneer USA on December 28, 2000.

The costs and revenues of the Program are allocated to Pioneer USA and the Partnership as follows:

	Pioneer USA (1) -----
Revenues:	
Proceeds from disposition of depreciable and depletable properties -	
First three years	14.141414%
After three years	19.191919%
All other revenues -	
First three years	14.141414%
After three years	19.191919%
Costs and expenses:	
Lease acquisition costs, drilling and completion costs	9.090909%
Operating costs, reporting and legal expenses and general and administrative expenses -	
First three years	14.141414%
After three years	19.191919%



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

- (1) Excludes Pioneer USA's 1% general partner ownership which is allocated at the Partnership level.

### NOTE 7. OIL AND GAS INFORMATION (UNAUDITED)

The following table presents information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities during the years then ended. All of the Partnership's reserves are proved developed and located within the United States. The Partnership's reserves are based on an evaluation prepared by Williamson Petroleum Consultants, Inc., an independent petroleum consultant, using criteria established by the Securities and Exchange Commission.

	Oil and NGLs (bbls)	Gas (mcf)
	-----	-----
Net proved reserves at January 1, 1998	745,340	883,417
Revisions	(342,345)	(365,103)
Production	(49,468)	(54,218)
	-----	-----
Net proved reserves at December 31, 1998	353,527	464,096
Revisions	394,885	538,864
Production	(46,335)	(47,331)
	-----	-----
Net proved reserves at December 31, 1999	702,077	955,629
Revisions	172,617	(96,553)
Production	(52,913)	(49,484)
	-----	-----
Net proved reserves at December 31, 2000	821,781	809,592
	=====	=====

10

1749

As of December 31, 2000, the estimated present value of future net revenues of proved reserves, calculated using December 31, 2000 prices of \$26.64 per barrel of oil, \$13.49 per barrel of NGLs and \$7.81 per mcf of gas, discounted at 10% was approximately \$5,749,000 and undiscounted was \$12,495,000.

Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves. The Partnership emphasizes that reserve estimates are inherently imprecise and, accordingly, the estimates are expected to change as future information becomes available.

Disclosures about Oil & Gas Producing Activities

Standardized Measure of Discounted Future Net Cash Flows

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The standardized measure of discounted future net cash flows is computed by applying year-end prices of oil and gas (with consideration of price changes only to the extent provided by contractual arrangements) to the estimated future production of proved oil and gas reserves less estimated future expenditures (based on year-end costs) to be incurred in developing and producing the proved reserves, discounted using a rate of 10% per year to reflect the estimated timing of the future cash flows. A Federal income tax provision has not been calculated as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

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

	For the years ended Decem	
	2000	1999
	(in thousands)	
Oil and gas producing activities:		
Future cash inflows	\$ 25,174	\$ 17,513
Future production costs	(12,679)	(9,819)
	-----	-----
	12,495	7,694
10% annual discount factor	(6,746)	(3,770)
	-----	-----
Standardized measure of discounted future net cash flows	\$ 5,749	\$ 3,924
	=====	=====

	For the years ended December 31,		
	2000	1999	1998
	(in thousands)		
Oil and Gas Producing Activities:			
Oil and gas sales, net of production costs	\$ (1,006)	\$ (397)	\$ (166)
Net changes in prices and production costs	1,905	2,019	(1,974)
Revisions of previous quantity estimates	1,043	2,961	(437)
Accretion of discount	392	58	299
Changes in production rates, timing and other	(509)	(1,302)	(128)

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	-----	-----	-----
Change in present value of future net revenues	1,825	3,339	(2,406)
	-----	-----	-----
Balance, beginning of year	3,924	585	2,991
	-----	-----	-----
Balance, end of year	\$ 5,749	\$ 3,924	\$ 585
	=====	=====	=====

NOTE 8. MAJOR CUSTOMERS

The following table reflects the major customers of the Partnership's oil and gas sales (a major customer is defined as a customer whose sales exceed 10% of total sales) during the years ended December 31:

	2000	1999	1998
	-----	-----	-----
Plains Marketing, L.P.	71%	69%	-
Genesis Crude Oil, L.P.	-	-	64%
Western Gas Resources, Inc.	3%	4%	17%

At December 31, 2000, the amount receivable from Plains Marketing, L.P. was \$93,082 which is included in the caption "Accounts receivable - oil and gas sales" in the accompanying Balance Sheet.

Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on the ability of the Partnership to sell its oil, NGLs and gas production.

NOTE 9. PARTNERSHIP AGREEMENT

The following is a brief summary of the more significant provisions of the Partnership agreement:

Managing general partner - The managing general partner of the Partnership is Pioneer USA. Pioneer USA has the power and authority to manage, control and administer all Program and Partnership affairs. As managing general partner and operator of the Partnership's properties, all production expenses are incurred by Pioneer USA and billed to the Partnership. The majority of the Partnership's oil and gas revenues are received directly by the Partnership, however, a portion of the oil and gas revenue is initially received by Pioneer USA prior to being paid to the Partnership. Under the Partnership agreement, the managing general partner pays 1% of the Partnership's acquisition, drilling and completion costs and 1% of its operating and general and administrative expenses. The managing general partner is also responsible for 1% of guaranty and loan commitment fees. In return, it is allocated 1% of the Partnership's revenues.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Limited partner liability - The maximum amount of liability of any limited partner is the total contributions of such partner plus his share of any undistributed profits.

Initial capital contributions - The partners entered into subscription agreements for aggregate capital contributions of \$10,970,000. The managing general partner is required to contribute amounts equal to 1% of initial Partnership capital less commission, organization and offering costs allocated to the limited partners and to contribute amounts necessary to pay costs and expenses allocated to it under the Partnership agreement to the extent that its share of revenues does not cover such costs.

13

1752

### PARKER & PARSLEY PRIVATE INVESTMENT 90, L.P. (A DELAWARE LIMITED PARTNERSHIP)

THIS REPORT CONTAINS FORWARD LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. ACCORDINGLY, NO ASSURANCES CAN BE GIVEN THAT THE ACTUAL EVENTS AND RESULTS WILL NOT BE MATERIALLY DIFFERENT THAN THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS.

#### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

##### Results of operations

##### 2000 compared to 1999

The Partnership's oil and gas revenues increased 94% to \$1,508,541 for 2000 as compared to \$776,849 in 1999. The increase in revenues resulted from higher average prices received and an increase in production. In 2000, 39,040 barrels of oil, 13,873 barrels of natural gas liquids ("NGLs") and 49,484 mcf of gas were sold, or 61,160 barrel of oil equivalents ("BOEs"). In 1999, 32,789 barrels of oil, 13,546 barrels of NGLs and 47,331 mcf of gas were sold, or 54,224 BOEs. Due to the decline characteristics of the Partnership's oil and gas properties, management expects a certain amount of decline in production in the future until the Partnership's economically recoverable reserves are fully depleted.

The average price received per barrel of oil increased \$12.05, or 70%, from \$17.30 in 1999 to \$29.35 in 2000. The average price received per barrel of NGLs increased \$6.36, or 67%, from \$9.46 in 1999 to \$15.82 in 2000. The average price received per mcf of gas increased 69% from \$1.72 in 1999 to \$2.90 in 2000. The market price for oil and gas has been extremely volatile in the past decade, and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received in 2000.

Total costs and expenses increased in 2000 to \$700,691 as compared to \$553,188 in 1999, an increase of \$147,503, or 27%. The increase was primarily due to increases in the impairment of oil and gas properties, production costs and general and administrative expenses ("G&A"), offset by a decline in depletion.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Production costs were \$502,676 in 2000 and \$379,923 in 1999, resulting in a \$122,753 increase, or 32%. The increase was primarily due to higher production taxes associated with higher oil and gas prices and additional well maintenance costs incurred to stimulate well production.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 39% from \$29,997 in 1999 to \$41,729 in 2000, primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$37,554 in 2000 and \$23,205 in 1999 for G&A incurred on behalf of the Partnership. The remaining G&A was paid directly by the Partnership. The managing general partner determines the allocated expenses based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the managing general partner reviews the Partnership's oil and gas properties for impairment whenever events or circumstances indicate a decline in the recoverability of the carrying value of the Partnership's assets may have occurred. As a result of the review and evaluation of its long-lived assets for impairment, the Partnership recognized a non-cash charge of \$49,757 related to its oil and gas properties during 2000.

Depletion was \$106,529 in 2000 as compared to \$143,268 in 1999, representing a decrease of \$36,739, or 26%. This decrease was primarily due to a 148,753 barrels of oil increase in proved reserves during 2000 as a result of higher commodity prices, offset by an increase in oil production of 6,251 barrels for the period ended December 31, 2000 compared to the same period in 1999.

1753

1999 compared to 1998

The Partnership's 1999 oil and gas revenues increased 20% to \$776,849 from \$648,378 in 1998. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 1999, 32,789 barrels of oil, 13,546 barrels of NGLs and 47,331 mcf of gas were sold, or 54,224 BOEs. In 1998, 35,555 barrels of oil, 13,913 barrels of NGLs and 54,218 mcf of gas were sold, or 58,504 BOEs.

The average price received per barrel of oil increased \$4.11, or 31%, from \$13.19 in 1998 to \$17.30 in 1999. The average price received per barrel of NGLs increased \$2.69, or 40%, from \$6.77 in 1998 to \$9.46 in 1999. The average price received per mcf of gas increased 10% from \$1.57 in 1998 to \$1.72 in 1999.

Total costs and expenses decreased in 1999 to \$553,188 as compared to \$1,100,322 in 1998, a decrease of \$547,134, or 50%. The decrease was primarily due to declines in the impairment of oil and gas properties, production costs and depletion, offset by an increase in G&A.

Production costs were \$379,923 in 1999 and \$481,924 in 1998, resulting in a \$102,001 decrease, or 21%. The decrease was due to declines in well maintenance costs and ad valorem taxes.

During this period, G&A increased 49% from \$20,196 in 1998 to \$29,997 in 1999

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$23,205 in 1999 and \$16,483 in 1998 for G&A incurred on behalf of the Partnership.

The Partnership recognized a non-cash SFAS 121 charge of \$373,422 related to its oil and gas properties during 1998.

Depletion was \$143,268 in 1999 compared to \$224,780 in 1998, representing a decrease of \$81,512, or 36%. This decrease was the result of an increase in proved reserves of 266,736 barrels of oil during 1999 as a result of higher commodity prices and a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 1998.

### Petroleum industry

The petroleum industry has been characterized by volatile oil, NGL and natural gas commodity prices and relatively stable supplier costs during the three years ended December 31, 2000. During 1998, weather patterns, regional economic recessions and political matters combined to cause worldwide oil supplies to exceed demand resulting in a substantial decline in oil prices. Also during 1998, but to a lesser extent, market prices for natural gas declined. During 1999 and 2000, the Organization of Petroleum Exporting Countries ("OPEC") and certain other crude oil exporting nations announced reductions in their planned export volumes. Those announcements, together with the enactment of the announced reductions in export volumes, had a positive impact on world oil prices, as have overall natural gas supply and demand fundamentals on North American natural gas prices. Although the favorable commodity price environment and stable field service cost environment is expected to continue during 2001, there is no assurance that commodity prices will not return to a less favorable level or that field service costs will not escalate in the future, both of which could negatively impact the Partnership's future results of operations and cash distributions.

1754

### Liquidity and capital resources

#### Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$559,243 during the year ended December 31, 2000 from 1999. This increase was due to an increase in oil and gas sales receipts of \$738,819, offset by increases in production costs paid of \$122,753, G&A expenses paid of \$11,732 and working capital of \$45,091. The increase in oil and gas receipts resulted from the increase in commodity prices during 2000 which contributed an additional \$543,958 to oil and gas receipts and an increase of \$194,861 resulting from the increase in production during 2000. The increase in production costs was primarily due to increased production taxes associated with higher oil and gas prices and well maintenance costs incurred to stimulate well production. The increase in G&A was primarily due to higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues.

#### Net Cash Provided by (Used in) Investing Activities

The Partnership's principal investing activities during 2000 and 1999 included expenditures related to equipment upgrades on active properties.

Proceeds from asset dispositions of \$2,385 and \$2,124 recognized during 2000 and

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

1999, respectively, were due to equipment credits received on active properties.

### Net Cash Used in Financing Activities

In 2000, cash distributions to the partners were \$870,242, of which \$8,702 was distributed to the managing general partner and \$861,540 to the limited partners. In 1999, cash distributions to the partners were \$255,913, of which \$2,559 was distributed to the managing general partner and \$253,354 to the limited partners.

1755

### PARKER & PARSLEY PRIVATE INVESTMENT 90, L.P.

#### SELECTED FINANCIAL DATA

The following selected financial data for the Partnership should be read in connection with Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements included in the attached supplemental information.

	Six months ended June 30,		Years ended December		
	2001	2000	2000	1999	1998
Operating results:					
Oil and gas sales	\$ 722,006	\$ 692,013	\$1,508,541	\$ 776,849	\$ 648,378
Impairment of oil and gas properties	\$ --	\$ --	\$ 49,757	\$ --	\$ 373,422
Net income (loss)	\$ 378,124	\$ 379,422	\$ 824,583	\$ 230,882	\$ (442,828)
Allocation of net income (loss):					
Managing general partner	\$ 3,781	\$ 3,794	\$ 8,246	\$ 2,309	\$ (4,428)
Limited partners	\$ 374,343	\$ 375,628	\$ 816,337	\$ 228,573	\$ (438,400)
Limited partners' net income (loss) per limited partnership interest	\$ 1,364.97	\$ 1,369.66	\$ 2,976.62	\$ 833.45	\$ (1,598.54)

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Limited partners' cash distributions per limited partnership interest	\$ 1,099.62	\$ 1,326.02	\$ 3,141.44	\$ 923.81	\$ 951.07
As of period ended:					
Total assets	\$1,851,391	\$1,837,447	\$1,756,921	\$1,813,776	\$1,834,790

1756

PIONEER NATURAL RESOURCES COMPANY  
PIONEER NATURAL RESOURCES USA, INC.  
5205 NORTH O'CONNOR BLVD., SUITE 1400  
IRVING, TEXAS 75039

SUPPLEMENTAL INFORMATION

OF

PARKER & PARSLEY 90 SPRABERRY PRIVATE DEVELOPMENT, L.P.,  
A DELAWARE LIMITED PARTNERSHIP

TO

PROXY STATEMENT/PROSPECTUS DATED , 2001

THE DATE OF THIS SUPPLEMENT IS , 2001

This document contains important information specific to Parker & Parsley 90 Spraberry Private Development, L.P., and supplements the proxy statement/prospectus dated , 2001, of Pioneer Natural Resources Company and Pioneer Natural Resources USA, Inc., by which Pioneer USA is soliciting proxies to be voted at a special meeting of limited partners of the partnership. The purpose of the special meeting is for you to vote upon the merger of the partnership with and into Pioneer USA that, if completed, will result in your receiving common stock of Pioneer Natural Resources Company for your partnership interests.

This document contains the following information concerning Parker & Parsley 90 Spraberry Private Development, L.P.:

- o A table containing:
  - the aggregate initial investment by the limited partners
  - the aggregate historical limited partner distributions through July 31, 2001
  - the merger value attributable to partnership interests of limited partners, excluding Pioneer USA



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

- the merger value per \$1,000 limited partner investment
- the merger value per \$1,000 limited partner investment as a multiple of distributions for the past four quarterly distributions including the distribution in July 2001
  
- the book value per \$1,000 limited partner investment as of June 30, 2001 and as of December 31, 2000
  
- the going concern value per \$1,000 limited partner investment
- the liquidation value per \$1,000 limited partner investment
- the ordinary tax loss per \$1,000 limited partner investment in year of initial investment
  
- o Information about:
  - the legal opinion for the limited partners
  - the term of the partnership
  
- o The partnership's financial statements, including management's discussion and analysis of financial condition and results of operations, for the six months ended June 30, 2001
  
- o The partnership's financial statements, including management's discussion and analysis of financial condition and results of operations, for the year ended December 31, 2000
  
- o Selected historical financial data for the partnership for the six months ended June 30, 2001 and 2000 and the five years ended December 31, 2000

-1-

1757

PARKER & PARSLEY 90 SPRABERRY PRIVATE DEVELOPMENT, L.P.

SUPPLEMENTAL INFORMATION TABLE

Aggregate Initial Investment by the Limited Partners (a)	\$
Aggregate Historical Limited Partner Distributions through July 31, 2001 (a)	\$
Merger Value Attributable to Partnership Interests of Limited Partners, Excluding Pioneer USA (a), (b)	\$
Merger Value per \$1,000 Limited Partner Investment (b), (c)	\$
Merger Value per \$1,000 Limited Partner Investment as a Multiple of Distributions for the past four quarterly distributions including the distribution in July 2001 (b), (c)	

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Book Value per \$1,000 Limited Partner Investment:

-- as of June 30, 2001 (c) \$

-- as of December 31, 2000 (c) \$

Going Concern Value per \$1,000 Limited Partner Investment (c), (d) \$

Liquidation Value per \$1,000 Limited Partner Investment (c), (e) \$

Ordinary Tax Loss per \$1,000 Limited Partner Investment in Year of Initial Investment (c), (f) \$

-----

(a) Stated in thousands.

(b) The merger value for the partnership is equal to the sum of the present value of estimated future net revenues from the partnership's estimated oil and gas reserves and its net working capital, in each case as of March 31, 2001, less its pro rata share, based on its reserve value, of the estimated expenses and fees of the mergers of all of the partnerships and less the cash distribution on July 13, 2001, by the partnership to its partners.

(c) Interests in some partnerships were sold in units at prices other than \$1,000. We have presented this information based on a \$1,000 initial investment for ease of use and comparison among partnerships. You should not assume that the amount shown per \$1,000 investment is the same as the value or amount attributable to a single unit investment.

(d) The going concern value for the partnership is based upon: (1) the sum of (A) the estimated net cash flow from the sale of the partnership's reserves during a 10-year operating period and (B) the estimated residual value from the sale of the partnership's remaining reserves at the end of the operating period, in each case using the same pricing and discount rate as in the merger value calculation, less (2) (A) partnership level general and administrative expenses, and (B) the cash distribution on July 13, 2001 by the partnership to its partners.

(e) The liquidation value for the partnership is based upon the sale of the partnership's reserves at the reserve value, less (1) liquidation expenses which are estimated to be the sum of (A) the partnership's pro rata share of the merger expenses and fees described in footnote (b) above and (B) 3% of the partnership's reserve value, and (2) the cash distribution on July 13, 2001 by the partnership to its partners. The liquidation expenses represent estimated costs to retain an investment banker or broker to sell the assets of the partnership and the legal and other closing costs associated with such transaction, including the wind-down costs of the partnership.

(f) Your ability to use your distributive share of the partnership's loss to offset your other income may have been subject to certain limitations at your level as a partner, and you may therefore wish to consult your tax advisor to determine the additional value, if any, actually realized by you in your particular circumstances.

INFORMATION ABOUT THE LEGAL OPINION FOR THE LIMITED PARTNERS

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The partnership agreement for the partnership requires that special legal counsel render an opinion on behalf of the limited partners to Pioneer USA that neither the grant nor the exercise of the right to approve the merger of the partnership by its limited partners will adversely affect the federal income tax classification of the partnership or any of its limited partners. Although not required by the partnership agreement, the opinion will also state that neither the grant nor exercise of such right will result in the loss of any limited partner's limited liability. In addition, the counsel designated to render the opinion is not required to be counsel other than counsel to Pioneer USA or the partnership. Both the designated counsel and the legal opinion must be approved by the limited partners. Pioneer USA has retained \_\_\_\_\_ of Dallas, Texas for the purpose of rendering this legal opinion on behalf of the limited partners to Pioneer USA. The merger proposals include an approval of that counsel and the form of its opinion. A copy of the opinion is attached as an exhibit to the merger proposals.

### INFORMATION ABOUT THE TERM OF THE PARTNERSHIP

The term of the partnership is until December 31, 2040, unless the partnership is earlier terminated in accordance with the applicable provisions of its partnership agreement.

-2-

1758

PARKER & PARSLEY 90 SPRABERRY PRIVATE DEVELOPMENT, L.P.

(A Delaware Limited Partnership)

### FINANCIAL STATEMENTS

June 30, 2001 and December 31, 2000

(Unaudited)

1759

PARKER & PARSLEY 90 SPRABERRY PRIVATE DEVELOPMENT, L.P.

(A Delaware Limited Partnership)

### BALANCE SHEETS

	June 30, 2001	December 31, 2000
	-----	-----
	(Unaudited)	
ASSETS		
Current assets:		
Cash	\$ 188,742	\$ 47,337
Accounts receivable - oil and gas sales	66,291	91,915
	-----	-----
Total current assets	255,033	139,252
	-----	-----

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Oil and gas properties - at cost, based on the successful efforts accounting method	3,666,171	3,666,171
Accumulated depletion	(3,062,806)	(3,046,352)
	-----	-----
Net oil and gas properties	603,365	619,819
	-----	-----
	\$ 858,398	\$ 759,071
	=====	=====
 LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable - affiliate	\$ 15,591	\$ 12,584
 Partners' capital:		
Managing general partner	9,701	8,737
Limited partners (130 interests)	833,106	737,750
	-----	-----
	842,807	746,487
	-----	-----
	\$ 858,398	\$ 759,071
	=====	=====

The financial information included as of June 30, 2001 has been prepared by the managing general partner without audit by independent public accountants.

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

2

1760

### PARKER & PARSLEY 90 SPRABERRY PRIVATE DEVELOPMENT, L.P. (A Delaware Limited Partnership)

#### STATEMENTS OF OPERATIONS (Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2001	2000	2001	2000
	-----	-----	-----	-----
Revenues:				
Oil and gas	\$ 150,668	\$ 139,968	\$ 334,282	\$ 273,886
Interest	1,268	1,364	2,341	2,496
	-----	-----	-----	-----
	151,936	141,332	336,623	276,382
	-----	-----	-----	-----
Costs and expenses:				
Oil and gas production	51,876	54,969	105,616	113,454
General and administrative	4,521	4,356	10,895	8,721
Depletion	8,093	9,014	16,454	22,396
	-----	-----	-----	-----
	64,490	68,339	132,965	144,571

1700

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Net income	\$ 87,446	\$ 72,993	\$ 203,658	\$ 131,811
Allocation of net income:				
Managing general partner	\$ 875	\$ 730	\$ 2,037	\$ 1,318
Limited partners	\$ 86,571	\$ 72,263	\$ 201,621	\$ 130,493
Net income per limited partnership interest	\$ 665.93	\$ 555.87	\$1,550.93	\$1,003.79

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

3

1761

PARKER & PARSLEY 90 SPRABERRY PRIVATE DEVELOPMENT, L.P.  
(A Delaware Limited Partnership)

STATEMENT OF PARTNERS' CAPITAL  
(Unaudited)

	Managing general partner	Limited partners	Total
	-----	-----	-----
Balance at January 1, 2001	\$ 8,737	\$ 737,750	\$ 746,487
Distributions	(1,073)	(106,265)	(107,338)
Net income	2,037	201,621	203,658
	-----	-----	-----
Balance at June 30, 2001	\$ 9,701	\$ 833,106	\$ 842,807
	=====	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

4

1762

1701

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

PARKER & PARSLEY 90 SPRABERRY PRIVATE DEVELOPMENT, L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF CASH FLOWS  
(Unaudited)

	Six months ended June 30,	
	2001	2000
	-----	-----
Cash flows from operating activities:		
Net income	\$ 203,658	\$ 131,811
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion	16,454	22,396
Changes in assets and liabilities:		
Accounts receivable	25,624	(9,399)
Accounts payable	3,007	(52,750)
	-----	-----
Net cash provided by operating activities	248,743	92,058
	-----	-----
Cash flows used in investing activities:		
Additions to oil and gas properties	-	(2,051)
Cash flows used in financing activities:		
Cash distributions to partners	(107,338)	(161,017)
	-----	-----
Net increase (decrease) in cash	141,405	(71,010)
Cash at beginning of period	47,337	84,843
	-----	-----
Cash at end of period	\$ 188,742	\$ 13,833
	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

PARKER & PARSLEY 90 SPRABERRY PRIVATE DEVELOPMENT, L.P.  
(A Delaware Limited Partnership)

NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Unaudited)

Note 1. Organization and nature of operations

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Parker & Parsley 90 Spraberry Private Development, L.P. (the "Partnership") was organized in 1990 as a general partnership under the laws of the State of Texas and was converted to a Delaware limited partnership in 1991.

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

### Note 2. Basis of presentation

In the opinion of management, the unaudited financial statements of the Partnership as of June 30, 2001 and for the three and six months ended June 30, 2001 and 2000 include all adjustments and accruals consisting only of normal recurring accrual adjustments which are necessary for a fair presentation of the results for the interim period. These interim results are not necessarily indicative of results for a full year. Certain reclassifications may have been made to the June 30, 2000 financial statements to conform to the June 30, 2001 financial statement presentations.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in these interim financial statements. The financial statements should be read in conjunction with the financial statements and the notes thereto contained in the Partnership's report for the year ended December 31, 2000, a copy of which is available upon request by writing to Rich Dealy, Vice President and Chief Accounting Officer, 5205 North O'Connor Boulevard, Suite 1400, Irving, Texas 75039-3746.

### Management's Discussion and Analysis of Financial Condition and Results of Operations (1)

#### Results of Operations

Six months ended June 30, 2001 compared with six months ended June 30, 2000

#### Revenues:

The Partnership's oil and gas revenues increased 22% to \$334,282 for the six months ended June 30, 2001 as compared to \$273,886 for the same period in 2000. The increase in revenues resulted from higher average prices received for gas

and NGLs and an increase in production, offset by lower average prices received for oil. For the six months ended June 30, 2001, 8,138 barrels of oil, 2,371 barrels of natural gas liquids ("NGLs") and 14,921 mcf of gas were sold, or 12,996 barrel of oil equivalents ("BOEs"). For the six months ended June 30, 2000, 7,948 barrels of oil, 2,767 barrels of NGLs and 9,984 mcf of gas were sold, or 12,379 BOEs.

The average price received per barrel of oil decreased slightly from \$27.19 for the six months ended June 30, 2000 to \$27.13 for the same period ended June 30, 2001. The average price received per barrel of NGLs increased \$3.52, or 27%, from \$13.22 during the six months ended June 30, 2000 to \$16.74 for the same period in 2001. The average price received per mcf of gas increased 133% from \$2.12 during the six months ended June 30, 2000 to \$4.95 for the same period in 2001. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

production at average prices lower or higher than that received during the six months ended June 30, 2001.

### Costs and Expenses:

Total costs and expenses decreased to \$132,965 for the six months ended June 30, 2001 as compared to \$144,571 for the same period in 2000, a decrease of \$11,606, or 8%. This decrease was attributable to declines in production costs and depletion, offset by an increase in general and administrative expenses ("G&A").

Production costs were \$105,616 for the six months ended June 30, 2001 and \$113,454 for the same period in 2000, a \$7,838 decrease, or 7%. This decrease was primarily due to lower well maintenance costs, offset by increases in production taxes associated with higher oil and gas prices.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 25% from \$8,721 for the six months ended June 30, 2000 to \$10,895 for the same period in 2001, primarily due to a higher allocation of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues and an increase in audit and tax fees.

Depletion was \$16,454 for the six months ended June 30, 2001 as compared to \$22,396 for the same period in 2000, a decrease of \$5,942, or 27%. This decrease was primarily the result of an increase in proved reserves on a significant well during the period ended June 30, 2001.

Three months ended June 30, 2001 compared with three months ended June 30, 2000

### Revenues:

The Partnership's oil and gas revenues increased 8% to \$150,668 for the three months ended June 30, 2001 as compared to \$139,968 for the same period in 2000. The increase in revenues resulted from higher average prices received for gas

7

1765

and NGLs, offset by a decline in production and lower average prices received for oil. For the three months ended June 30, 2001, production included 4,092 barrels of oil, 1,224 barrels of NGLs and 6,744 mcf of gas, or 6,440 BOEs. For the three months ended June 30, 2000, 3,809 barrels of oil, 1,691 barrels of NGLs and 6,034 mcf of gas were sold, or 6,506 BOEs.

The average price received per barrel of oil decreased \$1.10, or 4%, from \$27.40 for the three months ended June 30, 2000 to \$26.30 for the three months ended June 30, 2001. The average price received per barrel of NGLs increased \$1.93, or 16%, from \$12.42 during the three months ended June 30, 2000 to \$14.35 for the same period in 2001. The average price received per mcf of gas increased 56% to \$3.78 during the three months ended June 30, 2001 from \$2.42 during the same period in 2000.

### Costs and Expenses:

Total costs and expenses decreased to \$64,490 for the three months ended June 30, 2001 as compared to \$68,339 for the same period in 2000, a decrease of \$3,849, or 6%. This decrease was due to lower production costs and depletion, offset by an increase in G&A.



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Production costs were \$51,876 for the three months ended June 30, 2001 and \$54,969 for the same period in 2000 resulting in a \$3,093 decrease, or 6%. The decrease was primarily due to lower well maintenance costs.

During this period, G&A increased 4% from \$4,356 for the three months ended June 30, 2000 to \$4,521 for the same period in 2001, primarily due to a higher allocation of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues.

Depletion was \$8,093 for the three months ended June 30, 2001 as compared to \$9,014 for the same period in 2000, a decrease of \$921, or 10%. This decrease was primarily the result of an increase in proved reserves on a significant well during the period ended June 30, 2001.

### Liquidity and Capital Resources

#### Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$156,685 during the six months ended June 30, 2001 from the same period ended June 30, 2000. This increase was due to an increase in oil and gas sales receipts of \$60,241 and reductions in working capital of \$90,780 and production costs of \$7,838, offset by an increase in G&A expenses of \$2,174. The increase in oil and gas receipts resulted from the increase in gas and NGL prices of \$37,922 during 2001 and an increase in production of \$22,954, offset by a \$635 decline in oil prices as compared to the same period in 2000. The decrease in production costs was primarily due to lower well maintenance costs, offset by increases in production taxes associated with higher oil and gas prices. The increase in G&A was primarily due to a higher percentage of the managing general partner's G&A being

8

1766

allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues and an increase in audit and tax fees.

#### Net Cash Used in Investing Activities

The Partnership's principal investing activities during the six months ended June 30, 2000 included expenditures related to equipment upgrades on various oil and gas properties.

#### Net Cash Used in Financing Activities

For the six months ended June 30, 2001, cash distributions to the partners were \$107,338, of which \$1,073 was distributed to the managing general partner and \$106,265 to the limited partners. For the same period ended June 30, 2000, cash distributions to the partners were \$161,017, of which \$1,610 was distributed to the managing general partner and \$159,407 to the limited partners.

For the three months ended June 30, 2001, no distributions were made by the partnership to its partners. Subsequent to June 30, 2001 the cash distribution that otherwise would have been mailed to partners in late June was made to holders of record as of July 9, 2001 and was mailed on July 13, 2001. For further information, see "Proposal to acquire partnerships" below.

#### Proposal to acquire partnerships

On June 29, 2001, Pioneer Natural Resources Company ("Pioneer") filed with the

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Securities and Exchange Commission Amendment No. 1 to the Form S-4 Registration Statement (File No. 333- 59094) (the "preliminary proxy statement/prospectus"), which proposes an agreement and plan of merger among Pioneer, Pioneer Natural Resources USA, Inc. ("Pioneer USA"), a wholly-owned subsidiary of Pioneer, and 46 Parker & Parsley limited partnerships. Each partnership that approves the agreement and plan of merger and the other related merger proposals will merge with and into Pioneer USA upon the closing of the transactions described in the preliminary proxy statement/prospectus, and the partnership interests of each such partnership will be converted into the right to receive Pioneer common stock. The Partnership is one of the 46 Parker & Parsley limited partnerships that will be asked to approve the agreement and plan of merger. The preliminary proxy statement/prospectus is non-binding and is subject to, among other things, consideration of offers from third parties to purchase any partnership or its assets and the majority approval of the limited partnership interests in each partnership.

Pioneer USA will solicit proxies from limited partners to approve the mergers only when the proxy statement/prospectus is final and declared effective. No solicitation will be made using preliminary materials. Nonetheless, copies of the preliminary proxy statement/prospectus may be obtained without charge upon request from Pioneer Natural Resources Company, 5205 North O'Connor Blvd., Suite 1400, Irving, Texas 75039, Attention: Investor Relations.

The limited partners are urged to read the proxy statement/prospectus of Pioneer filed with the Securities and Exchange Commission, when it is finalized, because it contains important information about the proposed mergers, including information about the direct and indirect interests of Pioneer USA and Pioneer in the mergers. The limited partners may also obtain the preliminary and (when filed) final proxy statement/prospectus and other relevant documents relating to

9

1767

the proposed mergers free through the internet web site that the Securities and Exchange Commission maintains at [www.sec.gov](http://www.sec.gov).

-----

- (1) "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" contains forward looking statements that involve risks and uncertainties. Accordingly, no assurances can be given that the actual events and results will not be materially different than the anticipated results described in the forward looking statements.

10

1768

PARKER & PARSLEY 90 SPRABERRY PRIVATE DEVELOPMENT, L.P.  
(A Delaware Limited Partnership)

FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITORS' REPORT

December 31, 2000 and 1999

1706

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

1769

INDEPENDENT AUDITORS' REPORT

The Partners

Parker & Parsley 90 Spraberry Private Development, L.P.  
(A Delaware Limited Partnership):

We have audited the balance sheets of Parker & Parsley 90 Spraberry Private Development, L.P. as of December 31, 2000 and 1999, and the related statements of operations, partners' capital and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parker & Parsley 90 Spraberry Private Development, L.P. as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Dallas, Texas  
March 9, 2001

1770

PARKER & PARSLEY 90 SPRABERRY PRIVATE DEVELOPMENT, L.P.  
(A Delaware Limited Partnership)

BALANCE SHEETS  
December 31

2000

1999

-----

-----

ASSETS

-----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Current assets:		
Cash	\$ 47,337	\$ 84,843
Accounts receivable - oil and gas sales	91,915	49,977
	-----	-----
Total current assets	139,252	134,820
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method		
	3,666,171	3,660,488
Accumulated depletion	(3,046,352)	(3,005,158)
	-----	-----
Net oil and gas properties	619,819	655,330
	-----	-----
	\$ 759,071	\$ 790,150
	=====	=====

LIABILITIES AND PARTNERS' CAPITAL

-----

Current liabilities:		
Accounts payable - affiliate	\$ 12,584	\$ 81,557
Partners' capital:		
Managing general partner	8,737	8,358
Limited partners (130 interests)	737,750	700,235
	-----	-----
	746,487	708,593
	-----	-----
	\$ 759,071	\$ 790,150
	=====	=====

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

PARKER & PARSLEY 90 SPRABERRY PRIVATE DEVELOPMENT, L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF OPERATIONS  
For the years ended December 31

	2000	1999	1998
	-----	-----	-----
Revenues:			
Oil and gas	\$ 638,385	\$ 345,743	\$ 275,856
Interest	5,441	3,213	3,779
Gain on disposition of assets	--	--	213
	-----	-----	-----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	643,826	348,956	279,848
	-----	-----	-----
Costs and expenses:			
Oil and gas production	235,823	177,422	184,952
General and administrative	20,910	14,767	10,935
Impairment of oil and gas properties	--	--	90,823
Depletion	41,194	84,045	126,372
	-----	-----	-----
	297,927	276,234	413,082
	-----	-----	-----
Net income (loss)	\$ 345,899	\$ 72,722	\$ (133,234)
	=====	=====	=====
Allocation of net income (loss):			
Managing general partner	\$ 3,459	\$ 727	\$ (1,332)
	=====	=====	=====
Limited partners	\$ 342,440	\$ 71,995	\$ (131,902)
	=====	=====	=====
Net income (loss) per limited partnership interest	\$2,634.15	\$ 553.81	\$ (1,014.63)
	=====	=====	=====

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

4

1772

PARKER & PARSLEY 90 SPRABERRY PRIVATE DEVELOPMENT, L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF PARTNERS' CAPITAL

	Managing general partner	Limited partners	Total
	-----	-----	-----
Partners' capital at January 1, 1998	\$ 11,813	\$ 1,042,323	\$ 1,054,136
Distributions	(1,443)	(142,847)	(144,290)
Net loss	(1,332)	(131,902)	(133,234)
	-----	-----	-----
Partners' capital at December 31, 1998	9,038	767,574	776,612
Distributions	(1,407)	(139,334)	(140,741)
Net income	727	71,995	72,722
	-----	-----	-----

1709

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Partners' capital at December 31, 1999	8,358	700,235	708,593
Distributions	(3,080)	(304,925)	(308,005)
Net income	3,459	342,440	345,899
	-----	-----	-----
Partners' capital at December 31, 2000	\$ 8,737	\$ 737,750	\$ 746,487
	=====	=====	=====

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

5

1773

PARKER & PARSLEY 90 SPRABERRY PRIVATE DEVELOPMENT, L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF CASH FLOWS  
For the years ended December 31

	2000	1999	1998
	-----	-----	-----
Cash flows from operating activities:			
Net income (loss)	\$ 345,899	\$ 72,722	\$ (133,234)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Impairment of oil and gas properties	--	--	90,823
Depletion	41,194	84,045	126,372
Gain on disposition of assets	--	--	(213)
Changes in assets and liabilities:			
Accounts receivable	(41,938)	(22,812)	21,422
Accounts payable	(68,973)	39,718	31,154
	-----	-----	-----
Net cash provided by operating activities	276,182	173,673	136,324
	-----	-----	-----
Cash flows from investing activities:			
Additions to oil and gas properties	(5,683)	(2,042)	(7,821)
Proceeds from asset dispositions	--	3,269	213
	-----	-----	-----
Net cash provided by (used in) investing activities	(5,683)	1,227	(7,608)
	-----	-----	-----
Cash flows used in financing activities:			
Cash distributions to partners	(308,005)	(140,741)	(144,290)
	-----	-----	-----
Net increase (decrease) in cash	(37,506)	34,159	(15,574)
Cash at beginning of year	84,843	50,684	66,258
	-----	-----	-----

1710

# Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Cash at end of year	\$ 47,337	\$ 84,843	\$ 50,684
	=====	=====	=====

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

6

1774

PARKER & PARSLEY 90 SPRABERRY PRIVATE DEVELOPMENT, L.P.  
(A Delaware Limited Partnership)

NOTES TO FINANCIAL STATEMENTS  
December 31, 2000, 1999 and 1998

## NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS

Parker & Parsley 90 Spraberry Private Development, L.P. (the "Partnership") was organized in 1990 as a general partnership under the laws of the State of Texas and was converted to a Delaware limited partnership in 1991. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA").

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

## NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Oil and gas properties - The Partnership utilizes the successful efforts method of accounting for its oil and gas properties and equipment. Under this method, all costs associated with productive wells and nonproductive development wells are capitalized while nonproductive exploration costs are expensed. Capitalized costs relating to proved properties are depleted using the unit-of-production method on a property-by-property basis based on proved oil (dominant mineral) reserves as evaluated by independent petroleum consultants. The carrying amounts of properties sold or otherwise disposed of and the related allowances for depletion are eliminated from the accounts and any gain or loss is included in results of operations.

Impairment of long-lived assets - In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the Partnership reviews its long-lived assets to be held and used on an individual property basis, including oil and gas properties accounted for under the successful efforts method of accounting, whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. An impairment loss is indicated if the sum of the expected future cash flows is less than the carrying amount of the assets. In this circumstance, the Partnership recognizes an impairment loss for the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset.

Use of estimates in the preparation of financial statements - Preparation of the accompanying financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

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. Actual results could differ from those estimates.

Net income (loss) per limited partnership interest - The net income (loss) per limited partnership interest is calculated by using the number of outstanding limited partnership interests.

7

1775

Income taxes - A Federal income tax provision has not been included in the financial statements as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

Statements of cash flows - For purposes of reporting cash flows, cash includes depository accounts held by banks.

General and administrative expenses - General and administrative expenses are allocated in part to the Partnership by the managing general partner. Allocated expenses are determined by the managing general partner based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Reclassifications - Certain reclassifications may have been made to the 1999 and 1998 financial statements to conform to the 2000 financial statement presentations.

Environmental - The Partnership is subject to extensive federal, state and local environmental laws and regulations. These laws, which are constantly changing, regulate the discharge of materials into the environment and may require the Partnership to remove or mitigate the environmental effects of the disposal or release of petroleum or chemical substances at various sites. Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Liabilities for expenditures of a noncapital nature are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated. Such liabilities are generally undiscounted unless the timing of cash payments for the liability or component are fixed or reliably determinable. No such liabilities have been accrued as of December 31, 2000.

Revenue recognition - The Partnership uses the entitlements method of accounting for oil, natural gas liquids ("NGLs") and natural gas revenues.

### NOTE 3. IMPAIRMENT OF LONG-LIVED ASSETS

In accordance with SFAS 121, the Partnership reviews its proved oil and gas properties for impairment whenever events and circumstances indicate a decline in the recoverability of the carrying value of the Partnership's oil and gas properties. The Partnership has estimated the expected future cash flows of its oil and gas properties as of December 31, 2000, 1999 and 1998, based on proved reserves, and compared such estimated future cash flows to the respective carrying amount of the oil and gas properties to determine if the carrying amounts were likely to be recoverable. For those proved oil and gas properties for which the carrying amount exceeded the estimated future cash flows, an impairment was determined to exist; therefore, the Partnership adjusted the carrying amount of those oil and gas properties to their fair value as determined by discounting their expected future cash flows at a discount rate



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

commensurate with the risks involved in the industry. As a result, the Partnership recognized a non-cash impairment provision of \$90,823 related to its proved oil and gas properties during 1998.

8

1776

### NOTE 4. INCOME TAXES

The financial statement basis of the Partnership's net assets and liabilities was \$43,760 greater than the tax basis at December 31, 2000.

The following is a reconciliation of net income (loss) per statements of operations with the net income per Federal income tax returns for the years ended December 31:

	2000	1999	1998
Net income (loss) per statements of operations	\$ 345,899	\$ 72,722	\$ (133,234)
Impairment of oil and gas properties for financial reporting purposes	-	-	90,823
Depletion, depreciation and amortization for tax reporting purposes less than amounts for financial reporting purposes	36,539	79,135	110,651
Other, net	(76,555)	39,044	36,173
	\$ 305,883	\$ 190,901	\$ 104,413
Net income per Federal income tax returns	\$ 305,883	\$ 190,901	\$ 104,413

### NOTE 5. OIL AND GAS PRODUCING ACTIVITIES

The following is a summary of the net costs incurred, whether capitalized or expensed, related to the Partnership's oil and gas producing activities for the years ended December 31:

	2000	1999	1998
Development costs	\$ 5,683	\$ 2,042	\$7,821
	\$ 5,683	\$ 2,042	\$7,821

Capitalized oil and gas properties consist of the following:

	2000	1999
Proved properties:		
Property acquisition costs	\$ 19,608	\$ 19,608
Completed wells and equipment	3,646,563	3,640,880

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	-----	-----
	3,666,171	3,660,488
Accumulated depletion	(3,046,352)	(3,005,158)
	-----	-----
Net oil and gas properties	\$ 619,819	\$ 655,330
	=====	=====

9

1777

NOTE 6. RELATED PARTY TRANSACTIONS

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

	2000	1999	1998
	-----	-----	-----
Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$88,496	\$85,512	\$81,995
Reimbursement of general and administrative expenses	\$18,935	\$11,455	\$ 9,241

The Partnership participates in oil and gas activities through an income tax partnership (the "Program") pursuant to the Program agreement. Pioneer USA, P&P Employees 90 Spraberry Private Conv., L.P. ("EMPL") and the Partnership are parties to the Program agreement. EMPL is a limited partnership organized for the benefit of certain employees of Pioneer USA. EMPL was merged with Pioneer USA on December 28, 2000.

The costs and revenues of the Program are allocated to Pioneer USA and the Partnership as follows:

	Pioneer USA (1)	Partnership
	-----	-----
Revenues:		
Proceeds from disposition of depreciable and depletable properties -		
First three years	14.141414%	85.858586%
After three years	19.191919%	80.808081%
All other revenues -		
First three years	14.141414%	85.858586%
After three years	19.191919%	80.808081%
Costs and expenses:		
Lease acquisition costs, drilling and completion costs	9.090909%	90.909091%
Operating costs, reporting and legal expenses and general and administrative expenses -		
First three years	14.141414%	85.858586%
After three years	19.191919%	80.808081%

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

(1) Excludes Pioneer USA's 1% general partner ownership which is allocated at the Partnership level.

### NOTE 7. OIL AND GAS INFORMATION (UNAUDITED)

The following table presents information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities during the years then ended. All of the Partnership's reserves are proved developed and located within the United States. The Partnership's reserves are based on an evaluation prepared by Williamson Petroleum Consultants, Inc., an independent petroleum consultant, using criteria established by the Securities and Exchange Commission.

10

1778

	Oil and NGLs (bbls)	Gas (mcf)
	-----	-----
Net proved reserves at January 1, 1998	270,590	306,642
Revisions	(126,717)	(142,535)
Production	(20,835)	(24,095)
	-----	-----
Net proved reserves at December 31, 1998	123,038	140,012
Revisions	214,995	265,098
Production	(20,688)	(19,579)
	-----	-----
Net proved reserves at December 31, 1999	317,345	385,531
Revisions	122,969	18,001
Production	(22,593)	(22,121)
	-----	-----
Net proved reserves at December 31, 2000	417,721	381,411
	=====	=====

As of December 31, 2000, the estimated present value of future net revenues of proved reserves, calculated using December 31, 2000 prices of \$26.64 per barrel of oil, \$13.12 per barrel of NGLs and \$7.64 per mcf of gas, discounted at 10% was approximately \$2,575,000 and undiscounted was \$5,966,000.

Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves. The Partnership emphasizes that reserve estimates are inherently imprecise and, accordingly, the estimates are expected to change as future information becomes available.

Disclosures about Oil & Gas Producing Activities

Standardized Measure of Discounted Future Net Cash Flows

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The standardized measure of discounted future net cash flows is computed by applying year-end prices of oil and gas (with consideration of price changes only to the extent provided by contractual arrangements) to the estimated future production of proved oil and gas reserves less estimated future expenditures (based on year-end costs) to be incurred in developing and producing the proved reserves, discounted using a rate of 10% per year to reflect the estimated timing of the future cash flows. A Federal income tax provision has not been calculated as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

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

	For the years ended Decem	
	2000	1999
	-----	-----
	(in thousands)	
Oil and gas producing activities:		
Future cash inflows	\$ 12,670	\$ 7,807
Future production costs	(6,704)	(4,572)
	-----	-----
	5,966	3,235
10% annual discount factor	(3,391)	(1,487)
	-----	-----
Standardized measure of discounted future net cash flows	\$ 2,575	\$ 1,748
	=====	=====

11

1779

	For the years ended December 31,		
	2000	1999	1998
	-----	-----	-----
	(in thousands)		
Oil and Gas Producing Activities:			
Oil and gas sales, net of production costs	\$ (403)	\$ (168)	\$ (91)
Net changes in prices and production costs	840	719	(692)
Revisions of previous quantity estimates	844	1,623	(150)
Accretion of discount	175	19	106
Changes in production rates, timing and other	(629)	(634)	(48)
	-----	-----	-----
Change in present value of future net revenues	827	1,559	(875)
	-----	-----	-----
Balance, beginning of year	1,748	189	1,064

1716

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	-----	-----	-----
Balance, end of year	\$ 2,575	\$ 1,748	\$ 189
	=====	=====	=====

NOTE 8. MAJOR CUSTOMERS

The following table reflects the major customers of the Partnership's oil and gas sales (a major customer is defined as a customer whose sales exceed 10% of total sales) during the years ended December 31:

	2000	1999	1998
	-----	-----	-----
Plains Marketing, L.P.	56%	50%	-
TEPPCO Crude Oil LLC	10%	10%	-
Genesis Crude Oil, L.P.	-	-	47%
Phillips Petroleum Company	17%	14%	12%
Western Gas Resources, Inc.	2%	3%	9%

At December 31, 2000, the amounts receivable from Plains Marketing, L.P., Phillips Petroleum Company and TEPPCO Crude Oil LLC were \$29,695, \$12,633 and \$4,023, respectively, which are included in the caption "Accounts receivable - oil and gas sales" in the accompanying Balance Sheet.

Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on the ability of the Partnership to sell its oil, NGLs and gas production.

NOTE 9. PARTNERSHIP AGREEMENT

The following is a brief summary of the more significant provisions of the Partnership agreement:

Managing general partner - The managing general partner of the Partnership is Pioneer USA. Pioneer USA has the power and authority to manage, control and administer all Program and Partnership affairs. As managing general partner and operator of the Partnership's properties, all production expenses are incurred by Pioneer USA and billed to the Partnership. The majority of the Partnership's oil and gas revenues are received directly by the Partnership, however, a portion of the oil and gas revenue is initially received by Pioneer USA prior to being

paid to the Partnership. Under the Partnership agreement, the managing general partner pays 1% of the Partnership's acquisition, drilling and completion costs and 1% of its operating, general and administrative expenses. The managing general partner is also responsible for 1% of guaranty and loan commitment fees. In return, it is allocated 1% of the Partnership's revenues.

Limited partner liability - The maximum amount of liability of any limited partner is the total contributions of such partner plus his share of any undistributed profits.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Initial capital contributions - The partners entered into subscription agreements for aggregate capital contributions of \$5,200,000. Pioneer USA is required to contribute amounts equal to 1% of initial Partnership capital less commission and organization and offering costs allocated to the limited partners and to contribute amounts necessary to pay costs and expenses allocated to it under the Partnership agreement to the extent that its share of revenues does not cover such costs.

13

1781

PARKER & PARSLEY 90 SPRABERRY PRIVATE DEVELOPMENT, L.P.  
(A DELAWARE LIMITED PARTNERSHIP)

THIS REPORT CONTAINS FORWARD LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. ACCORDINGLY, NO ASSURANCES CAN BE GIVEN THAT THE ACTUAL EVENTS AND RESULTS WILL NOT BE MATERIALLY DIFFERENT THAN THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS.

### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

In September 2000, restated financial statements for 1999 and 1998 were issued to the partners to correct a revenue allocation error for one well in the Partnership. The 1999 and 1998 amounts contained in the following discussion of financial condition and the results of operation are based on the restated amounts.

#### Results of operations

##### 2000 compared to 1999

The Partnership's oil and gas revenues increased 85% to \$638,385 from 2000 as compared to \$345,743 in 1999. The increase in revenues resulted from higher average prices received and an increase in production. In 2000, 16,344 barrels of oil, 6,249 barrels of natural gas liquids ("NGLs") and 22,121 mcf of gas were sold, or 26,280 barrel of oil equivalents ("BOEs"). In 1999, 15,384 barrels of oil, 5,304 barrels of NGLs and 19,579 mcf of gas were sold, or 23,951 BOEs. Due to the decline characteristics of the Partnership's oil and gas properties, management expects a certain amount of decline in production in the future until the Partnership's economically recoverable reserves are fully depleted.

The average price received per barrel of oil increased \$12.13, or 71%, from \$17.04 in 1999 to \$29.17 in 2000. The average price received per barrel of NGLs increased \$5.86, or 60%, from \$9.70 in 1999 to \$15.56 in 2000. The average price received per mcf of gas increased 76% from \$1.65 in 1999 to \$2.91 in 2000. The market price for oil and gas has been extremely volatile in the past decade, and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received in 2000.

Total costs and expenses increased in 2000 to \$297,927 as compared to \$276,234 in 1999, an increase of \$21,693, or 8%. The increase was due to increases in production costs and general and administrative expenses ("G&A"), offset by a decline in depletion.

Production costs were \$235,823 in 2000 and \$177,422 in 1999, resulting in a \$58,401 increase, or 33%. The increase was primarily due to higher production taxes associated with higher oil and gas prices and additional well maintenance costs incurred to stimulate well production.

1718

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 42% from \$14,767 in 1999 to \$20,910 in 2000, primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$18,935 in 2000 and \$11,455 in 1999 for G&A incurred on behalf of the Partnership. The remaining G&A was paid directly by the Partnership. The managing general partner determines the allocated expenses based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Depletion was \$41,194 in 2000 as compared to \$84,045 in 1999, representing a decrease of \$42,851, or 51%. This decrease was primarily due to a 106,156 barrels of oil increase in proved reserves during 2000 as a result of higher commodity prices.

1782

1999 compared to 1998

The Partnership's 1999 oil and gas revenues increased 25% to \$345,743 from \$275,856 in 1998. The increase in revenues resulted from higher average prices received and an increase in production. In 1999, 15,384 barrels of oil, 5,304 barrels of NGLs and 19,579 mcf of gas were sold, or 23,951 BOEs. In 1998, 15,196 barrels of oil, 5,639 barrels of NGLs and 24,095 mcf of gas were sold, or 24,851 BOEs.

The average price received per barrel of oil increased \$3.98, or 30%, from \$13.06 in 1998 to \$17.04 in 1999. The average price received per barrel of NGLs increased \$2.81, or 41%, from \$6.89 in 1998 to \$9.70 in 1999. The average price received per mcf of gas increased 3% from \$1.60 in 1998 to \$1.65 in 1999.

Gain on disposition of assets of \$213 recognized during 1998 was related to equipment salvage received on a well plugged and abandoned in a prior year.

Total costs and expenses decreased in 1999 to \$276,234 as compared to \$413,082 in 1998, a decrease of \$136,848, or 33%. The decrease was due to reductions in the impairment of oil and gas properties, depletion and production costs, offset by an increase in G&A.

Production costs were \$177,422 in 1999 and \$184,952 in 1998, resulting in a \$7,530 decrease, or 4%. The decrease was due to reductions in well maintenance costs and ad valorem taxes.

During this period, G&A increased 35% from \$10,935 in 1998 to \$14,767 in 1999 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$11,455 in 1999 and \$9,241 in 1998 for G&A incurred on behalf of the Partnership.

In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the managing general partner reviews the Partnership's oil and gas properties for impairment whenever events or circumstances indicate a decline in the recoverability of the carrying value of the Partnership's assets may have occurred. As a result of the review and evaluation of its long-lived assets for impairment, the Partnership recognized a

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

non-cash charge of \$90,823 related to its oil and gas properties during 1998.

Depletion was \$84,045 in 1999 compared to \$126,372 in 1998, representing a decrease of \$42,327, or 33%. This decrease was primarily due to an increase in proved reserves of 151,444 barrels of oil during 1999 as a result of higher commodity prices and a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 1998.

### Petroleum industry

The petroleum industry has been characterized by volatile oil, NGL and natural gas commodity prices and relatively stable supplier costs during the three years ended December 31, 2000. During 1998, weather patterns, regional economic recessions and political matters combined to cause worldwide oil supplies to exceed demand resulting in a substantial decline in oil prices. Also during 1998, but to a lesser extent, market prices for natural gas declined. During 1999 and 2000, the Organization of Petroleum Exporting Countries ("OPEC") and certain other crude oil exporting nations announced reductions in their planned export volumes. Those announcements, together with the enactment of the announced reductions in export volumes, had a positive impact on world oil prices, as have overall natural gas supply and demand fundamentals on North American natural gas prices. Although the favorable commodity price environment and stable field service cost environment is expected to continue during 2001, there is no assurance that commodity prices will not return to a less favorable level or that field service costs will not escalate in the future, both of which could negatively impact the Partnership's future results of operations and cash distributions.

1783

### Liquidity and capital resources

#### Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$102,509 during the year ended December 31, 2000 from 1999. This increase was due to an increase in oil and gas sales receipts of \$294,870, offset by increases in production costs paid of \$58,401, G&A expenses paid of \$6,143 and working capital of \$127,817. The increase in oil and gas receipts resulted from the increase in commodity prices during 2000 which contributed an additional \$244,760 to oil and gas receipts and an increase of \$50,110 resulting from the increase in production during 2000. The increase in production costs was primarily due to increased production taxes associated with higher oil and gas prices and additional well maintenance costs incurred to stimulate well production. The increase in G&A was primarily due to higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues.

#### Net Cash Provided by (Used in) Investing Activities

The Partnership's principal investing activities during 2000 and 1999 included expenditures related to equipment upgrades on active properties.

Proceeds from asset dispositions of \$3,269 in 1999 were due to equipment credits received on active wells.

#### Net Cash Used in Financing Activities

In 2000, cash distributions to the partners were \$308,005, of which \$3,080 was distributed to the managing general partner and \$304,925 to the limited partners. In 1999, cash distributions to the partners were \$140,741, of which \$1,407 was distributed to the managing general partner and \$139,334 to the



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

limited partners.

1784

PARKER & PARSLEY 90 SPRABERRY PRIVATE DEVELOPMENT, L.P.

SELECTED FINANCIAL DATA

The following selected financial data for the Partnership should be read in connection with Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements included in the attached supplemental information.

	Six months ended June 30,		Years ended Decem		
	2001	2000	2000	1999	1998
				(Restated)	(Restated)
Operating results:					
Oil and gas sales	\$ 334,282	\$ 273,886	\$ 638,385	\$ 345,743	\$ 275,856
Impairment of oil and gas properties	\$ --	\$ --	\$ --	\$ --	\$ 90,823
Net income (loss)	\$ 203,658	\$ 131,811	\$ 345,899	\$ 72,722	\$ (133,234)
Allocation of net income (loss):					
Managing general partner	\$ 2,037	\$ 1,318	\$ 3,459	\$ 727	\$ (1,332)
Limited partners	\$ 201,621	\$ 130,493	\$ 342,440	\$ 71,995	\$ (131,902)
Limited partners' net income (loss) per limited partnership interest	\$ 1,550.93	\$ 1,003.79	\$ 2,634.15	\$ 553.81	\$ (1,014.63)
Limited partners' cash distributions per limited partnership interest	\$ 817.42	\$ 1,226.21	\$ 2,345.58	\$ 1,071.80	\$ 1,098.82
As of period ended:					
Total assets	\$ 858,398	\$ 708,194	\$ 759,071	\$ 790,150	\$ 818,273

1785

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

PIONEER NATURAL RESOURCES COMPANY  
PIONEER NATURAL RESOURCES USA, INC.  
5205 NORTH O'CONNOR BLVD., SUITE 1400  
IRVING, TEXAS 75039

SUPPLEMENTAL INFORMATION

OF

PARKER & PARSLEY 91-A, L.P., A DELAWARE LIMITED PARTNERSHIP

TO

PROXY STATEMENT/PROSPECTUS DATED , 2001

-----

THE DATE OF THIS SUPPLEMENT IS , 2001

-----

This document contains important information specific to Parker & Parsley 91-A, L.P., and supplements the proxy statement/prospectus dated , 2001, of Pioneer Natural Resources Company and Pioneer Natural Resources USA, Inc., by which Pioneer USA is soliciting proxies to be voted at a special meeting of limited partners of the partnership. The purpose of the special meeting is for you to vote upon the merger of the partnership with and into Pioneer USA that, if completed, will result in your receiving common stock of Pioneer Natural Resources Company for your partnership interests.

This document contains the following information concerning Parker & Parsley 91-A, L.P.:

- o A table containing:
  - the aggregate initial investment by the limited partners
  - the aggregate historical limited partner distributions through July 31, 2001
  - the merger value attributable to partnership interests of limited partners, excluding Pioneer USA
  - the merger value per \$1,000 limited partner investment
  - the merger value per \$1,000 limited partner investment as a multiple of distributions for the past four quarterly distributions including the distribution in July 2001
  - the book value per \$1,000 limited partner investment as of June 30, 2001 and as of December 31, 2000
  - the going concern value per \$1,000 limited partner investment
  - the liquidation value per \$1,000 limited partner investment
  - the ordinary tax loss per \$1,000 limited partner investment in year of initial investment

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

- o Information about:
  - the legal opinion for the limited partners
  - the term of the partnership
  
- o The partnership's quarterly report on Form 10-Q, including management's discussion and analysis of financial condition and results of operations, for the six months ended June 30, 2001
  
- o The partnership's annual report on Form 10-K, including management's discussion and analysis of financial condition and results of operations, for the year ended December 31, 2000
  
- o Selected historical financial data for the partnership for the six months ended June 30, 2001 and 2000 and the five years ended December 31, 2000

-1-

1786

PARKER & PARSLEY 91-A, L.P.

SUPPLEMENTAL INFORMATION TABLE

Aggregate Initial Investment by the Limited Partners(a)	\$
Aggregate Historical Limited Partner Distributions through July 31, 2001(a)	\$
Merger Value Attributable to Partnership Interests of Limited Partners, Excluding Pioneer USA(a), (b)	\$
Merger Value per \$1,000 Limited Partner Investment(b), (c)	\$
Merger Value per \$1,000 Limited Partner Investment as a Multiple of Distributions for the past four quarterly distributions including the distribution in July 2001(b), (c)	
Book Value per \$1,000 Limited Partner Investment:	
-- as of June 30, 2001 (c)	\$
-- as of December 31, 2000(c)	\$
Going Concern Value per \$1,000 Limited Partner Investment(c), (d)	\$
Liquidation Value per \$1,000 Limited Partner Investment(c), (e)	\$
Ordinary Tax Loss per \$1,000 Limited Partner Investment in Year of Initial Investment(c), (f)	\$

-----

(a) Stated in thousands.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

- (b) The merger value for the partnership is equal to the sum of the present value of estimated future net revenues from the partnership's estimated oil and gas reserves and its net working capital, in each case as of March 31, 2001, less its pro rata share, based on its reserve value, of the estimated expenses and fees of the mergers of all of the partnerships and less the cash distribution on July 13, 2001, by the partnership to its partners.
- (c) Interests in some partnerships were sold in units at prices other than \$1,000. We have presented this information based on a \$1,000 initial investment for ease of use and comparison among partnerships. You should not assume that the amount shown per \$1,000 investment is the same as the value or amount attributable to a single unit investment.
- (d) The going concern value for the partnership is based upon: (1) the sum of (A) the estimated net cash flow from the sale of the partnership's reserves during a 10-year operating period and (B) the estimated residual value from the sale of the partnership's remaining reserves at the end of the operating period, in each case using the same pricing and discount rate as in the merger value calculation, less (2) (A) partnership level general and administrative expenses, and (B) the cash distribution on July 13, 2001 by the partnership to its partners.
- (e) The liquidation value for the partnership is based upon the sale of the partnership's reserves at the reserve value, less (1) liquidation expenses which are estimated to be the sum of (A) the partnership's pro rata share of the merger expenses and fees described in footnote (b) above and (B) 3% of the partnership's reserve value, and (2) the cash distribution on July 13, 2001 by the partnership to its partners. The liquidation expenses represent estimated costs to retain an investment banker or broker to sell the assets of the partnership and the legal and other closing costs associated with such transaction, including the wind-down costs of the partnership.
- (f) Your ability to use your distributive share of the partnership's loss to offset your other income may have been subject to certain limitations at your level as a partner, and you may therefore wish to consult your tax advisor to determine the additional value, if any, actually realized by you in your particular circumstances.

### INFORMATION ABOUT THE LEGAL OPINION FOR THE LIMITED PARTNERS

The partnership agreement for the partnership requires that special legal counsel render an opinion on behalf of the limited partners to Pioneer USA that neither the grant nor the exercise of the right to approve the merger of the partnership by its limited partners will adversely affect the federal income tax classification of the partnership or any of its limited partners. Although not required by the partnership agreement, the opinion will also state that neither the grant nor exercise of such right will result in the loss of any limited partner's limited liability. In addition, the counsel designated to render the opinion is not required to be counsel other than counsel to Pioneer USA or the partnership. Both the designated counsel and the legal opinion must be approved by the limited partners. Pioneer USA has retained \_\_\_\_\_ of Dallas, Texas for the purpose of rendering this legal opinion on behalf of the limited partners to Pioneer USA. The merger proposals include an approval of that counsel and the form of its opinion. A copy of the opinion is attached as an exhibit to the merger proposals.

### INFORMATION ABOUT THE TERM OF THE PARTNERSHIP

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The term of the partnership is until December 31, 2041, unless the partnership is earlier terminated in accordance with the applicable provisions of its partnership agreement.

-2-

1787

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, 2001

Commission File No. 33-38582-01

PARKER & PARSLEY 91-A, L.P.  
(Exact name of Registrant as specified in its charter)

Delaware

75-2387572

-----  
(State or other jurisdiction of  
incorporation or organization)

-----  
(I.R.S. Employer  
Identification Number)

5205 N. O'Connor Blvd., Suite 1400, Irving, Texas

75039

-----  
Address of principal executive offices)

-----  
(Zip code)

Registrant's Telephone Number, including area code : (972) 444-9001

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 / x / No / /

1788

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

PARKER & PARSLEY 91-A, L.P.

TABLE OF CONTENTS

	Page
Part I. Financial Information	
Item 1. Financial Statements	
Balance Sheets as of June 30, 2001 and December 31, 2000.....	3
Statements of Operations for the three and six months ended June 30, 2001 and 2000.....	4
Statement of Partners' Capital for the six months ended June 30, 2001.....	5
Statements of Cash Flows for the six months ended June 30, 2001 and 2000.....	6
Notes to Financial Statements.....	7
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.....	7
Part II. Other Information	
Item 6. Exhibits and Reports on Form 8-K.....	11
Signatures.....	12

PARKER & PARSLEY 91-A, L.P.  
(A Delaware Limited Partnership)

Part 1. Financial Information

Item 1. Financial Statements

BALANCE SHEETS

June 30, 2001	December 31, 2000
-----	-----
(Unaudited)	

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

ASSETS

Current assets:			
Cash	\$	525,883	\$ 219,827
Accounts receivable - oil and gas sales		196,699	255,270
		-----	-----
Total current assets		722,582	475,097
		-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method		9,711,990	9,710,132
Accumulated depletion		(7,790,421)	(7,727,573)
		-----	-----
Net oil and gas properties		1,921,569	1,982,559
		-----	-----
	\$	2,644,151	\$ 2,457,656
		=====	=====

LIABILITIES AND PARTNERS' CAPITAL

Current liabilities:			
Accounts payable - affiliate	\$	56,776	\$ 32,513
Partners' capital:			
Managing general partner		25,918	24,295
Limited partners (11,620 interests)		2,561,457	2,400,848
		-----	-----
		2,587,375	2,425,143
		-----	-----
	\$	2,644,151	\$ 2,457,656
		=====	=====

The financial information included as of June 30, 2001 has been prepared by the managing general partner without audit by independent public accountants.

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

3

1790

PARKER & PARSLEY 91-A, L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF OPERATIONS  
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2001	2000	2001	2000
	-----	-----	-----	-----
Revenues:				
Oil and gas	\$ 431,706	\$ 453,778	\$ 884,166	\$ 878,201
Interest	3,524	4,289	7,054	7,652
	-----	-----	-----	-----

1727

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	435,230	458,067	891,220	885,853
	-----	-----	-----	-----
Costs and expenses:				
Oil and gas production	152,796	160,948	313,648	308,717
General and administrative	11,109	21,632	32,165	32,098
Depletion	29,283	30,834	62,848	79,040
	-----	-----	-----	-----
	193,188	213,414	408,661	419,855
	-----	-----	-----	-----
Net income	\$ 242,042	\$ 244,653	\$ 482,559	\$ 465,998
	=====	=====	=====	=====
Allocation of net income:				
Managing general partner	\$ 2,421	\$ 2,447	\$ 4,826	\$ 4,660
	=====	=====	=====	=====
Limited partners	\$ 239,621	\$ 242,206	\$ 477,733	\$ 461,338
	=====	=====	=====	=====
Net income per limited partnership interest	\$ 20.62	\$ 20.84	\$ 41.11	\$ 39.70
	=====	=====	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

4

1791

PARKER & PARSLEY 91-A, L.P.  
(A Delaware Limited Partnership)

STATEMENT OF PARTNERS' CAPITAL  
(Unaudited)

	Managing general partner	Limited partners	Total
	-----	-----	-----
Balance at January 1, 2001	\$ 24,295	\$2,400,848	\$2,425,143
Distributions	(3,203)	(317,124)	(320,327)
Net income	4,826	477,733	482,559
	-----	-----	-----
Balance at June 30, 2001	\$ 25,918	\$2,561,457	\$2,587,375
	=====	=====	=====

1728



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

5

1792

PARKER & PARSLEY 91-A, L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF CASH FLOWS  
(Unaudited)

	Six months ended June 30,	
	2001	2000
Cash flows from operating activities:		
Net income	\$ 482,559	\$ 465,998
Adjustment to reconcile net income to net cash provided by operating activities:		
Depletion	62,848	79,040
Changes in assets and liabilities:		
Accounts receivable	58,571	(41,246)
Accounts payable	24,263	4,575
	628,241	508,367
Cash flows from investing activities:		
Additions to oil and gas properties	(1,858)	(18,953)
Proceeds from asset disposition	-	8,812
	(1,858)	(10,141)
Cash flows used in financing activities:		
Cash distributions to partners	(320,327)	(515,856)
Net increase (decrease) in cash	306,056	(17,630)
Cash at beginning of period	219,827	226,846
Cash at end of period	\$ 525,883	\$ 209,216

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

6

1729

1793

PARKER & PARSLEY 91-A, L.P.  
(A Delaware Limited Partnership)

NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Unaudited)

Note 1. Organization and nature of organization

Parker & Parsley 91-A, L.P. (the "Partnership") is a limited partnership organized in 1991 under the laws of the State of Delaware.

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

Note 2. Basis of presentation

In the opinion of management, the unaudited financial statements of the Partnership as of June 30, 2001 and for the three and six months ended June 30, 2001 and 2000 include all adjustments and accruals consisting only of normal recurring accrual adjustments which are necessary for a fair presentation of the results for the interim period. These interim results are not necessarily indicative of results for a full year. Certain reclassifications may have been made to the June 30, 2000 financial statements to conform to the June 30, 2001 financial statement presentations.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in this Form 10-Q pursuant to the rules and regulations of the Securities and Exchange Commission. The financial statements should be read in conjunction with the financial statements and the notes thereto contained in the Partnership's Report on Form 10-K for the year ended December 31, 2000, as filed with the Securities and Exchange Commission, a copy of which is available upon request by writing to Rich Dealy, Vice President and Chief Accounting Officer, 5205 North O'Connor Boulevard, Suite 1400, Irving, Texas 75039-3746.

Item 2. Management's Discussion and Analysis of Financial Condition  
and Results of Operations (1)

Results of Operations

Six months ended June 30, 2001 compared with six months ended  
June 30, 2000

Revenues:

The Partnership's oil and gas revenues increased slightly to \$884,166 for the six months ended June 30, 2001 as compared to \$878,201 for the same period in 2000. The increase in revenues resulted from higher average prices received for gas, offset by a decline in production and a decline in the average prices received for oil and NGLs. For the six months ended June 30, 2001, 19,763

1794

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

barrels of oil, 5,186 barrels of natural gas liquids ("NGLs") and 52,227 mcf of gas were sold, or 33,654 barrel of oil equivalents ("BOEs"). For the six months ended June 30, 2000, 22,483 barrels of oil, 10,398 barrels of NGLs and 47,283 mcf of gas were sold, or 40,762 BOEs.

The average price received per barrel of oil decreased \$.43, or 2%, from \$27.85 for the six months ended June 30, 2000 to \$27.42 for the same period ended June 30, 2001. The average price received per barrel of NGLs decreased \$1.85, or 13%, from \$13.94 during the six months ended June 30, 2000 to \$12.09 for the same period in 2001. The average price received per mcf of gas increased 136% from \$2.27 during the six months ended June 30, 2000 to \$5.35 for the same period in 2001. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received during the six months ended June 30, 2001.

### Costs and Expenses:

Total costs and expenses decreased to \$408,661 for the six months ended June 30, 2001 as compared to \$419,855 for the same period in 2000, a decrease of \$11,194, or 3%. This decrease was due to a decline in depletion, offset by increases in production costs and general and administrative expenses ("G&A").

Production costs were \$313,648 for the six months ended June 30, 2001 and \$308,717 for the same period in 2000 resulting in a \$4,931 increase, or 2%. This increase is primarily due to additional well maintenance costs incurred to stimulate well production.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased slightly from \$32,098 for the six months ended June 30, 2000 to \$32,165 for the same period in 2001, primarily due to an increase in audit and tax fees.

Depletion was \$62,848 for the six months ended June 30, 2001 as compared to \$79,040 for the same period in 2000, a decrease of \$16,192 or 20%. This decrease was primarily due to a reduction in the Partnership's net depletable basis from charges taken in accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121") during the fourth quarter of 2000 and a decline in oil production of 2,720 barrels for the six months ended June 30, 2001 as compared to the same period in 2000.

Three months ended June 30, 2001 compared with three months ended June 30, 2000

### Revenues:

The Partnership's oil and gas revenues decreased 5% to \$431,706 for the three months ended June 30, 2001 as compared to \$453,778 for the same period in 2000. The decrease in revenues resulted from a decrease in production and lower average prices received for oil and NGLs, offset by higher average prices received for gas. For the three months ended June 30, 2001, 9,218 barrels of

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

oil, 2,611 barrels of NGLs and 33,176 mcf of gas were sold, or 17,358 BOEs. For the three months ended June 30, 2000, 11,123 barrels of oil, 5,559 barrels of NGLs and 24,304 mcf of gas were sold, or 20,733 BOEs.

The average price received per barrel of oil decreased \$1.06, or 4%, from \$27.82 during the three months ended June 30, 2000 to \$26.76 for the same period in 2001. The average price received per barrel of NGLs decreased \$4.84, or 34%, from \$14.20 during the three months ended June 30, 2000 to \$9.36 for the same period in 2001. The average price received per mcf of gas increased 80% from \$2.69 for the three months ended June 30, 2000 to \$4.84 for the same period in 2001.

### Costs and Expenses:

Total costs and expenses decreased to \$193,188 for the three months ended June 30, 2001 as compared to \$213,414 for the same period in 2000, a decrease of \$20,226, or 9%. This decrease was due to declines in G&A, production costs and depletion.

Production costs were \$152,796 for the three months ended June 30, 2001 and \$160,948 for the same period in 2000 resulting in an \$8,152 decrease, or 5%. This decrease was primarily due to lower well maintenance costs.

During this period, G&A decreased 49% from \$21,632 for the three months ended June 30, 2000 to \$11,109 for the same period in 2001, primarily due to a lower percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of decreased oil and gas revenues and a decrease in audit, tax and monitoring fees.

Depletion was \$29,283 for the three months ended June 30, 2001 as compared to \$30,834 for the same period in 2000, a decrease of \$1,551, or 5%. This decrease was due to a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 2000 and a decline in oil production of 1,905 barrels for the three months ended June 30, 2001 as compared to the same period in 2000.

### Liquidity and Capital Resources

#### Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$119,874 during the six months ended June 30, 2001 from the same period ended June 30, 2000. This increase was the result of a reduction in working capital of \$119,505 and an increase of \$5,367 in oil and gas sales receipts, offset by increases in production costs of \$4,931 and G&A costs of \$67. The increase in oil and gas receipts resulted from the increase in gas prices of \$146,081 during 2001, offset by a decline of \$111,110 in production and a \$29,604 decline resulting from lower oil and NGL prices as compared to the same period in 2000. The increase in production costs was primarily due to higher well maintenance costs incurred to stimulate well production. The increase in G&A was primarily due to an increase in audit and tax fees.

#### Net Cash Used in Investing Activities

The Partnership's principal investing activities during the six months ended

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

June 30, 2001 and 2000 were related to expenditures for oil and gas equipment upgrades on active properties.

Proceeds from asset dispositions of \$8,812 were received during the six months ended June 30, 2000 on a temporarily abandoned well.

### Net Cash Used in Financing Activities

For the six months ended June 30, 2001, cash distributions to the partners were \$320,327, of which \$3,203 was distributed to the managing general partner and \$317,124 to the limited partners. For the same period ended June 30, 2000, cash distributions to the partners were \$515,856, of which \$5,159 was distributed to the managing general partner and \$510,697 to the limited partners.

For the three months ended June 30, 2001, no distributions were made by the partnership to its partners. Subsequent to June 30, 2001 the cash distribution that otherwise would have been mailed to partners in late June was made to holders of record as of July 9, 2001 and was mailed on July 13, 2001. For further information, see "Proposal to acquire partnerships" below.

### Proposal to acquire partnerships

On June 29, 2001, Pioneer Natural Resources Company ("Pioneer") filed with the Securities and Exchange Commission Amendment No. 1 to the Form S-4 Registration Statement (File No. 333-59094) (the "preliminary proxy statement/prospectus"), which proposes an agreement and plan of merger among Pioneer, Pioneer Natural Resources USA, Inc. ("Pioneer USA"), a wholly-owned subsidiary of Pioneer, and 46 Parker & Parsley limited partnerships. Each partnership that approves the agreement and plan of merger and the other related merger proposals will merge with and into Pioneer USA upon the closing of the transactions described in the preliminary proxy statement/prospectus, and the partnership interests of each such partnership will be converted into the right to receive Pioneer common stock. The Partnership is one of the 46 Parker & Parsley limited partnerships that will be asked to approve the agreement and plan of merger. The preliminary proxy statement/prospectus is non-binding and is subject to, among other things, consideration of offers from third parties to purchase any partnership or its assets and the majority approval of the limited partnership interests in each partnership.

Pioneer USA will solicit proxies from limited partners to approve the mergers only when the proxy statement/prospectus is final and declared effective. No solicitation will be made using preliminary materials. Nonetheless, copies of the preliminary proxy statement/prospectus may be obtained without charge upon request from Pioneer Natural Resources Company, 5205 North O'Connor Blvd., Suite 1400, Irving, Texas 75039, Attention: Investor Relations.

The limited partners are urged to read the proxy statement/prospectus of Pioneer filed with the Securities and Exchange Commission, when it is finalized, because it contains important information about the proposed mergers, including information about the direct and indirect interests of Pioneer USA and Pioneer in the mergers. The limited partners may also obtain the preliminary and (when filed) final proxy statement/prospectus and other relevant documents relating to

the proposed mergers free through the internet web site that the Securities and Exchange Commission maintains at [www.sec.gov](http://www.sec.gov).

- 
- (1) "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" contains forward looking statements that involve risks and uncertainties. Accordingly, no assurances can be given that the actual events and results will not be materially different than the anticipated results described in the forward looking statements.

Part II. Other Information

Item 6. Exhibits and Reports on Form 8-K

- (a) Exhibits - none
- (b) Reports on Form 8-K - none

11

1798

PARKER & PARSLEY 91-A, L.P.  
(A Delaware Limited Partnership)

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 thereunto duly authorized.

PARKER & PARSLEY 91-A, L.P.

By: Pioneer Natural Resources USA, Inc.,  
Managing General Partner

Dated: August 6, 2001

By: /s/ Rich Dealy

-----  
Rich Dealy, Vice President and  
Chief Accounting Officer

12

1799

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

FORM 10-K

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Annual Report Pursuant to Section 13 or 15(d)  
of the Securities Exchange Act of 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000

COMMISSION FILE NO. 33-38582-01

PARKER & PARSLEY 91-A, L.P.  
(Exact name of Registrant as specified in its charter)

DELAWARE

-----  
(State or other jurisdiction of  
incorporation or organization)

75-23875

-----  
(I.R.S. Emplo  
Identification N

1400 WILLIAMS SQUARE WEST, 5205 N. O'CONNOR BLVD., IRVING, TEXAS

75039

-----  
(Address of principal executive offices)

-----  
(Zip co

Registrant's Telephone Number, including area code: (972) 444-9001

Securities registered pursuant to Section 12(b) of the Act: NONE  
Securities registered pursuant to Section  
12(g) of the Act:  
LIMITED PARTNERSHIP INTERESTS (\$1,000 PER UNIT)  
-----

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

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

No market currently exists for the limited partnership interests of the Registrant. Based on the original purchase price, the aggregate market value of limited partnership interests owned by non-affiliates of the Registrant is \$11,575,000.

As of March 8, 2001, the number of outstanding limited partnership interests was 11,620.

The following documents are incorporated by reference into the indicated parts of this Annual Report on Form 10-K: None

PARTS I AND II OF THIS ANNUAL REPORT ON FORM 10-K (THE "REPORT") CONTAIN FORWARD LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. ACCORDINGLY, NO ASSURANCES CAN BE GIVEN THAT THE ACTUAL EVENTS AND RESULTS WILL NOT BE MATERIALLY DIFFERENT THAN THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

LOOKING STATEMENTS. SEE "ITEM 1. BUSINESS" FOR A DESCRIPTION OF VARIOUS FACTORS THAT COULD MATERIALLY AFFECT THE ABILITY OF THE PARTNERSHIP TO ACHIEVE THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS.

1800

### PART I

#### ITEM 1. BUSINESS

Parker & Parsley 91-A, L.P. (the "Partnership") is a limited partnership organized in 1991 under the laws of the State of Delaware. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA"). Pioneer USA is a wholly-owned subsidiary of Pioneer Natural Resources Company ("Pioneer"). As of March 8, 2001, the Partnership had 11,620 limited partnership interests outstanding.

The Partnership does not have any employees of its own. Pioneer USA employs 701 persons, many of whom dedicated a part of their time to the conduct of the Partnership's business during the period for which this Report is filed. Pioneer USA is responsible for all management functions.

The Partnership engages in oil and gas development and production and is not involved in any industry segment other than oil and gas. The Partnership's production is geographically concentrated in West Texas.

The principal markets during 2000 for the oil produced by the Partnership were refineries and oil transmission companies that have facilities near the Partnership's oil producing properties. During 2000, Pioneer USA marketed the Partnership's gas to a variety of purchasers, none of which accounted for 10% or more of the Partnership's oil and gas revenues. Of the Partnership's total oil and gas revenues for 2000, approximately 38% and 16% were attributable to sales made to Plains Marketing, L.P. and TEPCO Crude Oil LLC, respectively. Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on its ability to sell its oil, natural gas liquids ("NGLs") and gas production.

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

Oil and gas production operations are subject to various types of regulations by local, state and federal agencies. The Partnership's operations are also subject to state conservation laws and regulations, including the establishment of maximum rates of production from wells and the regulation of spacing, plugging and abandonment of wells. Each state generally imposes a production or severance tax with respect to production and sale of oil and gas within their respective jurisdictions. Noncompliance with the laws and regulations may subject the Partnership to penalties, damages or other liabilities and compliance may increase the cost of the Partnership's operations.

The oil and gas business is also subject to environmental hazards such as oil spills, gas leaks and ruptures and discharges of toxic substances or gases that could expose the Partnership to substantial



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

liability due to pollution and other environmental damages. Although the Partnership believes that its business operations do not impair environmental quality and that its costs of complying with any applicable environmental regulations are not currently significant, the Partnership cannot predict what, if any, effect these environmental regulations may have on its current or future operations.

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

No material part of the Partnership's business is seasonal and the Partnership conducts no foreign operations.

### ITEM 2. PROPERTIES

The Partnership's properties consist of leasehold interests in properties on which oil and gas wells are located. Such property interests are often subject to landowner royalties, overriding royalties and other oil and gas leasehold interests.

Fractional working interests in developmental oil and gas prospects located primarily in the Spraberry Trend Area of West Texas were acquired by the Partnership, resulting in the Partnership's participation in the drilling of 48 oil and gas wells. One well has been plugged and abandoned. At December 31, 2000, the Partnership had 47 wells producing.

For information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998, see Note 7 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" below. Such reserves have been evaluated by Williamson Petroleum Consultants, Inc., an independent petroleum consultant.

### ITEM 3. LEGAL PROCEEDINGS

The Partnership from time to time is a party to various legal proceedings incidental to its business involving claims in oil and gas leases or interests, other claims for damages in amounts not in excess of 10% of its current assets and other matters, none of which Pioneer USA believes to be material to the Partnership.

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

There were no matters submitted to a vote of the partners during the fourth quarter of 2000.

### ITEM 5. MARKET FOR LIMITED PARTNERSHIP INTERESTS AND LIMITED PARTNERSHIP

# Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

## DISTRIBUTIONS

At March 8, 2001, the Partnership had 11,620 outstanding limited partnership interests held of record by 724 subscribers. There is no established public trading market for the limited partnership interests. Under the limited partnership agreement, Pioneer USA has made certain commitments to purchase partnership interests at a computed value.

Revenues which, in the sole judgement of the managing general partner, are not required to meet the Partnership's obligations are distributed to the partners at least quarterly in accordance with the limited partnership agreement. During the years ended December 31, 2000 and 1999, distributions of \$1,162,365 and \$432,629, respectively, were made to the limited partners.

### ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth selected financial data for the years ended December 31:

	2000 -----	1999 -----	1998 -----	1997 -----
Operating results:				
-----				
Oil and gas sales	\$ 1,899,948 =====	\$ 1,140,335 =====	\$ 955,645 =====	\$ 1,411,24 =====
Impairment of oil and gas properties	\$ 12,824 =====	\$ 66,898 =====	\$ 306,043 =====	\$ 485,15 =====
Net income (loss)	\$ 1,115,704 =====	\$ 266,803 =====	\$ (280,631) =====	\$ (7,02 =====
Allocation of net income (loss):				
Managing general partner	\$ 11,157 =====	\$ 2,668 =====	\$ (2,806) =====	\$ (7 =====
Limited partners	\$ 1,104,547 =====	\$ 264,135 =====	\$ (277,825) =====	\$ (6,95 =====
Limited partners' net income (loss) per limited partnership interest	\$ 95.06 =====	\$ 22.73 =====	\$ (23.91) =====	\$ (.6 =====
Limited partners' cash distributions per limited partnership interest	\$ 100.03 =====	\$ 37.23 =====	\$ 36.77 =====	\$ 75.1 =====
At year end:				
-----				
Identifiable assets	\$ 2,457,656 =====	\$ 2,531,606 =====	\$ 2,667,803 =====	\$ 3,402,54 =====

1803

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

## Results of Operations

## 2000 compared to 1999

The Partnership's oil and gas revenues increased 67% to \$1,899,948 for 2000 as compared to \$1,140,335 in 1999. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 2000, 43,704 barrels of oil, 20,425 barrels of natural gas liquids ("NGLs") and 94,315 mcf of gas were sold, or 79,848 barrel of oil equivalents ("BOEs"). In 1999, 44,203 barrels of oil, 20,617 barrels of NGLs and 100,615 mcf of gas were sold, or 81,589 BOEs. Due to the decline characteristics of the Partnership's oil and gas properties, management expects a certain amount of decline in production in the future until the Partnership's economically recoverable reserves are fully depleted.

The average price received per barrel of oil increased \$12.33, or 70%, from \$17.57 in 1999 to \$29.90 in 2000. The average price received per barrel of NGLs increased \$5.60, or 60%, from \$9.34 in 1999 to \$14.94 in 2000. The average price received per mcf of gas increased 80% from \$1.70 in 1999 to \$3.06 in 2000. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received in 2000.

A gain on disposition of assets of \$1,096 recognized during 1999 was from equipment credits received on one temporarily abandoned property.

Total costs and expenses decreased in 2000 to \$802,130 as compared to \$884,937 in 1999, a decrease of \$82,807, or 9%. The decrease was due to declines in depletion, the impairment of oil and gas properties and general and administrative expenses ("G&A"), offset by an increase in production costs.

Production costs were \$589,344 in 2000 and \$514,994 in 1999, resulting in an increase of \$74,350, or 14%. This increase was primarily due to higher production taxes associated with higher oil and gas prices and additional well maintenance costs incurred to stimulate well production.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A decreased 21% from \$75,454 in 1999 to \$59,962 in 2000. The Partnership paid the managing general partner \$41,213 in 2000 and \$34,110 in 1999 for G&A incurred on behalf of the Partnership. The remaining G&A was paid directly by the Partnership. The managing general partner determines the allocated expenses based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the managing general partner reviews the Partnership's oil and gas properties for impairment whenever events or circumstances indicate a decline in the recoverability of the carrying value of the Partnership's assets may have occurred. As a result of the review and evaluation of its long-lived assets for impairment, the Partnership recognized

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

non-cash charges of \$12,824 and \$66,898 related to its oil and gas properties during 2000 and 1999, respectively.

5

1804

Depletion decreased in 2000 to \$140,000 as compared to \$227,591 in 1999, representing a decrease of \$87,591, or 38%. This decrease was primarily due to a 127,977 barrels of oil increase in proved reserves during 2000 as a result of higher commodity prices and a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 1999.

1999 compared to 1998

The Partnership's 1999 oil and gas revenues increased 19% to \$1,140,335 from \$955,645 in 1998. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 1999, 44,203 barrels of oil, 20,617 barrels of NGLs and 100,615 mcf of gas were sold, or 81,589 BOEs. In 1998, 49,403 barrels of oil, 21,220 barrels of NGLs and 108,617 mcf of gas were sold, or 88,726 BOEs.

The average price received per barrel of oil increased \$4.42, or 34%, from \$13.15 in 1998 to \$17.57 in 1999. The average price received per barrel of NGLs increased \$2.90, or 45%, from \$6.44 in 1998 to \$9.34 in 1999. The average price received per mcf of gas increased 9% from \$1.56 in 1998 to \$1.70 in 1999.

A gain on disposition of assets of \$1,096 recognized during 1999 was from equipment credits received on one temporarily abandoned property.

Total costs and expenses decreased in 1999 to \$884,937 as compared to \$1,247,302 in 1998, a decrease of \$362,365, or 29%. The decrease was due to declines in the impairment of oil and gas properties, depletion and production costs, offset by an increase in G&A.

Production costs were \$514,994 in 1999 and \$535,948 in 1998, resulting in a decrease of \$20,954, or 4%. This decrease resulted from declines in ad valorem taxes, well maintenance costs and workover costs, offset by an increase in production taxes due to increased oil and gas revenues.

During this period, G&A increased 72% from \$43,977 in 1998 to \$75,454 in 1999 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$34,110 in 1999 and \$24,415 in 1998 for G&A incurred on behalf of the Partnership.

The Partnership recognized non-cash SFAS 121 charges of \$66,898 and \$306,043 related to its oil and gas properties during 1999 and 1998, respectively.

Depletion decreased in 1999 to \$227,591 as compared to \$361,334 in 1998. This represented a decrease of \$133,743, or 37%. This decrease was the result of an increase in proved reserves of 281,767 barrels of oil during 1999 as a result of higher commodity prices, a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 1998 and a decline in oil production of 5,200 barrels for the period ended December 31, 1999 compared to the same period in 1998.

Petroleum industry

The petroleum industry has been characterized by volatile oil, NGL and natural gas commodity prices and relatively stable supplier costs during the three years ended December 31, 2000. During 1998,

1805

weather patterns, regional economic recessions and political matters combined to cause worldwide oil supplies to exceed demand resulting in a substantial decline in oil prices. Also during 1998, but to a lesser extent, market prices for natural gas declined. During 1999 and 2000, the Organization of Petroleum Exporting Countries ("OPEC") and certain other crude oil exporting nations announced reductions in their planned export volumes. Those announcements, together with the enactment of the announced reductions in export volumes, had a positive impact on world oil prices, as have overall natural gas supply and demand fundamentals on North American natural gas prices. Although the favorable commodity price environment and stable field service cost environment is expected to continue during 2001, there is no assurance that commodity prices will not return to a less favorable level or that field service costs will not escalate in the future, both of which could negatively impact the Partnership's future results of operations and cash distributions.

#### Liquidity and Capital Resources

##### Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$647,967 during the year ended December 31, 2000 from 1999. This increase was due to an increase in oil and gas sales receipts of \$767,190 and a decline in G&A expenses paid of \$15,492, offset by an increase in production costs paid of \$74,350 and working capital of \$60,365. The increase in oil and gas receipts resulted from the increase in commodity prices during 2000 which contributed an additional \$804,227 to oil and gas receipts, offset by \$37,037 resulting from the decline in production during 2000. The increase in production costs was primarily due to increased production taxes associated with higher oil and gas prices and additional well maintenance costs incurred to stimulate well production.

##### Net Cash Used in Investing Activities

The Partnership's investing activities during 2000 and 1999 included expenditures related to equipment upgrades on various oil and gas properties.

Proceeds from asset dispositions of \$11,549 and \$1,096 recognized during 2000 and 1999, respectively, were from the disposition of oil and gas equipment on active wells.

##### Net Cash Used in Financing Activities

In 2000, cash distributions to the partners were \$1,174,106, of which \$11,741 was distributed to the managing general partner and \$1,162,365 to the limited partners. In 1999, cash distributions to the partners were \$436,999, of which \$4,370 was distributed to the managing general partner and \$432,629 to the limited partners.

1806

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO FINANCIAL STATEMENTS

	Page ----
Financial Statements of Parker & Parsley 91-A, L.P.:	
Independent Auditors' Report.....	9
Balance Sheets as of December 31, 2000 and 1999.....	10
Statements of Operations for the Years Ended December 31, 2000, 1999 and 1998.....	11
Statements of Partners' Capital for the Years Ended December 31, 2000, 1999 and 1998.....	12
Statements of Cash Flows for the Years Ended December 31, 2000, 1999 and 1998.....	13
Notes to Financial Statements.....	14

INDEPENDENT AUDITORS' REPORT

The Partners  
Parker & Parsley 91-A, L.P.  
(A Delaware Limited Partnership):

We have audited the balance sheets of Parker & Parsley 91-A, L.P. as of December 31, 2000 and 1999, and the related statements of operations, partners' capital and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parker & Parsley 91-A, L.P. as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Dallas, Texas  
March 9, 2001

9

1808

PARKER & PARSLEY 91-A, L.P.  
(A Delaware Limited Partnership)

BALANCE SHEETS  
December 31

	2000	
	-----	
ASSETS		
-----		
Current assets:		
Cash	\$ 219,827	\$
Accounts receivable - oil and gas sales	255,270	
	-----	
Total current assets	475,097	
	-----	
Oil and gas properties - at cost, based on the successful efforts accounting method	9,710,132	
Accumulated depletion	(7,727,573)	
	-----	
Net oil and gas properties	1,982,559	
	-----	
	\$ 2,457,656	\$
	=====	
 LIABILITIES AND PARTNERS' CAPITAL		
-----		
Current liabilities:		
Accounts payable - affiliate	\$ 32,513	\$
Partners' capital:		
Managing general partner	24,295	
Limited partners (11,620 interests)	2,400,848	

1743

-----  
 2,425,143  
 -----  
 \$ 2,457,656  
 =====

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

10

1809

PARKER & PARSLEY 91-A, L.P.  
 (A Delaware Limited Partnership)

STATEMENTS OF OPERATIONS  
 For the years ended December 31

	2000	1999
	-----	-----
Revenues:		
Oil and gas	\$ 1,899,948	\$ 1,140,335
Interest	17,886	10,309
Gain on disposition of assets	-	1,096
	-----	-----
	1,917,834	1,151,740
	-----	-----
Costs and expenses:		
Oil and gas production	589,344	514,994
General and administrative	59,962	75,454
Impairment of oil and gas properties	12,824	66,898
Depletion	140,000	227,591
	-----	-----



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	802,130	884,937	
	-----	-----	
Net income (loss)	\$ 1,115,704	\$ 266,803	\$
	=====	=====	
Allocation of net income (loss):			
Managing general partner	\$ 11,157	\$ 2,668	\$
	=====	=====	
Limited partners	\$ 1,104,547	\$ 264,135	\$
	=====	=====	
Net income (loss) per limited partners' interest	\$ 95.06	\$ 22.73	\$
	=====	=====	

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

11

1810

PARKER & PARSLEY 91-A, L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF PARTNERS' CAPITAL

	Managing general partner	Limited partners	
	-----	-----	
Partners' capital at January 1, 1998	\$ 33,702	\$ 3,332,223	\$
Distributions	(4,315)	(427,238)	
Net loss	(2,806)	(277,825)	

1745

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Partners' capital at December 31, 1998	26,581	2,627,160
Distributions	(4,370)	(432,629)
Net income	2,668	264,135
Partners' capital at December 31, 1999	24,879	2,458,666
Distributions	(11,741)	(1,162,365)
Net income	11,157	1,104,547
Partners' capital at December 31, 2000	\$ 24,295	\$ 2,400,848

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

12

1811

PARKER & PARSLEY 91-A, L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF CASH FLOWS  
For the years ended December 31

	2000	1999
	-----	-----
Cash flows from operations:		
Net income (loss)	\$ 1,115,704	\$ 266,803
Adjustment to reconcile net income (loss) to net cash provided by operating activities:		
Impairment of oil and gas properties	12,824	66,898
Depletion	140,000	227,591
Gain on disposition of assets	-	(1,096)
Changes in assets and liabilities:		

1746

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Accounts receivable	(77,282)	(66,464)
Accounts payable	(15,548)	33,999
	-----	-----
Net cash provided by operating activities	1,175,698	527,731
	-----	-----
Cash flows from investing activities:		
Additions to oil and gas properties	(20,160)	(23,360)
Proceeds from asset disposition	11,549	1,096
	-----	-----
Net cash used in investing activities	(8,611)	(22,264)
	-----	-----
Cash flows used in financing activities:		
Cash distributions to partners	(1,174,106)	(436,999)
	-----	-----
Net increase (decrease) in cash	(7,019)	68,468
Cash at beginning of year	226,846	158,378
	-----	-----
Cash at end of year	\$ 219,827	\$ 226,846
	=====	=====

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

13

1812

PARKER & PARSLEY 91-A, L.P.  
(A Delaware Limited Partnership)

NOTES TO FINANCIAL STATEMENTS  
December 31, 2000, 1999 and 1998

NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS

Parker & Parsley 91-A, L.P. (the "Partnership") is a limited partnership organized in 1991 under the laws of the State of Delaware. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA").

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Oil and gas properties - The Partnership utilizes the successful efforts method of accounting for its oil and gas properties and equipment. Under this method, all costs associated with productive wells and nonproductive development wells are capitalized while nonproductive exploration costs are expensed. Capitalized costs relating to proved properties are depleted using the unit-of-production method on a property-by-property basis based on proved oil (dominant mineral) reserves as evaluated by independent petroleum consultants. The carrying amounts of properties sold or otherwise disposed of and the related allowances for depletion are eliminated from the accounts and any gain or loss is included in results of operations.

Impairment of long-lived assets - In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the Partnership reviews its long-lived assets to be held and used on an individual property basis, including oil and gas properties accounted for under the successful efforts method of accounting, whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. An impairment loss is indicated if the sum of the expected future cash flows is less than the carrying amount of the assets. In this circumstance, the Partnership recognizes an impairment loss for the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset.

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

Net income (loss) per limited partnership interest - The net income (loss) per limited partnership interest is calculated by using the number of outstanding limited partnership interests.

Income taxes - A Federal income tax provision has not been included in the financial statements as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

14

1813

Statements of cash flows - For purposes of reporting cash flows, cash includes depository accounts held by banks.

General and administrative expenses - General and administrative expenses are allocated, in part, to the Partnership by the managing general partner. Allocated expenses are determined by the managing general partner based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Reclassifications - Certain reclassifications may have been made to the

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

1999 and 1998 financial statements to conform to the 2000 financial statement presentations.

Environmental - The Partnership is subject to extensive federal, state and local environmental laws and regulations. These laws, which are constantly changing, regulate the discharge of materials into the environment and may require the Partnership to remove or mitigate the environmental effects of the disposal or release of petroleum or chemical substances at various sites. Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Liabilities for expenditures of a noncapital nature are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated. Such liabilities are generally undiscounted unless the timing of cash payments for the liability or component are fixed or reliably determinable. No such liabilities have been accrued as of December 31, 2000.

Revenue recognition - The Partnership uses the entitlements method of accounting for oil, natural gas liquids ("NGLs") and natural gas revenues.

### NOTE 3. IMPAIRMENT OF LONG-LIVED ASSETS

In accordance with SFAS 121, the Partnership reviews its proved oil and gas properties for impairment whenever events and circumstances indicate a decline in the recoverability of the carrying value of the Partnership's oil and gas properties. The Partnership has estimated the expected future cash flows of its oil and gas properties as of December 31, 2000, 1999 and 1998, based on proved reserves, and compared such estimated future cash flows to the respective carrying amount of the oil and gas properties to determine if the carrying amounts were likely to be recoverable. For those proved oil and gas properties for which the carrying amount exceeded the estimated future cash flows, an impairment was determined to exist; therefore, the Partnership adjusted the carrying amount of those oil and gas properties to their fair value as determined by discounting their expected future cash flows at a discount rate commensurate with the risks involved in the industry. As a result, the Partnership recognized non-cash impairment provisions of \$12,824, \$66,898 and \$306,043 related to its proved oil and gas properties during 2000, 1999 and 1998, respectively.

15

1814

### NOTE 4. INCOME TAXES

The financial statement basis of the Partnership's net assets and liabilities was \$946,627 greater than the tax basis at December 31, 2000.

The following is a reconciliation of net income (loss) per statements of operations with the net income per Federal income tax returns for the years ended December 31:

	2000 -----	1999 -----
Net income (loss) per statements of operations	\$ 1,115,704	\$ 266,803

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Depletion and depreciation provisions for tax reporting purposes (greater than) less than amounts for financial reporting purposes	120,160	106,971
Impairment of oil and gas properties for financial reporting purposes	12,824	66,898
Other, net	8,901	(4,139)
	-----	-----
Net income per Federal income tax returns	\$ 1,257,589	\$ 436,533
	=====	=====

NOTE 5. OIL AND GAS PRODUCING ACTIVITIES

The following is a summary of the costs incurred, whether capitalized or expensed, related to the Partnership's oil and gas producing activities for the years ended December 31:

	2000	1999
	-----	-----
Development costs	\$ 20,160	\$ 23,360
	=====	=====

Capitalized oil and gas properties consist of the following:

	2000
	-----
Property acquisition costs	\$ 343,666
Completed wells and equipment	9,366,466
	-----
Accumulated depletion	9,710,132 (7,727,573)
	-----
Net oil and gas properties	\$ 1,982,559
	=====

NOTE 6. RELATED PARTY TRANSACTIONS

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

	2000	1999
	-----	-----
Payment of lease operating and supervision		

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

charges in accordance with standard industry operating agreements	\$ 202,739	\$ 213,969
Reimbursement of general and administrative expenses	\$ 41,213	\$ 34,110

16

1815

The Partnership participates in oil and gas activities through an income tax partnership (the "Program") pursuant to the Program agreement. Pioneer USA, P&P Employees 91-A GP ("EMPL") and the Partnership are parties to the Program agreement. EMPL is a general partnership organized for the benefit of certain employees of Pioneer USA. EMPL was merged with Pioneer USA on December 28, 2000.

The costs and revenues of the Program are allocated to Pioneer USA and the Partnership as follows:

	Pioneer USA (1)
	-----
Revenues:	
Proceeds from disposition of depreciable and depletable properties	34.3434343%
All other revenues	34.3434343%
Costs and expenses:	
Lease acquisition costs, drilling and completion costs and all other costs	24.2424242%
Operating costs, reporting and legal expenses and general and administrative expenses	34.3434343%

- (1) Includes Pioneer USA's 1% general partner ownership which is allocated at the Partnership level and 45 limited partner interests owned by Pioneer USA.

### NOTE 7. OIL AND GAS INFORMATION (UNAUDITED)

The following table presents information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities during the years then ended. All of the Partnership's reserves are proved developed and located within the United States. The Partnership's reserves are based on an evaluation prepared by Williamson Petroleum Consultants, Inc., an independent petroleum consultant, using criteria established by the Securities and Exchange Commission.

Oil and NGLs  
(bbls)

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Net proved reserves at January 1, 1998	909,941
Revisions	(333,709)
Production	(70,623)
	-----
Net proved reserves at December 31, 1998	505,609
Revisions	430,559
Production	(64,820)
	-----
Net proved reserves at December 31, 1999	871,348
Revisions	171,624
Production	(64,129)
	-----
Net proved reserves at December 31, 2000	978,843
	=====

17

1816

As of December 31, 2000, the estimated present value of future net revenues of proved reserves, calculated using December 31, 2000 prices of \$26.72 per barrel of oil, \$12.21 per barrel of NGLs and \$7.85 per mcf of gas, discounted at 10% was approximately \$8,217,000 and undiscounted was \$17,966,000.

Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves. The Partnership emphasizes that reserve estimates are inherently imprecise and, accordingly, the estimates are expected to change as future information becomes available.

#### Disclosures about Oil & Gas Producing Activities

##### Standardized Measure of Discounted Future Net Cash Flows

The standardized measure of discounted future net cash flows is computed by applying year-end prices of oil and gas (with consideration of price changes only to the extent provided by contractual arrangements) to the estimated future production of proved oil and gas reserves less estimated future expenditures (based on year-end costs) to be incurred in developing and producing the proved reserves, discounted using a rate of 10% per year to reflect the estimated timing of the future cash flows. A Federal income tax provision has not been calculated as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

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



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	For the years ended Dec	
	2000	1999
		(in thousands)
Oil and gas producing activities:		
Future cash inflows	\$ 32,836	\$ 21,453
Future production costs	(14,870)	(11,854)
	17,966	9,599
10% annual discount factor	(9,749)	(4,661)
Standardized measure of discounted future net cash flows	\$ 8,217	\$ 4,938

18

1817

	For the years ended Dec	
	2000	1999
		(in thousands)
Oil and Gas Producing Activities:		
Oil and gas sales, net of production costs	\$ (1,311)	\$ (625)
Net changes in prices and production costs	3,414	2,743
Revisions of previous quantity estimates	1,558	3,245
Accretion of discount	494	95
Changes in production rates, timing and other	(876)	(1,469)
Change in present value of future net revenues	3,279	3,989
Balance, beginning of year	4,938	949
Balance, end of year	\$ 8,217	\$ 4,938

NOTE 8. MAJOR CUSTOMERS

The following table reflects the major customers of the Partnership's oil and gas sales (a major customer is defined as a customer whose sales exceed 10%

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

of total sales) during the years ended December 31:

	2000	1999
Plains Marketing, L.P.	38%	36%
TEPPCO Crude Oil LLC	16%	17%
Genesis Crude Oil, L.P.	-	-
Western Gas Resources, Inc.	3%	5%

At December 31, 2000, the amounts receivable from Plains Marketing, L.P. and TEPPCO Crude Oil LLC were \$64,973 and \$19,274, respectively, which are included in the caption "Accounts receivable - oil and gas sales" in the accompanying Balance Sheet.

Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on the ability of the Partnership to sell its oil, NGLs and gas production.

### NOTE 9. PARTNERSHIP AGREEMENT

The following is a brief summary of the more significant provisions of the limited partnership agreement:

Managing general partner - The managing general partner of the Partnership is Pioneer USA. Pioneer USA has the power and authority to manage, control and administer all Partnership affairs. As managing general partner and operator of the Partnership's properties, all production expenses are incurred by Pioneer USA and billed to the Partnership. The majority of the Partnership's oil and gas revenues are received directly by the Partnership, however, a portion of the oil and gas revenue is initially received by Pioneer USA prior to being paid to the Partnership. Under the limited partnership agreement, the managing general partner pays 1%

of the Partnership's acquisition, drilling and completion costs, and 1% of its operating and general and administrative expenses. In return it is allocated 1% of the Partnership's revenues.

Limited partner liability - The maximum amount of liability of any limited partner is the total contributions of such partner plus his share of any undistributed profits.

Initial capital contributions - The limited partners entered into subscription agreements for aggregate capital contributions of \$11,620,000. The managing general partner is required to contribute amounts equal to 1% of initial Partnership capital less sales commission costs allocated to the limited partners and to contribute amounts necessary to pay costs and expenses allocated to it under the

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

partnership agreement to the extent its share of revenues does not cover such costs.

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

None.

20

1819

## PART III

### ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE PARTNERSHIP

The Partnership does not have any officers or directors. Under the limited partnership agreement, the Partnership's managing general partner, Pioneer USA, is granted the exclusive right and full authority to manage, control and administer the Partnership's business.

Set forth below are the names, ages and positions of the directors and executive officers of Pioneer USA. Directors of Pioneer USA are elected to serve until the next annual meeting of stockholders or until their successors are elected and qualified.

Name ----	Age at December 31, 2000 ----	Position -----
Scott D. Sheffield	48	President
Timothy L. Dove	44	Executive Vice President, Chief Financial Officer and Director
Dennis E. Fagerstone	51	Executive Vice President and Director
Mark L. Withrow	53	Executive Vice President, General Counsel and Director
Danny Kellum	46	Executive Vice President - Director Operations and Director
Rich Dealy	34	Vice President and Chief Accounting Officer

Scott D. Sheffield. Mr. Sheffield is a graduate of The University of Texas with a B.S. in Petroleum Engineering. Since August 1997, he has served as President, Chief Executive Officer and a director of Pioneer and President of Pioneer USA. Mr. Sheffield assumed the position of Chairman of the Board of Pioneer in August 1999. He served as a director of Pioneer USA from August 1997 until his resignation from the board in June 1999. Mr. Sheffield was the

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

President and a director of Parker & Parsley Petroleum Company ("Parker & Parsley") from May 1990 until August 1997 and was the Chairman of the Board and Chief Executive Officer of Parker & Parsley from October 1990 until August 1997. He was the sole director of Parker & Parsley from May 1990 until October 1990. Mr. Sheffield joined Parker & Parsley Development Company ("PPDC"), a predecessor of Parker & Parsley, as a petroleum engineer in 1979. He served as Vice President - Engineering of PPDC from September 1981 until April 1985 when he was elected President and a director. In March 1989, Mr. Sheffield was elected Chairman of the Board and Chief Executive Officer of PPDC. Before joining PPDC's predecessor, Mr. Sheffield was employed as a production and reservoir engineer for Amoco Production Company.

21

1820

Timothy L. Dove. Mr. Dove earned a B.S. in Mechanical Engineering from Massachusetts Institute of Technology in 1979 and received his M.B.A. in 1981 from the University of Chicago. He became Executive Vice President - Business Development of Pioneer and Pioneer USA in August 1997 and was also appointed a director of Pioneer USA in August 1997. Mr. Dove assumed the position of Chief Financial Officer of Pioneer and Pioneer USA effective February 1, 2000. Mr. Dove joined Parker & Parsley in May 1994 as Vice President - International and was promoted to Senior Vice President - Business Development in October 1996, in which position he served until August 1997. Prior to joining Parker & Parsley, Mr. Dove was employed with Diamond Shamrock Corp., and its successor, Maxus Energy Corp, in various capacities in international exploration and production, marketing, refining and marketing and planning and development.

Dennis E. Fagerstone. Mr. Fagerstone, a graduate of the Colorado School of Mines with a B.S. in Petroleum Engineering, became an Executive Vice President of Pioneer and Pioneer USA in August 1997. He was also appointed a director of Pioneer USA in August 1997. He served as Executive Vice President and Chief Operating Officer of MESA Inc. ("Mesa") from March 1, 1997 until August 1997. From October 1996 to February 1997, Mr. Fagerstone served as Senior Vice President and Chief Operating Officer of Mesa and from May 1991 to October 1996, he served as Vice President - Exploration and Production of Mesa. From June 1988 to May 1991, Mr. Fagerstone served as Vice President - Operations of Mesa.

Mark L. Withrow. Mr. Withrow, a graduate of Abilene Christian University with a B. S. in Accounting and Texas Tech University with a Juris Doctorate degree, became Executive Vice President, General Counsel and Secretary of Pioneer and Pioneer USA in August 1997. He was also appointed a director of Pioneer USA in August 1997. Mr. Withrow was Vice President - General Counsel of Parker & Parsley from January 1991, when he joined Parker & Parsley, to January 1995, when he was appointed Senior Vice President - General Counsel. He was Parker & Parsley's Secretary from August 1992 until August 1997. Prior to joining Parker & Parsley, Mr. Withrow was the managing partner of the law firm of Turpin, Smith, Dyer, Saxe & MacDonald, Midland, Texas.

Danny Kellum. Mr. Kellum, who received a Bachelor of Science degree in Petroleum Engineering from Texas Tech University in 1979, was elected Executive Vice President - Domestic Operations of Pioneer and Pioneer USA on May 18, 2000 and Director of Pioneer USA on February 1, 2000. From January 2000 until May 2000, Mr. Kellum served as Vice President - Domestic Operations of Pioneer and Pioneer USA. Mr. Kellum served as Vice President Permian Division of Pioneer and Pioneer USA from April 1998 until December 1999. From 1989 until 1994 he served as Spraberry District Manager and as Vice President of the Spraberry and Permian Division for Parker & Parsley until August of 1997. Mr. Kellum joined Parker &

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Parsley as an operations engineer in 1981 after a brief career with Mobil Oil Corporation.

Rich Dealy. Mr. Dealy is a graduate of Eastern New Mexico University with a B.B.A. in Accounting and Finance and is a Certified Public Accountant. He became Vice President and Chief Accounting Officer of Pioneer and Pioneer USA in February 1998. Mr. Dealy served as Controller of Pioneer USA from August 1997 to February 1998. He served as Controller of Parker & Parsley from August 1995 to August 1997. Mr. Dealy joined Parker & Parsley as an Accounting Manager in July, 1992. He was previously employed with KPMG Peat Marwick as an Audit Senior, in charge of Parker & Parsley's audit.

22

1821

### ITEM 11. EXECUTIVE COMPENSATION

The Partnership does not have any directors or officers. Management of the Partnership is performed by the managing general partner. The Partnership participates in oil and gas activities through an income tax partnership (the "Program") pursuant to the Program agreement. Under the Program agreement, Pioneer USA pays approximately 25% of the Program's acquisition, drilling and completion costs and approximately 35% of its operating and general and administrative expenses. In return, they are allocated approximately 35% of the Program's revenues.

The Partnership does not directly pay any salaries of the executive officers or employees of Pioneer USA, but does pay a portion of Pioneer USA's general and administrative expenses of which these salaries are a part.

See Notes 6 and 9 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" for information regarding fees and reimbursements paid to the managing general partner by the Partnership.

### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

#### (a) Beneficial owners of more than five percent

The Partnership is not aware of any person who beneficially owns 5% or more of the outstanding limited partnership interests of the Partnership. Pioneer USA owned 45 limited partner interests at January 1, 2001.

#### (b) Security ownership of management

The Partnership does not have any officers or directors. The managing general partner of the Partnership, Pioneer USA, has the exclusive right and full authority to manage, control and administer the Partnership's business. Under the limited partnership agreement, limited partners holding a majority of the outstanding limited partnership interests have the right to take certain actions, including the removal of the managing general partner or any other general partner. The Partnership is not aware of any current arrangement or activity which may lead to such removal. The Partnership is not aware of any officer or director of Pioneer USA who beneficially owns limited partnership interests in the Partnership.

### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Transactions with the managing general partner

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

23

1822

	2000 -----	1999 -----
Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$ 202,739	\$ 213,969
Reimbursement of general and administrative expenses	\$ 41,213	\$ 34,110

Under the limited partnership agreement, the managing general partner pays 1% of the Partnership's acquisition, drilling and completion costs and 1% of its operating and general and administrative expenses. In return, it is allocated 1% of the Partnership's revenues. Also, see Notes 6 and 9 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data", regarding the Partnership's participation in oil and gas activities of the Program.

24

1823

### PART IV

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

(a) 1. Financial statements

The following are filed as part of this Report:

Independent Auditors' Report

Balance sheets as of December 31, 2000 and 1999

Statements of operations for the years ended December 31, 2000, 1999 and 1998

Statements of partners' capital for the years ended December 31, 2000, 1999 and 1998

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Statements of cash flows for the years ended December 31,  
2000, 1999 and 1998

Notes to financial statements

2. Financial statement schedules

All financial statement schedules have been omitted since the required information is in the financial statements or notes thereto, or is not applicable nor required.

(b) Reports on Form 8-K

None.

(c) Exhibits

The exhibits listed on the accompanying index to exhibits are filed or incorporated by reference as part of this Report.

25

1824

S I G N A T U R E S

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, thereunto duly authorized.

PARKER & PARSLEY 91-A, L.P.

Dated: March 26, 2001

By: Pioneer Natural Resources USA, Inc.  
Managing General Partner

By: /s/ Scott D. Sheffield

-----  
Scott D. Sheffield, President

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

/s/ Scott D. Sheffield

President of Pioneer USA

-----  
Scott D. Sheffield

/s/ Timothy L. Dove

Executive Vice President, Chief  
Financial Officer and Director of  
Pioneer USA

-----  
Timothy L. Dove

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

/s/ Dennis E. Fagerstone  
 -----  
 Dennis E. Fagerstone

Executive Vice President and  
 Director of Pioneer USA

/s/ Mark L. Withrow  
 -----  
 Mark L. Withrow

Executive Vice President, General  
 Counsel and Director of Pioneer USA

/s/ Danny Kellum  
 -----  
 Danny Kellum

Executive Vice President - Domestic  
 Operations and Director of Pioneer  
 USA

/s/ Rich Dealy  
 -----  
 Rich Dealy

Vice President and Chief Accounting  
 Officer of Pioneer USA

1825

PARKER & PARSLEY 91-A, L.P.

INDEX TO EXHIBITS

The following documents are incorporated by reference in response to Item  
 14(c) :

Exhibit No. -----	Description -----	Page ----
3(a)	Form of Agreement of Limited Partnership of Parker & Parsley 91-A, L.P. incorporated by reference to Exhibit A of the Partnership's Registration Statement on Form S-1 (Registration No. 33-38582) (hereinafter called the Partnership's Registration Statement)	-
4(b)	Form of Limited Partner Subscription Agreement incorporated by reference to Exhibit C of the Partnership's Registration Statement	-
4(b)	Form of General Partner Subscription Agreement incorporated by reference to Exhibit D of the Partnership's Registration Statement	-
4(b)	Power of Attorney incorporated by reference to Exhibit B of the Partnership's Registration Statement	-
4(c)	Specimen Certificate of Limited Partnership Interest incorporated by reference to Exhibit 4.3 of Amendment No. 2 of the Partnership's	-



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Registration Statement

10(b) Development Drilling Program Agreement -  
 incorporated by reference to Exhibit B of the  
 Partnership's Registration Statement

27

1826

PARKER & PARSLEY 91-A, L.P.

SELECTED FINANCIAL DATA

The following selected financial data for the Partnership should be read in connection with Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements included in the attached supplemental information.

	Six months ended June 30,		Years ended December		
	2001	2000	2000	1999	1998
Operating results:					
Oil and gas sales	\$ 884,166	\$ 878,201	\$1,899,948	\$1,140,335	\$ 955,645
Impairment of oil and gas properties	\$ --	\$ --	\$ 12,824	\$ 66,898	\$ 306,043
Net income (loss)	\$ 482,559	\$ 465,998	\$1,115,704	\$ 266,803	\$ (280,631)
Allocation of net income (loss):					
Managing general partner	\$ 4,826	\$ 4,660	\$ 11,157	\$ 2,668	\$ (2,806)
Limited partners	\$ 477,733	\$ 461,338	\$1,104,547	\$ 264,135	\$ (277,825)
Limited partners' net income (loss) per limited partnership interest	\$ 41.11	\$ 39.70	\$ 95.06	\$ 22.73	\$ (23.91)
Limited partners' cash distributions per limited partnership interest	\$ 27.29	\$ 43.95	\$ 100.03	\$ 37.23	\$ 36.77

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	=====	=====	=====	=====	=====
As of period ended:					
Total assets	\$2,644,151	\$2,486,323	\$2,457,656	\$2,531,606	\$2,667,803
	=====	=====	=====	=====	=====

1827

PIONEER NATURAL RESOURCES COMPANY  
PIONEER NATURAL RESOURCES USA, INC.  
5205 NORTH O'CONNOR BLVD., SUITE 1400  
IRVING, TEXAS 75039

SUPPLEMENTAL INFORMATION

OF

PARKER & PARSLEY 91-B, L.P., A DELAWARE LIMITED PARTNERSHIP

TO

PROXY STATEMENT/PROSPECTUS DATED , 2001

-----

THE DATE OF THIS SUPPLEMENT IS , 2001

-----

This document contains important information specific to Parker & Parsley 91-B, L.P., and supplements the proxy statement/prospectus dated , 2001, of Pioneer Natural Resources Company and Pioneer Natural Resources USA, Inc., by which Pioneer USA is soliciting proxies to be voted at a special meeting of limited partners of the partnership. The purpose of the special meeting is for you to vote upon the merger of the partnership with and into Pioneer USA that, if completed, will result in your receiving common stock of Pioneer Natural Resources Company for your partnership interests.

This document contains the following information concerning Parker & Parsley 91-B, L.P.:

- o A table containing:
  - the aggregate initial investment by the limited partners
  - the aggregate historical limited partner distributions through July 31, 2001
  - the merger value attributable to partnership interests of limited partners, excluding Pioneer USA
  - the merger value per \$1,000 limited partner investment
  - the merger value per \$1,000 limited partner investment as a multiple of distributions for the past four quarterly distributions including the distribution in July 2001
  - the book value per \$1,000 limited partner investment as of June

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

30, 2001 and as of December 31, 2000

- the going concern value per \$1,000 limited partner investment
- the liquidation value per \$1,000 limited partner investment
- the ordinary tax loss per \$1,000 limited partner investment in year of initial investment
- o Information about:
  - the legal opinion for the limited partners
  - the term of the partnership
- o The partnership's quarterly report on Form 10-Q, including management's discussion and analysis of financial condition and results of operations, for the six months ended June 30, 2001
- o The partnership's annual report on Form 10-K, including management's discussion and analysis of financial condition and results of operations, for the year ended December 31, 2000
- o Selected historical financial data for the partnership for the six months ended June 30, 2001 and 2000 and the five years ended December 31, 2000

-1-

1828

PARKER & PARSLEY 91-B, L.P.

SUPPLEMENTAL INFORMATION TABLE

Aggregate Initial Investment by the Limited Partners (a)	\$
Aggregate Historical Limited Partner Distributions through July 31, 2001 (a)	\$
Merger Value Attributable to Partnership Interests of Limited Partners, Excluding Pioneer USA (a), (b)	\$
Merger Value per \$1,000 Limited Partner Investment (b), (c)	\$
Merger Value per \$1,000 Limited Partner Investment as a Multiple of Distributions for the past four quarterly distributions including the distribution in July 2001 (b), (c)	
Book Value per \$1,000 Limited Partner Investment:	
-- as of June 30, 2001 (c)	\$
-- as of December 31, 2000 (c)	\$
Going Concern Value per \$1,000 Limited Partner Investment (c), (d)	\$
Liquidation Value per \$1,000 Limited Partner Investment (c), (e)	\$

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Ordinary Tax Loss per \$1,000 Limited Partner Investment in Year of Initial Investment  
(c), (f)

\$

-----

- (a) Stated in thousands.
- (b) The merger value for the partnership is equal to the sum of the present value of estimated future net revenues from the partnership's estimated oil and gas reserves and its net working capital, in each case as of March 31, 2001, less its pro rata share, based on its reserve value, of the estimated expenses and fees of the mergers of all of the partnerships and less the cash distribution on July 13, 2001, by the partnership to its partners.
- (c) Interests in some partnerships were sold in units at prices other than \$1,000. We have presented this information based on a \$1,000 initial investment for ease of use and comparison among partnerships. You should not assume that the amount shown per \$1,000 investment is the same as the value or amount attributable to a single unit investment.
- (d) The going concern value for the partnership is based upon: (1) the sum of (A) the estimated net cash flow from the sale of the partnership's reserves during a 10-year operating period and (B) the estimated residual value from the sale of the partnership's remaining reserves at the end of the operating period, in each case using the same pricing and discount rate as in the merger value calculation, less (2) (A) partnership level general and administrative expenses, and (B) the cash distribution on July 13, 2001 by the partnership to its partners.
- (e) The liquidation value for the partnership is based upon the sale of the partnership's reserves at the reserve value, less (1) liquidation expenses which are estimated to be the sum of (A) the partnership's pro rata share of the merger expenses and fees described in footnote (b) above and (B) 3% of the partnership's reserve value, and (2) the cash distribution on July 13, 2001 by the partnership to its partners. The liquidation expenses represent estimated costs to retain an investment banker or broker to sell the assets of the partnership and the legal and other closing costs associated with such transaction, including the wind-down costs of the partnership.
- (f) Your ability to use your distributive share of the partnership's loss to offset your other income may have been subject to certain limitations at your level as a partner, and you may therefore wish to consult your tax advisor to determine the additional value, if any, actually realized by you in your particular circumstances.

### INFORMATION ABOUT THE LEGAL OPINION FOR THE LIMITED PARTNERS

The partnership agreement for the partnership requires that special legal counsel render an opinion on behalf of the limited partners to Pioneer USA that neither the grant nor the exercise of the right to approve the merger of the partnership by its limited partners will adversely affect the federal income tax classification of the partnership or any of its limited partners. Although not required by the partnership agreement, the opinion will also state that neither the grant nor exercise of such right will result in the loss of any limited

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

partner's limited liability. In addition, the counsel designated to render the opinion is not required to be counsel other than counsel to Pioneer USA or the partnership. Both the designated counsel and the legal opinion must be approved by the limited partners. Pioneer USA has retained \_\_\_\_\_ of Dallas, Texas for the purpose of rendering this legal opinion on behalf of the limited partners to Pioneer USA. The merger proposals include an approval of that counsel and the form of its opinion. A copy of the opinion is attached as an exhibit to the merger proposals.

INFORMATION ABOUT THE TERM OF THE PARTNERSHIP

The term of the partnership is until December 31, 2041, unless the partnership is earlier terminated in accordance with the applicable provisions of its partnership agreement.

-2-

1829

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, 2001

Commission File No. 33-38582-02

PARKER & PARSLEY 91-B, L.P.  
(Exact name of Registrant as specified in its charter)

Delaware

75-2397335

-----  
(State or other jurisdiction of  
incorporation or organization)

-----  
(I.R.S. Employer  
Identification Number)

5205 N. O'Connor Blvd., Suite 1400, Irving, Texas

75039

-----  
(Address of principal executive offices)

-----  
(Zip code)

Registrant's Telephone Number, including area code : (972) 444-9001

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 / x / No / /

1830

PARKER & PARSLEY 91-B, L.P.

TABLE OF CONTENTS

	Page
Part I. Financial Information	
Item 1. Financial Statements	
Balance Sheets as of June 30, 2001 and December 31, 2000.....	3
Statements of Operations for the three and six months ended June 30, 2001 and 2000.....	4
Statement of Partners' Capital for the six months ended June 30, 2001.....	5
Statements of Cash Flows for the six months ended June 30, 2001 and 2000.....	6
Notes to Financial Statements.....	7
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.....	7
Part II. Other Information	
Item 6. Exhibits and Reports on Form 8-K.....	11
Signatures.....	12

2

1831

PARKER & PARSLEY 91-B, L.P.  
(A Delaware Limited Partnership)

Part 1. Financial Information

Item 1. Financial Statements

BALANCE SHEETS

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	June 30, 2001	December 31, 2000
ASSETS	(Unaudited)	-----
Current assets:		
Cash	\$ 484,839	\$ 185,644
Accounts receivable - oil and gas sales	167,632	281,416
	-----	-----
Total current assets	652,471	467,060
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	9,764,161	9,761,207
Accumulated depletion	(8,439,325)	(8,398,807)
	-----	-----
Net oil and gas properties	1,324,836	1,362,400
	-----	-----
	\$ 1,977,307	\$ 1,829,460
	=====	=====
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable - affiliate	\$ 41,661	\$ 6,714
Partners' capital:		
Managing general partner	16,324	15,195
Limited partners (11,249 interests)	1,919,322	1,807,551
	-----	-----
	1,935,646	1,822,746
	-----	-----
	\$ 1,977,307	\$ 1,829,460
	=====	=====

The financial information included as of June 30, 2001 has been prepared by the managing general partner without audit by independent public accountants.

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

PARKER & PARSLEY 91-B, L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF OPERATIONS  
(Unaudited)

Three months ended  
June 30,

Six months ended  
June 30,

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	2001	2000	2001	2000
Revenues:				
Oil and gas	\$ 350,850	\$ 500,753	\$ 732,727	\$ 954,341
Interest	3,524	4,261	6,842	7,470
Gain on disposition of assets	-	2,273	-	2,273
	354,374	507,287	739,569	964,084
Costs and expenses:				
Oil and gas production	152,544	134,063	277,327	280,019
General and administrative	8,966	26,259	26,948	37,463
Depletion	18,734	20,045	40,518	42,010
	180,244	180,367	344,793	359,492
Net income	\$ 174,130	\$ 326,920	\$ 394,776	\$ 604,592
Allocation of net income:				
Managing general partner	\$ 1,742	\$ 3,269	\$ 3,948	\$ 6,046
Limited partners	\$ 172,388	\$ 323,651	\$ 390,828	\$ 598,546
Net income per limited partnership interest	\$ 15.32	\$ 28.77	\$ 34.74	\$ 53.21

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

PARKER & PARSLEY 91-B, L.P.  
(A Delaware Limited Partnership)

STATEMENT OF PARTNERS' CAPITAL  
(Unaudited)

Managing general partner	Limited partners	Total
-----	-----	-----



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Balance at January 1, 2001	\$ 15,195	\$1,807,551	\$1,822,746
Distributions	(2,819)	(279,057)	(281,876)
Net income	3,948	390,828	394,776
	-----	-----	-----
Balance at June 30, 2001	\$ 16,324	\$1,919,322	\$1,935,646
	=====	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

5

1834

PARKER & PARSLEY 91-B, L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF CASH FLOWS  
(Unaudited)

	Six months ended June 30,	
	2001	2000
	-----	-----
Cash flows from operating activities:		
Net income	\$ 394,776	\$ 604,592
Adjustment to reconcile net income to net cash provided by operating activities:		
Depletion	40,518	42,010
Gain on disposition of assets	-	(2,273)
Changes in assets and liabilities:		
Accounts receivable	113,784	(61,382)
Accounts payable	34,947	13,131
	-----	-----
Net cash provided by operating activities	584,025	596,078
	-----	-----
Cash flows from investing activities:		
Additions to oil and gas properties	(3,087)	(6,482)
Proceeds from asset dispositions	133	2,273
	-----	-----
Net cash used in investing activities	(2,954)	(4,209)
	-----	-----
Cash flows used in financing activities:		
Cash distributions to partners	(281,876)	(554,017)
	-----	-----
Net increase in cash	299,195	37,852
Cash at beginning of period	185,644	213,165

# Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Cash at end of period	----- \$ 484,839 =====	----- \$ 251,017 =====
-----------------------	------------------------------	------------------------------

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

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

6

1835

PARKER & PARSLEY 91-B, L.P.  
(A Delaware Limited Partnership)

NOTES TO FINANCIAL STATEMENTS  
June 30, 2001  
(Unaudited)

Note 1. Organization and nature of operations

Parker & Parsley 91-B, L.P. (the "Partnership") is a limited partnership organized in 1991 under the laws of the State of Delaware.

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

Note 2. Basis of presentation

In the opinion of management, the unaudited financial statements of the Partnership as of June 30, 2001 and for the three and six months ended June 30, 2001 and 2000 include all adjustments and accruals consisting only of normal recurring accrual adjustments which are necessary for a fair presentation of the results for the interim period. These interim results are not necessarily indicative of results for a full year. Certain reclassifications may have been made to the June 30, 2000 financial statements to conform to the June 30, 2001 financial statement presentations.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in this Form 10-Q pursuant to the rules and regulations of the Securities and Exchange Commission. The financial statements should be read in conjunction with the financial statements and the notes thereto contained in the Partnership's Report on Form 10-K for the year ended December 31, 2000, as filed with the Securities and Exchange Commission, a copy of which is available upon request by writing to Rich Dealy, Vice President and Chief Accounting Officer, 5205 North O'Connor Boulevard, Suite 1400, Irving, Texas 75039-3746.

Item 2. Management's Discussion and Analysis of Financial Condition  
and Results of Operations (1)

Results of Operations

Six months ended June 30, 2001 compared with six months ended June 30, 2000

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

### Revenues:

The Partnership's oil and gas revenues decreased 23% to \$732,727 for the six months ended June 30, 2001 as compared to \$954,341 for the same period in 2000. The decrease in revenues resulted from a decrease in production and a decline in the average price received for oil, offset by higher average prices received for gas and NGLs. For the six months ended June 30, 2001, 17,901 barrels of oil,

7

1836

6,251 barrels of natural gas liquids ("NGLs") and 28,144 mcf of gas were sold, or 28,843 barrel of oil equivalents ("BOEs"). For the six months ended June 30, 2000, 24,467 barrels of oil, 11,016 barrels of NGLs and 42,828 mcf of gas were sold, or 42,621 BOEs.

The average price received per barrel of oil decreased \$.65, or 2%, from \$28.58 for the six months ended June 30, 2000 to \$27.93 for the same period in 2001. The average price received per barrel of NGLs increased \$1.23, or 8%, from \$14.84 during the six months ended June 30, 2000 to \$16.07 for the same period in 2001. The average price received per mcf of gas increased 120% from \$2.14 during the six months ended June 30, 2000 to \$4.70 for the same period in 2001. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received during the six months ended June 30, 2001.

Gain on disposition of assets of \$2,273 was recognized during the six months ended June 30, 2000 from equipment credits received on one fully depleted well.

### Costs and Expenses:

Total costs and expenses decreased to \$344,793 for the six months ended June 30, 2001 as compared to \$359,492 for the same period in 2000, a decrease of \$14,699, or 4%. This decrease was due to declines in general and administrative expenses ("G&A"), production costs and depletion.

Production costs were \$277,327 for the six months ended June 30, 2001 and \$280,019 for the same period in 2000 resulting in a \$2,692 decrease, or 1%. This decrease was primarily the result of a decline in workover costs, offset by an increase in well maintenance costs incurred to stimulate well production.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A decreased 28% from \$37,463 for the six months ended June 30, 2000 to \$26,948 for the same period in 2001. The decline was primarily due to a lower percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of decreased oil and gas revenues for the six months ended June 30, 2001 as compared to the same period in 2000.

Depletion was \$40,518 for the six months ended June 30, 2001 as compared to \$42,010 for the same period in 2000, a decrease of \$1,492, or 4%. This decrease was primarily due to a decline in oil production of 6,566 barrels for the six months ended June 30, 2001 as compared to the same period in 2000.

Three months ended June 30, 2001 compared with three months ended June 30, 2000

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

### Revenues:

The Partnership's oil and gas revenues decreased 30% to \$350,850 for the three months ended June 30, 2001 as compared to \$500,753 for the same period in 2000. The decrease in revenues resulted from a decrease in production and a decline in

8

1837

the average price received for oil, offset by higher average prices received for gas and NGLs. For the three months ended June 30, 2001, 8,311 barrels of oil, 4,242 barrels of NGLs and 17,521 mcf of gas were sold, or 15,473 BOEs. For the three months ended June 30, 2000, 12,405 barrels of oil, 6,040 barrels of NGLs and 23,026 mcf of gas were sold, or 22,283 BOEs.

The average price received per barrel of oil decreased \$1.72, or 6%, from \$28.62 for the three months ended June 30, 2000 to \$26.90 for the same period in 2001. The average price received per barrel of NGLs increased \$.32, or 2%, from \$14.61 during the three months ended June 30, 2000 to \$14.93 for the same period in 2001. The average price received per mcf of gas increased 46% from \$2.50 during the three months ended June 30, 2000 to \$3.65 in 2001.

Gain on disposition of assets of \$2,273 was recognized during the three months ended June 30, 2000 from equipment credits received on one fully depleted well.

### Costs and Expenses:

Total costs and expenses decreased to \$180,244 for the three months ended June 30, 2001 as compared to \$180,367 for the same period in 2000, a decrease of \$123. This decrease was due to declines in G&A and depletion, offset by an increase in production costs.

Production costs were \$152,544 for the three months ended June 30, 2001 and \$134,063 for the same period in 2000 resulting in an \$18,481 increase, or 14%. This increase was primarily due to additional well maintenance and workover costs incurred to stimulate well production.

During this period, G&A decreased 66% from \$26,259 for the three months ended June 30, 2000 to \$8,966 for the same period in 2001. The decline was due to less G&A being allocated due to lower oil and gas revenues for the three months ended June 30, 2001 as compared to the same period in 2000 and declines in audit, tax and monitoring fees.

Depletion was \$18,734 for the three months ended June 30, 2001 as compared to \$20,045 for the same period in 2000, a decrease of \$1,311, or 7%. This decrease was primarily due to a decrease in oil production of 4,094 barrels for the three months ended June 30, 2001 as compared to the same period in 2000.

### Liquidity and Capital Resources

#### Net Cash Provided by Operating Activities

Net cash provided by operating activities decreased \$12,053 during the six months ended June 30, 2001 from the same period ended June 30, 2000. This decrease was due to a decline in oil and gas sales receipts of \$222,242, offset by declines in production costs of \$2,692, G&A expenses paid of \$10,515 and working capital of \$196,982. The decrease in oil and gas receipts resulted from a decline of \$328,981 in production during 2001 as compared to the same period in 2000 and a decline in oil prices of \$16,400, offset by an increase in gas and

1838

NGL prices of \$123,139 during 2001. The decrease in production costs was primarily due to lower workover costs, offset by an increase in well maintenance costs incurred to stimulate well production. The decrease in G&A was primarily due to lower G&A being allocated due to decreased oil and gas revenues.

#### Net Cash Used in Investing Activities

The Partnership's investing activities for the six months ended June 30, 2001 and 2000 were related to the upgrades of oil and gas equipment on active properties.

Proceeds from asset dispositions of \$133 and \$2,273 incurred during the six months ended June 30, 2001 and 2000, respectively, were related to equipment credits on active wells.

#### Net Cash Used in Financing Activities

For the six months ended June 30, 2001, cash distributions to the partners were \$281,876, of which \$2,819 was distributed to the managing general partner and \$279,057 to the limited partners. For the same period ended June 30, 2000, cash distributions to the partners were \$554,017, of which \$5,540 was distributed to the managing general partner and \$548,477 to the limited partners.

For the three months ended June 30, 2001, no distributions were made by the partnership to its partners. Subsequent to June 30, 2001 the cash distribution that otherwise would have been mailed to partners in late June was made to holders of record as of July 9, 2001 and was mailed on July 13, 2001. For further information, see "Proposal to acquire partnerships" below.

#### Proposal to acquire partnerships

On June 29, 2001, Pioneer Natural Resources Company ("Pioneer") filed with the Securities and Exchange Commission Amendment No. 1 to the Form S-4 Registration Statement (File No. 333- 59094) (the "preliminary proxy statement/prospectus"), which proposes an agreement and plan of merger among Pioneer, Pioneer Natural Resources USA, Inc. ("Pioneer USA"), a wholly-owned subsidiary of Pioneer, and 46 Parker & Parsley limited partnerships. Each partnership that approves the agreement and plan of merger and the other related merger proposals will merge with and into Pioneer USA upon the closing of the transactions described in the preliminary proxy statement/prospectus, and the partnership interests of each such partnership will be converted into the right to receive Pioneer common stock. The Partnership is one of the 46 Parker & Parsley limited partnerships that will be asked to approve the agreement and plan of merger. The preliminary proxy statement/prospectus is non-binding and is subject to, among other things, consideration of offers from third parties to purchase any partnership or its assets and the majority approval of the limited partnership interests in each partnership.

Pioneer USA will solicit proxies from limited partners to approve the mergers only when the proxy statement/prospectus is final and declared effective. No solicitation will be made using preliminary materials. Nonetheless, copies of the preliminary proxy statement/prospectus may be obtained without charge upon request from Pioneer Natural Resources Company, 5205 North O'Connor Blvd., Suite 1400, Irving, Texas 75039, Attention: Investor Relations.

1839

The limited partners are urged to read the proxy statement/prospectus of Pioneer filed with the Securities and Exchange Commission, when it is finalized, because it contains important information about the proposed mergers, including information about the direct and indirect interests of Pioneer USA and Pioneer in the mergers. The limited partners may also obtain the preliminary and (when filed) final proxy statement/prospectus and other relevant documents relating to the proposed mergers free through the internet web site that the Securities and Exchange Commission maintains at [www.sec.gov](http://www.sec.gov).

-----

- (1) "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" contains forward looking statements that involve risks and uncertainties. Accordingly, no assurances can be given that the actual events and results will not be materially different than the anticipated results described in the forward looking statements.

Part II. Other Information

Item 6. Exhibits and Reports on Form 8-K

- (a) Exhibits - none  
(b) Reports on Form 8-K - none

1840

PARKER & PARSLEY 91-B, L.P.  
(A Delaware Limited Partnership)

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 thereunto duly authorized.

PARKER & PARSLEY 91-B, L.P.

By: Pioneer Natural Resources USA, Inc.,  
Managing General Partner

Dated: August 8, 2001

By: /s/ Rich Dealy  
-----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Rich Dealy, Vice President and  
Chief Accounting Officer

12

1841

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

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d)  
of the Securities Exchange Act of 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000

COMMISSION FILE NO. 33-38582-02

PARKER & PARSLEY 91-B, L.P.  
(Exact name of Registrant as specified in its charter)

DELAWARE

75-2397335

-----  
(State or other jurisdiction of  
incorporation or organization)

-----  
(I.R.S. Employer  
Identification Number)

1400 WILLIAMS SQUARE WEST, 5205 N. O'CONNOR BLVD., IRVING, TEXAS

75039

-----  
(Address of principal executive offices)

-----  
(Zip code)

Registrant's Telephone Number, including area code : (972) 444-9001

Securities registered pursuant to Section 12(b) of the Act: NONE

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

LIMITED PARTNERSHIP INTERESTS (\$1,000 PER UNIT)

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

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

No market currently exists for the limited partnership interests of the Registrant. Based on the original purchase price, the aggregate market value of limited partnership interests owned by non-affiliates of the Registrant is

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

\$11,239,000.

As of March 8, 2001, the number of outstanding limited partnership interests was 11,249.

The following documents are incorporated by reference into the indicated parts of this Annual Report on Form 10-K: None

PARTS I AND II OF THIS ANNUAL REPORT ON FORM 10-K (THE "REPORT") CONTAIN FORWARD LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. ACCORDINGLY, NO ASSURANCES CAN BE GIVEN THAT THE ACTUAL EVENTS AND RESULTS WILL NOT BE MATERIALLY DIFFERENT THAN THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS. SEE "ITEM 1. BUSINESS" FOR A DESCRIPTION OF VARIOUS FACTORS THAT COULD MATERIALLY AFFECT THE ABILITY OF THE PARTNERSHIP TO ACHIEVE THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS.

1842

### PART I

#### ITEM 1. BUSINESS

Parker & Parsley 91-B, L.P. (the "Partnership") is a limited partnership organized in 1991 under the laws of the State of Delaware. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA"). Pioneer USA is a wholly-owned subsidiary of Pioneer Natural Resources Company ("Pioneer"). As of March 8, 2001, the Partnership had 11,249 limited partnership interests outstanding.

The Partnership does not have any employees of its own. Pioneer USA employs 701 persons, many of whom dedicated a part of their time to the conduct of the Partnership's business during the period for which this Report is filed. Pioneer USA is responsible for all management functions.

The Partnership engages in oil and gas development and production and is not involved in any industry segment other than oil and gas. The Partnership's production is geographically concentrated in West Texas.

The principal markets during 2000 for the oil produced by the Partnership were refineries and oil transmission companies that have facilities near the Partnership's oil producing properties. During 2000, Pioneer USA marketed the Partnership's gas to a variety of purchasers, none of which accounted for 10% or more of the Partnership's oil and gas revenues. Of the Partnership's total oil and gas revenues for 2000, approximately 48% and 22% were attributable to sales made to Mobil Oil Corporation and Plains Marketing, L.P., respectively. Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on its ability to sell its oil, natural gas liquids ("NGLs") and gas production.

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

Oil and gas production operations are subject to various types of regulations by local, state and federal agencies. The Partnership's operations are also subject



## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

to state conservation laws and regulations, including the establishment of maximum rates of production from wells and the regulation of spacing, plugging and abandonment of wells. Each state generally imposes a production or severance tax with respect to production and sale of oil and gas within their respective jurisdictions. Noncompliance with the laws and regulations may subject the Partnership to penalties, damages or other liabilities and compliance may increase the cost of the Partnership's operations.

The oil and gas business is also subject to environmental hazards such as oil spills, gas leaks and ruptures and discharges of toxic substances or gases that could expose the Partnership to substantial

2

1843

liability due to pollution and other environmental damages. Although the Partnership believes that its business operations do not impair environmental quality and that its costs of complying with any applicable environmental regulations are not currently significant, the Partnership cannot predict what, if any, effect these environmental regulations may have on its current or future operations.

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

No material part of the Partnership's business is seasonal and the Partnership conducts no foreign operations.

### ITEM 2. PROPERTIES

The Partnership's properties consist of leasehold interests in properties on which oil and gas wells are located. Such property interests are often subject to landowner royalties, overriding royalties and other oil and gas leasehold interests.

Fractional working interests in developmental oil and gas prospects located primarily in the Spraberry Trend Area of West Texas were acquired by the Partnership, resulting in the Partnership's participation in the drilling of 29 oil and gas wells. At December 31, 2000, the Partnership had 29 producing oil and gas wells.

For information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998, see Note 7 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" below. Such reserves have been evaluated by Williamson Petroleum Consultants, Inc., an independent petroleum consultant.

### ITEM 3. LEGAL PROCEEDINGS

The Partnership from time to time is a party to various legal proceedings incidental to its business involving claims in oil and gas leases or interests, other claims for damages in amounts not in excess of 10% of its current assets and other matters, none of which Pioneer USA believes to be material to the Partnership.

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

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

There were no matters submitted to a vote of the partners during the fourth quarter of 2000.

3

1844

### PART II

#### ITEM 5. MARKET FOR LIMITED PARTNERSHIP INTERESTS AND LIMITED PARTNERSHIP DISTRIBUTIONS

At March 8, 2001, the Partnership had 11,249 outstanding limited partnership interests held of record by 677 subscribers. There is no established public trading market for the limited partnership interests. Under the limited partnership agreement, Pioneer USA has made certain commitments to purchase partnership interests at a computed value.

Revenues which, in the sole judgement of the managing general partner, are not required to meet the Partnership's obligations will be distributed to the partners at least quarterly in accordance with the limited partnership agreement. During the years ended December 31, 2000 and 1999, \$1,324,583 and \$481,274, respectively, of such revenue-related distributions were made to the limited partners.

#### ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth selected financial data for the years ended December 31:

	2000 -----	1999 -----	1998 -----	1997 -----
Operating results:				
-----				
Oil and gas sales	\$ 2,046,224	\$ 1,136,073	\$ 873,012	\$ 1,273,373
	=====	=====	=====	=====
Impairment of oil and gas properties	\$ --	\$ --	\$ 295,542	\$ 323,078
	=====	=====	=====	=====
Net income (loss)	\$ 1,354,094	\$ 490,669	\$ (177,905)	\$ 222,730
	=====	=====	=====	=====
Allocation of net income (loss):				
Managing general partner	\$ 13,541	\$ 4,907	\$ (1,779)	\$ 2,227
	=====	=====	=====	=====
Limited partners	\$ 1,340,553	\$ 485,762	\$ (176,126)	\$ 220,503
	=====	=====	=====	=====

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Limited partners' net income (loss) per limited partnership interest	\$ 119.17	\$ 43.18	\$ (15.66)	\$ 19.60
Limited partners' cash distributions per limited partnership interest	\$ 117.75	\$ 42.78	\$ 36.76	\$ 75.32
At year end:				
-----				
Identifiable assets	\$ 1,829,460	\$ 1,843,803	\$ 1,820,336	\$ 2,424,808

4

1845

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

Results of Operations

2000 compared to 1999

The Partnership's oil and gas revenues increased 80% to \$2,046,224 for 2000 as compared to \$1,136,073 in 1999. The increase in revenues resulted from higher average prices received and an increase in production. In 2000, 47,684 barrels of oil, 21,866 barrels of natural gas liquids ("NGLs") and 85,556 mcf of gas were sold, or 83,809 barrel of oil equivalents ("BOEs"). In 1999, 46,030 barrels of oil, 19,026 barrels of NGLs and 74,025 mcf of gas were sold, or 77,394 BOEs. Due to the decline characteristics of the Partnership's oil and gas properties, management expects a certain amount of decline in production in the future until the Partnership's economically recoverable reserves are fully depleted.

The average price received per barrel of oil increased \$12.19, or 68%, from \$17.90 in 1999 to \$30.09 in 2000. The average price received per barrel of NGLs increased \$6.35, or 63%, from \$10.15 in 1999 to \$16.50 in 2000. The average price received per mcf of gas increased 82% from \$1.61 in 1999 to \$2.93 in 2000. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received in 2000.

Gain on disposition of assets of \$2,273 was recognized during 2000 from equipment credits received on one fully depleted well.

Total costs and expenses increased in 2000 to \$713,527 as compared to \$655,625 in 1999, an increase of \$57,902, or 9%. The increase was due to an increase in production costs, offset by decreases in depletion and general and administrative expenses ("G&A").

Production costs were \$576,561 in 2000 and \$442,342 in 1999, resulting in an increase of \$134,219, or 30%. This increase was primarily due to higher

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

production taxes associated with higher oil and gas prices and additional well maintenance and workover costs incurred to stimulate well production.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A decreased 22% from \$68,860 in 1999 to \$53,623 in 2000. The Partnership paid the managing general partner \$38,999 in 2000 and \$33,982 in 1999 for G&A incurred on behalf of the Partnership. The remaining G&A was paid directly by the Partnership. The managing general partner determines the allocated expenses based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Depletion was \$83,343 in 2000 as compared to \$144,423 in 1999, representing a decrease of \$61,080, or 42%. This decrease was primarily due to a 82,084 barrels of oil increase in proved reserves during 2000 as a result of higher commodity prices.

5

1846

1999 compared to 1998

The Partnership's 1999 oil and gas revenues increased 30% to \$1,136,073 from \$873,012 in 1998. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 1999, 46,030 barrels of oil, 19,026 barrels of NGLs and 74,025 mcf of gas were sold, or 77,394 BOEs. In 1998, 49,100 barrels of oil, 17,427 barrels of NGLs and 68,244 mcf of gas were sold, or 77,901 BOEs.

The average price received per barrel of oil increased \$4.57, or 34%, from \$13.33 in 1998 to \$17.90 in 1999. The average price received per barrel of NGLs increased \$3.36, or 49%, from \$6.79 in 1998 to \$10.15 in 1999. The average price received per mcf of gas increased 10% from \$1.47 in 1998 to \$1.61 in 1999.

Gain on disposition of assets of \$197 recognized in 1998 was attributable to credits received from the disposal of oil and gas equipment on a saltwater disposal well that was plugged and abandoned in a prior year.

Total costs and expenses decreased in 1999 to \$655,625 as compared to \$1,062,299 in 1998, a decrease of \$406,674, or 38%. The decrease was due to declines in the impairment of oil and gas properties, depletion and production costs, offset by an increase in G&A.

Production costs were \$442,342 in 1999 and \$464,489 in 1998, resulting in a \$22,147 decrease, or 5%. This decrease was due to lower ad valorem taxes and well maintenance costs, offset by an increase in production taxes due to increased oil and gas revenues.

During this period, G&A increased 58% from \$43,606 in 1998 to \$68,860 in 1999 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$33,982 in 1999 and \$27,503 in 1998 for G&A incurred on behalf of the Partnership.

In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the managing general partner reviews the

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Partnership's oil and gas properties for impairment whenever events or circumstances indicate a decline in the recoverability of the carrying value of the Partnership's assets may have occurred. As a result of the review and evaluation of its long-lived assets for impairment, the Partnership recognized a non-cash charge of \$295,542 related to its oil and gas properties during 1998.

Depletion was \$144,423 in 1999 compared to \$258,662 in 1998. This represented a decrease of \$114,239, or 44%. This decrease was primarily the result of an increase in proved reserves of 362,706 barrels of oil during 1999 as a result of higher commodity prices, a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 1998.

6

1847

### Petroleum industry

The petroleum industry has been characterized by volatile oil, NGL and natural gas commodity prices and relatively stable supplier costs during the three years ended December 31, 2000. During 1998, weather patterns, regional economic recessions and political matters combined to cause worldwide oil supplies to exceed demand resulting in a substantial decline in oil prices. Also during 1998, but to a lesser extent, market prices for natural gas declined. During 1999 and 2000, the Organization of Petroleum Exporting Countries ("OPEC") and certain other crude oil exporting nations announced reductions in their planned export volumes. Those announcements, together with the enactment of the announced reductions in export volumes, had a positive impact on world oil prices, as have overall natural gas supply and demand fundamentals on North American natural gas prices. Although the favorable commodity price environment and stable field service cost environment is expected to continue during 2001, there is no assurance that commodity prices will not return to a less favorable level or that field service costs will not escalate in the future, both of which could negatively impact the Partnership's future results of operations and cash distributions.

### Liquidity and capital resources

#### Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$766,498 during the year ended December 31, 2000 from 1999. This increase was due to an increase in oil and gas sales receipts of \$919,054 and a decline in G&A expenses paid of \$15,237, offset by increases in production costs paid of \$134,219 and working capital of \$33,574. The increase in oil and gas receipts resulted from the increase in commodity prices during 2000 which contributed an additional \$788,626 to oil and gas receipts and \$130,428 resulting from the increase in production during 2000. The increase in production costs was primarily due to increased production taxes associated with higher oil and gas prices and additional well maintenance and workover costs incurred to stimulate well production.

#### Net Cash Used in Investing Activities

The Partnership's principal investing activities during 2000 and 1999 were

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

related to the addition of equipment on various oil and gas properties.

Proceeds from asset dispositions of \$2,372 recognized during 2000 were related to equipment credits on two active wells.

Net Cash Used in Financing Activities

In 2000, cash distributions to the partners were \$1,337,963, of which \$13,380 was distributed to the managing general partner and \$1,324,583 to the limited partners. In 1999, cash distributions to the partners were \$486,135, of which \$4,861 was distributed to the managing general partner and \$481,274 to the limited partners.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO FINANCIAL STATEMENTS

Financial Statements of Parker & Parsley 91-B, L.P.:

Independent Auditors' Report.....

Balance Sheets as of December 31, 2000 and 1999.....

Statements of Operations for the Years Ended December 31,  
2000, 1999 and 1998.....

Statements of Partners' Capital for the Years Ended  
December 31, 2000, 1999 and 1998.....

Statements of Cash Flows for the Years Ended December 31,  
2000, 1999 and 1998.....

Notes to Financial Statements.....

INDEPENDENT AUDITORS' REPORT

The Partners  
Parker & Parsley 91-B, L.P.  
(A Delaware Limited Partnership):

We have audited the balance sheets of Parker & Parsley 91-B, L.P. as of December

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

31, 2000 and 1999, and the related statements of operations, partners' capital and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parker & Parsley 91-B, L.P. as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Dallas, Texas  
March 9, 2001

9

1850

PARKER & PARSLEY 91-B, L.P.  
(A Delaware Limited Partnership)

### BALANCE SHEETS December 31

	2000	
	-----	-----
ASSETS		
Current assets:		
Cash	\$ 185,644	\$
Accounts receivable - oil and gas sales	281,416	
	-----	-----
Total current assets	467,060	
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	9,761,207	

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Accumulated depletion	(8,398,807)	
	-----	-----
Net oil and gas properties	1,362,400	
	-----	-----
	\$ 1,829,460	\$
	=====	=====
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable - affiliate	\$ 6,714	\$
Partners' capital:		
Managing general partner	15,195	
Limited partners (11,249 interests)	1,807,551	
	-----	-----
	1,822,746	
	-----	-----
	\$ 1,829,460	\$
	=====	=====

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

PARKER & PARSLEY 91-B, L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF OPERATIONS  
For the years ended December 31



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	-----	-----	-----
Revenues:			
Oil and gas	\$ 2,046,224	\$ 1,136,073	\$ 873,012
Interest	19,124	10,221	11,185
Gain on disposition of assets	2,273	--	197
	-----	-----	-----
	2,067,621	1,146,294	884,394
	-----	-----	-----
Costs and expenses:			
Oil and gas production	576,561	442,342	464,489
General and administrative	53,623	68,860	43,606
Impairment of oil and gas properties	--	--	295,542
Depletion	83,343	144,423	258,662
	-----	-----	-----
	713,527	655,625	1,062,299
	-----	-----	-----
Net income (loss)	\$ 1,354,094	\$ 490,669	\$ (177,905)
	=====	=====	=====
Allocation of net income (loss):			
Managing general partner	\$ 13,541	\$ 4,907	\$ (1,779)
	=====	=====	=====
Limited partners	\$ 1,340,553	\$ 485,762	\$ (176,126)
	=====	=====	=====
Net income (loss) per limited partnership interest	\$ 119.17	\$ 43.18	\$ (15.66)
	=====	=====	=====

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

PARKER & PARSLEY 91-B, L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF PARTNERS' CAPITAL

Managing  
general  
partner

Limited  
partners

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	-----	-----
Partners' capital at January 1, 1998	\$ 20,944	\$ 2,376,754
Distributions	(4,177)	(413,535)
Net loss	(1,779)	(176,126)
	-----	-----
Partners' capital at December 31, 1998	14,988	1,787,093
Distributions	(4,861)	(481,274)
Net income	4,907	485,762
	-----	-----
Partners' capital at December 31, 1999	15,034	1,791,581
Distributions	(13,380)	(1,324,583)
Net income	13,541	1,340,553
	-----	-----
Partners' capital at December 31, 2000	\$ 15,195	\$ 1,807,551
	=====	=====

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

PARKER & PARSLEY 91-B, L.P.  
(A Delaware Limited Partnership)

STATEMENTS OF CASH FLOWS  
For the years ended December 31

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	2000	
	-----	-----
Cash flows from operations:		
Net income (loss)	\$ 1,354,094	\$
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Impairment of oil and gas properties	-	
Depletion	83,343	
Gain on disposition of assets	(2,273)	
Changes in assets and liabilities:		
Accounts receivable	(84,212)	
Accounts payable	(30,474)	
	-----	-----
Net cash provided by operating activities	1,320,478	
	-----	-----
Cash flows from investing activities:		
Additions to oil and gas properties	(12,408)	
Proceeds from asset dispositions	2,372	
	-----	-----
Net cash used in investing activities	(10,036)	
	-----	-----
Cash flows used in financing activities:		
Cash distributions to partners	(1,337,963)	
	-----	-----
Net increase (decrease) in cash	(27,521)	
Cash at beginning of year	213,165	
	-----	-----
Cash at end of year	\$ 185,644	\$
	=====	=====

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

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

NOTES TO FINANCIAL STATEMENTS  
December 31, 2000, 1999 and 1998

### NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS

Parker & Parsley 91-B, L.P. (the "Partnership") is a limited partnership organized in 1991 under the laws of the State of Delaware. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA").

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

### NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Oil and gas properties - The Partnership utilizes the successful efforts method of accounting for its oil and gas properties and equipment. Under this method, all costs associated with productive wells and nonproductive development wells are capitalized while nonproductive exploration costs are expensed. Capitalized costs relating to proved properties are depleted using the unit-of-production method on a property-by-property basis based on proved oil (dominant mineral) reserves as evaluated by independent petroleum consultants. The carrying amounts of properties sold or otherwise disposed of and the related allowances for depletion are eliminated from the accounts and any gain or loss is included in results of operations.

Impairment of long-lived assets - In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the Partnership reviews its long-lived assets to be held and used on an individual property basis, including oil and gas properties accounted for under the successful efforts method of accounting, whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. An impairment loss is indicated if the sum of the expected future cash flows is less than the carrying amount of the assets. In this circumstance, the Partnership recognizes an impairment loss for the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset.

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

Net income (loss) per limited partnership interest - The net income (loss) per limited partnership interest is calculated by using the number of outstanding limited partnership interests.

Income taxes - A Federal income tax provision has not been included in the financial statements as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Statements of cash flows - For purposes of reporting cash flows, cash includes depository accounts held by banks.

General and administrative expenses - General and administrative expenses are allocated in part to the Partnership by the managing general partner. Allocated expenses are determined by the managing general partner based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Reclassifications - Certain reclassifications may have been made to the 1999 and 1998 financial statements to conform to the 2000 financial statement presentations.

Environmental - The Partnership is subject to extensive federal, state and local environmental laws and regulations. These laws, which are constantly changing, regulate the discharge of materials into the environment and may require the Partnership to remove or mitigate the environmental effects of the disposal or release of petroleum or chemical substances at various sites. Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Liabilities for expenditures of a noncapital nature are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated. Such liabilities are generally undiscounted unless the timing of cash payments for the liability or component are fixed or reliably determinable. No such liabilities have been accrued as of December 31, 2000.

Revenue recognition - The Partnership uses the entitlements method of accounting for oil, natural gas liquids ("NGLs") and natural gas revenues.

### NOTE 3. IMPAIRMENT OF LONG-LIVED ASSETS

In accordance with SFAS 121, the Partnership reviews its proved oil and gas properties for impairment whenever events and circumstances indicate a decline in the recoverability of the carrying value of the Partnership's oil and gas properties. The Partnership has estimated the expected future cash flows of its oil and gas properties as of December 31, 2000, 1999 and 1998, based on proved reserves, and compared such estimated future cash flows to the respective carrying amount of the oil and gas properties to determine if the carrying amounts were likely to be recoverable. For those proved oil and gas properties for which the carrying amount exceeded the estimated future cash flows, an impairment was determined to exist; therefore, the Partnership adjusted the carrying amount of those oil and gas properties to their fair value as determined by discounting their expected future cash flows at a discount rate commensurate with the risks involved in the industry. As a result, the Partnership recognized a non-cash impairment provision of \$295,542 related to its proved oil and gas properties during 1998.

15

1856

### NOTE 4. INCOME TAXES

The financial statement basis of the Partnership's net assets and liabilities was \$367,378 greater than the tax basis at December 31, 2000.

The following is a reconciliation of net income (loss) per statements of operations with the net income (loss) per Federal income tax returns for the

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

years ended December 31:

	2000	
	-----	-----
Net income (loss) per statements of operations	\$ 1,354,094	\$
Depletion and depreciation provisions for tax reporting purposes greater than amounts for financial reporting purposes	(27,307)	
Impairment of oil and gas properties for financial reporting purposes	-	
Salvage income		
Intangible development costs capitalized for financial reporting purposes and expensed for tax reporting purposes	(328)	
Other, net	(2,832)	
	-----	-----
Net income (loss) per Federal income tax returns	\$ 1,323,627	\$
	=====	=====

NOTE 5. OIL AND GAS PRODUCING ACTIVITIES

The following is a summary of the net costs incurred, whether capitalized or expensed, related to the Partnership's oil and gas producing activities for the years ended December 31:

	2000	
	-----	-----
Development costs	\$ 12,408	\$
	=====	=====

Capitalized oil and gas properties consist of the following:

	2000	
	-----	-----
Property acquisition costs		\$ 9
Completed wells and equipment		8,8
		-----
Accumulated depletion		9,7 (8,3)
		-----
Net oil and gas properties		\$ 1,3
		=====

NOTE 6. RELATED PARTY TRANSACTIONS

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

1857

16

	2000	
	-----	-----
Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$ 196,507	\$
Reimbursement of general and administrative expenses	\$ 38,999	\$

The Partnership participates in oil and gas activities through an income tax partnership (the "Program") pursuant to the Program agreement. Pioneer USA, P&P Employees 91-B GP ("EMPL") and the Partnership are parties to the Program agreement. EMPL is a general partnership organized for the benefit of certain employees of Pioneer USA. EMPL was merged with Pioneer USA on December 28, 2000.

The costs and revenues of the Program are allocated to Pioneer USA and the Partnership as follows:

	Pioneer U
	-----
Revenues:	
Proceeds from disposition of depreciable and depletable properties	34.343
All other revenues	34.343
Costs and expenses:	
Lease acquisition costs, drilling and completion costs and all other costs	24.242
Operating costs, reporting and legal expenses and general and administrative expenses	34.343

- (1) Includes Pioneer USA's 1% general partner ownership which is allocated at the Partnership level and 10 limited partner interests owned by Pioneer USA.

### NOTE 7. OIL AND GAS INFORMATION (UNAUDITED)

The following table presents information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities during the years then ended. All of the Partnership's reserves are proved developed and located within the United States. The

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Partnership's reserves are based on an evaluation prepared by Williamson Petroleum Consultants, Inc., an independent petroleum consultant, using criteria established by the Securities and Exchange Commission.

	Oil and NGLs (bbls)	Gas (mcf)
	-----	-----
Net proved reserves at January 1, 1998	803,868	767,367
Revisions	(224,362)	(91,817)
Production	(66,527)	(68,244)
	-----	-----
Net proved reserves at December 31, 1998	512,979	607,306
Revisions	550,155	821,693
Production	(65,056)	(74,025)
	-----	-----
Net proved reserves at December 31, 1999	998,078	1,354,974
Revisions	113,248	(43,847)
Production	(69,550)	(85,556)
	-----	-----
Net proved reserves at December 31, 2000	1,041,776	1,225,571
	=====	=====

As of December 31, 2000, the estimated present value of future net revenues of proved reserves, calculated using December 31, 2000 prices of \$26.64 per barrel of oil, \$13.59 per barrel of NGLs and \$7.73 per mcf of gas, discounted at 10% was approximately \$8,364,000 and undiscounted was \$17,283,000.

Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves. The Partnership emphasizes that reserve estimates are inherently imprecise and, accordingly, the estimates are expected to change as future information becomes available.

Disclosures about Oil & Gas Producing Activities

Standardized Measure of Discounted Future Net Cash Flows



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The standardized measure of discounted future net cash flows is computed by applying year-end prices of oil and gas (with consideration of price changes only to the extent provided by contractual arrangements) to the estimated future production of proved oil and gas reserves less estimated future expenditures (based on year-end costs) to be incurred in developing and producing the proved reserves, discounted using a rate of 10% per year to reflect the estimated timing of the future cash flows. A Federal income tax provision has not been calculated as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

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

	For the years ended	
	2000	1999
	(in thousands)	
Oil and gas producing activities:		
Future cash inflows	\$ 33,121	\$ 24,121
Future production costs	(15,838)	(13,838)
	17,283	11,283
10% annual discount factor	(8,919)	(6,919)
Standardized measure of discounted future net cash flows	\$ 8,364	\$ 5,364

18

1859

	For the years ended	
	2000	1999
	(in thousands)	
Oil and Gas Producing Activities:		
Oil and gas sales, net of production costs	\$ (1,470)	\$ 2,470
Net changes in prices and production costs	2,610	4,610
Revisions of previous quantity estimates	721	4,721
Accretion of discount	585	(1,585)
Changes in production rates, timing and other	66	(1,066)
Change in present value of future net revenues	2,512	4,066

1793

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	-----	-----
Balance, beginning of year	5,852	
	-----	-----
Balance, end of year	\$ 8,364	\$ 5
	=====	=====

NOTE 8. MAJOR CUSTOMERS

The following table reflects the major customers of the Partnership's oil and gas sales (a major customer is defined as a customer whose sales exceed 10% of total sales) during the periods ended December 31:

	2000	19
	-----	-----
Mobil Oil Corporation	48%	
Plains Marketing, L.P.	22%	
Genesis Crude Oil, L.P.	-	
Western Gas Resources, Inc.	4%	

At December 31, 2000, the amounts receivable from Mobil Oil Corporation and Plains Marketing, L.P. were \$64,224 and \$32,862, respectively, which are included in the caption "Accounts receivable - oil and gas sales" in the accompanying Balance Sheet.

Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on the ability of the Partnership to sell its oil, NGLs and gas production.

NOTE 9. PARTNERSHIP AGREEMENT

The following is a brief summary of the more significant provisions of the limited partnership agreement:

Managing general partner - The managing general partner of the Partnership is Pioneer USA. Pioneer USA has the power and authority to manage, control and administer all Partnership affairs. As managing general partner and operator of the Partnership's properties, all production expenses are incurred by Pioneer USA and billed to the Partnership. The majority of the Partnership's oil and gas revenues are received directly by the Partnership, however, a

portion of the oil and gas revenue is initially received by Pioneer USA prior to being paid to the Partnership. Under the limited partnership agreement, the managing general partner pays 1% of the Partnership's acquisition, drilling and completion costs, and 1% of its operating and general and administrative expenses. In return it is allocated 1% of the Partnership's revenues.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Limited partner liability - The maximum amount of liability of any limited partner is the total contributions of such partner plus his share of any undistributed profits.

Initial capital contributions - The limited partners entered into subscription agreements for aggregate capital contributions of \$11,249,000. The managing general partner is required to contribute amounts equal to 1% of initial Partnership capital less sales commission costs allocated to the limited partners and to contribute amounts necessary to pay costs and expenses allocated to it under the Partnership agreement to the extent its share of revenues does not cover such costs.

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

None.

20

1861

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE PARTNERSHIP

The Partnership does not have any officers or directors. Under the limited partnership agreement, the Partnership's managing general partner, Pioneer USA, is granted the exclusive right and full authority to manage, control and administer the Partnership's business.

Set forth below are the names, ages and positions of the directors and executive officers of Pioneer USA. Directors of Pioneer USA are elected to serve until the next annual meeting of stockholders or until their successors are elected and qualified.

Name	Age at December 31, 2000	
----	----	---
Scott D. Sheffield	48	President
Timothy L. Dove	44	Executive Vice Pr Financial Offic
Dennis E. Fagerstone	51	Executive Vice Pr
Mark L. Withrow	53	Executive Vice Pr Counsel and Dir
Danny Kellum	46	Executive Vice Pr Operations and

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Rich Dealy

34

Vice President and  
Officer

Scott D. Sheffield. Mr. Sheffield is a graduate of The University of Texas with a B.S. in Petroleum Engineering. Since August 1997, he has served as President, Chief Executive Officer and a director of Pioneer and President of Pioneer USA. Mr. Sheffield assumed the position of Chairman of the Board of Pioneer in August 1999. He served as a director of Pioneer USA from August 1997 until his resignation from the board in June 1999. Mr. Sheffield was the President and a director of Parker & Parsley Petroleum Company ("Parker & Parsley") from May 1990 until August 1997 and was the Chairman of the Board and Chief Executive Officer of Parker & Parsley from October 1990 until August 1997. He was the sole director of Parker & Parsley from May 1990 until October 1990. Mr. Sheffield joined Parker & Parsley Development Company ("PPDC"), a predecessor of Parker & Parsley, as a petroleum engineer in 1979. He served as Vice President - Engineering of PPDC from September 1981 until April 1985 when he was elected President and a director. In March 1989, Mr. Sheffield was elected Chairman of the Board and Chief Executive Officer of PPDC. Before joining PPDC's predecessor, Mr. Sheffield was employed as a production and reservoir engineer for Amoco Production Company.

21

1862

Timothy L. Dove. Mr. Dove earned a B.S. in Mechanical Engineering from Massachusetts Institute of Technology in 1979 and received his M.B.A. in 1981 from the University of Chicago. He became Executive Vice President - Business Development of Pioneer and Pioneer USA in August 1997 and was also appointed a director of Pioneer USA in August 1997. Mr. Dove assumed the position of Chief Financial Officer of Pioneer and Pioneer USA effective February 1, 2000. Mr. Dove joined Parker & Parsley in May 1994 as Vice President - International and was promoted to Senior Vice President - Business Development in October 1996, in which position he served until August 1997. Prior to joining Parker & Parsley, Mr. Dove was employed with Diamond Shamrock Corp., and its successor, Maxus Energy Corp, in various capacities in international exploration and production, marketing, refining and marketing and planning and development.

Dennis E. Fagerstone. Mr. Fagerstone, a graduate of the Colorado School of Mines with a B.S. in Petroleum Engineering, became an Executive Vice President of Pioneer and Pioneer USA in August 1997. He was also appointed a director of Pioneer USA in August 1997. He served as Executive Vice President and Chief Operating Officer of MESA Inc. ("Mesa") from March 1, 1997 until August 1997. From October 1996 to February 1997, Mr. Fagerstone served as Senior Vice President and Chief Operating Officer of Mesa and from May 1991 to October 1996, he served as Vice President - Exploration and Production of Mesa. From June 1988 to May 1991, Mr. Fagerstone served as Vice President - Operations of Mesa.

Mark L. Withrow. Mr. Withrow, a graduate of Abilene Christian University with a B. S. in Accounting and Texas Tech University with a Juris Doctorate degree, became Executive Vice President, General Counsel and Secretary of Pioneer and Pioneer USA in August 1997. He was also appointed a director of Pioneer USA in August 1997. Mr. Withrow was Vice President - General Counsel of Parker & Parsley from January 1991, when he joined Parker & Parsley, to January 1995, when he was appointed Senior Vice President - General Counsel. He was Parker & Parsley's Secretary from August 1992 until August 1997. Prior to joining Parker & Parsley, Mr. Withrow was the managing partner of the law firm of Turpin, Smith, Dyer, Saxe & MacDonald, Midland, Texas.

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Danny Kellum. Mr. Kellum, who received a Bachelor of Science degree in Petroleum Engineering from Texas Tech University in 1979, was elected Executive Vice President - Domestic Operations of Pioneer and Pioneer USA on May 18, 2000 and Director of Pioneer USA on February 1, 2000. From January 2000 until May 2000, Mr. Kellum served as Vice President - Domestic Operations of Pioneer and Pioneer USA. Mr. Kellum served as Vice President Permian Division of Pioneer and Pioneer USA from April 1998 until December 1999. From 1989 until 1994 he served as Spraberry District Manager and as Vice President of the Spraberry and Permian Division for Parker & Parsley until August of 1997. Mr. Kellum joined Parker & Parsley as an operations engineer in 1981 after a brief career with Mobil Oil Corporation.

Rich Dealy. Mr. Dealy is a graduate of Eastern New Mexico University with a B.B.A. in Accounting and Finance and is a Certified Public Accountant. He became Vice President and Chief Accounting Officer of Pioneer and Pioneer USA in February 1998. Mr. Dealy served as Controller of Pioneer USA from August 1997 to February 1998. He served as Controller of Parker & Parsley from August 1995 to August 1997. Mr. Dealy joined Parker & Parsley as an Accounting Manager in July, 1992. He was previously employed with KPMG Peat Marwick as an Audit Senior, in charge of Parker & Parsley's audit.

22

1863

### ITEM 11. EXECUTIVE COMPENSATION

The Partnership does not have any directors or officers. Management of the Partnership is performed by the managing general partner. The Partnership participates in oil and gas activities through an income tax partnership (the "Program") pursuant to the Program agreement. Under the Program agreement, Pioneer USA pays approximately 25% of the Program's acquisition, drilling and completion costs and approximately 35% of its operating and general and administrative expenses. In return, they are allocated approximately 35% of the Program's revenues.

The Partnership does not directly pay any salaries of the executive officers or employees of Pioneer USA, but does pay a portion of Pioneer USA's general and administrative expenses of which these salaries are a part.

See Notes 6 and 9 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" for information regarding fees and reimbursements paid to the managing general partner by the Partnership.

### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

(a) Beneficial owners of more than five percent

The Partnership is not aware of any person who beneficially owns 5% or more of the outstanding limited partnership interests of the Partnership. Pioneer USA owned 10 limited partner interests at January 1, 2001.

(b) Security ownership of management

The Partnership does not have any officers or directors. The managing general partner of the Partnership, Pioneer USA, has the exclusive right and full authority to manage, control and administer the Partnership's business. Under the limited partnership agreement, limited partners holding a majority of the

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

outstanding limited partnership interests have the right to take certain actions, including the removal of the managing general partner or any other general partner. The Partnership is not aware of any current arrangement or activity which may lead to such removal. The Partnership is not aware of any officer or director of Pioneer USA who beneficially owns limited partnership interests in the Partnership.

### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Transactions with the managing general partner

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

	2000	-----
Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$ 196,507	\$
Reimbursement of general and administrative expenses	\$ 38,999	\$

Under the limited partnership agreement, the managing general partner pays 1% of the Partnership's acquisition, drilling and completion costs and 1% of its operating and general and administrative expenses. In return, it is allocated 1% of the Partnership's revenues. Also, see Notes 6 and 9 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data", regarding the Partnership's participation with the managing general partner in oil and gas activities of the Program.

1864 23

### PART IV

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

- (a) 1. Financial statements

The following are filed as part of this Report:

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Independent Auditors' Report

Balance sheets as of December 31, 2000 and 1999

Statements of operations for the years ended December 31, 2000,  
1999 and 1998

Statements of partners' capital for the years ended December  
31, 2000, 1999 and 1998

Statements of cash flows for the years ended December 31, 2000,  
1999 and 1998

Notes to financial statements

2. Financial statement schedules

All financial statement schedules have been omitted since the  
required information is in the financial statements or notes  
thereto, or is not applicable nor required.

(b) Reports on Form 8-K

None.

(c) Exhibits

The exhibits listed on the accompanying index to exhibits are filed or  
incorporated by reference as part of this Report.

25

1866

S I G N A T U R E S

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, thereunto duly authorized.

PARKER & PARSLEY 91-B, L.P.

Dated: March 27, 2001

By: Pioneer Natural Resources USA, Inc.  
Managing General Partner

By: /s/ Scott D. Sheffield

-----  
Scott D. Sheffield, President

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

/s/ Scott D. Sheffield

President of Pioneer USA

-----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Scott D. Sheffield

/s/ Timothy L. Dove

-----  
Timothy L. Dove

Executive Vice President, Chief  
Financial Officer and Director of  
Pioneer USA

/s/ Dennis E. Fagerstone

-----  
Dennis E. Fagerstone

Executive Vice President and  
Director of Pioneer USA

/s/ Mark L. Withrow

-----  
Mark L. Withrow

Executive Vice President, General  
Counsel and Director of Pioneer USA

/s/ Danny Kellum

-----  
Danny Kellum

Executive Vice President - Domestic  
Operations and Director of Pioneer  
USA

/s/ Rich Dealy

-----  
Rich Dealy

Vice President and Chief Accounting  
Officer of Pioneer USA

26

1867

PARKER & PARSLEY 91-B, L.P.

INDEX TO EXHIBITS

The following documents are incorporated by reference in response to  
Item 14(c):

Exhibit No. -----	Description -----
3(a)	Form of Agreement of Limited Partnership of Parker & Parsley 91-B, L.P. incorporated by reference to Exhibit A of the Partnership's Registration Statement on Form S-1 (Registration No. 33-38582) (hereinafter called the Partnership's Registration Statement)
4(b)	Form of Limited Partner Subscription Agreement incorporated by reference to Exhibit C of the Partnership's Registration Statement
4(b)	Form of General Partner Subscription Agreement incorporated by reference to Exhibit D of the Partnership's Registration Statement



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

4(b)	Power of Attorney incorporated by reference to Exhibit B of the Partnership's Registration Statement
4(c)	Specimen Certificate of Limited Partnership Interest incorporated by reference to Exhibit 4.3 of Amendment No. 2 of the Partnership's Registration Statement
10(b)	Development Drilling Program Agreement incorporated by reference to Exhibit B of the Partnership's Registration Statement

27

1868

PARKER & PARSLEY 91-B, L.P.

SELECTED FINANCIAL DATA

The following selected financial data for the Partnership should be read in connection with Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements included in the attached supplemental information.

	Six months ended June 30,		Years ended Decem		
	2001	2000	2000	1999	1998
Operating results:					
Oil and gas sales	\$ 732,727	\$ 954,341	\$2,046,224	\$1,136,073	\$ 873,012
Impairment of oil and gas properties	\$ --	\$ --	\$ --	\$ --	\$ 295,542
Net income (loss)	\$ 394,776	\$ 604,592	\$1,354,094	\$ 490,669	\$ (177,905)
Allocation of net income (loss):					
Managing general partner	\$ 3,948	\$ 6,046	\$ 13,541	\$ 4,907	\$ (1,779)
Limited partners	\$ 390,828	\$ 598,546	\$1,340,553	\$ 485,762	\$ (176,126)
Limited partners' net income (loss) per limited					

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

partnership interest	\$ 34.74	\$ 53.21	\$ 119.17	\$ 43.18	\$ (15.66)
	=====	=====	=====	=====	=====
Limited partners' cash distributions per limited partnership interest	\$ 24.81	\$ 48.76	\$ 117.75	\$ 42.78	\$ 36.76
	=====	=====	=====	=====	=====
As of period ended:					
Total assets	\$1,977,307	\$1,907,509	\$1,829,460	\$1,843,803	\$1,820,336
	=====	=====	=====	=====	=====

1869

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 20. INDEMNIFICATION OF OFFICERS AND DIRECTORS.

Article Twelfth of the Amended and Restated Certificate of Incorporation of Pioneer Parent provides that Pioneer Parent must indemnify its officers and directors to the extent allowed by the Delaware General Corporation Law. Pursuant to Section 145 of the Delaware General Corporation Law, Pioneer Parent generally has the power to indemnify its present and former directors and officers against expenses and liabilities incurred by them in connection with any suit to which they are, or are threatened to be made, a party by reason of their serving in those positions so long as they acted in good faith and in a manner they reasonably believed to be in, or not opposed to, the best interests of Pioneer Parent, and with respect to any criminal action, they had no reasonable cause to believe their conduct was unlawful. With respect to suits by or in the right of Pioneer Parent, however, indemnification is generally limited to attorneys' fees and other expenses and is not available if the person is adjudged to be liable to Pioneer Parent unless the court determines that indemnification is appropriate. The statute expressly provides that the power to indemnify authorized thereby is not exclusive of any rights granted under any by-law, agreement, vote of stockholders or disinterested directors, or otherwise. Pioneer Parent also has the power to purchase and maintain insurance for its directors and officers. Additionally, Article Twelfth of the Amended and Restated Certificate of Incorporation of Pioneer Parent provides that, in the event that an officer or director files suit against Pioneer Parent seeking indemnification of liabilities or expenses incurred, the burden will be on Pioneer Parent to prove that the indemnification would not be permitted under the Delaware General Corporation Law.

Pioneer Parent has entered into indemnification agreements with each of its directors and officers. These agreements provide that Pioneer Parent must, within 30 days of a request, indemnify an officer or director for liabilities incurred to the fullest extent permitted by the Delaware General Corporation Law. Pioneer Parent must, within two days of a request, indemnify an officer or director for expenses incurred in the defense of a claim or other proceeding. The obligation of Pioneer Parent to provide the indemnification does not apply if, before the date on which Pioneer Parent must provide the indemnification, Pioneer Parent's board of directors, or a representative chosen by the board of directors, concludes that indemnification would be improper under the Delaware General Corporation Law.

The preceding discussion of Pioneer Parent's Amended and Restated Certificate of Incorporation, Section 145 of the Delaware General Corporation

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Law, and the indemnification agreements is not intended to be exhaustive and is qualified in its entirety by such Amended and Restated Certificate of Incorporation, Section 145 of the Delaware General Corporation Law, and such indemnification agreements.

II-1

1870

### ITEM 21. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

The following exhibits are filed with the registration statement:

EXHIBIT NUMBER -----	DESCRIPTION -----
2.1	Agreement and Plan of Merger dated as of _____, 2001, among Pioneer Parent, Pioneer USA and the partnerships named therein (included as Appendix F to the proxy statement/prospectus forming a part of this Registration Statement).
3.1	Amended and Restated Certificate of Incorporation of Pioneer Parent (incorporated by reference to Exhibit 3.1 to Pioneer Parent's Registration Statement on Form S-4 dated June 27, 1997, Registration No. 333-26951).
3.2	Restated Bylaws of Pioneer Parent (incorporated by reference to Exhibit 3.2 to Pioneer Parent's Registration Statement on Form S-4 dated June 27, 1997, Registration No. 333-26951).
3.3	Certificate of Designations of Special Preferred Voting Stock (incorporated by reference to Exhibit 3.3 of Pioneer Parent's Registration Statement on Form S-3, Registration No. 333-42315, filed with the SEC on December 17, 1997).
3.4	Terms and Conditions of Exchangeable Shares (incorporated by reference to Annex F to the Definitive Joint Management Information Circular and Proxy Statement of Pioneer Parent and Chauvco, File No. 001-13245, filed with the SEC on November 17, 1997).
4.1	Form of Certificate of Common Stock, par value \$.01 per share, of Pioneer Parent (incorporated by reference to Exhibit 4.1 to Pioneer Parent's Registration Statement on Form S-4 dated June 27, 1997, Registration No. 333-26951).
4.2	Form of Certificate of Special Preferred Voting Stock (incorporated by reference to Exhibit 4.1 to Pioneer Parent's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998).
4.3	Form of Certificate of Exchangeable Shares (incorporated by reference to Exhibit 4.2 to Pioneer Parent's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998).
5.1*	Form of opinion of Vinson & Elkins L.L.P. as to the legality of the securities to be registered.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

- 8.1\* Form of opinion of Vinson & Elkins L.L.P., regarding tax matters.
- 8.2 Form of opinion of \_\_\_\_\_, as special legal counsel to the limited partners, regarding tax matters as required by the partnership agreement of each partnership (included as Exhibit A to Appendix E to the proxy statement/prospectus forming a part of this Registration Statement).

II-2

1871

EXHIBIT NUMBER	DESCRIPTION
9.1	Voting and Exchange Trust Agreement dated as of December 18, 1997, among Pioneer Parent, Pioneer Natural Resources (Canada) Ltd. and Montreal Trust Company of Canada, as trustee (incorporated by reference to Exhibit 2.4 to Pioneer Parent's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998).
10.1	Indenture dated July 2, 1996, among Pioneer USA (formerly Mesa Operating Co. ("MOC")), as issuer, Pioneer Parent, as guarantor, and Harris Trust and Savings Bank, as trustee, relating to the 11 5/8% Senior Subordinated Discount Notes Due 2006 (incorporated by reference to Exhibit 4.17 to MESA Inc.'s Quarterly Report on Form 10-Q for the period ended June 30, 1996).
10.2	First Supplemental Indenture dated as of April 15, 1997, among Pioneer USA (formerly MOC), as issuer, MESA Inc. ("Mesa"), the subsidiary guarantors named therein, Pioneer Parent and Harris Trust and Savings Bank, as trustee, with respect to the indenture identified above as Exhibit 10.1 (incorporated by reference to Exhibit 10.1 to Pioneer Parent's Quarterly Report on Form 10-Q for the period ended September 30, 1997, File No. 001-13245).
10.3	Second Supplemental Indenture dated as of August 7, 1997, among Pioneer USA (formerly MOC), as issuer, Mesa, the subsidiary guarantors named therein, Pioneer Parent and Harris Trust and Savings Bank, as trustee, with respect to the indenture identified above as Exhibit 10.1 (incorporated by reference to Exhibit 10.2 to Pioneer Parent's Quarterly Report on Form 10-Q for the period ended September 30, 1997, File No. 001-13245).
10.4	Third Supplemental Indenture dated as of December 18, 1997, among Pioneer USA, the subsidiary guarantors named therein, Pioneer Parent and Harris Trust and Savings Bank, as trustee, with respect to the indenture identified above as Exhibit 10.1 (incorporated by reference to Exhibit 10.12 to Pioneer Parent's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998).

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

- 10.5 Fourth Supplemental Indenture dated as of December 30, 1997, among Pioneer USA (formerly MOC), Pioneer Parent, Pioneer NewSub1, Inc. and Harris Trust and Savings Bank, as trustee, with respect to the indenture identified above as Exhibit 10.1 (incorporated by reference to Exhibit 10.13 to Pioneer Parent's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998).
- 10.6 Fifth Supplemental Indenture dated as of December 30, 1997, among Pioneer NewSub1, Inc. (as successor to Pioneer USA), Pioneer Parent, Pioneer DebtCo., Inc. and Harris Trust and Savings Bank, as trustee, with respect to the indenture identified above as Exhibit 10.1 (incorporated by reference to Exhibit 10.14 to Pioneer Parent's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998).
- 10.7 Sixth Supplemental Indenture dated as of December 30, 1997, among Pioneer DebtCo. Inc. (as successor to Pioneer NewSub1, Inc.), Pioneer Parent, and Harris Trust and Savings Bank, as trustee, with respect to the indenture identified above as Exhibit 10.1 (incorporated by reference to Exhibit 10.15 to Pioneer Parent's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998).

II-3

1872

EXHIBIT NUMBER -----	DESCRIPTION -----
10.8	Indenture dated July 2, 1996, among Pioneer USA (formerly MOC), as issuer, Pioneer Parent (as Mesa's successor), as guarantor, and Harris Trust and Savings Bank, as trustee, relating to the 10 5/8% Senior Subordinated Notes Due 2006 (incorporated by reference to Exhibit 4.18 to Mesa's Quarterly Report on Form 10-Q for the period ended June 30, 1996).
10.9	First Supplemental Indenture dated as of April 15, 1997, among Pioneer USA (formerly MOC), as issuer, Mesa, the subsidiary guarantors named therein, Pioneer Parent and Harris Trust and Savings Bank, as trustee, with respect to the indenture identified above as Exhibit 10.8 (incorporated by reference to Exhibit 10.3 to Pioneer Parent's Quarterly Report on Form 10-Q for the period ended September 30, 1997, File No. 001-13245).
10.10	Second Supplemental Indenture dated as of August 7, 1997, among Pioneer USA (formerly MOC), as issuer, Mesa, the subsidiary guarantors named therein, Pioneer Parent and Harris Trust and Savings Bank, as trustee, with respect to the indenture identified above as Exhibit 10.8 (incorporated by reference to Exhibit 10.4 to Pioneer Parent's Quarterly Report on Form 10-Q for the period ended September 30, 1997,

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

File No. 001-13245).

- 10.11 Third Supplemental Indenture dated as of December 18, 1997, among Pioneer USA, the subsidiary guarantors named therein, Pioneer Parent and Harris Trust and Savings Bank, as trustee, with respect to the indenture identified above as Exhibit 10.8 (incorporated by reference to Exhibit 10.6 to Pioneer Parent's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998).
- 10.12 Fourth Supplemental Indenture dated as of December 30, 1997, among Pioneer USA, Pioneer Parent, Pioneer NewSub1, Inc. and Harris Trust and Savings Bank, as trustee, with respect to the indenture identified above as Exhibit 10.8 (incorporated by reference to Exhibit 10.7 to Pioneer Parent's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998).
- 10.13 Fifth Supplemental Indenture dated as of December 30, 1997, among Pioneer NewSub1, Inc. (as successor to Pioneer USA), Pioneer Parent, Pioneer DebtCo, Inc. and Harris Trust and Savings Bank, as trustee, with respect to the indenture identified above as Exhibit 10.8 (incorporated by reference to Exhibit 10.8 to Pioneer Parent's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998).
- 10.14 Sixth Supplemental Indenture dated as of December 30, 1997, among Pioneer DebtCo, Inc. (as successor to Pioneer NewSub1, Inc.), Pioneer Parent and Harris Trust and Savings Bank, as trustee, with respect to the indenture identified above as Exhibit 10.8 (incorporated by reference to Exhibit 10.9 to Pioneer Parent's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998).
- 10.15 Indenture dated April 12, 1995, between Pioneer USA (successor to Parker & Parsley Petroleum Company ("Parker & Parsley")) and The Chase Manhattan Bank (National Association), as trustee (incorporated by reference to Exhibit 4.1 to Parker & Parsley's Current Report on Form 8-K dated April 12, 1995, File No. 1-10695).

II-4

1873

EXHIBIT NUMBER -----	DESCRIPTION -----
10.16	First Supplemental Indenture dated as of August 7, 1997, among Parker & Parsley, The Chase Manhattan Bank, as trustee, and Pioneer USA, with respect to the indenture identified above as Exhibit 10.15 (incorporated by reference to Exhibit 10.5 to Pioneer Parent's Quarterly Report on Form 10-Q for the period ended September 30, 1997, File No. 001-13245).

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

- 10.17 Second Supplemental Indenture dated as of December 30, 1997, among Pioneer USA, Pioneer NewSub1, Inc. and The Chase Manhattan Bank, as trustee, with respect to the indenture identified above as Exhibit 10.15 (incorporated by reference to Exhibit 10.17 to Pioneer Parent's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998).
- 10.18 Third Supplemental Indenture dated as of December 30, 1997, among Pioneer NewSub1, Inc. (as successor to Pioneer USA), Pioneer DebtCo, Inc. and The Chase Manhattan Bank, as trustee, with respect to the indenture identified above as Exhibit 10.15 (incorporated by reference to Exhibit 10.18 to Pioneer Parent's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998).
- 10.19 Fourth Supplemental Indenture dated as of December 30, 1997, among Pioneer DebtCo, Inc. (as successor to Pioneer NewSub1, Inc., as successor to Pioneer USA), Pioneer Parent, Pioneer USA and The Chase Manhattan Bank, as trustee, with respect to the indenture identified above as Exhibit 10.15 (incorporated by reference to Exhibit 10.19 to Pioneer Parent's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998).
- 10.20 Guarantee dated as of December 30, 1997, by Pioneer USA relating to \$150,000,000 in aggregate principal amount of 8 7/8% Senior Notes due 2005 and \$150,000,000 in aggregate principal amount of 8 1/4% Senior Notes due 2007 issued under the indenture identified above as Exhibit 10.15 (incorporated by reference to Exhibit 10.20 to Pioneer Parent's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998).
- 10.21 Form of 8 7/8% Senior Notes Due 2005 dated as of April 12, 1995, in the aggregate principal amount of \$150,000,000, together with Officers' Certificate dated April 12, 1995, establishing the terms of the 8 7/8% Senior Notes Due 2005 pursuant to the indenture identified above as Exhibit 10.15 (incorporated by reference to Exhibit 4.2 to Parker & Parsley's Quarterly Report on Form 10-Q for the period ended June 30, 1995, File No. 001-10695).
- 10.22 Form of 8 1/4% Senior Notes due 2007 dated as of August 22, 1995, in the aggregate principal amount of \$150,000,000, together with Officers' Certificate dated August 22, 1995, establishing the terms of the 8 1/4% Senior Notes due 2007 pursuant to the indenture identified above as Exhibit 10.15 (incorporated by reference to Exhibit 1.2 to Parker & Parsley's Current Report on Form 8-K dated August 17, 1995, File No. 001-10695).

II-5

1874

EXHIBIT  
NUMBER

DESCRIPTION

1807

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

- 
- 10.23 Indenture dated January 13, 1998, between Pioneer Parent and The Bank of New York, as trustee (incorporated by reference to Exhibit 99.1 to Pioneer Parent's and Pioneer USA's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 14, 1998).
- 10.24 First Supplemental Indenture dated as of January 13, 1998, among Pioneer Parent, Pioneer USA, as the subsidiary guarantor, and The Bank of New York, as trustee, with respect to the indenture identified above as Exhibit 10.23 (incorporated by reference to Exhibit 99.2 to Pioneer Parent's and Pioneer USA's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 14, 1998).
- 10.25 Form of 6.50% Senior Notes Due 2008 of Pioneer Parent (incorporated by reference to Exhibit 99.3 to Pioneer Parent's and Pioneer USA's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 14, 1998).
- 10.26 Form of 7.20% Senior Notes Due 2028 of Pioneer Parent (incorporated by reference to Exhibit 99.4 to Pioneer Parent's and Pioneer USA's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 14, 1998).
- 10.27 Guarantee (2008 Notes) dated as of January 13, 1998, entered into by Pioneer USA (incorporated by reference to Exhibit 99.5 to Pioneer Parent's and Pioneer USA's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 14, 1998).
- 10.28 Guarantee (2028 Notes) dated as of January 13, 1998, entered into by Pioneer USA (incorporated by reference to Exhibit 99.6 to Pioneer Parent's and Pioneer USA's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 14, 1998).
- 10.29 1991 Stock Option Plan of Mesa (incorporated by reference to Exhibit 10(v) to Mesa's Annual Report on Form 10-K for the period ended December 31, 1991).
- 10.30 1996 Incentive Plan of Mesa (incorporated by reference to Exhibit 10.28 to Pioneer Parent's Registration Statement on Form S-4 dated June 27, 1997, Registration No. 333-26951).
- 10.31 Parker & Parsley Long-Term Incentive Plan dated February 19, 1991 (incorporated by reference to Exhibit 4.1 to Parker & Parsley's Registration Statement on Form S-8, Registration No. 33-38971).
- 10.32 First Amendment to the Parker & Parsley Long-Term Incentive Plan dated August 23, 1991 (incorporated by reference to Exhibit 10.2 to Parker & Parsley's Registration Statement on Form S-1 dated February 28, 1992, Registration No. 33-46082).
- 10.33 Pioneer Parent's Long-Term Incentive Plan (incorporated by reference to Exhibit 4.1 to Pioneer Parent's Registration Statement on Form S-8, Registration No. 333-35087).



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

II-6

1875

EXHIBIT NUMBER	DESCRIPTION
10.34	First Amendment to Pioneer Parent's Long-Term Incentive Plan, effective as of November 23, 1998 (incorporated by reference to Exhibit 10.72 to Pioneer Parent's Annual Report on Form 10-K for the period ended December 31, 1999, File No. 001-13245).
10.35	Amendment No. 2 to Pioneer Parent's Long-Term Incentive Plan, effective as of May 20, 1998 (incorporated by reference to Exhibit 10.73 to Pioneer Parent's Annual Report on Form 10-K for the period ended December 31, 1999, File No. 001-13245).
10.36	Amendment No. 3 to Pioneer Parent's Long-Term Incentive Plan, effective as of February 17, 2000 (incorporated by reference to Exhibit 10.76 to Pioneer Parent's Annual Report on Form 10-K for the period ended December 31, 1999, File No. 001-13245).
10.37	Pioneer Parent's Employee Stock Purchase Plan (incorporated by reference to Exhibit 4.1 to Pioneer Parent's Registration Statement on Form S-8, Registration No. 333-35165).
10.38	Amendment No. 1 to Pioneer Parent's Employee Stock Purchase Plan dated December 9, 1998 (incorporated by reference to Pioneer Parent's Annual Report on Form 10-K for the year ended December 31, 1998, File No. 001-13245).
10.39	Amendment No. 2 to Pioneer Parent's Employee Stock Purchase Plan dated December 14, 1999 (incorporated by reference to Exhibit 10.74 to Pioneer Parent's Annual Report on Form 10-K for the period ended December 31, 1999, File No. 001-13245).
10.40	Pioneer Parent's Deferred Compensation Retirement Plan (incorporated by reference to Exhibit 4.1 to Pioneer Parent's Registration Statement on Form S-8, Registration No. 333-39153).
10.41	Pioneer USA 401(k) Plan (incorporated by reference to Exhibit 4.1 to Pioneer Parent's Registration Statement on Form S-8, Registration No. 333-39249).
10.42	Pioneer USA Matching Plan (incorporated by reference to Exhibit 10.42 to Pioneer Parent's Annual Report on Form 10-K for the year ended December 31, 1997, File No. 001-13245).
10.43	Omnibus Amendment to Nonstatutory Stock Option Agreements, included as part of the Parker & Parsley Long-Term Incentive Plan dated as of November 16, 1995, between Parker & Parsley and named executive officers identified on Schedule 1 thereto, setting forth additional details relating to the Parker & Parsley Long-Term Incentive Plan (incorporated by

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

reference to Parker & Parsley's Annual Report on Form 10-K for the period ended December 31, 1995, File No. 001-10695).

II-7

1876

EXHIBIT NUMBER	DESCRIPTION
10.44	Severance Agreement dated as of August 8, 1997, between Pioneer Parent and Scott D. Sheffield, together with a schedule identifying substantially identical agreements between Pioneer Parent and each of the other named executive officers identified on Schedule I, for the purpose of defining the payment of certain benefits upon the termination of the officer's employment under certain circumstances (incorporated by reference to Exhibit 10.7 to Pioneer Parent's Quarterly Report on Form 10-Q for the period ended September 30, 1997, File No. 001-13245).
10.45	Indemnification Agreement dated as of August 8, 1997, between Pioneer Parent and Scott D. Sheffield, together with a schedule identifying substantially identical agreements between Pioneer Parent and each of Pioneer Parent's other directors and named executive officers identified on Schedule I thereto (incorporated by reference to Exhibit 10.8 to Pioneer Parent's Quarterly Report on Form 10-Q for the period ended September 30, 1997, File No. 001-13245).
10.46	"B" Contract Production Allocation Agreement dated July 29, 1991, and effective as of January 1, 1991, between Colorado Interstate Gas Company and Mesa Operating Limited Partnership (incorporated by reference to Exhibit 10(r) to Mesa's Annual Report on Form 10-K for the period ended December 31, 1991).
10.47	Amendment to "B" Contract Production Allocation Agreement effective as of January 1, 1993, between Colorado Interstate Gas Company and Mesa Operating Limited Partnership (incorporated by reference to Exhibit 10.24 to Mesa's Registration Statement on Form S-1, Registration No. 33-51909).
10.48	Voting and Shareholders Agreement dated as of February 8, 2000, among Prize Energy Corp. and its stockholders (incorporated by reference to Exhibit 10.1 to Pioneer Parent's statement on Schedule 13D relating to common stock of Prize Energy Corp., filed with the SEC on February 18, 2000, File No. 005-54797).
10.49	Second Supplemental Indenture dated as of April 11, 2000, among Pioneer Parent, Pioneer USA, as the subsidiary guarantor, and the Bank of New York, as trustee, with respect to the Indenture dated January 13, 1998, between Pioneer Parent and The Bank of New York, as trustee (incorporated by reference to Exhibit 10.1 to Pioneer

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Parent's Quarterly Report on Form 10-Q, filed with the SEC on May 11, 2000).

- 10.50 Form of 9 5/8% Senior Notes Due April 1, 2010 dated as of April 11, 2000, in the aggregate principal amount of \$425,000,000, together with Trustee's Certificate of Authentication dated April 11, 2000, establishing the terms of the 9 5/8% Senior Notes Due April 1, 2010 pursuant to the Second Supplemental Indenture identified above as Exhibit 10.49 (incorporated by reference to Exhibit 10.2 to Pioneer Parent's Quarterly Report on Form 10-Q, filed with the SEC on May 11, 2000).
- 10.51 Guarantee, dated as of April 11, 2000, by Pioneer USA, as the subsidiary guarantor, relating to the \$425,000,000 aggregate principal amount of 9 5/8% Senior Notes Due April 1, 2010 issued under the Second Supplemental Indenture identified above as Exhibit 10.49 (incorporated by reference to Exhibit 10.3 to Pioneer Parent's Quarterly Report on Form 10-Q, filed with the SEC on May 11, 2000).

II-8

1877

EXHIBIT NUMBER -----	DESCRIPTION -----
10.52	\$575,000,000 Credit Agreement dated as of May 31, 2000, among Pioneer Parent, as the borrower, Bank of America, N.A., as the administrative agent, Credit Suisse First Boston, as the documentation agent, The Chase Manhattan Bank, as the syndication agent, and certain lenders (incorporated by reference to Exhibit 10.4 to Pioneer Parent's Quarterly Report on Form 10-Q, filed with the SEC on August 9, 2000).
10.53	Agreement and Plan of Merger dated as of November 28, 2000, among Pioneer Parent, Pioneer USA, Parker & Parsley Employees Producing Properties 87-A, Ltd., Parker & Parsley Employees Producing Properties 87-B Ltd., P&P Employees Producing Properties 88-A, L.P., P&P Employees 89-A Conv., L.P., P&P Employees 89-B Conv., L.P., P&P Employees Private 89, L.P., P&P Employees 90-A Conv., L.P., P&P Employees 90-B Conv., L.P., P&P Employees 90-C Conv., L.P., P&P Employees Private 90, L.P., P&P Employees 90 Spraberry Private Development, L.P., P&P Employees 91-A Conv., L.P. and P&P Employees 91-B Conv., L.P. (incorporated by reference to Exhibit 10.53 to Pioneer Parent's Annual Report on Form 10-K, filed with the SEC on February 27, 2001).
23.1	Consent of Vinson & Elkins L.L.P. (included in the opinions filed as Exhibits 5.1 and 8.1 to this Registration Statement).
23.2	Consent of _____ (included in the opinion filed as Exhibit 8.2 to this Registration Statement).

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

23.3*	Consent of Ernst & Young LLP.
23.4*	Consent of Williamson Petroleum Consultants, Inc.
24.1#	Powers of Attorney of directors and officers of Pioneer Parent.
99.1	Form of opinion of Robert A. Stanger & Co, Inc. (included as Appendix D to the proxy statement/prospectus forming a part of this Registration Statement).
99.2*	Consent of Robert A. Stanger & Co., Inc.
99.3*	Form of Certification of Non-Foreign Status for Individual Partners.
99.4*	Form of Certification of Non-Foreign Status for Individual Partners that are Entities.
99.5*	Form of Proxy for Special Meeting of Limited Partners of Each of 46 Parker & Parsley Limited Partnerships.
99.6*	Form of Letter to Custodians and Consent.

-----  
\* Filed herewith.

# Previously filed.

II-9

1878

### ITEM 22. UNDERTAKINGS.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of Pioneer Parent pursuant to the foregoing provisions, or otherwise, Pioneer Parent has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities, other than the payment by Pioneer Parent of expenses incurred or paid by a director, officer or controlling person of Pioneer Parent in the successful defense of any action, suit or proceeding, is asserted by such director, officer or controlling person in connection with the securities being registered, Pioneer Parent will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of such issue.

Pioneer Parent hereby undertakes:

(1) That, for purposes of determining any liability under the Securities Act of 1933, each filing of Pioneer Parent's annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934)

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof;

(2) That prior to any public reoffering of the securities registered hereunder through use of a prospectus which is a part of this registration statement by any person or party who is deemed to be an underwriter within the meaning of Rule 145(c), Pioneer Parent undertakes that such reoffering prospectus will contain the information called for by the applicable registration form with respect to reofferings by persons who may be deemed underwriters, in addition to the information called for by the other items of the applicable form;

(3) That every prospectus: (a) that is filed pursuant to paragraph (3) immediately preceding, or (b) that purports to meet the requirements of Section 10(a)(3) of the Securities Exchange Act of 1934 and is used in connection with an offering of securities subject to Rule 415, will be filed as a part of an amendment to the registration statement and will not be used until such amendment is effective, and that, for purposes of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof;

(4) To respond to requests for information that is incorporated by reference into the prospectus pursuant to Items 4, 10(b), 11 or 13 of Form S-4, within one business day of receipt of such request, and to send the incorporated documents by first class mail or other equally prompt means. This includes information contained in documents filed subsequent to the effective date of the registration statement through the date of responding to the request; and

(5) To supply by means of a post-effective amendment all information concerning a transaction, and the company being acquired involved therein, that was not the subject of and included in the registration statement when it became effective.

II-10

1879

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, Pioneer Natural Resources Company has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Irving, State of Texas, on August 22, 2001.

PIONEER NATURAL RESOURCES COMPANY

By: /s/ Scott D. Sheffield

-----  
Scott D. Sheffield  
Chairman of the Board of  
Directors, President and Chief  
Executive Officer

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Pursuant to the requirements of the Securities Act of 1933, as amended, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

SIGNATURE -----	TITLE -----
* ----- Scott D. Sheffield	Chairman of the Board of Directors, President and Chief Executive Officer (principal executive officer)
* ----- Timothy L. Dove	Executive Vice President and Chief Financial Officer (principal financial officer)
* ----- Richard P. Dealy	Vice President and Chief Accounting Officer (principal accounting officer)
* ----- James R. Baroffio	Director
* ----- R. Hartwell Gardner	Director
* ----- James L. Houghton	Director
* ----- Jerry P. Jones	Director
* ----- Charles E. Ramsey, Jr.	Director
*By: /s/ Mark L. Withrow ----- Mark L. Withrow Attorney-in-fact	

II-11

1880

INDEX TO EXHIBITS

EXHIBIT NUMBER -----	DESCRIPTION -----
----------------------------	----------------------

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

- 2.1 Agreement and Plan of Merger dated as of \_\_\_\_\_, 2001, among Pioneer Parent, Pioneer USA and the partnerships named therein (included as Appendix F to the proxy statement/prospectus forming a part of this Registration Statement).
- 3.1 Amended and Restated Certificate of Incorporation of Pioneer Parent (incorporated by reference to Exhibit 3.1 to Pioneer Parent's Registration Statement on Form S-4 dated June 27, 1997, Registration No. 333-26951).
- 3.2 Restated Bylaws of Pioneer Parent (incorporated by reference to Exhibit 3.2 to Pioneer Parent's Registration Statement on Form S-4 dated June 27, 1997, Registration No. 333-26951).
- 3.3 Certificate of Designations of Special Preferred Voting Stock (incorporated by reference to Exhibit 3.3 of Pioneer Parent's Registration Statement on Form S-3, Registration No. 333-42315, filed with the SEC on December 17, 1997).
- 3.4 Terms and Conditions of Exchangeable Shares (incorporated by reference to Annex F to the Definitive Joint Management Information Circular and Proxy Statement of Pioneer Parent and Chauvco, File No. 001-13245, filed with the SEC on November 17, 1997).
- 4.1 Form of Certificate of Common Stock, par value \$.01 per share, of Pioneer Parent (incorporated by reference to Exhibit 4.1 to Pioneer Parent's Registration Statement on Form S-4 dated June 27, 1997, Registration No. 333-26951).
- 4.2 Form of Certificate of Special Preferred Voting Stock (incorporated by reference to Exhibit 4.1 to Pioneer Parent's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998).
- 4.3 Form of Certificate of Exchangeable Shares (incorporated by reference to Exhibit 4.2 to Pioneer Parent's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998).
- 5.1\* Form of opinion of Vinson & Elkins L.L.P. as to the legality of the securities to be registered.
- 8.1\* Form of opinion of Vinson & Elkins L.L.P., regarding tax matters.
- 8.2 Form of opinion of \_\_\_\_\_, as special legal counsel to the limited partners, regarding tax matters as required by the partnership agreement of each partnership (included as Exhibit A to Appendix E to the proxy statement/prospectus forming a part of this Registration Statement).
- 9.1 Voting and Exchange Trust Agreement dated as of December 18, 1997, among Pioneer Parent, Pioneer Natural Resources (Canada) Ltd. and Montreal Trust Company of Canada, as trustee (incorporated by reference to Exhibit 2.4 to Pioneer Parent's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998).

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

1881

EXHIBIT NUMBER	DESCRIPTION
10.1	Indenture dated July 2, 1996, among Pioneer USA (formerly Mesa Operating Co. ("MOC")), as issuer, Pioneer Parent, as guarantor, and Harris Trust and Savings Bank, as trustee, relating to the 11 5/8% Senior Subordinated Discount Notes Due 2006 (incorporated by reference to Exhibit 4.17 to MESA Inc.'s Quarterly Report on Form 10-Q for the period ended June 30, 1996).
10.2	First Supplemental Indenture dated as of April 15, 1997, among Pioneer USA (formerly MOC), as issuer, MESA Inc. ("Mesa"), the subsidiary guarantors named therein, Pioneer Parent and Harris Trust and Savings Bank, as trustee, with respect to the indenture identified above as Exhibit 10.1 (incorporated by reference to Exhibit 10.1 to Pioneer Parent's Quarterly Report on Form 10-Q for the period ended September 30, 1997, File No. 001-13245).
10.3	Second Supplemental Indenture dated as of August 7, 1997, among Pioneer USA (formerly MOC), as issuer, Mesa, the subsidiary guarantors named therein, Pioneer Parent and Harris Trust and Savings Bank, as trustee, with respect to the indenture identified above as Exhibit 10.1 (incorporated by reference to Exhibit 10.2 to Pioneer Parent's Quarterly Report on Form 10-Q for the period ended September 30, 1997, File No. 001-13245).
10.4	Third Supplemental Indenture dated as of December 18, 1997, among Pioneer USA, the subsidiary guarantors named therein, Pioneer Parent and Harris Trust and Savings Bank, as trustee, with respect to the indenture identified above as Exhibit 10.1 (incorporated by reference to Exhibit 10.12 to Pioneer Parent's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998).
10.5	Fourth Supplemental Indenture dated as of December 30, 1997, among Pioneer USA (formerly MOC), Pioneer Parent, Pioneer NewSub1, Inc. and Harris Trust and Savings Bank, as trustee, with respect to the indenture identified above as Exhibit 10.1 (incorporated by reference to Exhibit 10.13 to Pioneer Parent's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998).
10.6	Fifth Supplemental Indenture dated as of December 30, 1997, among Pioneer NewSub1, Inc. (as successor to Pioneer USA), Pioneer Parent, Pioneer DebtCo., Inc. and Harris Trust and Savings Bank, as trustee, with respect to the indenture identified above as Exhibit 10.1 (incorporated by reference to Exhibit 10.14 to Pioneer Parent's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998).
10.7	Sixth Supplemental Indenture dated as of December 30, 1997, among Pioneer DebtCo. Inc. (as successor to Pioneer NewSub1,



Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Inc.), Pioneer Parent, and Harris Trust and Savings Bank, as trustee, with respect to the indenture identified above as Exhibit 10.1 (incorporated by reference to Exhibit 10.15 to Pioneer Parent's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998).

10.8 Indenture dated July 2, 1996, among Pioneer USA (formerly MOC), as issuer, Pioneer Parent (as Mesa's successor), as guarantor, and Harris Trust and Savings Bank, as trustee, relating to the 10 5/8% Senior Subordinated Notes Due 2006 (incorporated by reference to Exhibit 4.18 to Mesa's Quarterly Report on Form 10-Q for the period ended June 30, 1996).

1882

EXHIBIT NUMBER -----	DESCRIPTION -----
10.9	First Supplemental Indenture dated as of April 15, 1997, among Pioneer USA (formerly MOC), as issuer, Mesa, the subsidiary guarantors named therein, Pioneer Parent and Harris Trust and Savings Bank, as trustee, with respect to the indenture identified above as Exhibit 10.8 (incorporated by reference to Exhibit 10.3 to Pioneer Parent's Quarterly Report on Form 10-Q for the period ended September 30, 1997, File No. 001-13245).
10.10	Second Supplemental Indenture dated as of August 7, 1997, among Pioneer USA (formerly MOC), as issuer, Mesa, the subsidiary guarantors named therein, Pioneer Parent and Harris Trust and Savings Bank, as trustee, with respect to the indenture identified above as Exhibit 10.8 (incorporated by reference to Exhibit 10.4 to Pioneer Parent's Quarterly Report on Form 10-Q for the period ended September 30, 1997, File No. 001-13245).
10.11	Third Supplemental Indenture dated as of December 18, 1997, among Pioneer USA, the subsidiary guarantors named therein, Pioneer Parent and Harris Trust and Savings Bank, as trustee, with respect to the indenture identified above as Exhibit 10.8 (incorporated by reference to Exhibit 10.6 to Pioneer Parent's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998).
10.12	Fourth Supplemental Indenture dated as of December 30, 1997, among Pioneer USA, Pioneer Parent, Pioneer NewSub1, Inc. and Harris Trust and Savings Bank, as trustee, with respect to the indenture identified above as Exhibit 10.8 (incorporated by reference to Exhibit 10.7 to Pioneer Parent's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998).
10.13	Fifth Supplemental Indenture dated as of December 30, 1997, among Pioneer NewSub1, Inc. (as successor to Pioneer USA), Pioneer Parent, Pioneer DebtCo, Inc. and Harris Trust and Savings Bank, as trustee, with respect to the indenture

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

identified above as Exhibit 10.8 (incorporated by reference to Exhibit 10.8 to Pioneer Parent's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998).

- 10.14 Sixth Supplemental Indenture dated as of December 30, 1997, among Pioneer DebtCo, Inc. (as successor to Pioneer NewSub1, Inc.), Pioneer Parent and Harris Trust and Savings Bank, as trustee, with respect to the indenture identified above as Exhibit 10.8 (incorporated by reference to Exhibit 10.9 to Pioneer Parent's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998).
- 10.15 Indenture dated April 12, 1995, between Pioneer USA (successor to Parker & Parsley Petroleum Company ("Parker & Parsley")) and The Chase Manhattan Bank (National Association), as trustee (incorporated by reference to Exhibit 4.1 to Parker & Parsley's Current Report on Form 8-K dated April 12, 1995, File No. 1-10695).
- 10.16 First Supplemental Indenture dated as of August 7, 1997, among Parker & Parsley, The Chase Manhattan Bank, as trustee, and Pioneer USA, with respect to the indenture identified above as Exhibit 10.15 (incorporated by reference to Exhibit 10.5 to Pioneer Parent's Quarterly Report on Form 10-Q for the period ended September 30, 1997, File No. 001-13245).

1883

EXHIBIT NUMBER -----	DESCRIPTION -----
10.17	Second Supplemental Indenture dated as of December 30, 1997, among Pioneer USA, Pioneer NewSub1, Inc. and The Chase Manhattan Bank, as trustee, with respect to the indenture identified above as Exhibit 10.15 (incorporated by reference to Exhibit 10.17 to Pioneer Parent's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998).
10.18	Third Supplemental Indenture dated as of December 30, 1997, among Pioneer NewSub1, Inc. (as successor to Pioneer USA), Pioneer DebtCo, Inc. and The Chase Manhattan Bank, as trustee, with respect to the indenture identified above as Exhibit 10.15 (incorporated by reference to Exhibit 10.18 to Pioneer Parent's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998).
10.19	Fourth Supplemental Indenture dated as of December 30, 1997, among Pioneer DebtCo, Inc. (as successor to Pioneer NewSub1, Inc., as successor to Pioneer USA), Pioneer Parent, Pioneer USA and The Chase Manhattan Bank, as trustee, with respect to the indenture identified above as Exhibit 10.15 (incorporated by reference to Exhibit 10.19 to Pioneer Parent's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998).

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

- 10.20 Guarantee dated as of December 30, 1997, by Pioneer USA relating to \$150,000,000 in aggregate principal amount of 8 7/8% Senior Notes due 2005 and \$150,000,000 in aggregate principal amount of 8 1/4% Senior Notes due 2007 issued under the indenture identified above as Exhibit 10.15 (incorporated by reference to Exhibit 10.20 to Pioneer Parent's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998).
- 10.21 Form of 8 7/8% Senior Notes Due 2005 dated as of April 12, 1995, in the aggregate principal amount of \$150,000,000, together with Officers' Certificate dated April 12, 1995, establishing the terms of the 8 7/8% Senior Notes Due 2005 pursuant to the indenture identified above as Exhibit 10.15 (incorporated by reference to Exhibit 4.2 to Parker & Parsley's Quarterly Report on Form 10-Q for the period ended June 30, 1995, File No. 001-10695).
- 10.22 Form of 8 1/4% Senior Notes due 2007 dated as of August 22, 1995, in the aggregate principal amount of \$150,000,000, together with Officers' Certificate dated August 22, 1995, establishing the terms of the 8 1/4% Senior Notes due 2007 pursuant to the indenture identified above as Exhibit 10.15 (incorporated by reference to Exhibit 1.2 to Parker & Parsley's Current Report on Form 8-K dated August 17, 1995, File No. 001-10695).
- 10.23 Indenture dated January 13, 1998, between Pioneer Parent and The Bank of New York, as trustee (incorporated by reference to Exhibit 99.1 to Pioneer Parent's and Pioneer USA's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 14, 1998).
- 10.24 First Supplemental Indenture dated as of January 13, 1998, among Pioneer Parent, Pioneer USA, as the subsidiary guarantor, and The Bank of New York, as trustee, with respect to the indenture identified above as Exhibit 10.23 (incorporated by reference to Exhibit 99.2 to Pioneer Parent's and Pioneer USA's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 14, 1998).

1884

EXHIBIT NUMBER	DESCRIPTION
10.25	Form of 6.50% Senior Notes Due 2008 of Pioneer Parent (incorporated by reference to Exhibit 99.3 to Pioneer Parent's and Pioneer USA's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 14, 1998).
10.26	Form of 7.20% Senior Notes Due 2028 of Pioneer Parent (incorporated by reference to Exhibit 99.4 to Pioneer Parent's and Pioneer USA's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 14, 1998).

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

- 10.27            Guarantee (2008 Notes) dated as of January 13, 1998, entered into by Pioneer USA (incorporated by reference to Exhibit 99.5 to Pioneer Parent's and Pioneer USA's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 14, 1998).
  
- 10.28            Guarantee (2028 Notes) dated as of January 13, 1998, entered into by Pioneer USA (incorporated by reference to Exhibit 99.6 to Pioneer Parent's and Pioneer USA's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 14, 1998).
  
- 10.29            1991 Stock Option Plan of Mesa (incorporated by reference to Exhibit 10(v) to Mesa's Annual Report on Form 10-K for the period ended December 31, 1991).
  
- 10.30            1996 Incentive Plan of Mesa (incorporated by reference to Exhibit 10.28 to Pioneer Parent's Registration Statement on Form S-4 dated June 27, 1997, Registration No. 333-26951).
  
- 10.31            Parker & Parsley Long-Term Incentive Plan dated February 19, 1991 (incorporated by reference to Exhibit 4.1 to Parker & Parsley's Registration Statement on Form S-8, Registration No. 33-38971).
  
- 10.32            First Amendment to the Parker & Parsley Long-Term Incentive Plan dated August 23, 1991 (incorporated by reference to Exhibit 10.2 to Parker & Parsley's Registration Statement on Form S-1 dated February 28, 1992, Registration No. 33-46082).
  
- 10.33            Pioneer Parent's Long-Term Incentive Plan (incorporated by reference to Exhibit 4.1 to Pioneer Parent's Registration Statement on Form S-8, Registration No. 333-35087).
  
- 10.34            First Amendment to Pioneer Parent's Long-Term Incentive Plan, effective as of November 23, 1998 (incorporated by reference to Exhibit 10.72 to Pioneer Parent's Annual Report on Form 10-K for the period ended December 31, 1999, File No. 001-13245).
  
- 10.35            Amendment No. 2 to Pioneer Parent's Long-Term Incentive Plan, effective as of May 20, 1998 (incorporated by reference to Exhibit 10.73 to Pioneer Parent's Annual Report on Form 10-K for the period ended December 31, 1999, File No. 001-13245).
  
- 10.36            Amendment No. 3 to Pioneer Parent's Long-Term Incentive Plan, effective as of February 17, 2000 (incorporated by reference to Exhibit 10.76 to Pioneer Parent's Annual Report on Form 10-K for the period ended December 31, 1999, File No. 001-13245).

1885

EXHIBIT  
NUMBER

DESCRIPTION

## Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

- 10.37 Pioneer Parent's Employee Stock Purchase Plan (incorporated by reference to Exhibit 4.1 to Pioneer Parent's Registration Statement on Form S-8, Registration No. 333-35165).
- 10.38 Amendment No. 1 to Pioneer Parent's Employee Stock Purchase Plan dated December 9, 1998 (incorporated by reference to Pioneer Parent's Annual Report on Form 10-K for the year ended December 31, 1998, File No. 001-13245).
- 10.39 Amendment No. 2 to Pioneer Parent's Employee Stock Purchase Plan dated December 14, 1999 (incorporated by reference to Exhibit 10.74 to Pioneer Parent's Annual Report on Form 10-K for the period ended December 31, 1999, File No. 001-13245).
- 10.40 Pioneer Parent's Deferred Compensation Retirement Plan (incorporated by reference to Exhibit 4.1 to Pioneer Parent's Registration Statement on Form S-8, Registration No. 333- 39153).
- 10.41 Pioneer USA 401(k) Plan (incorporated by reference to Exhibit 4.1 to Pioneer Parent's Registration Statement on Form S-8, Registration No. 333-39249).
- 10.42 Pioneer USA Matching Plan (incorporated by reference to Exhibit 10.42 to Pioneer Parent's Annual Report on Form 10-K for the year ended December 31, 1997, File No. 001-13245).
- 10.43 Omnibus Amendment to Nonstatutory Stock Option Agreements, included as part of the Parker & Parsley Long-Term Incentive Plan dated as of November 16, 1995, between Parker & Parsley and named executive officers identified on Schedule 1 thereto, setting forth additional details relating to the Parker & Parsley Long-Term Incentive Plan (incorporated by reference to Parker & Parsley's Annual Report on Form 10-K for the period ended December 31, 1995, File No. 001-10695).
- 10.44 Severance Agreement dated as of August 8, 1997, between Pioneer Parent and Scott D. Sheffield, together with a schedule identifying substantially identical agreements between Pioneer Parent and each of the other named executive officers identified on Schedule I, for the purpose of defining the payment of certain benefits upon the termination of the officer's employment under certain circumstances (incorporated by reference to Exhibit 10.7 to Pioneer Parent's Quarterly Report on Form 10-Q for the period ended September 30, 1997, File No. 001-13245).
- 10.45 Indemnification Agreement dated as of August 8, 1997, between Pioneer Parent and Scott D. Sheffield, together with a schedule identifying substantially identical agreements between Pioneer Parent and each of Pioneer Parent's other directors and named executive officers identified on Schedule I thereto (incorporated by reference to Exhibit 10.8 to Pioneer Parent's Quarterly Report on Form 10-Q for the period ended September 30, 1997, File No. 001-13245).
- 10.46 "B" Contract Production Allocation Agreement dated July 29, 1991, and effective as of January 1, 1991, between Colorado Interstate Gas Company and Mesa Operating Limited Partnership (incorporated by reference to Exhibit 10(r) to Mesa's Annual Report on Form 10-K for the period ended

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

December 31, 1991).

1886

EXHIBIT NUMBER	DESCRIPTION
10.47	Amendment to "B" Contract Production Allocation Agreement effective as of January 1, 1993, between Colorado Interstate Gas Company and Mesa Operating Limited Partnership (incorporated by reference to Exhibit 10.24 to Mesa's Registration Statement on Form S-1, Registration No. 33-51909).
10.48	Voting and Shareholders Agreement dated as of February 8, 2000, among Prize Energy Corp. and its stockholders (incorporated by reference to Exhibit 10.1 to Pioneer Parent's statement on Schedule 13D relating to common stock of Prize Energy Corp., filed with the SEC on February 18, 2000, File No. 005-54797).
10.49	Second Supplemental Indenture dated as of April 11, 2000, among Pioneer Parent, Pioneer USA, as the subsidiary guarantor, and the Bank of New York, as trustee, with respect to the Indenture dated January 13, 1998, between Pioneer Parent and The Bank of New York, as trustee (incorporated by reference to Exhibit 10.1 to Pioneer Parent's Quarterly Report on Form 10-Q, filed with the SEC on May 11, 2000).
10.50	Form of 9 5/8% Senior Notes Due April 1, 2010 dated as of April 11, 2000, in the aggregate principal amount of \$425,000,000, together with Trustee's Certificate of Authentication dated April 11, 2000, establishing the terms of the 9 5/8% Senior Notes Due April 1, 2010 pursuant to the Second Supplemental Indenture identified above as Exhibit 10.49 (incorporated by reference to Exhibit 10.2 to Pioneer Parent's Quarterly Report on Form 10-Q, filed with the SEC on May 11, 2000).
10.51	Guarantee, dated as of April 11, 2000, by Pioneer USA, as the subsidiary guarantor, relating to the \$425,000,000 aggregate principal amount of 9 5/8% Senior Notes Due April 1, 2010 issued under the Second Supplemental Indenture identified above as Exhibit 10.49 (incorporated by reference to Exhibit 10.3 to Pioneer Parent's Quarterly Report on Form 10-Q, filed with the SEC on May 11, 2000).
10.52	\$575,000,000 Credit Agreement dated as of May 31, 2000, among Pioneer Parent, as the borrower, Bank of America, N.A., as the administrative agent, Credit Suisse First Boston, as the documentation agent, The Chase Manhattan Bank, as the syndication agent, and certain lenders (incorporated by reference to Exhibit 10.4 to Pioneer Parent's Quarterly Report on Form 10-Q, filed with the SEC on August 9, 2000).

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

- 10.53 Agreement and Plan of Merger dated as of November 28, 2000, among Pioneer Parent, Pioneer USA, Parker & Parsley Employees Producing Properties 87-A, Ltd., Parker & Parsley Employees Producing Properties 87-B Ltd., P&P Employees Producing Properties 88-A, L.P., P&P Employees 89-A Conv., L.P., P&P Employees 89-B Conv., L.P., P&P Employees Private 89, L.P., P&P Employees 90-A Conv., L.P., P& P Employees 90-B Conv., L.P., P&P Employees 90-C Conv., L.P., P&P Employees Private 90, L.P., P&P Employees 90 Spraberry Private Development, L.P., P&P Employees 91-A Conv., L.P. and P&P Employees 91-B Conv., L.P. (incorporated by reference to Exhibit 10.53 to Pioneer Parent's Annual Report on Form 10-K, filed with the SEC on February 27, 2001).
- 23.1 Consent of Vinson & Elkins L.L.P. (included in the opinions filed as Exhibits 5.1 and 8.1 to this Registration Statement).

1887

EXHIBIT NUMBER	DESCRIPTION
23.2	Consent of _____ (included in the opinion filed as Exhibit 8.2 to this Registration Statement).
23.3*	Consent of Ernst & Young LLP.
23.4*	Consent of Williamson Petroleum Consultants, Inc.
24.1#	Powers of Attorney of directors and officers of Pioneer Parent.
99.1	of Robert A. Stanger & Co, Inc. (included as Appendix D to the proxy statement/prospectus forming a part of this Registration Statement).
99.2*	Consent of Robert A. Stanger & Co., Inc.
99.3*	Form of Certification of Non-Foreign Status for Individual Partners.
99.4*	Form of Certification of Non-Foreign Status for Individual Partners that are Entities.
99.5*	Form of Proxy for Special Meeting of Limited Partners of Each of 46 Parker & Parsley Limited Partnerships.
99.6*	Form of Letter to Custodians and Consent.

\* Filed herewith.

# Previously filed.

