

PIONEER NATURAL RESOURCES CO
Form 8-K
January 19, 2010

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K
CURRENT REPORT

Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): January 19, 2010

PIONEER NATURAL RESOURCES COMPANY
(Exact name of registrant as specified in its charter)

| | | |
|---|--|---|
| Delaware (State or other jurisdiction of incorporation) | 1-13245 (Commission File Number) | 75-2702753 (I.R.S. Employer Identification No.) |
| 5205 N. O'Connor Blvd., Suite 200, Irving, Texas (Address of principal executive offices) | | 75039 (Zip Code) |

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

Not applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the Registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02. Results of Operations and Financial Condition

Explanatory note: Pioneer Natural Resources Company and its subsidiaries ("Pioneer" or the "Company") presents in this Item 2.02 certain information regarding the impact of changes in the fair values of its derivative instruments on the results of operations for the three and twelve months ended December 31, 2009 and certain other information regarding its accounting for derivative instruments.

Prior to February 1, 2009, Pioneer entered into and designated certain commodity and interest rate derivative instruments as cash flow hedges of commodity price risk and interest rate risk in accordance with generally accepted accounting principles in the United States ("GAAP"). Effective February 1, 2009, the Company discontinued hedge accounting on all of its existing derivative instruments, and since that date forward has accounted for derivative instruments using the mark-to-market ("MTM") accounting method.

On January 31, 2009, the Company determined the fair value of its derivative hedge instruments and increased the effective portion of its net hedge gains recorded in accumulated other comprehensive income – deferred hedge gains, net of tax ("AOCI"), in the equity portion of its consolidated balance sheet, to \$99.3 million. In accordance with GAAP, the Company transfers the net hedge gains included in AOCI to oil, natural gas liquids ("NGL") and gas revenues and interest expense in the same periods in which the transactions that they hedged are recognized in earnings. For the three and twelve months ended December 31, 2009, the Company transferred \$24.9 million and \$121.1 million, respectively, of net gains from AOCI to oil, NGL and gas revenues and approximately \$942 thousand and \$6.8 million, respectively, of losses from AOCI to interest expense.

Under the MTM accounting method, the Company has accounted for all changes in the fair values of its derivative instruments since February 1, 2009 as gains or losses in the earnings of the periods in which they occurred. The following table summarizes net derivative losses that Pioneer expects to record in its earnings for the three and twelve months ended December 31, 2009:

DERIVATIVE LOSSES, NET
(in thousands)

| | Three Months Ended December 31, 2009 | Twelve Months Ended December 31, 2009 |
|--------------------------------------|---|--|
| Noncash MTM Changes: | | |
| Oil derivative loss | \$ 84,004 | \$ 150,799 |
| NGL derivative loss | 11,946 | 20,206 |
| Gas derivative (gain) loss | (37,699) | 6,612 |
| Interest rate derivative loss | 12,407 | 13,928 |
| Total noncash derivative loss, net | 70,658 | 191,545 |
| Cash Settlements: | | |
| Oil derivative loss | 35,365 | 60,604 |
| NGL derivative loss | 5,546 | 8,340 |
| Gas derivative gain | (1,492) | (66,428) |
| Interest rate derivative (gain) loss | (103) | 1,496 |
| Total cash derivative loss, net | 39,316 | 4,012 |
| Total derivative loss, net | \$ 109,974 | \$ 195,557 |

Item 7.01

Regulation FD Disclosure

The following table presents Pioneer's open commodity derivative positions as of January 18, 2010:

| | 2010 | | | | Twelve Months Ended December 31, | | |
|---|------------------|-------------------|------------------|-------------------|-------------------------------------|-----------|-----------|
| | First Quarter | Second Quarter | Third Quarter | Fourth Quarter | 2011 | 2012 | 2013 |
| Average Daily Oil Production Associated with Derivatives: | | | | | | | |
| Swap Contracts: | | | | | | | |
| Volume (Bbl) | 2,500 | 2,500 | 2,500 | 2,500 | 750 | 3,000 | 3,000 |
| NYMEX price (Bbl) | \$ 93.34 | \$ 93.34 | \$ 93.34 | \$ 93.34 | \$ 77.25 | \$ 79.32 | \$ 81.02 |
| Collar Contracts: | | | | | | | |
| Volume (Bbl) | - | - | - | - | 2,000 | - | - |
| NYMEX price (Bbl): | | | | | | | |
| Ceiling | \$ - | \$ - | \$ - | \$ - | \$ 170.00 | \$ - | \$ - |
| Floor | \$ - | \$ - | \$ - | \$ - | \$ 115.00 | \$ - | \$ - |
| Collar Contracts with Short Puts: | | | | | | | |
| Volume (Bbl) | 26,750 | 27,000 | 27,000 | 27,250 | 37,000 | 15,000 | 1,250 |
| NYMEX price (Bbl) (a): | | | | | | | |
| Ceiling | \$ 83.79 | \$ 83.82 | \$ 83.82 | \$ 83.94 | \$ 99.22 | \$ 118.58 | \$ 111.50 |
| Floor | \$ 66.86 | \$ 66.89 | \$ 66.89 | \$ 66.92 | \$ 73.92 | \$ 81.00 | \$ 83.00 |
| Short Put | \$ 53.95 | \$ 53.96 | \$ 53.96 | \$ 53.97 | \$ 59.41 | \$ 65.00 | \$ 68.00 |
| Percent of total oil production (b) | ~85% | ~85% | ~85% | ~85% | ~90% | ~35% | ~5% |
| Average Daily NGL Production Associated with Derivatives: | | | | | | | |
| Swap Contracts: | | | | | | | |
| Volume (Bbl) | 1,578 | 1,250 | 1,250 | 1,250 | 750 | 750 | - |
| Blended index price (Bbl) (c) | \$ 49.00 | \$ 47.37 | \$ 47.38 | \$ 47.38 | \$ 34.65 | \$ 35.03 | \$ - |
| Collar Contracts: | | | | | | | |
| Volume (Bbl) | 2,000 | 2,000 | 2,000 | 2,000 | 1,000 | - | - |
| Index price (Bbl) (c): | | | | | | | |
| Ceiling | \$ 49.98 | \$ 49.98 | \$ 49.98 | \$ 49.98 | \$ 50.93 | \$ - | \$ - |
| Floor | \$ 41.58 | \$ 41.58 | \$ 41.58 | \$ 41.58 | \$ 42.21 | \$ - | \$ - |
| Percentage Contracts of WTI Oil Prices (d): | | | | | | | |
| Volume (Bbl) | 1,672 | 2,000 | 2,000 | 2,000 | - | - | - |
| Percentage of NYMEX WTI received (%) | 59% | 59% | 59% | 59% | - | - | - |
| Percent of total NGL production (b) | ~30% | ~30% | ~30% | ~30% | ~10% | <5% | - |
| Average Daily Gas Production Associated | | | | | | | |

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form 8-K

with Derivatives:

Swap Contracts:

| | | | | | | | |
|-------------------------|---------|---------|---------|---------|---------|---------|---------|
| Volume (MMBtu) | 167,500 | 167,500 | 167,500 | 167,500 | 77,500 | 2,500 | 2,500 |
| NYMEX price (MMBtu) (e) | \$ 6.26 | \$ 6.26 | \$ 6.26 | \$ 6.26 | \$ 6.35 | \$ 6.77 | \$ 6.89 |

Collar Contracts:

| | | | | | | | |
|----------------|--------|--------|--------|--------|---|---|---|
| Volume (MMBtu) | 40,000 | 40,000 | 40,000 | 40,000 | - | - | - |
|----------------|--------|--------|--------|--------|---|---|---|

NYMEX price (MMBtu) (e):

| | | | | | | | |
|---------|---------|---------|---------|---------|------|------|------|
| Ceiling | \$ 7.19 | \$ 7.19 | \$ 7.19 | \$ 7.19 | \$ - | \$ - | \$ - |
|---------|---------|---------|---------|---------|------|------|------|

| | | | | | | | |
|-------|---------|---------|---------|---------|------|------|------|
| Floor | \$ 5.75 | \$ 5.75 | \$ 5.75 | \$ 5.75 | \$ - | \$ - | \$ - |
|-------|---------|---------|---------|---------|------|------|------|

Collar Contracts with Short

Puts:

| | | | | | | | |
|-----------------|--------|--------|--------|--------|---------|--------|---|
| Volume ((MMBtu) | 95,000 | 95,000 | 95,000 | 95,000 | 175,000 | 90,000 | - |
|-----------------|--------|--------|--------|--------|---------|--------|---|

NYMEX price (MMBtu) (e):

| | | | | | | | |
|---------|---------|---------|---------|---------|---------|---------|------|
| Ceiling | \$ 7.94 | \$ 7.94 | \$ 7.94 | \$ 7.94 | \$ 8.69 | \$ 8.72 | \$ - |
|---------|---------|---------|---------|---------|---------|---------|------|

| | | | | | | | |
|-------|---------|---------|---------|---------|---------|---------|------|
| Floor | \$ 6.00 | \$ 6.00 | \$ 6.00 | \$ 6.00 | \$ 6.36 | \$ 6.25 | \$ - |
|-------|---------|---------|---------|---------|---------|---------|------|

| | | | | | | | |
|-----------|---------|---------|---------|---------|---------|---------|------|
| Short Put | \$ 5.00 | \$ 5.00 | \$ 5.00 | \$ 5.00 | \$ 4.93 | \$ 4.61 | \$ - |
|-----------|---------|---------|---------|---------|---------|---------|------|

Percent of U.S. gas

| | | | | | | | |
|----------------|------|------|------|------|------|------|-----|
| production (b) | ~85% | ~85% | ~85% | ~85% | ~70% | ~25% | <5% |
|----------------|------|------|------|------|------|------|-----|

Basis Swap Contracts:

Spraberry Index Swaps –

| | | | | | | | |
|-------------|-------|-------|-------|-------|---|---|---|
| (MMBtu) (f) | 5,000 | 5,000 | 5,000 | 5,000 | - | - | - |
|-------------|-------|-------|-------|-------|---|---|---|

| | | | | | | | |
|-------------------------------|-----------|-----------|-----------|-----------|------|------|------|
| Price differential (\$/MMBtu) | \$ (0.81) | \$ (0.81) | \$ (0.81) | \$ (0.81) | \$ - | \$ - | \$ - |
|-------------------------------|-----------|-----------|-----------|-----------|------|------|------|

Mid-Continent index Swaps –

| | | | | | | | |
|-------------|---------|---------|---------|---------|---------|--------|--------|
| (MMBtu) (f) | 180,000 | 180,000 | 180,000 | 180,000 | 100,000 | 20,000 | 10,000 |
|-------------|---------|---------|---------|---------|---------|--------|--------|

| | | | | | | | |
|-------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Price differential (\$/MMBtu) | \$ (0.85) | \$ (0.85) | \$ (0.85) | \$ (0.85) | \$ (0.71) | \$ (0.78) | \$ (0.71) |
|-------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|

Gulf Coast Index Swaps –

| | | | | | | | |
|-------------|--------|--------|--------|--------|--------|--------|---|
| (MMBtu) (f) | 30,000 | 30,000 | 30,000 | 30,000 | 20,000 | 20,000 | - |
|-------------|--------|--------|--------|--------|--------|--------|---|

| | | | | | | | |
|-------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|------|
| Price differential (\$/MMBtu) | \$ (0.29) | \$ (0.29) | \$ (0.29) | \$ (0.29) | \$ (0.17) | \$ (0.17) | \$ - |
|-------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|------|

-
- (a) Represents NYMEX and Dated Brent average prices on U.S. and foreign production.
 - (b) Represents the approximate percentage of forecasted production that is covered by derivative contracts.
 - (c) Represents the blended Mont Belvieu index price or respective NGL product component prices per Bbl.
 - (d) Represents swaps whereby Pioneer pays respective NGL component index price and receives percentage of West Texas Intermediate ("WTI") NYMEX price.
 - (e) Represents the NYMEX Henry Hub index price or approximate NYMEX Henry Hub index price based on historical differentials to the index price on the derivative trade date.
 - (f) Represent swaps that fix the basis differentials between indices at which the Company sells its Spraberry, Mid-Continent and Gulf Coast gas and NYMEX Henry Hub index prices.

Cautionary Statement Concerning Forward-Looking Statements

Except for historical information contained herein, the statements in Items 2.02 and 7.01 of this Current Report on Form 8-K are forward-looking statements that are made pursuant to the Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements and the business prospects of the Company are subject to a number of risks and uncertainties that may cause the Company's actual results in future periods to differ materially from the forward-looking statements. These risks and uncertainties include, among other things, volatility of commodity prices, product supply and demand, competition, the ability to obtain environmental and other permits and the timing thereof, other government regulation or action, the ability to obtain approvals from third parties and negotiate agreements with third parties on mutually acceptable terms, international operations and associated international political and economic instability, litigation, the costs and results of drilling and operations, access to and availability of drilling equipment and transportation, processing and refining facilities, Pioneer's ability to replace reserves, implement its business plans or complete its development activities as scheduled, access to and cost of capital, the financial strength of counterparties to Pioneer's credit facility and derivative contracts and the purchasers of Pioneer's oil, NGL and gas production, uncertainties about estimates of reserves and resource potential and the ability to add proved reserves in the future, the assumptions underlying production forecasts, quality of technical data, environmental and weather risks, and acts of war or terrorism. These and other risks are described in the Company's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and other filings with the Securities and Exchange Commission. In addition, the Company may be subject to currently unforeseen risks that may have a materially adverse impact on it. Accordingly, no assurances can be given that the actual events and results will not be materially different than the anticipated results described in the forward-looking statements. The Company undertakes no duty to publicly update these statements except as required by law.

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 hereunto duly authorized.

PIONEER NATURAL RESOURCES COMPANY

By:/s/ Frank W. Hall
Frank W. Hall,
Vice President and Chief
Accounting Officer

Dated: January 19, 2010

