PIONEER NATURAL RESOURCES CO
Form DEF 14A
April 05, 2012

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

SCHEDULE 14A

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES EXCHANGE ACT OF 1934 (AMENDMENT NO.)

Filed by the Registrant [X]
Filed by a Party other than the Registrant [ ]

Check the appropriate box:

[ ] Preliminary Proxy Statement
[ ] Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
[X] Definitive Proxy Statement
[ ] Definitive Additional Materials
[ ] Soliciting Material Pursuant to § 240.14a-12

Pioneer Natural Resources Company
(Name of Registrant as Specified in Its Charter)

____

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

[X] No fee required.
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[ ] Check box if any part of the fee is offset as provided by Exchange Act Rule 240.0-11 and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

PIONEER NATURAL RESOURCES COMPANY
5205 North O'Connor Boulevard
Suite 200
Irving, Texas 75039

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To the Stockholders of Pioneer Natural Resources Company:

Notice is hereby given that the Annual Meeting of Stockholders of Pioneer Natural Resources Company (“Pioneer” or the "Company") will be held at 5205 North O’Connor Boulevard, Suite 250, Irving, Texas 75039, on Thursday, May 17, 2012, at 9:00 a.m. Central Time (the "Annual Meeting"). The Annual Meeting is being held for the following purposes:

1. To elect four Class III Directors, each for a term of three years.
2. To approve an amendment to the Company’s Amended and Restated Certificate of Incorporation to provide for the annual election of directors.
3. To approve an amendment to the Company’s Amended and Restated Employee Stock Purchase Plan to extend the term of the plan, increase the number of shares issuable under the plan by 500,000 shares and reduce the period of time an employee must be employed by the Company in order to be eligible to participate in the plan.
4. To ratify the selection of Ernst & Young LLP as the independent registered public accounting firm of the Company for 2012.
5. To hold an advisory vote to approve named executive officer compensation.
6. To consider a stockholder proposal, if properly presented at the Annual Meeting.
7. To transact such other business as may properly come before the Annual Meeting or any adjournments or postponements thereof.

These proposals are described in the accompanying proxy materials. You will be able to vote at the Annual Meeting only if you were a stockholder of record at the close of business on March 22, 2012. In the event there are not sufficient votes for a quorum or to approve the forgoing proposals at the time of the Annual Meeting, the Annual Meeting may be adjourned in order to permit further solicitation of proxies.

In accordance with rules approved by the Securities and Exchange Commission, beginning on or about April 5, 2012, the Company mailed a Notice of Internet Availability of Proxy Materials to its stockholders containing instructions on how to access the proxy statement and vote online and made proxy materials available to the stockholders over the Internet. Instructions for requesting a paper copy of the proxy materials are contained on the Notice of Internet Availability.

YOUR VOTE IS IMPORTANT

Please vote over the internet at www.cstproxyvote.com or by phone at 1-866-894-0537 promptly so that your shares may be voted in accordance with your wishes and so we may have a quorum at the Annual Meeting. If you received a paper copy of the proxy materials (which includes the proxy card), you may also vote by completing, signing and returning the paper proxy card by mail.

By Order of the Board of Directors,

Mark H. Kleinman
Secretary

Irving, Texas
April 5, 2012

PIONEER NATURAL RESOURCES COMPANY
5205 North O'Connor Boulevard
Suite 200
Irving, Texas 75039

PROXY STATEMENT

2012 ANNUAL MEETING OF STOCKHOLDERS

The Board of Directors of the Company (the “Board”) requests your Proxy for the Annual Meeting of Stockholders that will be held Thursday, May 17, 2012, at 9:00 a.m. Central Time, at 5205 North O’Connor Boulevard, Suite 250, Irving, Texas 75039. By granting the Proxy, you authorize the persons named on the Proxy to represent you and vote your shares at the Annual Meeting. Those persons will also be authorized to vote your shares to adjourn the Annual Meeting from time to time and to vote your shares at any adjournments or postponements of the Annual Meeting.

If you attend the Annual Meeting, you may vote in person. If you are not present at the Annual Meeting, your shares may be voted only by a person to whom you have given a proper Proxy. You may revoke the Proxy in writing at any time before it is exercised at the Annual Meeting by (i) delivering a written notice of the revocation to the Secretary of the Company at 5205 North O’Connor Boulevard, Suite 200, Irving, Texas 75039 no later than May 16, 2012, (ii) submitting a new Proxy electronically through the internet or by phone, (iii) signing and delivering to the Secretary of the Company at 5205 North O’Connor Boulevard, Suite 200, Irving, Texas 75039 a new Proxy with a later date, or (iv) attending the Annual Meeting and voting your shares in person. Your attendance at the Annual Meeting will not revoke the Proxy unless you give written notice of revocation to the Company’s Secretary before the Proxy is exercised or unless you vote your shares in person at the Annual Meeting.

ELECTRONIC AVAILABILITY OF PROXY STATEMENT AND ANNUAL REPORT

As permitted under the rules of the Securities and Exchange Commission (the "SEC"), the Company is making this Proxy Statement and its Annual Report available to its stockholders electronically via the internet. The Company is sending on or about April 5, 2012, a Notice Regarding the Availability of Proxy Materials (the "Notice") to its stockholders of record as of the close of business on March 22, 2012. This Notice includes (i) instructions on how to access the Company's proxy materials electronically, (ii) the date, time and location of the Annual Meeting, (iii) a description of the matters intended to be acted upon at the Annual Meeting, (iv) a list of the materials being made available electronically, (v) instructions on how a stockholder can request paper or e-mail copies of the Company's proxy materials, (vi) any control/identification numbers that a stockholder needs to access the Proxy, and (vii) information about attending the Annual Meeting and voting in person.

Stockholders of Record and Beneficial Owners

Most of the Company's stockholders hold their shares through a broker, bank or other nominee rather than directly in their own name. As summarized below, there are some distinctions between shares held of record and those owned beneficially.

Stockholders of Record. If your shares are registered directly in your name with the Company's transfer agent, you are considered the stockholder of record with respect to those shares, and the Notice is being sent directly to you by the Company’s agent. As a stockholder of record, you have the right to vote by Proxy or to vote in person at the Annual Meeting. If you received a paper copy of the proxy materials by mail instead of the Notice, the proxy materials include a proxy card for the Annual Meeting.

Beneficial Owners. If your shares are held in a brokerage account or by a bank or other nominee, you are considered the beneficial owner of shares held in "street name," and the Notice will be forwarded to you by your broker or nominee. The broker or nominee is considered the stockholder of record with respect to those shares. As the beneficial owner, you have the right to direct your broker how to vote. Beneficial owners that receive the Notice by mail from the stockholder of record should follow the instructions included in the Notice to view the Proxy Statement and transmit voting instructions. If you received a paper copy of the proxy materials by mail instead of the Notice, the proxy materials include a proxy card for the Annual Meeting.

QUORUM AND VOTING

Voting Stock. The Company's common stock is the only class of securities that entitles holders to vote generally at meetings of the Company's stockholders. Each share of common stock outstanding on the record date is entitled to one vote. An automated system that the Company's transfer agent administers will tabulate the votes.

Record Date. The record date for stockholders entitled to notice of and to vote at the Annual Meeting was the close of business on March 22, 2012. As of the record date, 123,013,926 shares of common stock were outstanding and entitled to be voted at the Annual Meeting.

Quorum and Adjournments. The presence, in person or by Proxy, of the holders of a majority of the outstanding shares entitled to vote at the Annual Meeting is necessary to constitute a quorum at the Annual Meeting.

If a quorum is not present, the stockholders entitled to vote who are present in person or by Proxy at the Annual Meeting have the power to adjourn the Annual Meeting from time to time, without notice other than an announcement at the Annual Meeting, until a quorum is present. At any reconvened Annual Meeting at which a quorum is present, any business may be transacted that might have been transacted at the Annual Meeting as originally notified.

Effect of Broker Non-Votes and Abstentions; Vote Required. If you are a beneficial owner whose shares are held of record by a broker, you will receive instructions from your broker or other nominee describing how to vote your shares. If you do not instruct your broker or nominee how to vote your shares, they may vote your shares as they decide as to each matter for which they have discretionary authority under the rules of the New York Stock Exchange (“NYSE”).

There are also non-discretionary matters for which brokers and other nominees do not have discretionary authority to vote unless they receive timely instructions from you. A broker non-vote results when a broker or other nominee does not have discretion to vote on a particular matter, you have not given timely instructions on how the broker or other nominee should vote your shares and the broker or other nominee indicates it does not have authority to vote such shares on its Proxy. Although broker non-votes will be counted as present at the Annual Meeting for purposes of determining a quorum, they will be treated as not entitled to vote with respect to non-discretionary matters.

If your shares are held in street name and you do not give voting instructions, pursuant to NYSE Rule 452, the record holder will not be permitted to vote your shares with respect to the election of directors (Item 1), the amendment to the Company’s Amended and Restated Certificate of Incorporation (Item 2), the amendment to the Company’s Amended and Restated Employee Stock Purchase Plan (Item 3), the advisory vote regarding executive compensation (Item 5) and the stockholder proposal (Item 6), and your shares will therefore be considered “broker non-votes” with respect to these proposals. If your shares are held in street name and

you do not give voting instructions, the record holder will nevertheless be entitled to vote your shares in its discretion with respect to the ratification of selection of the Company’s independent registered public accounting firm (Item 4).

Abstentions occur when stockholders are present at the Annual Meeting but fail to vote or voluntarily withhold their vote for any of the matters upon which the stockholders are voting.

The Company’s Bylaws, as amended and restated by the Board in January 2012, provide that the election of directors (Item 1) shall be decided by the affirmative vote of a majority of the votes cast by the holders of shares entitled to vote in the election of directors at the Annual Meeting. In order for a director nominee to be elected, the number of votes cast "For" the nominee must exceed the number of votes cast "Against" the nominee. Abstentions and broker non-votes will not be counted as votes cast either “For” or “Against” any nominee for director and will have no effect on the outcome of the vote for directors.

The approval of the amendment to the Company’s Amended and Restated Certificate of Incorporation to provide for the annual election of directors (Item 2) requires the affirmative vote of the holders of not less than 66 2/3% of the votes entitled to be cast by the holders of all of the shares outstanding as of the record date. For this purpose, abstentions and broker non-votes will have the same effect as votes cast “Against” this proposal.

The approval of the amendment to the Company’s Amended and Restated Employee Stock Purchase Plan (Item 3) requires the affirmative vote of the holders of a majority of the shares present in person or by Proxy at the Annual Meeting and entitled to vote. Abstentions will be counted in determining the total number of shares "entitled to vote" on this proposal and will have the same effect as a vote "Against" the proposal. Broker non-votes will have no effect on the outcome of the vote on this proposal.

Ratification of the appointment of the Company’s independent registered public accounting firm (Item 4) requires the affirmative vote of the holders of a majority of the shares present in person or by Proxy at the Annual Meeting and entitled to vote. Abstentions will be counted in determining the total number of shares "entitled to vote" on this proposal and will have the same effect as a vote "Against" the proposal.

The advisory vote to approve named executive officer compensation (Item 5) requires the affirmative vote of the holders of a majority of the shares present in person or by Proxy at the Annual Meeting and entitled to vote. Abstentions will be counted in determining the total number of shares "entitled to vote" on this proposal and will have the same effect as a vote "Against" the proposal. Broker non-votes will have no effect on the outcome of the vote on this proposal. While this vote is required by law, it will neither be binding on the Company or the Board, nor will it create or imply any change in the fiduciary duties of, or impose any additional fiduciary duty on, the Company or the Board. However, the Compensation and Management Development Committee will take into account the outcome of the vote when considering future executive compensation decisions.

The approval of the stockholder proposal (Item 6) requires the affirmative vote of the holders of a majority of the shares present in person or by Proxy at the Annual Meeting and entitled to vote. Abstentions will be counted in determining the total number of shares "entitled to vote" on this proposal and will have the same effect as a vote "Against" the proposal. Broker non-votes will have no effect on the outcome of the vote on this proposal.

Default Voting. A Proxy that is properly completed and submitted will be voted at the Annual Meeting in accordance with the instructions on the Proxy. If you properly complete and submit a Proxy, but do not indicate any contrary voting instructions, your shares will be voted as follows:

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- FOR the election of the four persons named in this Proxy Statement as the Board of Directors' nominees for election as Class III Directors.

- FOR approval of the amendment to the Company's Amended and Restated Certificate of Incorporation to provide for the annual election of directors.

- FOR the approval of the amendment to the Company's Amended and Restated Employee Stock Purchase Plan to extend the term of the plan, increase the number of shares issuable under the plan by 500,000 shares and reduce the period of time an employee must be employed by the Company in order to be eligible to participate in the plan.

- FOR the ratification of the selection of Ernst & Young LLP as the Company's independent registered public accounting firm for 2012.

- FOR the advisory vote to approve named executive officer compensation.

- AGAINST the stockholder proposal.

If any other business properly comes before the stockholders for a vote at the Annual Meeting, your shares will be voted in accordance with the discretion of the holders of the Proxy. The Board of Directors knows of no matters, other than those previously stated, to be presented for consideration at the Annual Meeting.

PARTICIPANTS IN THE PIONEER NATURAL RESOURCES USA, INC. 401(k) AND MATCHING PLAN

Participants in the Pioneer Natural Resources USA, Inc. 401(k) and Matching Plan (the "401(k) Plan") who have shares of common stock credited to their plan account as of the record date will have the right to direct the 401(k) Plan trustee regarding how to vote those shares. The trustee will vote the shares in a participant's 401(k) Plan account in accordance with the participant's instructions or, if no instructions are received prior to 5:00 p.m., Eastern time on May 14, 2012, the shares credited to that participant's account will be voted by the trustee in the same proportion as it votes shares for which it did receive timely instructions. Information as to how participants voted the shares credited to their 401(k) Plan account will not be disclosed to the Company.

If a participant holds common stock outside of the 401(k) Plan, the participant will need to vote those shares separately.

ITEM ONE

ELECTION OF DIRECTORS

The Board of Directors has nominated the following individuals for election as Class III Directors of the Company to serve for a three year term to expire in 2015 and until either they are re-elected or their successors are elected and qualified:

Thomas D. Arthur
Andrew F. Cates
Scott J. Reiman
Scott D. Sheffield

Messrs. Arthur, Cates, Reiman and Sheffield are currently serving as directors of the Company. Their biographical information is contained in the "Directors and Executive Officers" section below.

In January 2012, the Board of Directors amended the Company's Bylaws to provide for the election of directors by the majority vote of stockholders in uncontested elections. This means the number of votes cast "For" a nominee's election must exceed the number of votes cast "Against" such nominee's election in order for him or her to be elected to the Board. As a condition to being nominated, each nominee for director is required to submit an irrevocable letter of resignation that becomes effective if the nominee does not receive a majority of the votes cast and the Board decides to accept the resignation. If any of the above director nominees does not receive a majority of the votes cast for his election, the Board of Directors will act on the tendered resignation within 90 days after the date of the certification of the election results. If the resignation is not accepted, the Board will publicly disclose its decision and its primary rationale, and the director will continue to serve as a director until his successor is elected and qualified. If the Board accepts the resignation, the Board may fill the vacancy in accordance with the Company's Bylaws or may decrease the size of the Board. In addition, in the case of Mr. Sheffield, his severance agreement provides that his failure to be re-elected constitutes "good reason" under his severance agreement whether or not his resignation is accepted by the Board, which would entitle him to terminate his employment and receive the benefits described in the section below entitled "Potential Payments upon Termination or Change in Control."

The Board of Directors has no reason to believe that any of its nominees will be unable or unwilling to serve if elected. If a nominee becomes unable or unwilling to accept nomination or election, either the number of the Company's directors will be reduced or the persons acting under the Proxy will vote for the election of a substitute nominee that the Board of Directors recommends.

The Board of Directors unanimously recommends that stockholders vote FOR the election of each of the nominees.

DIRECTORS AND EXECUTIVE OFFICERS

Directors

The Company currently has a classified Board of Directors, with directors divided into three classes. Directors in each class are elected to serve for three-year terms and until either they are re-elected or their successors are elected and qualified. Each year, the directors of one class stand for reelection as their terms of office expire. The following table sets forth certain information, as of the date of this Proxy Statement, regarding the Company's director nominees and other directors.

	Position and Offices	Age
Class I Directors (Term expires in 2013)		
Andrew D. Lundquist	Director	51
Charles E. Ramsey, Jr.	Director	75
Frank A. Risch	Director	69
Class II Directors (Term expires in 2014)		
Edison C. Buchanan	Director	57
R. Hartwell Gardner	Director	77
J. Kenneth Thompson	Director	60
Jim A. Watson	Director	73
Class III Director Nominees (For term expiring in 2015)		
Scott D. Sheffield	Chairman of the Board and Chief Executive Officer	59
Thomas D. Arthur	Director	67
Andrew F. Cates	Director	41
Scott J. Reiman	Director	47

Set forth below is biographical information about each of the Company's Directors and nominees for Director.

Scott D. Sheffield. Mr. Sheffield, a distinguished graduate of The University of Texas with a Bachelor of Science degree in Petroleum Engineering, has held the position of Chief Executive Officer for the Company since August 1997 and assumed the position of Chairman of the Board of Directors for the Company in August 1999. Mr. Sheffield was elected Chief Executive Officer and Director of Pioneer Natural Resources GP LLC (“Pioneer GP”), the general partner of Pioneer Southwest Energy Partners L.P., a 52 percent-owned subsidiary of the Company (“Pioneer Southwest”), in June 2007 and Chairman of the Board of Pioneer GP in May 2008. He was President of the Company from August 1997 to November 2004. He was the Chairman of the Board of Directors and Chief Executive Officer of Parker & Parsley Petroleum Company, a predecessor of the Company ("Parker & Parsley"), from October 1990 until the Company was formed in August 1997. Mr. Sheffield joined Parker & Parsley Development Company ("PPDC"), a predecessor of Parker & Parsley, as a petroleum engineer in 1979. Mr. Sheffield 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 of Directors and Chief Executive Officer of PPDC. Before joining PPDC, Mr. Sheffield was employed as a production and reservoir engineer for Amoco Production Company. The Board believes that Mr. Sheffield is qualified to serve on the Company’s Board of Directors based on his experience and education, as summarized above, and particularly, his role as Chief Executive Officer of the Company, his educational background and work experience in petroleum engineering, his deep knowledge of the Company resulting from his long tenure with the Company and its predecessor, and his extensive knowledge of the energy industry.

Thomas D. Arthur. Mr. Arthur became a Director of the Company in June 2009. Mr. Arthur received his undergraduate degree from the University of North Carolina at Chapel Hill in 1966, and a Master of Business Administration from East Carolina University in 1971. From 1966 to 1969, he served in the U.S. Army as an infantry lieutenant. From 1971 until 1974, Mr. Arthur was Vice President of a Florida based investment banking firm. He joined Havatampa Corporation in Tampa, Florida in 1974 as Chief Financial Officer, and then later served as Chief Operating Officer. In 1978, the cigar manufacturing business of Havatampa Corporation was purchased by Havatampa Incorporated, of which Mr. Arthur was President, Chief Executive Officer and majority shareholder until its sale in 1997. Since 1998, he has been engaged in private investments. He serves on the boards of numerous community organizations. Messrs. Arthur, Cates and Reiman were elected pursuant to an agreement with Southeastern Asset Management, Inc. (“Southeastern”) under which the Company agreed to nominate three individuals for election to the Board at the Company’s 2009 Annual Meeting of Stockholders. At the time of this agreement, Southeastern was the Company’s largest stockholder. In reviewing Southeastern’s recommendation of Mr. Arthur in 2009, the Board concluded, and currently believes, that his prior senior executive experience qualifies him to serve on the Board of Directors.

Edison C. Buchanan. Mr. Buchanan received a Bachelor of Science degree in Civil Engineering from Tulane University in 1977 and a Master of Business Administration in Finance and International Business from Columbia University Graduate School of Business in 1981. From 1981 to 1997, Mr. Buchanan was a Managing Director of various groups in the Investment Banking Division of Dean Witter Reynolds in their New York and Dallas offices. In 1997, Mr. Buchanan joined Morgan Stanley Dean Witter as a Managing Director in the Real Estate Investment Banking group. In 2000, Mr. Buchanan became Managing Director and head of the domestic Real Estate Investment Banking Group of Credit Suisse First Boston. Mr. Buchanan became a Director of the Company in 2002. Mr. Buchanan also served on the Board of Directors of MFA Financial, Inc. from March 2004 through May 2011. The Board believes that Mr. Buchanan is qualified to serve on the Company’s Board of Directors based on his experience and education, as summarized above, and particularly, his financial education, his extensive experience of over twenty years in investment banking, and his management experience as a senior executive with a large institution.

Andrew F. Cates. Mr. Cates became a Director of the Company in June 2009. Mr. Cates earned a Bachelor of Business Administration in Finance at the University of Texas at Austin. Mr. Cates founded RVC USA, LP, a developer and operator of outdoor resorts, and he is the President of its corporate general partner, RVC USA Management, LLC, which he owns and operates. He is also the Managing Member of Value Acquisition Fund, an acquisition, development, and asset management company founded by him in 2004. Mr. Cates has acquired and asset managed commercial real estate throughout the southeastern United States within various entities. In 1993, Mr. Cates began his real estate career in Dallas, Texas, where he worked as an Analyst at Trammell Crow Company Capital Markets Group, and in 1995, he became an Associate for Crow Family Holdings. Mr. Cates currently serves on numerous civic and charitable boards. Messrs. Arthur, Cates and Reiman were elected pursuant to the agreement with Southeastern under which the Company agreed to nominate three individuals for election to the Board at the Company’s 2009 Annual Meeting of Stockholders. In reviewing Southeastern’s recommendation of Mr. Cates in 2009, the Board, while noting that he is the brother of the President of Southeastern, concluded, and currently believes, that his senior executive experience and experience in business operations and asset management, as well as evaluating investments, qualifies him to serve on the Board of Directors.

R. Hartwell Gardner. Mr. Gardner became a Director of the Company in August 1997. He served as a Director of Parker & Parsley from November 1995 until August 1997. Mr. Gardner graduated from Colgate University with a Bachelor of Arts degree in Economics and

then earned a Master of Business Administration from Harvard University. Until October 1995, Mr. Gardner was the Treasurer of Mobil Oil Corporation and Mobil Corporation from 1974 and 1976, respectively. Mr. Gardner is a member of Financial Executives International where he served as Chairman in 1986 and 1987 and is a Director and Chairman of the Investment Committee of Oil Investment Corporation Ltd. and Oil Casualty Investment Corporation Ltd. in Hamilton, Bermuda. The Board believes that Mr. Gardner is qualified to serve on the Company's Board of Directors based on his experience and education, as summarized above, and particularly, his graduate education, his deep knowledge of the Company resulting from his long tenure with the Company and its predecessor, and his knowledge of accounting and finance and management experience developed as an executive of a major integrated oil company.

Andrew D. Lundquist. Mr. Lundquist received a Bachelor of Science degree in Business Administration (Finance) from the University of Alaska and a Juris Doctorate from Catholic University Columbus School of Law. He joined the Company's Board of Directors in September 2004, in accordance with the terms of the Company's merger with Evergreen Resources, Inc. after having served as an independent director on the Board of Directors of Evergreen Resources, Inc. since November 2002. During 2001, Mr. Lundquist served as the Director of The White House National Energy Policy Development Group, which directed the cabinet-level task force created by the President and headed by the Vice President that produced the President's National Energy Policy. At that same time, he also served as Senior Advisor to the President and Vice President on energy issues. Mr. Lundquist was the Majority Staff Director of the U.S. Senate Energy and Natural Resources Committee from 1998 to 2001. Since March 2002, Mr. Lundquist has served as the Managing Partner of BlueWater Strategies LLC, a Washington, D.C.-based consulting firm that provides analytic and strategic advice to senior executives of corporations. Mr. Lundquist also serves as Director of Coeur d'Alene Mines Corporation, a company engaged in the operation, ownership, development and exploration of silver and gold mining property. The Board believes that Mr. Lundquist is qualified to serve on the Company's Board of Directors based on his experience and education, as summarized above, and particularly, his education in the law, and his experience in federal government service and in the provision of government relations advice, including over 20 years as an advisor on energy policy issues.

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 the Company since August 1997. Mr. Ramsey served as a Director of Parker & Parsley from October 1991 until August 1997. 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 its Dallas, Texas office. His industry experience includes 12 years of senior management experience with May Petroleum Inc. in the positions of President, Chief Executive Officer and Executive Vice President. Mr. Ramsey is also a former director of MBank Dallas, the Dallas Petroleum Club and Lear Petroleum Corporation. The Board believes that Mr. Ramsey is qualified to serve on the Company's Board of Directors based on his experience and education, as summarized above, and particularly, his educational background in petroleum engineering and advanced degree in management, his deep knowledge of the Company resulting from his long tenure with the Company and its predecessor, his financial experience in the investment banking industry and his extensive knowledge of the energy industry through education as well as a career of over 25 years in operational and executive positions with oil and gas companies.

Scott J. Reiman. Mr. Reiman became a Director of the Company in June 2009. Mr. Reiman graduated from the University of Denver in 1987 with a Bachelor of Science in Business Administration in Finance. Mr. Reiman is the founder of Hexagon Investments, a

private investment company, and has served as President since 1992. Mr. Reiman has been a member of the Board of Trustees at the University of Denver since 1999 and chairs its Investment Committee. Mr. Reiman also serves on many other civic boards of directors and is currently a member of the Mayor's Financial Management Task Force for the City of Denver. Messrs. Arthur, Cates and Reiman were elected pursuant to the agreement with Southeastern under which the Company agreed to nominate three individuals for election to the Board at the Company’s 2009 Annual Meeting of Stockholders. In reviewing Southeastern’s recommendation of Mr. Reiman in 2009, the Board concluded, and currently believes, that his experience founding his own investment company and analyzing investments qualifies him to serve on the Board of Directors.

Frank A. Risch. Mr. Risch holds a Bachelor of Science degree in Business Administration from Pennsylvania State University and a Master of Science degree in industrial administration from Carnegie Mellon University. Mr. Risch joined Exxon Corporation in 1966 as a financial analyst in New York and subsequently held various positions in finance, planning, marketing and general management with Exxon and its operating affiliates in the U.S. and abroad for nearly 38 years. Mr. Risch retired in 2004 as Vice President and Treasurer (and Principal Financial Officer) of Exxon Mobil Corporation. He was appointed to the Company's Board of Directors in August 2005. He is a member of the Business Board of Advisors of the Tepper School of Business at Carnegie Mellon University. He is active in civic and community organizations, serving as Chairman of the Board of the Dallas Theater Center; Vice Chairman of the Board of Communities Foundation of Texas; member of the Board of the ATT Performing Arts Center and Dallas CASA (Court Appointed Special Advocates). He is a member of the Financial Executives International. The Board believes that Mr. Risch is qualified to serve on the Company’s Board of Directors based on his experience and education, as summarized above, and particularly, his extensive experience as an employee and executive in the oil and gas industry for almost 40 years, including his role, at the time of his retirement, as principal financial officer of Exxon Mobil Corporation.

J. Kenneth Thompson. Mr. Thompson became a Director of the Company in August 2011. He received a Bachelor of Science in Petroleum Engineering from Missouri University of Science & Technology. He has served as the President and Chief Executive Officer of Pacific Star Energy LLC, a privately held energy investment firm in Alaska, since September 2000, and as Managing Director of Alaska Venture Capital Group LLC, a privately held oil and gas exploration company, since December 2004. Mr. Thompson’s experience includes serving as Executive Vice President of ARCO’s Asia Pacific oil and gas operating companies in Alaska, California, Indonesia, China and Singapore from 1998 to 2000, and President and Chief Executive Officer of ARCO Alaska, Inc., the parent company’s oil and gas producing division based in Anchorage, from June 1994 to January 1998. Mr. Thompson also serves as Director of Coeur d'Alene Mines Corporation, a company engaged in the operation, ownership, development and exploration of silver and gold mining property, Alaska Air Group, Inc., a holding company for Alaska Airlines and Horizon Air Industries, and Tetra Tech, Inc., an engineering consulting firm. The Board believes that Mr. Thompson is qualified to serve on the Company’s Board of Directors based on his experience and education, as summarized above, and particularly, his educational background in petroleum engineering and his senior executive experience with a major integrated oil company, including the role of CEO, which bring to the Board significant leadership, risk management, operations, strategic planning, engineering, environmental, safety and regulatory experience.

Jim A. Watson. Mr. Watson became a Director of the Company in September 2004. He earned a Bachelor of Arts degree from The University of Texas in 1962 and graduated, with honors, from The University of Texas School of Law in 1964. Mr. Watson has served as Senior Counsel for the law firm of Carrington, Coleman, Sloman, & Blumenthal, L.L.P. in Dallas, Texas since June 2003. Before then, he was a partner at the law firm of Vinson & Elkins L.L.P. in Dallas, Texas. From 1987 to 1995, he held the position of Adjunct Professor

at The University of Texas School of Law and from 2000 to 2004, Mr. Watson was Chairman of the Advisory Board of the Clement Center for Southwestern Studies at Southern Methodist University. Since 1989, Mr. Watson has been included in The Best Lawyers in America. The Board believes that Mr. Watson is qualified to serve on the Company's Board of Directors based on his experience and education, as summarized above, and particularly, his education in the law, and his extensive experience of over 40 years as a corporate attorney.

Executive Officers

The following table sets forth certain information, as of the date of this Proxy Statement, regarding the Company's executive officers. All of the Company's executive officers serve at the discretion of the Board. There are no family relationships among any of the Company's directors or executive officers.

Name	Age	Position
Scott D. Sheffield	59	Chairman of the Board and Chief Executive Officer
Timothy L. Dove	55	President and Chief Operating Officer
Mark S. Berg	53	Executive Vice President and General Counsel
Chris J. Cheatwood	51	Executive Vice President, Business Development and Geoscience
Richard P. Dealy	46	Executive Vice President and Chief Financial Officer
William F. Hannes	52	Executive Vice President, South Texas Operations
Danny L. Kellum	57	Executive Vice President, Permian Operations
Jay P. Still	50	Executive Vice President, Domestic Operations
Frank W. Hall	61	Vice President and Chief Accounting Officer

Mr. Sheffield's biographical information may be found above under "Directors."

Timothy L. Dove. Mr. Dove was elected the Company's President and Chief Operating Officer in November 2004. Mr. Dove was also elected President and Chief Operating Officer of Pioneer GP in June 2007. Mr. Dove held the positions for the Company of Executive Vice President and Chief Financial Officer from February 2000 to November 2004 and Executive Vice President - Business Development from August 1997 to January 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. Before 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 planning and development. Mr. Dove earned a Bachelor of Science degree in Mechanical Engineering from Massachusetts Institute of Technology in 1979 and received his Master of Business Administration in 1981 from the University of Chicago.

Mark S. Berg. Mr. Berg was elected the Company's Executive Vice President and General Counsel when he joined the Company in April 2005. Mr. Berg was also elected Executive Vice President, General Counsel and Assistant Secretary of Pioneer GP in June 2007. Prior to joining the Company, Mr. Berg served as Executive Vice President, General Counsel and Secretary of American General Corporation, a Fortune 200 diversified financial services company, from 1997 through 2002. Subsequent to the sale of American General to American International Group, Inc., Mr. Berg joined Hanover Compressor Company as Senior Vice President, General Counsel and Secretary. He served in that capacity from May 2002 through April 2004. Mr. Berg began his career in 1983 with the

Houston-based law firm of Vinson & Elkins L.L.P. He was a partner with the firm from 1990 through 1997. Mr. Berg graduated Magna Cum Laude and Phi Beta Kappa with a Bachelor of Arts degree from Tulane University in 1980. He earned his Juris Doctorate with honors from The University of Texas Law School in 1983.

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Chris J. Cheatwood. Mr. Cheatwood was elected the Company's Executive Vice President, Business Development and Geoscience in November of 2011. Mr. Cheatwood also serves as Executive Vice President, Business Development and Technology of Pioneer GP. Mr. Cheatwood had previously served the Company as Executive Vice President, Business Development and Technology since February 2010, as Executive Vice President, Geoscience November 2007 until February 2010, as Executive Vice President - Worldwide Exploration from January 2002 until November 2007, as Senior Vice President - Exploration from December 2000 to January 2002, and as Vice President - Domestic Exploration from July 1998 to December 2000. Before joining the Company, Mr. Cheatwood spent ten years with Exxon Corporation. Mr. Cheatwood is a graduate of the University of Oklahoma with a Bachelor of Science degree in Geology and earned his Master of Science degree in Geology from the University of Tulsa.

Richard P. Dealy. Mr. Dealy was elected the Company's Executive Vice President and Chief Financial Officer in November 2004. Mr. Dealy was also elected Executive Vice President, Chief Financial Officer, Treasurer and Director of Pioneer GP in June 2007. Mr. Dealy held positions for the Company as Vice President and Chief Accounting Officer from February 1998 to November 2004, and Vice President and Controller from August 1997 to January 1998. Mr. Dealy joined Parker & Parsley in July 1992 and was promoted to Vice President and Controller in 1995, in which position he served until August 1997. He is a Certified Public Accountant, and before joining Parker & Parsley, he was employed by KPMG LLP. Mr. Dealy graduated with honors from Eastern New Mexico University with a Bachelor of Business Administration degree in Accounting and Finance.

William F. Hannes. Mr. Hannes was elected the Company's Executive Vice President - South Texas Operations in February 2010. Mr. Hannes had previously served the Company as Executive Vice President - Business Development since December 2007, and Executive Vice President - Worldwide Business Development from November 2005 to December 2007. Mr. Hannes joined Parker & Parsley in July 1997 as Director of Business Development, and continued to serve the Company in this capacity after the Company's formation in August 1997 until he was promoted to Vice President – Engineering and Development in June 2001, which position he held until November 2005. Prior to joining Parker & Parsley, Mr. Hannes held engineering positions with Mobil and Superior Oil. He graduated from Texas A&M University in 1981 with a Bachelor of Science degree in Petroleum Engineering.

Danny L. Kellum. Mr. Kellum, who received a Bachelor of Science degree in Petroleum Engineering from Texas Tech University in 1979, was elected the Company's Executive Vice President - Permian Operations in February 2010. Mr. Kellum also serves as a director and Executive Vice President, Permian Operations of Pioneer GP. Mr. Kellum had previously served the Company as Executive Vice President - Domestic Operations since May 2000, and as Vice President - Domestic Operations from January 2000 until May 2000, and Vice President - Permian Division from August 1997 until December 1999. Mr. Kellum joined Parker & Parsley as an operations engineer in 1981 after a brief career with Mobil Oil Corporation, and his service with Parker & Parsley included serving as Spraberry District Manager from 1989 until 1994 and as Vice President of the Spraberry and Permian Division until August 1997.

Jay P. Still. Mr. Still was elected the Company's Executive Vice President - Domestic Operations in November 2007. Prior to that time, Mr. Still held the positions of Executive Vice President, Western Division from November 2005, Vice President, Western Division from September 2004 to November 2005, Vice President, Gulf of Mexico from July 2001 to September 2004 and Vice President of Operations for a former subsidiary of the Company located in Argentina from November 1997 to July 2001. Mr. Still joined Parker & Parsley in January 1995 as Director of Engineering Development and continued to serve the Company in

this capacity after the Company's formation in August 1997. Prior to joining Parker & Parsley, Mr. Still spent ten years with Mobil in various drilling, operations and reservoir engineering assignments focusing on the Gulf of Mexico before moving into international business development activities. Mr. Still earned his Masters in Business Administration at Loyola University and a Bachelor of Science in Mechanical Engineering from Texas A&M University.

Frank W. Hall. Mr. Hall was elected the Company’s Vice President and Chief Accounting Officer in May 2008. Mr. Hall was also elected Vice President and Chief Accounting Officer of Pioneer GP in May 2008. Prior to that time, Mr. Hall held the positions for the Company of Corporate Controller from March 2007, Assistant Controller from January 2005 to March 2007 and Manager of Financial Reporting from September 1998 to January 2005. From 1989 to 1998, Mr. Hall was an employee of Oryx Energy Company, where he held Senior Financial Analyst positions in Financial Planning and Financial Reporting. He was a partner in the certified public accounting firm of Hall, Brock & Co. from 1983 to 1989; the Controller of Riddle Oil Company from 1980 to 1983; and a member of the audit staff of Touche Ross & Co. from 1977 to 1980. Mr. Hall graduated with highest honors from the University of Dallas with a Master of Business Administration in Corporate Finance and graduated from the University of Texas at San Antonio with a Bachelor of Business Administration, where he majored in accounting and business management.

MEETINGS AND COMMITTEES OF DIRECTORS

The Board of Directors of the Company held eleven meetings during 2011, and its independent directors met in executive session five times during 2011. During 2011, each of the directors attended at least 75 percent of the aggregate of the total number of meetings of the Board of Directors and the total number of meetings of all committees of the Board of Directors on which that director served.

The Board of Directors has three standing committees: the Audit Committee, the Compensation and Management Development Committee and the Nominating and Corporate Governance Committee.

Audit Committee. Information regarding the functions performed by the Audit Committee and its membership is set forth in the "Audit Committee Report" included herein and also in the "Audit Committee Charter" that is posted on the Company's website at www.pxd.com. The members of the Audit Committee are Messrs. Gardner (Chairman), Arthur, Ramsey, Risch and Watson. The Audit Committee held nine meetings during 2011.

Compensation and Management Development Committee. Responsibilities of the Compensation and Management Development Committee (the "Compensation Committee"), which are discussed in detail in its charter that is posted on the Company's website at www.pxd.com, include among other duties, the responsibility to:

- periodically review the compensation, employee benefit plans and fringe benefits paid to, or provided for, executive officers of the Company,
- approve the annual salaries, bonuses and share-based awards paid to the Company's executive officers,
- periodically review and recommend to the full Board of Directors total compensation for each non-employee director for services as a member of the Board of Directors and its committees,
- administer the Company's equity plans, and
- oversee the Company's succession planning.

The Compensation Committee is delegated all authority of the Board of Directors as may be required or advisable to fulfill the purposes of the Compensation Committee. The Compensation Committee may form and delegate some or all of its authority to subcommittees when it deems appropriate. Meetings may, at the discretion of the Compensation

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Committee, include members of the Company's management, other members of the Board of Directors, consultants or advisors, and such other persons as the Compensation Committee or its chairperson may determine.

The Vice President, Administration and Risk Management of the Company, or such other officer as may from time to time be designated by the Compensation Committee, acts as the management liaison to the Compensation Committee and works with the Compensation Committee chairperson to prepare an agenda for regularly scheduled meetings. The Compensation Committee chairperson makes the final decision regarding the agenda for regularly scheduled meetings and develops the agenda for special meetings based on the information supplied by the persons requesting the special meeting. The Company's Chief Executive Officer (the "CEO") makes recommendations to the Compensation Committee regarding the compensation of other executive officers and provides information to the Compensation Committee regarding the executive officers' performance; however, the Compensation Committee makes all final decisions regarding the executive officers' compensation.

The Compensation Committee has the sole authority to retain, amend the engagement with, and terminate any compensation consultant to be used to assist in the evaluation of director, CEO or executive officer compensation. The Compensation Committee has sole authority to approve the consultant's fees and other retention terms and has authority to cause the Company to pay the fees and expenses of such consultants. During 2011, the Compensation Committee engaged the services of Meridian Compensation Partners LLC ("Meridian"). The terms of Meridian’s engagement are set forth in an engagement agreement that provides, among other things, that Meridian is engaged by, and reports only to, the Compensation Committee and will perform the compensation advisory services requested by the Compensation Committee. Among the services Meridian was asked to perform were apprising the Compensation Committee of compensation-related trends, developments in the marketplace and industry best practices; informing the Compensation Committee of compensation-related regulatory developments; providing peer group survey data to establish compensation ranges for the various elements of compensation; providing an evaluation of the competitiveness of the Company's executive compensation and benefits programs; assessing the relationship between executive pay and performance; advising on the design of the Company's incentive compensation programs, including metric selection and target setting and the design and administration of the Company's performance unit award program; advising the Compensation Committee on director compensation; and providing such additional reports and analyses as requested by the Compensation Committee from time to time. Meridian does not provide any services to the Company other than its services to the Compensation Committee.

The members of the Compensation Committee are Messrs. Buchanan (Chairman), Cates, Lundquist, Reiman and Thompson. The Compensation Committee held seven meetings during 2011.

Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee assists the Board of Directors in evaluating potential new members of the Board of Directors, recommending committee members and structure, and advising the Board of Directors about corporate governance practices. Additional information regarding the functions performed by the Nominating and Corporate Governance Committee is set forth in the "Corporate Governance" section included herein and also in the "Nominating and Corporate Governance Committee Charter" that is posted on the Company's website at www.pxd.com. The members of the Nominating and Corporate Governance Committee are Messrs. Arthur, Buchanan, Cates, Gardner, Lundquist, Ramsey, Reiman, Risch, Thompson and Watson. The Nominating and Corporate Governance Committee held four meetings during 2011.

COMPENSATION OF DIRECTORS

2011 Director Compensation Table

The table below summarizes the compensation paid by the Company to non-employee directors during 2011.

Name (a)	Fees Earned or Paid in Cash ($) (b)	Stock Awards (1) ($) (c)	All Other Compensation (2) ($) (g)	Total ($) (h)
Thomas D. Arthur	$ -	$ 249,963	$ -	$ 249,963
Edison C. Buchanan	$ -	$ 264,978	$ -	$ 264,978
Andrew F. Cates	$ -	$ 249,963	$ -	$ 249,963
R. Hartwell Gardner	$ -	$ 264,978	$ -	$ 264,978
Andrew D. Lundquist	$ -	$ 249,963	$ -	$ 249,963
Charles E. Ramsey, Jr.	$ -	$ 264,978	$ -	$ 264,978
Scott J. Reiman	$ -	$ 249,963	$ -	$ 249,963
Frank A. Risch	$ -	$ 249,963	$ -	$ 249,963
J. Kenneth Thompson (3)	$ -	$ 274,979	$ 1,180	$ 276,159
Jim A. Watson	$ -	$ 249,963	$ -	$ 249,963

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(1) Stock awards represent the aggregate grant date fair value attributable to restricted stock unit awards granted in 2011. Such awards were determined in accordance with Financial Accounting Standards Board of Accounting Standards Codification Topic 718 ("FASB ASC 718"). Accordingly, the Company valued its restricted stock unit awards based on the market-quoted closing price of the Company's common stock on the last business day prior to the grant date of the awards. Additional detail regarding the Company's share-based awards is included in Note G of Notes to Consolidated Financial Statements included in "Item 8. Financial Statements and Supplementary Data" in the Company's Annual Report on Form 10-K for the year ended December 31, 2011. Aggregate director stock awards for which restrictions had not lapsed as of December 31, 2011, totaled (i) 3,115 shares for Messrs. Arthur, Reiman and Cates; (ii) 1,350 shares for Messrs. Buchanan, Gardner and Ramsey; (iii) 1,274 shares for Messrs. Lundquist, Risch and Watson; and (iv) 3,232 shares for Mr. Thompson. In accordance with director elections, awards for which restrictions had lapsed but for which share issuance has been deferred totaled (i) 22,857 shares for Mr. Buchanan; (ii) 17,861 shares for Mr. Lundquist; and (iii) 8,404 shares for Mr. Watson as of December 31, 2011. The Company did not issue to the directors any options to purchase the Company's common stock during 2011, and the directors did not hold unexercised stock options as of December 31, 2011.

(2) All other compensation includes travel and entertainment costs of directors' spouses.

(3) Mr. Thompson joined the board in August 2011.

General

The elements of compensation for the Company’s non-employee directors for the 2011-2012 director year, which runs from the 2011 Annual Meeting to the 2012 Annual Meeting, are as follows:

- Each non-employee director received an annual retainer of $250,000, all of which was payable in the form of restricted stock units.
- The lead director and the chairmen of the Audit Committee and the Compensation Committee each received an additional annual retainer of $15,000, all of which was payable in the form of restricted stock units.

Commencing with the 2012-2013 director year, which begins as of the Annual Meeting, the compensation program for the Company's non-employee directors was changed so that the elements of the program will be as follows:

- Each non-employee director will receive an annual base retainer fee of $50,000, all of which will be payable in the form of restricted stock units.
    - Each non-employee director will receive an annual grant of restricted stock units, valued at $200,000.
- The lead director and the chairmen of the Audit Committee and the Compensation Committee each will receive an additional annual retainer of $15,000, all of which will be payable in the form of restricted stock units.

All of the restricted stock units received in payment of directors' fees vest quarterly on a pro rata basis during the director year, and the price that will be used to calculate the number of restricted stock units granted is based on an average of the closing stock prices over the 30 trading days prior to the date of the annual meeting of stockholders.

Unless a deferral election is made, restricted stock units are paid in shares of the Company’s common stock promptly following the vesting date. Non-employee directors may elect to defer settlement of their restricted stock units until the earliest to occur of (i) their death, (ii) a change in control, (iii) a date certain or (iv) the one-year anniversary of their retirement, resignation, or removal from the Board of Directors.

The vesting of ownership and the lapse of transfer restrictions on restricted stock units awarded to non-employee directors is accelerated in the event of the death or disability of the director or a change in control of the Company.

In August 2011, Mr. Thompson received $125,000 in restricted stock units as the pro rata part of the normal annual compensation for directors, and $150,000 in restricted stock units as a one-time grant in connection with his initial election to the Board of Directors. The restricted stock units covered by this one-time grant are subject to vesting and transfer restrictions that lapse with respect to one third of the shares each year following the grant over a three-year period. Retirement before the third anniversary of the grant results in pro rata vesting based on the number of quarterly meetings remaining in the three-year vesting period.

Additionally, each non-employee director is provided information technology support by the Company and is also reimbursed for travel expenses to attend meetings of the Board of Directors or its committees, travel and entertainment expenses for each director's spouse who is invited to accompany directors to meetings of the Board of Directors, director education, seminars and trade publications. No additional fees are paid for attendance at Board of Directors or committee meetings. The Company's CEO does not receive additional compensation for serving on the Board of Directors.

Stock Ownership Guidelines for Directors

To support the Company's commitment to significant stock ownership, the Company has established an ownership guideline that non-employee directors own stock with a value equal to at least ten times the annual base retainer fee of $50,000. The non-employee directors have three years after joining the Board of Directors to meet this guideline. In evaluating compliance by directors with the stock ownership guidelines, the Compensation Committee has established procedures to minimize the effect of stock price fluctuations on the deemed value of the individual's holdings. All non-employee directors are in compliance with this ownership guideline.

COMPENSATION DISCUSSION AND ANALYSIS

The purpose of this Compensation Discussion and Analysis is to explain the Compensation Committee's philosophy for determining the compensation program for the Company's CEO, Chief Financial Officer and three other most highly compensated executive officers for 2011 (the "NEOs") and to discuss why and how the 2011 compensation package for these executives was implemented. Following this discussion are tables that include compensation information for the NEOs. The NEOs for 2011 are as follows:

- Scott D. Sheffield, Chairman of the Board of Directors and Chief Executive Officer;
- Timothy L. Dove, President and Chief Operating Officer;
- Mark S. Berg, Executive Vice President and General Counsel
- Richard P. Dealy, Executive Vice President and Chief Financial Officer;
- Chris J. Cheatwood, Executive Vice President, Business Development and Technology; and

Executive Summary

As described in more detail throughout this Compensation Discussion and Analysis, the Company's executive compensation program is designed to emphasize "pay for performance" with the majority of compensation in the form of variable pay with long-term and short-term goals.

For 2011, the Company met almost all of its corporate goals and exceeded many of the stretch corporate goals, and continued to be at the top of its peer group in total shareholder return. The Compensation Committee believes the catalyst for these results was the leadership, vision and hard work of the executive team. The 2011 results include:

- Added proved reserves during 2011 totaling 148 million barrels oil equivalent (MMBOE) from discoveries, extensions, improved recovery and technical revisions of previous estimates, or 313 percent of full-year production (target was 175 percent to 225 percent).
- Delivered finding and development cost of $14.29 per barrel oil equivalent (BOE) (target was $14.00 - $17.00 per BOE) (see the table of performance metrics below for a definition of finding cost).
- Decreased debt to book capitalization from 37 percent at year-end 2010 to 26 percent at year-end 2011 (target was 30 percent to 34 percent).
- Grew full-year average production [per share] from continuing operations by 12 percent compared to 2010, driven by increased drilling in the liquids-rich Spraberry, Eagle Ford Shale and Barnett Shale Combo plays (target was 12 percent to 16 percent).
- Delivered low base operating costs of 10.07 per BOE in an environment of rising costs (target was $10.00 to $10.75 per BOE).

In addition to the strong performance against operating and financial goals, the Compensation Committee also noted the significant increase in net asset value on a proved-reserves basis that the Company achieved during 2011. Also, the executive team delivered other results that created substantial value for the Company, including:

- Identified greater than 400,000 acres that are potentially prospective for horizontal Wolfcamp Shale within Pioneer's Spraberry field acreage.
- Sold Pioneer's Tunisia assets for net proceeds of $853.6 million, with proceeds successfully redeployed to grow the Company's core U.S. assets.

- Accelerated vertical drilling in the Spraberry field from 30 rigs at the beginning of 2011 to 42 rigs in the fourth quarter, with full-year average daily production from this area increasing by 33 percent compared to 2010.
- Ramped up drilling in the Eagle Ford Shale from 7 rigs at the beginning of 2011 to 12 rigs by mid-year, with full-year average daily production from this area increasing by 643 percent compared to 2010.
- Initiated a successful two-rig drilling program in the liquids-rich Barnett Shale Combo play, which tripled production from the beginning to the end of 2011.
- Expanded the Company's vertical integration of oilfield services, particularly fracture stimulation capacity in the Spraberry, Eagle Ford Shale and the Barnett Shale Combo plays, resulting in significant cost savings and enabling the Company to complete its wells at a faster pace than it otherwise could have.
- Achieved investment grade status with one rating agency.

Pioneer's stock recorded another strong performance in 2011, with the Company's stock price outperforming the average of the 11-company peer group used with respect to the Company's 2011 performance unit award grants by 20 percentage points. Over the three-year period covering 2009, 2010 and 2011, Pioneer was the top performing stock in its peer group, recording a price increase of 396 percent. Pioneer was also the top energy stock and the fourth best performer overall in the S&P 500 over the 2009 through 2011 period.

The Compensation Committee believes that the balanced, conservative compensation programs that were in place during 2011 operated as the Committee intended and were aligned with the Company's compensation philosophy and the creation of stockholder value as highlighted below.

- Base salary - designed to be a fixed portion of total compensation and established at approximately the median level of base pay for the Company's peer group.

  o The Compensation Committee did not increase base salaries of the NEOs for 2011 or 2012.

- Annual bonus - subject to the condition that the baseline performance hurdle is achieved, as discussed below, payment is determined by the Compensation Committee based on its subjective evaluation of the Company's performance, with consideration given to the Company's performance against certain pre-established target and stretch goals and individual executive's performance, and can range anywhere from 0 percent to 250 percent of the target bonus.

o The Compensation Committee awarded cash bonuses for 2011 from 140 percent to 200 percent of target to recognize the Company's and the NEOs' achievements.

- Long-term incentive awards - designed to be the largest component of the NEOs' compensation and to directly align NEOs' interests with stockholders. Consistent with that objective, the program is 100 percent equity-based and comprised of stock options, performance units and restricted stock units. For 2011, long-term incentive awards were made at approximately the median level for the Company's peer group. The value actually realized by an executive is directly related to how the Company's stock performs over the three-year period following the grant of the award. For example, amounts realized by the NEOs during 2011 with respect to previously-awarded long-term incentive awards were directly linked to the Company's stock price performance over a period of at least three years following the respective dates of grant of the awards.

- o In February 2011, the Compensation Committee granted long-term incentive awards valued at approximately the median level of the Company's peers. To illustrate the long-term nature of this element of the compensation program, as a result of the significant value created for the Company's stockholders over the three-year period from 2009 to 2011, the Company's relative total stockholder return performance for that three-year period was first among the Company's peers; accordingly, on December 31, 2011, the NEOs earned a 250 percent payout on their performance units for this period.

More specific information regarding the Committee's compensation decisions and the executive compensation program is contained in the remainder of this Compensation Discussion and Analysis section.

In 2011, the Company received a favorable advisory vote on its executive compensation program, with over 94 percent of the Company's shares being voting to approve the executive compensation program. The Compensation Committee believes this affirms the stockholders' support of the Company's executive compensation program, and the Committee did not change its approach in the 2011 year based on the results of the advisory vote. The Committee will continue to monitor and consider the outcomes of future advisory votes on the Company's executive compensation program when making compensation decisions for the Company's executive officers.

Philosophy

The Company's executive compensation program is designed to provide a performance-driven compensation package that allows the Company to attract, retain and motivate its executives to achieve optimal results for the Company and its stockholders. The Compensation Committee strives to create the proper allocation among long-term and short-term goals while ensuring a proper balance of risks in achieving these goals. There are three main components of this compensation program:

- Base salary, which is a stable and fixed amount near the median level as compared to the Company's peers;
- Annual cash bonus incentive target levels, which generally are targeted to be near the median level as compared to the Company's peers, with payouts determined based on Company and individual performance during the year; and
- Long-term incentive awards, which at the time of grant generally are targeted to be valued at approximately the median level as compared to the Company's peers, subject to potential variance from the median based on performance and the need for retention, with payout ultimately determined by the performance of the Company's stock over the succeeding three-year period.

As an executive's leadership role expands, the scope, duties and responsibilities of the executive's position increases. As this occurs, the Compensation Committee believes a greater portion of total compensation should be performance-driven and have a longer-term emphasis, and base salary should be a relatively smaller portion of total compensation. This structure supports the Compensation Committee's belief that the majority of the executive's realized compensation should be driven by the performance of the Company. If the Company performs above expectations, the executive's total annual cash bonus incentive payouts and realized value from long-term incentive awards will be above median levels, and if the performance is poor, that performance-related compensation will be below median levels.

The annual cash bonus incentive awards are based on the following philosophy:

- The Company should achieve a minimum level of performance as a condition to the payment of an annual cash bonus under the Company's 2006 Long-Term Incentive Plan;
- Actual payout should then be determined by a subjective evaluation of the Company's performance, with consideration given to the Company's performance against certain pre-established target goals and stretch goals;
- The performance goals should be a group of internal operational and financial goals that support the Company's business plan for the year, as well as its long-term strategy, and the goals should not be weighted in a formulaic way, but evaluated in light of industry conditions during that year;
- The executive group is held responsible as a team in the Committee's determination of bonus payouts. Individual executives may receive bonus payments above the team level if an individual's contribution adds significant value, or below the team level if performance does not meet expectations, but the primary emphasis is team performance; and
- Bonus payouts within the oil and gas industry should be considered to confirm that the approved bonus payout levels are competitive relative to the Company's performance.

Regarding long-term incentive plan awards, the Compensation Committee believes:

- Long-term incentive awards are critical to the Company's ability to attract, motivate and retain the Company's key executives;
- These awards, with a significant but appropriate risk element so that the compensation realized largely depends on Company performance after the grant date, should make-up the majority of an executive's total compensation;
- The award values at the time of grant should be determined by reference to the median level compared to peer positions similar to the executive's position with consideration given to tenure, experience and internal equity; however, the Committee recognizes that the E&P industry currently is highly competitive for executive talent and for retention purposes, highly experienced and top-performing individuals may need to receive long-term incentive awards above the median level in a given year;
- Stock ownership requirements, three year cliff vesting and the fact that a majority of an executive's compensation is paid in stock motivate the executive to focus on long-term results and effectively align the interests of executives and stockholders; and
- Providing long-term incentive awards in a combination of restricted stock or restricted stock units ("RSUs"), stock options and performance units encourages executives to take the proper level of risk in developing and executing the Company's business plan with a true long-term focus.
- If additional retention incentives are necessary to retain key employees during times of extreme competition within the E&P industry, long-term incentive awards should be utilized with longer vesting periods than normal awards.

The Compensation Committee takes a conservative approach in providing perquisites and retirement benefits, limiting perquisites to benefits that also provide both a direct and indirect benefit to the Company, and limiting the Company's retirement obligations to defined contribution-type plans so that future retirement liabilities are known and funding issues are avoided.

Role of the Compensation and Management Development Committee. As a part of its oversight of the Company's executive compensation program, the Compensation Committee:

- Administers the Company's executive compensation program;
- Establishes the Company's overall compensation philosophy and strategy; and
- Ensures the NEOs are rewarded appropriately in light of the guiding principles as described in the sections above.

In discharging its duties, the Compensation Committee:

- Determines the individual elements of the CEO's total compensation and benefits;
- Approves specific annual corporate goals and objectives relative to the CEO's compensation; and
- Reviews the CEO's performance in meeting these corporate goals and objectives.

Prior to finalizing compensation for the CEO, the Compensation Committee reviews its intentions with the other independent directors of the Company and receives their input.

The CEO makes recommendations to the Compensation Committee regarding the compensation of the other NEOs, and provides information to the Committee regarding their performance. After considering the recommendations of the directors and the CEO, the Committee makes all final decisions regarding the NEOs' compensation.

The Compensation Committee utilizes tally sheets to review each NEO's total compensation and potential payouts in the event of a change in control and for various employment termination events, including the NEO's potential "walk-away" benefits as well as historical target and actual compensation levels, to determine if the compensation plan design is meeting the Committee's objectives of providing fair compensation and effective retention.

A further description of the duties and responsibilities of the Compensation Committee can be found in "Meetings and Committees of Directors - Compensation and Management Development Committee."

Role of Management. The Company's Administration and Human Resources Departments assist the Compensation Committee and the Committee's compensation consultant in gathering the information needed for their respective reviews of the Company's executive compensation program. This assistance includes assembling requested compensation data for the NEOs. As referenced in the section above, the CEO develops pay recommendations for the other NEOs for review and discussion with the Compensation Committee. The Committee, in executive session and without executive officers present, approves the CEO's pay levels.

Role of the Compensation Consultant. For 2011, the Compensation Committee retained Meridian as its independent consultant on executive and director compensation. Meridian's engagement is to act as an independent advisor to the Compensation Committee to provide information and objective advice regarding executive compensation. All of the decisions with respect to the Company's executive compensation, however, are made by the Compensation Committee. The Committee did not direct Meridian to perform its services in any particular manner or under any particular method. The Committee has the final authority to hire and terminate the compensation consultant, and the Committee evaluates the compensation consultant annually. The Committee has retained Meridian as its independent consultant on executive and director compensation for 2012.

Meridian may, from time to time, contact the Company's executive officers for information necessary to fulfill its assignment and may make reports and presentations to and on behalf of the Compensation Committee that the Company's executive officers also receive.

Benchmarking. In conjunction with its independent consultant, the Compensation Committee annually benchmarks the competitiveness of its compensation programs to determine how well target and actual compensation levels reflect the Company's overall philosophy and compare to the external market. Each year the Committee identifies a peer group consisting of independent oil and gas exploration companies that have similar operational and capital investment profiles as the Company. The Committee believes these metrics are appropriate for determining peers in this context because these metrics are likely to result in identification of the companies that the Company should expect to compete with for executive talent. Thus, the Committee believes this peer group provides a reasonable point of reference for comparing the compensation of the Company's executives to others holding similar positions and having similar responsibilities. The Committee's objective is to construct a peer group with roughly equal numbers of companies that are larger than and smaller than the Company.

The Company's benchmarking consists of all components of direct compensation, including base salary, annual incentive bonus and long-term incentives. Information gathered from the proxy statements of the peer group companies and Meridian's proprietary databases are reviewed as a part of the benchmarking effort. The Compensation Committee reviews the peer group each year and makes changes as needed.

For the 2011 compensation decisions, the Compensation Committee used a peer group of 14 companies, and grouped those companies into three tiers as follows:

		Tier	
Company Name	1	2	3
Anadarko Petroleum Company			*
Devon Energy Corporation			*
Apache Corporation		*	*
Chesapeake Energy Corporation		*	*
EOG Resources, Inc.	*	*	*
Noble Energy, Inc.	*	*	*
Plains Exploration and Production Company	*	*	*
Newfield Exploration Company	*	*	*
Range Resources Corporation	*	*	*
Cimarex Energy Co.		*	*
Forest Oil Corporation		*	*
Quicksilver Resources Inc.		*	*
Whiting Petroleum Corporation			*
Ultra Petroleum Corp.			*

The companies grouped under tier one represent companies the Committee believes are most closely related to the Company in size and operations. The tier two group represents tier one companies plus the next five companies closest in size and operations to the Company. The tier three group includes all 14 peer companies to reflect a broader perspective of the market. The Committee believes this tiered approach to analyzing the benchmarking data provides additional insight to determine the most comparable levels of compensation for each NEO. During 2011, the Committee added QEP Resources, Inc. as a tier one peer company, Petrohawk Energy Corporation as a tier two peer company (prior to the announcement of it being acquired) and Concho Resources Inc. as a tier three peer company to provide additional comparative data.

Elements of the Company’s Compensation Program

The following sections describe in greater detail each of the components of the Company's executive compensation program and how the amounts of each element were determined for 2011.

Base Salary

The Compensation Committee initially reviewed with Meridian its base salary survey data and analyzed how effectively the survey data matched each executive’s position. The Committee determined that each NEO’s 2010 base salary was at approximately the median level for the NEO’s position for 2011. The Committee also determined that each NEO was performing at the high level expected of a Company executive officer. In accordance with the Company’s executive compensation philosophy, the Committee determined each NEO’s base salary was appropriately set and did not increase NEO base salary rates for 2011. The Committee conducted a similar review of the NEOs’ base salaries for 2012 and did not increase the NEOs’ base salaries for 2012.

Annual Cash Bonus Incentives

Beginning in 2011, the Compensation Committee decided to make changes to the annual cash bonus program to qualify payments for tax deductibility under Section 162(m) of the Internal Revenue Code. The annual cash bonus program is implemented as part of the Company’s 2006 Long-Term Incentive Plan, which was approved by the Company’s stockholders in May 2006. For 2011, the Committee approved an annual cash bonus incentive program pursuant to which the Committee established a baseline performance hurdle, the achievement of which would be a condition to the payment of a cash bonus to the Company’s executive officers under this program. The Committee also established for each NEO a target bonus and a maximum bonus award opportunity. Although the achievement of the baseline performance hurdle permits the payment of the maximum bonus for each NEO, the Committee, in determining actual awards, may apply its subjective judgment, as well as take into consideration the Company’s performance against other goals (as discussed below), to reduce (but not increase above the maximum award opportunity) the amount of the bonus. This approach is designed to qualify each NEO’s annual cash incentive bonus award as tax-deductible under Section 162(m) of the Internal Revenue Code while preserving the Committee’s flexibility to determine the actual annual cash bonus incentive award for each executive officer by exercising its discretion to decrease award amounts where appropriate to reflect additional performance considerations. The Committee believes it is important to retain its ability to exercise negative discretion as to annual cash bonus awards based on the Committee’s judgment and discretion in evaluating, among other things, the Company’s performance in light of industry conditions and opportunities.

In early 2011, the Compensation Committee established a baseline performance hurdle for the NEOs that would require the Company to achieve cash flows from operations of at least $1 billion. In addition, the Compensation Committee established each NEO’s target bonus level as a percent of the executive’s base salary and a maximum bonus award opportunity of 2.5 times the NEO’s target bonus. The Committee’s compensation philosophy is to set each NEO’s target bonus level near the median level of companies in the Company’s competitive market. After reviewing the 2010 benchmarking data with Meridian, the Committee determined that no changes to the target bonus levels for Messrs. Sheffield and Dealy were necessary, but that the target bonus levels for Messrs. Berg, Cheatwood and Dove should be increased by five percentage points to approximate the median level for executives in similar positions. The target bonus percents of each NEO’s base salary for 2011 are reflected in the following table:

NEO	Target Bonus Percent
Scott D Sheffield	100%
Richard P. Dealy	85%
Mark S. Berg	75%
Chris J. Cheatwood	75%
Timothy L. Dove	100%

The Compensation Committee also worked with senior management to establish appropriate metrics to assist the Committee in its evaluation of the Company's performance against its 2011 business plan, establishing target and stretch goals for each performance metric. Management of the Company then cascaded these goals down to the department and individual level with the intention to support achievement of Company goals. The goals also support the Company's budgeting and planning process. The CEO also worked with the NEOs to develop individual goals to support the Company's goals, and reviewed them with the Committee as part of its management development and succession planning function. However, after determining that the performance hurdle had been met, the Committee's decisions as to the annual cash bonus awards for 2011 were based on the Committee's subjective judgment and discretion in evaluating the Company's performance in light of industry conditions and opportunities and the individual performance of each NEO.

The primary 2011 performance metrics, goal ranges and results were as follows:

Metric	Target Goal (1)	Stretch Goal (1)	Result (1)
Production	46 MMBOE - 47 MMBOE	Greater than 47 MMBOE	45 MMBOE
Production/Share Growth	12% - 16%	Greater than 16%	12%
Debt-adjusted Production/Share Growth	14% - 18%	Greater than 18%	18%
Operating Costs ($/BOE)			
Base	$10.00 - $10.75	Less than $10.00	$10.07
Total Operating Cost	$13.00 - $14.00	Less than $13.00	$13.33
G&A Overhead ($/BOE)	$3.75 - $4.25	Less than $3.75	$4.07
Net Debt	$2.2 billion - $2.3 billion	Less than $2.2 billion	$2.0 billion
Net Debt/Book Capitalization	30% - 34%	Less than 30%	26%
Debt/EBITDAX (2)	1.5 - 1.75 times	Less than 1.5 times	1.2 times
Finding Cost ($/BOE) (3)	$14.00 - $17.00	Less than $14.00	$14.29
Reserve Replacement Percentage (4)	175% - 225%	Greater than 225%	313%
Return on Equity	4.0% - 8.0%	Greater than 8.0%	12%
	3.0% - 7.0%		9%

Return on Capital Employed	Greater than 7.0%

(1) In December 2011, the Company committed to a plan to sell all of the assets and liabilities of its South African operations, which was subsequent to the establishment of the target goals in February 2011. In order to permit the Compensation Committee to compare the Company's 2011 performance to the goals, the figures shown in the Target Goal, Stretch Goal and Result columns include the Company's South African operations. For purposes of the Company's consolidated financial statements included in its Annual Report on Form 10-K for the year ended December 31, 2011, in accordance with GAAP, the Company has classified its South Africa assets and liabilities as discontinued operations held for sale in its consolidated balance sheet as of December 31, 2011, and its South Africa's results of operations as income from discontinued operations, net of tax, in its consolidated statements of operations. Please see Notes B and U of Notes to Consolidated Financial Statements included in "Item 8. Financial Statements and Supplementary Data" in the Company's Annual Report on Form 10-K for the year ended December 31, 2011.

(2) "EBITDAX" represents earnings before depletion, depreciation and amortization expense; impairment of oil and gas properties; exploration and abandonments; noncash hurricane activity; accretion of discount on asset retirement obligations; interest expense; income taxes; gain or loss on the disposition of assets; gain or loss on extinguishment of debt; noncash effects from discontinued operations; noncash derivative related activity; amortization of stock-based compensation; amortization of deferred revenue; and other noncash items.
(3) "Finding Cost" is determined by dividing total costs incurred by the summation of annual proved reserves, on a BOE basis, attributable to revisions of previous estimates excluding price revisions, purchases of minerals-in-place, improved recovery and extensions and discoveries. Consistent with industry practice, future capital costs to develop proved undeveloped reserves are not included in costs incurred.
(4) "Reserve Replacement Percentage" is the summation of annual proved reserves, on a BOE basis, attributable to revisions of previous estimates excluding price revisions, purchases of minerals-in-place, improved recovery and extensions and discoveries divided by annual production of oil, natural gas liquids and gas, on a BOE basis.

In early 2012, the Compensation Committee determined that the Company had exceeded the baseline performance hurdle, permitting the payment to each NEO of up to the maximum bonus award opportunity of 2.5 times the NEO's target bonus.

The Compensation Committee then reviewed and discussed the Company's 2011 results with management as part of the Committee's evaluation of the Company's and the NEOs' performance, including in relation to the above pre-established goals and stretch goals. The Committee did not apply a particular weighting to any achievement or goal, but it did believe that the following achievements merited particular attention:

- Significantly exceeded the stretch goal for reserves replacement percentage (313 percent compared to the stretch goal of 225 percent).
- Exceeded the stretch goals relating to year-end debt levels, achieving investment grade status one year earlier than expected.
- Met the goal at the lower end of the range for base operating costs per BOE in an environment of rising costs.

In addition to the strong performance against operating and financial goals, the Compensation Committee took note of several accomplishments of the executive team during 2011 that created substantial value for the Company, including:

- Identifying greater than 400,000 acres that are potentially prospective for horizontal Wolfcamp Shale within Pioneer's Spraberry field acreage.
- Selling Pioneer's Tunisia assets for net proceeds of $853.6 million, with proceeds successfully redeployed to grow the Company's core U.S. assets.
- Expanding vertical integration, particularly fracture stimulation capacity in the Spraberry, Eagle Ford Shale and the Barnett Shale Combo plays, resulting in significant cost savings and enabling the Company to complete its wells at a faster pace than it otherwise could have.

In addition to the above goals, the Compensation Committee reviews each year with management the Company's net asset value per share calculation based on a constant price model to understand changes to net asset value. Changes in net asset value are important in the Committee's overall subjective assessment of the Company's performance and one of the factors in the Committee's determination of annual incentive bonus awards. The Committee determined that the Company achieved a significant increase in net asset value on a proved-reserves basis during 2011.

Overall, the Compensation Committee concluded that the Company's 2011 performance exceeded the Company's goals, that management implemented appropriate strategies for 2011 and that management successfully implemented its business plan. Accordingly, the Committee, exercising its discretion, set the general bonus payout level for the Company's officers for 2011 at 140 percent of target, subject to increased amounts based on individual performance.

The Compensation Committee then reviewed the individual performance of the NEOs with Mr. Sheffield and concluded that each of the NEOs should receive bonus awards above the 140 percent general award level for the following reasons:

- Mr. Berg was recognized for his efforts in negotiating the successful sale of the Company's Tunisia assets despite the political turmoil in the country at the time. Mr. Berg received an additional 60 percent of his target bonus level.
- Mr. Cheatwood was recognized for his efforts in connection with the successful sale of the Company's Tunisia assets and the development of the horizontal Wolfcamp Shale play, and received an additional 60 percent of his target bonus level.
- Mr. Dealy was recognized for his efforts in negotiating the successful sale of the Company's Tunisia assets and reducing the Company's debt level to permit the attainment of an investment grade status. Mr. Dealy received an additional 60 percent of his target bonus level.
- Mr. Dove led the Company's efforts in achieving its operational success and expanding the Company's vertical integration of oilfield services. Mr. Dove received an additional 20 percent of his target bonus level.

The Committee met with the full Board to review Mr. Sheffield's performance and concluded he provided excellent leadership and strategic direction for the Company in 2011, including with regard to the sale of the Company's Tunisia assets and the attainment of investment grade status. The Committee concluded that he provided the vision that positioned the Company as one of the top performing E&P companies and created a corporate culture where employees are fully engaged and goal-focused. Accordingly, Mr. Sheffield received an additional 40 percent of his target bonus level.

Long-Term Equity Incentives

The Compensation Committee began the process of determining the total dollar amount of the 2011 annual long-term incentive awards to be granted to each NEO by meeting with Meridian at the end of 2010 to review benchmarking data related to long-term incentive awards, including peers' median award levels, in accordance with the Company's compensation philosophy. In January 2011, the Committee then reviewed each NEO's total compensation level and each NEO's performance to determine if unique performance issues, positive or negative, existed that should affect the value of the 2011 annual long-term incentive award. The Committee did not consider the size or current value of prior long-term incentive awards in determining the 2011 long-term incentive award for the NEOs. The Committee believes that prior years' awards were a component of those specific years' total compensation and were not excessive, and future awards should be competitive with the NEO's current peer group positions in order to retain and motivate the NEO. After completing this review, the Committee concluded there were no unique performance issues that should affect the value of any NEO's 2011 award. At the Committee's regularly scheduled February 2011 meeting, the Committee concluded that each NEO should be eligible for a long-term incentive award targeted at the median level for the NEO's position and accordingly made equity awards at that level.

The Compensation Committee next reviewed the Company's approach for delivering long-term incentives to NEOs. As a part of its review, the Committee considered the balance of risk in the long-term incentive program, peer company practices, and input from senior management and Meridian. The Compensation Committee approved retaining the mix of long-

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term incentives for NEOs for 2011 at 25 percent performance units, 25 percent stock options, and 50 percent restricted shares. The Committee believes this mix of long-term incentive awards provides a good balance of risk, where restricted stock and RSU awards are time-based, full value awards, which avoid an “all or nothing” mentality; stock options provide benefits based on the appreciation of the Company’s stock price on an absolute basis; and performance units provide benefits based on the performance of the Company’s stock price in relation to the Company’s peer group stock price. Also, this mix effectively aligns the NEOs' interests with the Company’s stockholders and is consistent with the Company’s compensation philosophy of focusing on stockholder value creation.

For 2011, the dollar amounts of the long-term incentive awards granted to each NEO, and the allocation among the different types of awards, were as follows:

		Allocation Among Awards		
NEO	Total Value	Restricted Stock/RSU Awards	Performance Units	Stock Options
Scott D. Sheffield	$ 5,725,000	$ 2,862,500	$ 1,431,250	$ 1,431,250
Richard P. Dealy	2,000,000	1,000,000	500,000	500,000
Mark S. Berg	1,000,000	500,000	250,000	250,000
Chris J. Cheatwood	1,200,000	600,000	300,000	300,000
Timothy L. Dove	2,775,000	1,387,500	693,750	693,750

As occurred in 2010, with regard to the awards to Messrs. Sheffield and Dealy and in recognition of their substantial involvement in the management of Pioneer Southwest, the Committee desired that, of the 50 percent award value allocated to restricted stock awards, 40 percent be allocated to restricted stock or RSUs of the Company and 10 percent be allocated to restricted common units of Pioneer Southwest. Accordingly, the Committee recommended to the Board of Directors of the general partner of Pioneer Southwest that it consider the grant to those executives, who are also executive officers of the general partner, of awards payable in common units of Pioneer Southwest, having substantially similar terms to the Company’s restricted stock awards. The Board of Directors of the general partner approved those awards in February 2011.

To arrive at the resulting number of restricted stock or RSU shares (or Pioneer Southwest common units) and target performance units awarded, the dollar value of the award was divided by the 30 trading day average closing price of the Company’s common stock (or Pioneer Southwest common units) prior to February 1, 2011. To arrive at the number of stock options awarded, the dollar value of the award was divided by a Black Scholes value of the Company’s stock, which was provided by Meridian.

For the 2011 performance unit award program, as it has since it began awarding performance units in 2007, the Compensation Committee determined that performance should be measured objectively rather than subjectively and should be based on relative total stockholder return (“TSR”) over a three-year performance period. The Committee believes relative TSR is an appropriate long-term performance metric because it generally reflects all elements of a company’s performance and provides the best alignment of the interests of management and the Company’s stockholders. The Committee also believes that the performance unit program provides a good balance to the stock option and restricted stock programs.

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The peer group used in measuring relative TSR with respect to the performance unit grants in 2011 was the same group of companies used in connection with the 2010 performance units award grant, namely Apache Corporation, Chesapeake Energy Corporation, Cimarex Energy Co., Devon Energy Corporation, EOG Resources, Inc., Forest Oil Corporation, Newfield Exploration Company, Noble Energy, Inc., Plains Exploration and Production Company, Quicksilver Resources Inc., and Range Resources Corporation. Payouts range from zero percent to 250 percent of a target number of units based on relative ranking in the peer group at the end of the three-year performance period ending December 31, 2013. A target award payout corresponds to the Company's ranking in the middle of the peer group. Any earned units will be paid in stock, although the Committee has the discretion to cause the Company to pay earned units in cash. Dividends declared during the performance period will be paid at the end of the three-year performance period only as to shares paid for earned units up to a maximum of target shares. Please see the 2011 Grants of Plan Based Awards table below, and the description of the performance units following the table, for additional information regarding the performance units.

The performance unit awards granted each year provide additional balance of risk to the long-term incentive award program because a new three-year performance period starts at the beginning of each year. As depicted in the table below, for the period January 1, 2009 to December 31, 2011, the Company's TSR resulted in a ranking of first place, providing a payout of 250 percent of target. Accordingly, the performance shares earned by the NEOs for the 2009 to 2011 performance period were as follows: Mr. Sheffield, 151,148 shares; Mr. Dealy, 52,903 shares; Mr. Berg, 32,120 shares; Mr. Cheatwood, 33,238 shares; and Mr. Dove, 88,460 shares.

Ranking	Company Name	TSR (%)
1	Pioneer Natural Resources Company	367
2	Cimarex Energy Co.	138
3	Noble Energy, Inc.	103
4	Newfield Exploration Company	102
5	Range Resources Corporation	86
6	Plains Exploration and Production Company	57
7	Chesapeake Energy Corporation	49
8	EOG Resources, Inc.	38
9	Apache Corporation	35
10	Quicksilver Resources Inc.	16
11	Forest Oil Corporation	(20)

The following table shows the Company's TSR ranking for the performance unit awards with a performance period that began January 1, 2010, or two years into the three year performance period and the TSR of each named company over that period.

Ranking	Company Name	TSR (%)
1	Pioneer Natural Resources Company	105
2	Noble Energy, Inc.	41
3	Range Resources Corporation	39
4	Cimarex Energy Co.	35
5	Plains Exploration and Production Company	26
6	EOG Resources, Inc.	11
7	Chesapeake Energy Corporation	4

8	Apache Corporation	(2)
9	Devon Energy Corporation	(4)
10	Newfield Exploration Company	(9)
11	Forest Oil Corporation	(29)
12	Quicksilver Resources Inc.	(46)

The following table shows the Company's TSR ranking for the performance unit awards with a performance period that began January 1, 2011, or one year into the three year performance period and the TSR of each named company for that period.

Ranking	Company Name	TSR (%)
1	Range Resources Corporation	57
2	Plains Exploration and Production Company	15
3	Noble Energy, Inc.	13
4	Pioneer Natural Resources Company	10
5	EOG Resources, Inc.	9
6	Chesapeake Energy Corporation	8
7	Devon Energy Corporation	(11)
8	Apache Corporation	(14)
9	Cimarex Energy Co.	(23)
10	Newfield Exploration Company	(41)
11	Quicksilver Resources Inc.	(49)
12	Forest Oil Corporation	(59)

In administering the long-term incentive plan, awards are currently made to NEOs under the following guidelines:

- All long-term incentive awards are approved during the regularly scheduled February Compensation Committee meeting.
- The Compensation Committee retains the discretion to approve long-term incentive awards effective from the NEO's initial hire date.
- The Company does not time the release of material non-public information to affect the value of the executive equity compensation awards.
    - Restricted stock, RSUs and stock options cliff vest three years following the date of grant.

Actions in 2012

In November, 2011, the Compensation Committee and Mr. Sheffield started discussions regarding their concerns about the retention of Pioneer's NEOs and other key employees in light of the extremely competitive environment for experienced oil and gas industry talent. The Committee recognized that Pioneer's management team is highly respected and delivered the best total shareholder return of the energy companies in the S&P 500 and the fourth best returns of all companies in the S&P 500 for the 2009 through 2011 period. The Committee determined that each NEO, excluding Mr. Sheffield, should receive a special 2012 retention award consisting of RSUs that vest over a five-year period, with vesting to occur in equal one-third installments beginning with the third anniversary of the date of grant. The Committee also reviewed these retention and compensation issues with Meridian. In February, 2012, each NEO other than Mr. Sheffield was awarded this retention award with values approximating the values of their 2012 annual LTIP awards.

Total Direct Compensation

In determining the extent to which the Company's executive compensation program meets the Compensation Committee's compensation philosophy and objectives, the Committee emphasizes the competitiveness of total compensation (the aggregate of base salary, annual cash bonus, and the value of long-term incentives) rather than the individual compensation components. In reviewing the benchmarking data from Meridian's industry study and discussing with Meridian the pay practices of the Company's peers, the Committee concluded that for 2011, all NEOs, including Mr. Sheffield, were at approximately the median level for total compensation.

Other Compensation

Overview

The Compensation Committee believes that providing some perquisites and retirement benefits as components of total compensation is important in attracting and retaining qualified personnel; however, insofar as the Company has chosen to emphasize variable, performance-based pay, the Company takes a conservative approach to these fixed benefits. The Company's perquisite, retirement and other benefit programs are established based upon an assessment of competitive market factors and a determination of what is needed to attract, retain and motivate high caliber executives.

Perquisites

The perquisites provided to the NEOs are the payment of the costs of financial counseling services, annual medical physical exams and personal use of the Company's cell phones and computers. The Company also pays for the costs for the NEOs' spouses to participate in certain business dinners or events, which the Company expects to be minimal; however, the Company does not reimburse Mr. Sheffield for any transportation expenses for his spouse. Additionally, the Company pays the premium for a $1,000,000 term life insurance policy for Mr. Sheffield.

In 2011, the Company purchased 120 hours of flight time through a fractional aircraft ownership arrangement. These hours are made available for business use to the executive officers and other employees of the Company. The Company's policy is to not permit employees, including executive officers, to use these hours for personal use. The Company expects there will be occasions when a personal guest (including a family member) will accompany an employee on a business-related flight. In such instances, the Company will follow the Internal Revenue Service rules and, where required, impute income to the employee based on the Standard Industry Fare Level rates provided by the Internal Revenue Service.

The Company's NEOs participate in the Company's welfare benefit plans on the same basis as the Company's other employees.

Retirement Plans

All eligible employees of the Company, including the NEOs, may participate in the Company's defined contribution 401(k) retirement plan. The Company contributes two dollars for every one dollar of base compensation (up to five percent of base compensation and subject to the Internal Revenue Service imposed maximum contribution limits) contributed by the participant. The participant's contributions are fully vested at all times, and the Company's

matching contributions vest over the first four years of service, after which the matching contributions vest immediately. Participants may make additional pre-tax and after-tax contributions to the plan. All contributions are subject to plan and Internal Revenue Service limits.

The Company provides a non-qualified deferred compensation plan with a fixed Company matching contribution rate to certain of its more highly compensated employees, which includes the NEOs. The plan allows each participant to contribute up to 25 percent of base salary and 100 percent of annual incentive bonus payments. The Company provides a matching contribution equal to the NEO’s contribution, but limited to a maximum of ten percent of base salary. The Company’s matching contribution vests immediately. The non-qualified deferred compensation plan permits each participant to make investment allocation choices for both their contribution and the Company match to designated mutual funds offered as investment options under the non-qualified deferred compensation plan. The Company retains the right to maintain these investment choices as hypothetical investments or to actually invest in the participant’s investment choices. To date, the Company has chosen to actually invest the funds in the investment options selected so that the investment returns are funded and do not create unfunded liabilities to the Company. The Company believes the plan is administered in operational compliance with all applicable rules and law. For more information on the deferred compensation plan provisions, please see the 2011 Non-Qualified Deferred Compensation section below.

The Company has purposely avoided sponsoring a defined benefit retirement plan or supplemental executive retirement plan because the costs and ultimate payouts are difficult to quantify and control. Further, retirement plans are not viewed as the sole means by which its executive officers fund their retirement. The Committee believes that a portion of this need should be met through the accumulation of Company stock acquired through equity awards.

Severance and Change in Control Arrangements

The Compensation Committee believes compensation issues related to severance and change in control events for the NEOs should be addressed through contractual arrangements. As a result, while the Company has not entered into employment agreements with its executive officers, the Company enters into severance and change in control agreements with each of its executive officers, including each NEO, to meet the following objectives:

- Recruit and retain executives;
- Provide continuity of management in the event of an actual or threatened change in control; and
- Provide the executive with the security to make decisions that are in the best long-term interest of the stockholders.

The terms of these agreements are described later in "Potential Payments Upon Termination or Change in Control."

Stock Ownership Guidelines

To support the commitment to significant stock ownership by NEOs, the Company's common stock ownership guidelines are as follows:

- For the Chairman of the Board of Directors and CEO, ownership of stock with a value equal to at least six times annual base salary.
- For the President and Chief Operating Officer, ownership of stock with a value equal to at least five times annual base salary.

- For other NEOs, ownership of stock with a value equal to at least three times annual base salary.
  - An NEO generally has three years after becoming an executive officer to meet the guideline.

In evaluating compliance by executive officers and directors with the stock ownership guidelines, the Committee has established procedures to minimize the effect of stock price fluctuations on the deemed value of the individual's holdings. All NEOs, including Mr. Sheffield, exceeded their minimum ownership guidelines. In addition, the Company has a policy that prohibits directors, officers or employees from engaging in short sales, transactions involving stock options or restricted stock, or other derivative-type transactions relating to the Company’s common stock. Given these significant requirements for stock ownership, and their historical levels of actual stock ownership, the Committee does not believe that it is necessary to adopt a separate policy requiring executives to retain stock following the vesting or exercise of their long-term incentive awards.

Policy on Recovery of Compensation and Clawbacks

Pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act, the New York Stock Exchange is required to adopt rules that, in turn, will require the Company to develop and implement a policy providing that the Company will recover from executive officers who received incentive-based compensation during the three-year period preceding the date on which the Company is required to prepare an accounting restatement, based on the erroneous data, in excess of what would have been paid to the executive officer under the accounting restatement. Upon adoption of the necessary implementing rules, the Board of Directors will adopt a policy regarding the recovery of compensation in compliance with those rules.

Indemnification Agreements

The Company has entered into indemnification agreements with each of its directors and executive officers, including the NEOs. Each indemnification agreement requires the Company to indemnify each indemnitee to the fullest extent permitted by the Delaware General Corporation Law. This means, among other things, that the Company must indemnify the director or executive officer against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement that are actually and reasonably incurred in a legal proceeding by reason of the fact that the person is or was a director, officer, employee or agent of the Company or is or was serving at the request of the Company as a director, officer, employee or agent of another entity if the indemnitee meets the standard of conduct provided under Delaware law. Also as permitted under Delaware law, the indemnification agreements require the Company to advance expenses in defending such an action provided that the director or executive officer undertakes to repay the amounts if the person ultimately is determined not to be entitled to indemnification from the Company. The Company will also make the indemnitee whole for taxes imposed on the indemnification payments and for costs in any action to establish the indemnitee's right to indemnification, whether or not wholly successful. The Company also maintains customary directors' and officers' insurance coverage.

Deductibility of Executive Compensation.

The Omnibus Budget Reconciliation Act of 1993 placed restrictions on the deductibility of executive compensation paid by public companies. Under the restrictions, the Company is not able to deduct compensation paid to any of the NEOs (other than the Chief Financial Officer) in excess of $1,000,000 unless the compensation meets the definition of "performance-based compensation" as required in Section 162(m) of the Internal Revenue Code of 1986, as amended. Non-deductibility results in additional tax costs to the Company.

The Company's restricted stock and RSU awards do not qualify as performance-based compensation under Section 162(m); however, the annual incentive cash bonus payments (with respect to the annual cash bonus program for 2011 and later years), awards under the performance unit award program, and stock option awards granted by the Company are designed to qualify for deductibility under Section 162(m). Accordingly, portions of compensation paid to the Company's NEOs in 2011 that exceeded $1,000,000 (other than from the exercise of stock options and the vesting of performance unit awards) are not deductible. Amounts paid with respect to annual cash bonus awards for 2011 services (and services in later years) will qualify for deductibility to the extent an NEO’s total compensation exceeds $1,000,000 for the year in which such bonus amounts are paid. The Compensation Committee believes it is in the best interest of stockholders to use restricted stock and RSUs as a part of the NEOs’ long-term incentive awards.

COMPENSATION AND MANAGEMENT DEVELOPMENT COMMITTEE REPORT

The information contained in this Compensation and Management Development Committee Report shall not be deemed to be "soliciting material" or to be "filed" with the SEC, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that the Company specifically incorporates such information.

During the last fiscal year, and this year in preparation for the filing of this Proxy Statement with the Securities and Exchange Commission, the Compensation and Management Development Committee of the Board of Directors:

- reviewed and discussed the disclosure set forth under the heading “Compensation Discussion and Analysis” with management as required by Item 402(b) of Regulation S-K; and

- based on the reviews and discussions referred to above, recommended to the Board of Directors that the disclosure set forth under the heading “Compensation Discussion and Analysis” be included in this Proxy Statement and incorporated by reference into the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

Respectfully submitted by the Compensation and Management Development Committee of the Board of Directors,

Edison C. Buchanan, Chairman
Andrew F. Cates
Andrew D. Lundquist
Scott J. Reiman
J. Kenneth Thompson

EXECUTIVE COMPENSATION TABLES

Summary Compensation Table

The compensation paid to the Company's executive officers generally consists of a base salary, annual incentive bonus payments, awards of restricted stock or RSUs, performance units, stock options and similar awards under long-term incentive plans, contributions to the Company's non-qualified deferred compensation plan, contributions to the Company's defined contribution 401(k) retirement plan and miscellaneous perquisites, which elements of compensation are described in greater detail above in the "Compensation Discussion and Analysis" and in the tables that follow. The following table summarizes the total compensation for 2011, 2010 and 2009 awarded to, earned by or paid to the NEOs:

Name and Principal Position (a)	Year (b)	Salary ($) (c)	Bonus (1) ($) (d)	Stock Awards (2) ($) (e)	Option Awards (2) ($) (f)	Non-Equity Incentive Plan Compensation (1) (g)	Change in Non-qualified Deferred Compensation Earnings (3) ($) (h)	All Other Compensation (4) ($) (i)	Total ($) (j)
Scott D.	2011	$956,001	$ -	$5,315,904	$ 1,592,382	$ 1,720,800	$ -	$ 142,011	$9,727,098
Sheffield	2010	$956,001	$2,007,600	$4,468,544	$ 1,046,760	$ -	$ -	$ 134,678	$8,613,583
	2009	$956,000	$1,051,600	$2,813,173	$ 723,163	$ -	$ 1,184,589	$ 135,512	$6,864,037
Chairman of the Board and Chief Executive Officer									
Richard P.	2011	$406,001	$ -	$1,857,114	$ 556,277	$ 690,200	$ -	$ 73,551	$3,583,143
Dealy	2010	$406,001	$ 730,800	$1,218,693	$ 285,480	$ -	$ -	$ 66,922	$2,707,896
	2009	$406,000	$ 448,630	$ 984,621	$ 253,107	$ -	$ 146,213	$ 66,015	$2,304,586
Executive Vice President and Chief Financial Officer									
Mark S. Berg	2011	$376,002	$ -	$ 931,760	$ 278,163	$ 564,000	$ -	$ 73,033	$2,222,958
	2010	$376,002	$ 592,200	$ 720,307	$ 169,385	$ -	$ -	$ 71,842	$1,929,736
Executive Vice President and General Counsel	2009	$376,000	$ 293,280	$ 597,817	$ 153,671	$ -	$ 72,766	$ 68,437	$1,561,971
Chris J.	2011	$376,002	$ -	$1,118,145	$ 333,776	$ 564,000	$ -	$ 74,010	$2,465,933
Cheatwood	2010	$376,002	$ 658,000	$ 768,885	$ 180,804	$ -	$ -	$ 75,896	$2,059,587

Executive Vice President, Business Development and Geoscience	2009	$376,000	$ 268,840	$ 618,616	$ 159,026	$ -	$ 188,265	$ 72,883	$1,683,630
Timothy L. Dove	2011	$531,001	$ -	$ 2,585,751	$ 771,832	$ 849,600	$ -	$ 82,750	$4,820,934
	2010	$531,001	$1,062,000	$ 1,990,900	$ 468,187	$ -	$ -	$ 80,662	$4,132,750
President and Chief Operating Officer	2009	$531,000	$ 573,480	$ 1,646,418	$ 423,225	$ -	$ 188,098	$ 80,222	$3,442,443

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(1) Bonus amounts in column (d) represent discretionary bonuses earned during 2010 and 2009 under the Company's annual incentive bonus program that were paid during March of the following year. Although, in determining these discretionary bonuses, the Company’s Compensation Committee considered certain pre-

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established performance goals, the amounts actually paid were determined pursuant to the Committee's subjective evaluation of the performance of the Company and the NEOs. Commencing with 2011, the Committee approved an annual cash bonus incentive program, which is described above, pursuant to which the Committee established a baseline performance hurdle the achievement of which was a condition to the payment of a cash bonus to the NEOs. The amounts in column (g) reflect the actual payouts under this annual cash bonus incentive program for 2011, which were paid in March 2012.

(2) Amounts reported for Stock Awards and Option Awards represent the grant date fair value of restricted stock, RSUs, performance unit and stock option awards, computed in accordance with FASB ASC Topic 718. Stock awards for Messrs. Sheffield and Dealy include grants by the general partner of Pioneer Southwest of phantom unit awards that, if vested, will be settled in common units of Pioneer Southwest. These phantom unit awards are also reported based on their grant date fair value, computed in accordance with FASB ASC Topic 718. Pursuant to SEC rules, the amounts shown exclude the effect of estimated forfeitures related to service-based vesting conditions. The values shown for restricted stock, RSUs and phantom unit awards are based on the market-quoted closing price of the Company's common stock and Pioneer Southwest's common units, as applicable, on the last business day prior to the grant date of the awards. Stock option awards are valued as of the grant dates using the Black-Scholes option pricing model. The Company's performance units are valued using the Monte Carlo simulation method assuming a target number of shares would be issued because this is deemed to be the "probable" payout percentage at the time of grant consistent with the estimate of aggregate compensation cost to be recognized over the service period. Actual payouts with respect to performance units can range from zero percent to 250 percent of a target number of units based on relative ranking of the Company's TSR in comparison to the peer group over the three-year performance period. If the Company's performance is below the threshold performance, no shares will be paid. If the Company's performance places it first among its peers, a maximum of 250 percent of the target number of shares will be paid. In that instance, the grant date fair value of the maximum number of shares for each of the NEOs pursuant to performance units granted in 2011 would be as follows: Mr. Sheffield, $5,409,153; Mr. Dealy, $1,889,560; Mr. Berg, $944,780; Mr. Cheatwood, $1,133,736; and Mr. Dove, $2,621,950. Additional detail regarding the Company's share-based awards is included in Note G of Notes to Consolidated Financial Statements included in "Item 8. Financial Statements and Supplementary Data" in the Company's Annual Report on Form 10-K for the year ended December 31, 2011 and under the 2011 Grants of Plan-Based Awards table below. For additional information regarding restricted stock, RSUs, performance units, stock options and phantom units in Pioneer Southwest, as applicable, owned by the NEOs as of December 31, 2011, see below under "2011 Outstanding Equity Awards at Fiscal Year End."

(3) In accordance with the rules of the SEC, amounts reported in the Change in Non-qualified Deferred Compensation Earnings Column represent the earnings that accrued during the year indicated to the accounts of the NEOs in the Company's non-qualified deferred compensation plan to the extent that the rate of return on such earnings is considered to be above-market or preferential. A substantial portion of the non-qualified deferred compensation earnings for Mr. Sheffield in 2009 was attributable to appreciation in the value of the Company's common stock. During 2009, the Company changed investment options for the non-qualified deferred compensation plan, and, for 2010 and later years, contributions may no longer be invested in the Company's stock. During 2011 and 2010, all investment options available to participants in the Company's non-qualified deferred compensation plan were also options available to participants in the Company's 401(k) retirement plan, and, therefore, there were no reportable above-market or preferential earnings determined in accordance with SEC guidance.

(4) Amounts reported for All Other Compensation include the Company contributions to the NEOs' 401(k) retirement accounts and non-qualified deferred compensation plan, life insurance premiums and other perquisites, as shown in the following table:

	Year ended December 31, 2011				
	Scott D. Sheffield	Richard P. Dealy	Mark S. Berg	Chris J. Cheatwood	Timothy L. Dove
401(k) contributions	$ 25,323	$ 24,884	$ 24,585	$ 24,500	$ 24,508
Non-qualified deferred compensation plan contributions	95,600	40,600	37,000	37,600	53,100
Life insurance premiums	7,762	1,373	1,940	1,940	4,902
Non-tobacco use credit (a)	300	300	300	-	240
Financial counseling	10,000	6,175	8,000	9,970	-
Personal and spousal travel & entertainment costs (b)	3,026	219	1,208	-	-
	$ 142,011	$ 73,551	$ 73,033	$ 74,010	$ 82,750

(a) The non-tobacco use credit represents a $20 per month credit received by employees enrolled under the Company's medical plan that do not use tobacco.
(b) Spousal travel & entertainment costs are included to the extent of the incremental costs incurred by the Company for travel and entertainment of spouses when accompanying the NEOs on Company-related business trips.

Mr. Sheffield, directly or indirectly, holds working interests in wells operated by the Company or a subsidiary of the Company. These interests were initially acquired in 1990 or earlier with his personal funds pursuant to a program offered by the Company's predecessor. As such, Mr. Sheffield participates in the costs and revenues attributable to these working interests in accordance with customary industry terms. During 2011, the aggregate amount of the distributions made to Mr. Sheffield was $25,054 (this amount is not included in the Summary Compensation Table).

2011 Grants of Plan-Based Awards

The following table sets forth, for each NEO, information about grants of plan-based awards during 2011.

		Estimated Future Payouts under Non-Equity Incentive Plan Awards (1)			Estimated Future Payouts Under Equity Incentive Plan Awards (2)						
Name (a)	Grant Date (b)	Threshold ($) (c)	Target ($) (d)	Maximum ($) (e)	Threshold (#) (f)	Target (#) (g)	Maximum (#) (h)	All Other Stock Awards: Number of Shares of Stock or Units (#) (i)	All Other Option Awards: Number of Securities Underlying Options (5) (#) (j)	Exercise or Base Price of Option Awards (6) ($/Sh) (k)	Grant Date Fair Value of Stock and Option Awards (7) ($) (l)
Scott D. Sheffield	02/15/2011	-	$956,000	$2,390,000				25,704 (3)			$2,536,728
	02/15/2011				4,017	16,065	40,163				$2,163,634
	02/15/2011								32,098	$98.69	$1,592,382
	02/15/2011							19,140 (4)			615,542
Richard P. Dealy	02/15/2011	-	$345,100	$862,750				8,980 (3)			$ 886,236
	02/15/2011				1,403	5,612	14,030				$ 755,824
	02/15/2011								11,213	$98.69	$ 556,277
	02/15/2011							6,687 (4)			$ 215,054
Mark S. Berg	02/15/2011	-	$282,000	$705,000				5,612 (3)			$ 553,848
	02/15/2011				702	2,806	7,015				$ 377,912
	02/15/2011								5,607	$98.69	$ 278,163
Chris J. Cheatwood	02/15/2011	-	$282,000	$705,000				6,735 (3)			$ 664,677
	02/15/2011				842	3,367	8,418				$ 453,468
	02/15/2011								6,728	$98.69	$ 333,776
Timothy L. Dove	02/15/2011	-	$531,000	$1,327,500				15,574 (3)			$ 1,536,998
	02/15/2011				1,947	7,787	19,468				$ 1,048,753
	02/15/2011								15,558	$98.69	$ 771,832

(1) The amounts in columns (c), (d) and (e) represent the threshold, target and maximum payment levels with respect to the Company's 2011 annual cash bonus incentive program under the Company's 2006 Long-Term Incentive Plan, as discussed above. If the Company's performance does not exceed the minimum baseline performance hurdle, then the payout under this program will be zero. The amounts shown in the "Target" column reflect a payout of 100 percent of the target bonus, and the amounts shown in the "Maximum" column reflect the highest possible payout of 250 percent of target bonus. Actual bonus payouts for 2011, which were paid in March 2012, are reflected in the "Non-Equity Incentive Plan Compensation" column of the Summary Compensation Table.

(2) The amounts in columns (f), (g) and (h) represent the threshold, target and maximum payment levels with respect to the grants of performance units in 2011 under the Company's 2006 Long-Term Incentive Plan. The number of shares shown in the "Threshold" column reflects the lowest possible payout (other than zero), representing 25 percent of the number of performance units granted. If performance is below the threshold, no shares are paid. The number of shares shown in the "Target" column reflects a payout of 100 percent of the number of

performance units granted. The number of shares shown in the "Maximum" column reflects the highest possible payout of 250 percent of the number of performance units granted.

(3) The amounts reported are the number of restricted shares of the Company’s common stock, or in the case of Mr. Sheffield, RSUs, granted to each NEO in 2011 under the Company’s 2006 Long-Term Incentive Plan.

(4) The amounts reported are the number of phantom units to be settled in common units of Pioneer Southwest, which phantom units were awarded by the general partner of Pioneer Southwest in 2011 under Pioneer Southwest’s 2008 Long-Term Incentive Plan.

(5) The amounts reported in this column are the number of stock options granted to each NEO in 2011 under the Company’s 2006 Long-Term Incentive Plan.

(6) As required under the terms of the Company’s 2006 Long-Term Incentive Plan, the $98.69 exercise price of the stock options was equal to the "Fair Market Value" of the Company's common stock on the date of grant, which is defined to be the closing price of the Company’s common stock on the last trading day prior to the date of grant (in this case on February 14, 2011).

(7) Amounts for restricted stock, RSUs, performance units, stock options and Pioneer Southwest phantom unit awards represent each award's grant date fair value computed in accordance with FASB ASC Topic 718. The value of performance units was determined on the grant date using the Monte Carlo simulation method assuming a target number of shares would be issued, and is consistent with the estimate of aggregate compensation costs that the Company would expense in its financial statements over the awards' three-year performance period, in accordance with FASB ASC Topic 718. Please see footnote 2 to the Summary Compensation Table for additional information about the assumptions used in calculating these amounts.

Narrative Disclosure for the 2011 Grants of Plan-Based Awards Table

The 2011 annual cash incentive bonus awards were made under the Company's 2006 Long-Term Incentive Plan. The 2011 awards of performance units, restricted stock, RSUs and stock options were also awarded under the Company's 2006 Long-Term Incentive Plan, and the Pioneer Southwest phantom units were awarded by the general partner of Pioneer Southwest under its 2008 Long-Term Incentive Plan. The material terms of these awards are described below. Defined terms impacting the accelerated settlement or vesting of awards can be found below in "Potential Payments Upon Termination or Change in Control."

Annual Cash Bonus Incentives

The 2011 annual cash bonus incentive program included a baseline performance hurdle, the achievement of which was a condition to the payment of any cash bonuses to the NEOs for 2011. The baseline performance hurdle required the Company to achieve cash flow from operations of at least $1 billion. In early 2012, the Committee determined that the Company had exceeded the baseline performance hurdle and, as a result, each NEO was eligible to receive an annual cash bonus payment up to the maximum bonus award opportunity of 2.5 times the NEO's target bonus. The dollar value of the target and maximum bonus award opportunities for each NEO are reported in the "2011 Grants of Plan-Based Awards Table" above. In determining the actual amounts paid to the NEOs for 2011, the Committee applied its subjective judgment, taking into account the Company's performance in light of industry conditions and opportunities and each NEO's performance, as described in greater detail above under "Compensation Discussion & Analysis—Elements of the Company's Compensation Program—Annual Cash Bonus Incentives." The amounts actually paid to each NEO with respect to the 2011 annual bonus incentives are reported in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table.

Performance Units

The performance unit awards represent the right to receive between zero percent and 250 percent of the initial number of performance units awarded, contingent on the continued employment of the NEO and the Company's achievement of the specified performance objective at the end of the performance period. The 2011 awards have a three-year performance period (January 2011 to December 2013), and the number of performance units earned will be based on the Company's TSR ranking for this three-year period compared to the TSR of the eleven other companies in the peer group (the ten "Tier 2" companies in the table of peer companies in the "Benchmarking" section above plus Devon Energy Corporation), in accordance with the following:

TSR Rank Against Peers	Percentage of Performance Units Earned
1	250%
2	200%
3	175%
4	150%
5	125%
6	110%
7	75%
8	50%
9	25%
10	0%
11	0%
12	0%

TSR means the annualized rate of return stockholders receive through stock price changes and the assumed reinvestment of dividends paid over the performance period.

Performance units earned will generally be paid in shares of the Company's common stock (unless the Compensation Committee determines to pay in cash) no later than March 15th of the year following the year in which the performance period ends. The NEOs will also earn dividend equivalents on the performance units actually earned up to a maximum of the initial number awarded, which will be paid at the time the performance units are settled.

If an NEO's employment with the Company is terminated during the performance period, the following rules will determine the number of performance units, if any, the NEO will earn: (1) if the NEO's employment is terminated due to death or disability, the NEO will receive settlement of a number of performance units equal to the initial number of performance units awarded multiplied by a fraction, the numerator of which is the number of months during the performance period that the NEO was employed and the denominator of which is 36 (the "pro ration fraction"); (2) if the NEO's employment is terminated due to the NEO’s normal retirement on or after the attainment of age 60, the NEO will receive settlement of a number of performance units equal to the number of performance units that would have been earned if the NEO had continued employment through the end of the performance period multiplied by the pro ration fraction; (3) if the NEO's employment is terminated by the Company without cause or by the NEO for good reason, then (A) Messrs. Sheffield and Dove will receive a number of performance units equal to the number of performance units that would have been earned if they had continued employment through the end of the performance period, and (B) the other NEOs will receive settlement of a number of performance units equal to the number of performance units that would have been earned if the NEOs had continued employment through the end of the performance period multiplied by the pro ration fraction; and (4) if an NEO's employment is terminated for any other reason, the NEO will not receive settlement of any of the performance units.

In the event of a change in control, the date of the change in control will be treated as the last day of the performance period and achievement of the performance objective will be measured based on the Company's actual performance as of that date.

Additional information regarding the performance unit awards can be found above under "Compensation Discussion and Analysis - Elements of the Company's Compensation Program - Long-Term Equity Incentives."

Restricted Stock and RSUs

In general, the restricted stock awards vest on the third anniversary of the date of grant, subject to the NEO remaining employed with the Company continuously through the vesting date. While an NEO holds restricted shares, he is entitled to vote with holders of the Company’s common stock and receive dividends on the shares at the same rate and time as other stockholders. RSU awards are similar to restricted stock awards in that they vest on the third anniversary of the date of grant and are settled in common stock of the Company, subject to the NEO remaining employed with the Company continuously through the vesting date, and the NEO has the right to receive payments equivalent to the dividends paid on the common stock at the same rate and time as other stockholders; however, the NEO has no voting rights in respect of RSUs.

The vesting of the restricted shares and RSUs will accelerate in full upon a change in control. In addition, if an NEO terminates employment prior to the vesting date, the following rules will apply: (1) if an NEO is terminated by the Company for cause or by the NEO without good reason, all of the restricted shares or RSUs subject to the award will be forfeited to the Company, (2) if an NEO is terminated due to death, disability, normal retirement (on or after attainment of age 60), by the Company without cause or by the NEO for good reason, a number of restricted shares or RSUs will vest equal to the total number of shares subject to the award multiplied by a fraction, the numerator of which is the number of months following the date of grant during which the NEO was employed by the Company and the denominator of which is 36, and (3) notwithstanding clause (2) of this paragraph, if Messrs. Sheffield and Dove are terminated by the Company without cause or they terminate their employment for good reason, all of the restricted shares or RSUs subject to their awards will vest in full.

Stock Options

In general, the stock options vest on the third anniversary of the date of grant, subject to the NEO remaining employed with the Company continuously through the vesting date. The stock options have a ten-year term with an exercise price equivalent to the closing price of the Company’s common stock on the date immediately prior to the date of grant. The vesting of the stock options will accelerate in full upon a change in control. In addition, if an NEO terminates employment prior to the vesting date, the following rules will apply: (1) if an NEO is terminated by the Company for cause or by the NEO without good reason, all of the stock options will be forfeited to the Company, (2) if an NEO is terminated due to death, disability, normal retirement (on or after attainment of age 60), by the Company without cause or by the NEO for good reason, a number of stock options will vest equal to the total number of stock options subject to the award multiplied by a fraction, the numerator of which is the number of months following the date of grant during which the NEO was employed by the Company and the denominator of which is 36, and (3) notwithstanding clause (2) of this paragraph, if Messrs. Sheffield and Dove are terminated by the Company without cause or they terminated their employment for good reason, all of the stock options subject to their awards will vest in full.

Pioneer Southwest Phantom Units

In general, the phantom unit awards vest on the third anniversary of the date of grant, subject to the NEO remaining employed with the Company or an affiliate continuously through the vesting date. Upon vesting, the phantom units entitle the holder to receive common units of Pioneer Southwest equal to the number of phantom units. The phantom units were granted

with distribution equivalent rights, which means that, while an NEO holds phantom units, he is entitled to receive distributions on the common units underlying the phantom units at the same rate and time as limited partners of Pioneer Southwest. Any distributions received by the NEOs are vested upon receipt and are not subject to forfeiture. The vesting of the phantom units will accelerate in full upon a change in control of Pioneer Southwest or the Company. In addition, if an NEO terminates employment with the Company or an affiliate prior to the vesting date, the rules described above with respect to restricted stock will also apply to the phantom units.

For purposes of the Pioneer Southwest phantom unit awards, the term “change in control” of the Company is defined by reference to the Company’s 2006 Long-Term Incentive Plan, and the terms “cause,” “good reason,” and “disability” are defined by reference to the NEOs’ severance agreements, which definitions can be found below in "Potential Payments Upon Termination or Change in Control." A "change in control" of Pioneer Southwest generally includes the occurrence of any of the following events or circumstances: (1) any transaction resulting in Pioneer Southwest ceasing to be controlled by the Company; (2) the limited partners of Pioneer Southwest approve a plan of complete liquidation of Pioneer Southwest; (3) the sale or other disposition by either the general partner of Pioneer Southwest or Pioneer Southwest of all or substantially all of its assets to an entity other than the general partner or an affiliate of the general partner; or (4) a transaction resulting in an entity other than the Company or one of its affiliates being the general partner of Pioneer Southwest.

2011 Outstanding Equity Awards at Fiscal Year End

The following table sets forth, for each NEO, information regarding stock options, restricted stock, RSUs, performance units and Pioneer Southwest phantom units that were held as of December 31, 2011, including awards that were granted prior to 2011:

	Option Awards				Stock Awards			
Name (a)	Number of Securities Underlying Unexercised Options (#) Exercisable (b)	Number of Securities Underlying Unexercised Options (#) Unexercisable (c)	Option Exercise Price ($) (e)	Option Expiration Date (f)	Number of Shares or Units of Stock that have not Vested (#) (g)	Market Value of Shares or Units of Stock that have not Vested (1) ($) (h)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights that have not Vested (#) (i)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That have not Vested (2) ($) (j)
Scott D. Sheffield	0	115,337 (3)	$ 15.62	02/18/2019	120,919 (6)	$ 10,819,832	70,555 (11)	$ 6,313,261
	0	44,000 (4)	$ 47.10	02/16/2020	45,156 (7)	$ 4,040,559	28,144 (12)	$ 2,515,641
	0	32,098 (5)	$ 98.59	02/16/2021	25,704 (8)	$ 2,299,994		
					24,144 (9)	$ 631,607		
					19,140(10)	$ 500,702		
Richard P. Dealy	0	40,368 (3)	$ 15.62	02/18/2019	42,322 (6)	$ 3,786,973	19,243 (11)	$ 1,721,864
	0	12,000 (4)	$ 47.10	02/16/2020	12,315 (7)	$ 1,101,946	9,821 (12)	$ 878,783
	0	11,213 (5)	$ 98.59	02/16/2021	8,980 (8)	$ 803,503		
					6,585 (9)	$ 172,264		
					6,687 (10)	$ 174,932		
Mark S. Berg	0	24,509 (3)	$ 15.62	02/18/2019	25,696 (6)	$ 2,299,278	11,418 (11)	$ 1,021,683
	0	7,120 (4)	$ 47.10	02/16/2020	9,134 (7)	$ 817,310	4,911 (12)	$ 439,436
	0	5,607 (5)	$ 98.59	02/16/2021	5,612 (8)	$ 502,162		
Chris J. Cheatwood	0	25,363 (3)	$ 15.62	02/18/2019	26,590 (6)	$ 2,379,273	12,188 (11)	$ 1,090,582
	0	7,600 (4)	$ 47.10	02/16/2020	9,750 (7)	$ 872,430	5,892 (12)	$ 527,216
	0	6,728 (5)	$ 98.59	02/16/2021	6,735 (8)	$ 602,648		
Timothy L. Dove	0	67,500 (3)	$ 15.62	02/18/2019	70,768 (6)	$ 6,332,321	31,558 (11)	$ 2,823,810
	0	19,680 (4)	$ 47.10	02/16/2020	25,246 (7)	$ 2,259,012	13.627 (12)	$ 1,219,344
	0	15,558 (5)	$ 98.59	02/16/2021	15,574 (8)	$ 1,393,562		

(1)

Based on the closing price of $89.48 of the Company's common stock on December 30, 2011 (the last trading day of 2011) or the closing price per unit of $26.16 of Pioneer Southwest’s common units on December 30, 2011 (the last trading day of 2011), as applicable.

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(2) Represents the market value of the unvested and unearned performance units based on a price per share of the Company's common stock of $89.48, the closing market price on December 30, 2011 (the last trading day of 2011).
(3) This award of stock options vested in full on February 18, 2012, which was the third anniversary of the grant date, but these options were unexercisable on December 31, 2011.
(4) This award of stock options vests in full on February 16, 2013, which is the third anniversary of the grant date. The vesting of this award will accelerate in full upon a change in control. In addition, the termination of the NEO's employment prior to the vesting date will affect the vesting of the award as described above in the section entitled "Narrative Disclosure for the 2011 Grants of Plan Based Awards Table."
(5) This award of stock options vests in full on February 15, 2014, which is the third anniversary of the grant date. The vesting of this award will accelerate in full upon a change in control. In addition, the termination of the NEO's employment prior to the vesting date will affect the vesting of the award as described above in the section entitled "Narrative Disclosure for the 2011 Grants of Plan Based Awards Table."
(6) This award of restricted stock vested in full on February 18, 2012, which is the third anniversary of the grant date, but was outstanding on December 31, 2011.
(7) This award of restricted stock vests in full on February 16, 2013, which is the third anniversary of the grant date. The vesting of this award will accelerate in full upon a change in control. In addition, the termination of the NEO's employment prior to the vesting date will affect the vesting of the award as described above in "Narrative Disclosure for the 2011 Grants of Plan Based Awards Table."
(8) This award of restricted stock, or RSUs in the case of Mr. Sheffield, vests in full on February 15, 2014, which is the third anniversary of the grant date. The vesting of this award will accelerate in full upon a change in control. In addition, the termination of the NEO's employment prior to the vesting date will affect the vesting of the award as described above in "Narrative Disclosure for the 2011 Grants of Plan Based Awards Table."
(9) This award of Pioneer Southwest phantom units vests in full on March 4, 2013, which is the third anniversary of the grant date. The vesting of this award will accelerate in full upon a change in control of the Company or Pioneer Southwest. In addition, the termination of the NEO's employment prior to the vesting date will affect the vesting of the award as described above in "Narrative Disclosure for the 2011 Grants of Plan Based Awards Table."
(10) This award of Pioneer Southwest phantom units vests in full on February 15, 2014, which is the third anniversary of the grant date. The vesting of this award will accelerate in full upon a change in control of the Company or Pioneer Southwest. In addition, the termination of the NEO's employment prior to the vesting date will affect the vesting of the award as described above in "Narrative Disclosure for the 2011 Grants of Plan Based Awards Table."
(11) This award of performance units was made in 2010 and has a three-year performance period (January 2010 to December 2012). The number of shares reported represents the number of performance units that would vest on December 31, 2012 (assuming that the NEO is continuously employed with the Company through that date) if the Company's relative TSR resulted in a ranking of first out of the twelve peer companies, which would be the "Maximum." As of December 31, 2011, the Company's relative TSR for this performance period would have resulted in a ranking of first place. In the event of a change of control, the date of the change in control will be treated as the last day of the performance period, and the performance unit award will become fully vested, with the achievement of the performance objective being based on the Company's actual performance as of such date. In addition, the termination of the NEO's employment prior to the end of the performance period will affect the vesting of the award as described above in the section entitled "Narrative Disclosure for the 2011 Grants of Plan Based Awards Table."
(12) This award of performance units was made in 2011 and has a three-year performance period (January 2011 to December 2013). The conditions for vesting of this award are described above in "Narrative Disclosure for the 2011 Grants of Plan Based Awards Table." The number of shares reported represents the number of performance units that would vest on December 31, 2013 (assuming that the NEO is continuously employed with the Company through that date) if the Company's relative TSR resulted in a ranking of third out of the twelve peer companies,

which would be 175% of the "Target" number of performance units awarded, in accordance with the table in the section above entitled "Narrative Disclosure for the 2011 Grants of Plan-Based Awards Table." As of December 31, 2011, the Company's relative TSR for this performance period would have resulted in a ranking of fourth place. In the event of a change in control, the date of the change of control will be treated as the last day of the performance period, and the performance unit award will become vested, with the achievement of the performance objective being based on the Company's actual performance as of such date.

In addition, the termination of the NEO's employment prior to the end of the performance period will affect the vesting of the award as described above in the section entitled "Narrative Disclosure for the 2011 Grants of Plan Based Awards Table."

2011 Option Exercises and Stock Vested

The following table sets forth, for each NEO, information about exercises of stock options, the lapse of restrictions on stock awards and the vesting of performance units during 2011:

	Option Awards		Stock Awards	
Name (a)	Number of Shares Acquired on Exercise (#) (b)	Value Realized on Exercise (1) ($) (c)	Number of Shares Acquired on Vesting (#) (d)	Value Realized on Vesting ($) (e)
Scott D. Sheffield	-	$ -	38,479 151,148 (3)	$ 3,709,376 (2) $ 13,524,723 (3)
Richard P. Dealy	1,750	$ 89,560	12,643 52,903 (3)	$ 1,218,785 (2) $ 4,733,760 (3)
Mark S. Berg	-	$ -	8,520 32,120 (3)	$ 821,328 (2) $ 2,874,098 (3)
Chris J. Cheatwood	-	$ -	8,520 33,238 (3)	$ 821,328 (2) $ 2,974,136 (3)
Timothy L. Dove	3,333	$ 248,503	21,438 88,460 (3)	$ 2,066,623 (2) $ 7,915,401 (3)

(1) The value realized per share acquired is based on the difference between the closing price per share of the Company's common stock on the date of exercise and the exercise price per share of the stock options.

(2) The value realized with respect to vesting of restricted stock is based on the closing price per share of $96.40 of the Company's common stock on February 11, 2011, the most recent closing price of the Company's common stock prior to the date of vesting of the awards on February 12, 2011.

(3) These shares vested as of December 31, 2011, in respect of the performance unit awards granted in 2009, with the number of shares of stock earned with respect to such awards determined on the basis of the Company's achievement of performance objectives for the performance period beginning January 1, 2009 and ending on December 31, 2011. For this performance period, the Company's TSR resulted in a ranking of first place, providing a payout of 250 percent of target. The vested shares were issued to the NEOs in January 2012. The value realized with respect to these earned performance units is based on the closing price of $89.48 of the Company's common stock on December 30, 2011, the last trading day of 2011.

Pension Benefits

The Company does not sponsor or maintain any plans that provide for specified retirement payments or benefits, such as tax-qualified defined benefit plans or supplemental executive retirement plans, for its NEOs.

2011 Non-Qualified Deferred Compensation

The Company's NEOs participate in a Company-sponsored defined contribution 401(k) retirement plan and a non-qualified deferred compensation plan. The following table provides information about participation of each NEO in the Company's non-qualified deferred compensation plan:

Name (a)	Executive Contributions in Last FY (1) ($)(b)	Registrant Contributions in Last FY (2) ($)(c)	Aggregate Earnings in Last FY (3) ($)(d)	Aggregate Balance at Last FYE (4) ($)(f)
Scott D. Sheffield	$ 95,600	$ 95,600	$ 82,220	$ 4,784,179
Richard P. Dealy	$ 60,900	$ 40,600	$ 22,730	$ 1,172,560
Mark S. Berg	$ 37,000	$ 37,000	$ 9,190	$ 419,739
Chris Cheatwood	$ 94,000	$ 37,600	$ (74,166)	$ 1,104,568
Timothy L. Dove	$ 53,100	$ 53,100	$ (12,353)	$ 1,398,402

(1) The amounts reported in this column were deferred at the election of the NEO and are also included in the amounts reported in the Salary or Non-Equity Incentive Plan Compensation column of the "Summary Compensation Table" for 2011.

(2) The amounts in this column are also included in the All Other Compensation column of the "Summary Compensation Table" for 2011.

(3) The amounts in this column represent aggregate earnings on the investments made in the non-qualified deferred compensation plan that accrued during 2011 on amounts of salary and/or bonus deferred at the election of the NEO and the contributions made by the Company for each NEO pursuant to the Company's non-qualified deferred compensation plan.

(4) The aggregate balance for each NEO reflects the cumulative value, as of December 31, 2011, of the contributions to the Company's non-qualified deferred compensation plan made by that NEO and the Company for the NEO's account, and any earnings on these amounts, since the NEO began participating in the plan. The Company has previously reported the Company contributions, executive contributions and above-market returns (to the extent the NEO's compensation was required to be reported for the NEO pursuant to SEC rules) in its Summary Compensation Table since the 2006 fiscal year. The total amount previously reported in the Summary Compensation Table for each of the NEOs was as follows: Mr. Sheffield, $2,242,055; Mr. Dealy, $668,404; Mr. Berg, $274,766, Mr. Cheatwood, $610,257; and Mr. Dove, $777,105.

The non-qualified deferred compensation plan allows each participant to contribute up to 25 percent of base salary and 100 percent of annual incentive bonus payments. In addition, the Company may provide a matching contribution of 100 percent of the participant's contribution up to the first ten percent of an executive officer's base salary. The Company's matching contribution vests immediately.

The non-qualified deferred compensation plan permits each executive officer to make investment allocation choices for both the executive officer's contributions and the Company matching contributions made on the executive's behalf among the designated mutual funds offered as investment options under the non-qualified deferred compensation plan. The Company retains the right to maintain these investment choices as hypothetical investments or to actually invest the plan account pursuant to the executive officer's investment choices. To date, the Company has chosen to actually invest the funds in the investment options selected by the executive officers so that the investment returns are funded, but such funds remain assets subject to the claims of the Company's general creditors. If a participant fails to make an investment election, then amounts allocated to his or her account shall be deemed to be invested in the investments designated by the plan administrator from time to time; the default investment for the 2011 year was the Vanguard Target Retirement Fund that most closely matches the year in which the participant would retire. An executive is permitted to change his or her investment choices at any time. The following table lists the mutual fund investment options for the non-qualified deferred compensation plan in 2011, all of which were also investments options available to participants in the Company's tax-qualified 401(k) retirement plan for 2011, with the annual rate of return for each fund:

Investment Funds	Rate of Return
500 Index Fund Inv	1.97%
American Funds EuroPacific Gr R4	-13.61%
Artisan Mid Cap Value Investor	6.42%
Columbia Acorn International Z	-14.06%
Extended Mkt Index Inv	-3.73%
Inflation-Protect Sec Inv	13.24%
Inter-Term Treasury Inv	9.80%
Invesco Real Estate Institutional	8.05%
JPMorgan Small Cap Equity Sel	2.92%
Loomis Sayles Bond Instl	3.76%
Oppenheimer Developing Markets Y	-17.85%
PIMCO Total Return Admin	3.91%
Prime Money Mkt Fund	0.05%
PRIMECAP Fund Investor	-1.84%
Prudential Jennison Natural Resources A	-18.80%
Royce Premier Service	-1.07%
Royce Total Return Instl	-1.55%
Sentinel Small Company A	2.84%
T. Rowe Price Mid-Cap Growth	-1.21%
Target Retirement 2005	5.14%
Target Retirement 2010	3.37%
Target Retirement 2015	1.71%
Target Retirement 2020	0.60%
Target Retirement 2025	-0.37%
Target Retirement 2030	-1.27%
Target Retirement 2035	-2.24%
Target Retirement 2040	-2.55%
Target Retirement 2045	-2.51%
Target Retirement 2050	-2.54%
Target Retirement 2055	-2.27%
Target Retirement Income	5.25%
Templeton Global Bond A	-2.37%
Total Bond Mkt Index Inv	7.56%
Total Intl Stock Ix Inv	-14.56%
Total Stock Mkt Idx Inv	0.96%
Wellington Fund Inv	3.85%
Windsor II Fund Inv	2.70%

A participant's vested benefits may, at the option of the participant, be distributed in one cash lump sum payment, in five annual installments or in ten annual installments. Participants elect to receive this account balance under the Company’s non-qualified deferred compensation plan either upon separation from service or the first day of the plan year following the participant’s separation from service. Payments

upon separation from service will be delayed six months in accordance with Section 409A of the Internal Revenue Code in the event a participant is a “specified employee” for purposes of Section 409A.

A participant may be entitled to make a withdrawal prior to his or her termination of employment if the plan administrator determines that the participant has experienced an unforeseeable financial emergency, to the extent necessary to satisfy the participant's needs. An unforeseeable emergency is defined in the plan as a severe financial hardship to the participant that results from: (a) an illness or accident of the participant, the participant’s spouse, the participant’s beneficiary or the participant’s dependent, (b) a loss of the participant’s property due to casualty, or (c) such other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the participant.

In the event of a change in control, the entire amount credited to a participant under the non-qualified deferred compensation plan will be paid to the participant in a single lump sum cash payment. The plan relies upon the definition of a “change in control” as it exists in the Company’s 2006 Long-Term Incentive Plan at the time of occurrence of the change in control.

If a participant dies prior to the complete payment of his account, the entire amount remaining under the non-qualified deferred compensation plan will be paid in a single lump sum cash payment to the participant’s beneficiary in the first calendar quarter following the participant’s death.

Potential Payments Upon Termination or Change in Control

The Company is party to severance agreements and change in control agreements with each of its executive officers listed in the section entitled “Directors and Executive Officers.” Salaries and annual incentive bonuses are set by the Compensation Committee independent of these agreements and the Compensation Committee can increase or decrease base salaries at its discretion.

Equity Awards

For information about accelerated vesting of various equity awards, please see the Narrative Disclosure for the 2011 Grants of Plan Based Awards Table and the footnotes that follow the tables below quantifying payments under various termination scenarios and upon a change in control.

Severance Agreements

The severance agreements provide for the following payments upon a termination of employment due to death, disability or a normal retirement: (1) any earned but unpaid salary, (2) all accrued or vested obligations due to the executive pursuant to the Company’s employee benefit plans at the time of the termination, including any compensation that had previously been deferred by the executive, and (3) a separation payment in the amount of the executive officer’s base salary.

The severance agreements also provide that, if the executive officer terminates employment for good reason or if an executive’s employment with the Company terminates other than for cause, death, disability or normal retirement, the Company must pay the executive officer a separation payment in addition to earned salary and vested benefits. The separation payment is an amount equal to the sum of (1) one times the executive officer's base salary (three times base salary for Mr. Sheffield and 2.5 times base salary in the case of Mr. Dove), (2) 18 times the monthly cost for the executive officer to continue coverage for himself and his eligible dependents under the Company's group medical plans (36 times the

monthly cost in the case of Mr. Sheffield and 30 times the monthly cost in the case of Mr. Dove), and (3) one-twelfth of the executive officer's base salary if the date of termination is less than 30 days following the notice of termination and the executive officer's employment is terminated by the Company. In the case of Messrs. Sheffield and Dove, the severance agreements also provide for the immediate vesting of certain equity awards under the Company's 2006 Long-Term Incentive Plan (for more information, please see the footnotes to the tables quantifying potential payments in this section). Payment of an executive's annual cash incentive bonus for the year of termination on any type of termination, other than a change in control termination (discussed below), is at the discretion of the Compensation Committee. The severance agreements terminate upon a change in control of the Company.

The severance agreements contain certain confidentiality, non-solicitation and non-interference provisions. The confidentiality provisions generally extend until three years following an executive's termination of employment, while the non-solicitation of employees and non-interference with business relationships provisions extend for two years following the executive's termination date.

Change in Control Agreements

The change in control agreements provide that, if the executive officer terminates employment (1) for good reason or (2) if an executive officer's employment with the Company terminates other than for cause, death, disability or normal retirement, in either case in connection with or within two years following a change in control, then the Company must (A) pay the executive officer a separation payment, (B) provide the executive officer with continued group medical coverage at a cost equivalent to a similarly situated active employee for approximately three years (in the case of Messrs. Sheffield and Dove, until the date the executive is eligible for full medical benefits under the provisions of Medicare), (C) pay earned salary and vested benefits, and (D) fully vest all the executive officer's outstanding equity awards under the Company's 2006 Long-Term Incentive Plan. The separation payment is an amount equal to the sum of (1) 2.99 times the sum of the executive officer's base salary and target bonus determined in accordance with the terms of each agreement, (2) a pro-rated portion of the defined target bonus based on the days elapsed in the calendar year of termination, and (3) one-twelfth of the executive officer's base salary if the date of termination is less than 30 days following the notice of termination and the executive officer's employment is terminated by the Company.

If the Company terminates an executive officer without cause following a potential change in control and if a change in control actually occurs within 12 months, the executive officer will be entitled upon the change in control to receive the difference between (1) any payments that the executive already received from the Company upon the executive's actual termination date, and (2) those payments or benefits that would have been paid to the executive if the executive had been terminated without cause immediately following the change in control, plus a payment equal to the value of the executive officer's outstanding equity-based awards that were forfeited when his or her employment was terminated. If, after a change in control, an executive officer terminates employment because he is required to relocate more than 50 miles, but is not otherwise entitled to terminate employment for good reason, then the Company must (1) pay the executive officer a reduced separation payment equal to one times his or her annualized base salary, (2) pay the executive officer earned salary and vested benefits, and (3) provide the executive officer with continued coverage for one year under the Company's group medical benefit plans.

The change in control agreements also obligate the Company to make the executive officers whole (that is, provide a "gross-up") for excise taxes that may be imposed on payments under the change in control agreements by Section 4999 of the Internal Revenue Code. The change in control agreements continue for two years following a change in control that occurs during the term of the agreement.

The change in control agreements also provide for a payment equal to one times the executive officer's base salary in the event of his or her death, disability or normal retirement within two years following a change in control.

All payments, other than continued medical benefits, received under both the severance agreements and the change in control agreements are distributed as a lump sum. Cash separation payments will only be made following the executive officer’s execution of a general release in favor of the Company.   While the lump sum payments will be made within a ten day period following a termination of employment where possible, in the event that the individual is considered a “specified employee” pursuant to the regulations promulgated under Section 409A of the Internal Revenue Code, certain payments or benefits may be delayed for a period of six months as required by the federal tax regulations in order to prevent an excise tax of 20 percent from being imposed on such payments.

Definitions. For purposes of the severance and change in control agreements, the terms set forth below generally have the meanings described below:

A "change in control" generally includes the occurrence of any of the following events or circumstances: (1) a person or group acquires securities of the Company that, together with any other securities held by such person, constitutes 40 percent or more of either (x) the then outstanding shares of the Company's common stock or (y) the combined voting power of the then outstanding voting securities of the Company, except for acquisitions directly from the Company and acquisitions by an employee benefit plan sponsored or maintained by the Company; (2) a majority of the members of the Board of Directors changes, other than new members elected or nominated by at least a majority of the then-current Board, absent an election contest or similar proxy dispute; (3) the Company merges or engages in a similar transaction, or sells all or substantially all of its assets, unless the Company's stockholders prior to the transaction own more than half of the voting interest of the Company or the resulting entity (in substantially the same ratios) after the transaction, and neither of the events in items (1) and (2) above has occurred for the Company or the resulting entity; or (4) the Company's stockholders approve a complete liquidation or dissolution of the Company. The change in control agreements also restrict the definition of a “change in control” to a change in control event for purposes of Section 409A of the Internal Revenue Code in the event that an executive officer would receive payments under the agreement due to a termination of employment following a “potential change in control” but prior to the occurrence of a “change in control.”

A "potential change in control" will be deemed to have occurred if (1) a person or group announces publicly an intention to effect a change in control, or commences an action that, if successful, could reasonably be expected to result in a change in control; (2) the Company enters into an agreement that would constitute a change in control; or (3) any other event occurs which the Board declares to be a potential change in control.

"Cause" generally means any of the following circumstances: (1) the officer's failure to substantially perform his or her duties, unless the failure is due to physical or mental incapacity, or to comply with a material written policy of the Company; (2) the officer's engaging in an act of gross misconduct that results in, or is intended to result in, material damage to the Company's business or reputation; (3) the officer's failure to cooperate in connection with an investigation or proceeding into the business practices or operations of the

Company; or (4) the officer's conviction of a felony or a crime or misdemeanor involving moral turpitude or financial misconduct. In addition, in the severance agreements, "cause" includes a material violation by the officer of the provisions of the confidentiality and non-solicitation restrictions in the agreement.

A “disability” shall mean the employee’s physical or mental impairment or incapacity of such severity that, in the opinion of the Company’s chosen physician, the employee is unable to continue to perform his or her duties. A “disability” will also be deemed to have occurred if the employee becomes entitled to long-term disability benefits under any of the Company’s employee benefit plans.

"Good reason," in the change in control agreements, generally means any of the following circumstances: (1) the assignment to the officer of duties materially inconsistent with his or her position as compared to his or her duties immediately prior to the potential change in control or change in control; (2) a reduction in the officer's base salary; or (3) the failure to provide the officer the opportunity to earn annual bonuses and long-term incentive compensation, and to participate in retirement, deferred compensation, medical and similar benefits, all in a manner consistent with the Company's then existing practices.

The definition of "good reason" in Mr. Sheffield's and Mr. Dove's severance agreements is substantially similar to the definition in the change in control agreement, except that, in Mr. Sheffield's agreement, "good reason" also includes the failure of the Company to nominate him for re-election to the Board of Directors, or any failure of the stockholders to re-elect him to the Board, unless due to his death, disability, termination for cause or voluntary resignation. In the severance agreements for officers other than Messrs. Sheffield and Dove, "good reason" generally means a demotion of the officer to an officer position junior to his then existing position, or to a non-officer position, or a reduction in base salary that is not a Company-wide reduction and that is greater than 80 percent, or any reduction in base salary that is greater than 65 percent.

An executive will be considered eligible for “normal retirement” upon reaching the age of 60 years.

The following tables quantify the payments and benefits provided to the NEOs upon the events specified below. The value of the accelerated vesting or settlement of equity awards is based on the closing price of $89.48 of the Company's common stock on December 30, 2011 (the last trading day of 2011).

Scott D. Sheffield. The following table shows, as of December 31, 2011, the estimated potential payments and benefits that would be received by Mr. Sheffield upon the termination of his employment in each of the circumstances indicated in the table.

Benefits and Payments Upon Termination (1)	Voluntary Termination or Termination for Cause	Termination Not for Cause or Termination for Good Reason	Normal Retirement or Death/Disability	Change in Control Termination
Long-Term Incentive Compensation:				
Restricted Stock/RSUs (2)	$ -	$ 17,160,385	$ 13,326,848	$ 17,160,385
Performance Units (3)	$ -	$ 8,828,880	$ 5,047,455	$ 8,828,880
Stock options (2)	$ -	$ 10,383,511	$ 9,185,126	$ 10,383,511
Phantom units (2)	$ -	$ 1,132,309	$ 507,521	$ 1,132,309
Benefits & Perquisites:				
Severance Payment	$ -	$ 2,868,004	$ 956,001	$ 5,716,881
Prorated Bonus Payment (4)	$ -	$ 956,000	$ 956,000	$ 956,000
Medical Benefit Continuation (5)	$ -	$ 34,863	$ -	$ 110,636
280G Reimbursement	$ -	$ -	$ -	$ 5,702,980
Pay in lieu of 30-day Notice (6)	$ -	$ 79,667	$ -	$ 79,667
Total	$ -	$ 41,443,619	$ 29,978,951	$ 50,071,249

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(1) The benefits and payments quantified in the table do not contemplate the payments that the Company is obligated to make to the executive officer (i) if the Company terminates the executive officer without cause following a potential change in control or a change in control occurs within 12 months following the termination, or (ii) if the executive officer terminates employment following a change in control because he is required to relocate more than 50 miles, in both cases as described in the summary of the change in control agreements set forth above. Additionally, the benefits and payments quantified herein have been determined as of December 31, 2011, and therefore do not contemplate the effect on the long-term incentive compensation and 280G reimbursement components resulting from the vesting in February 2012 of 120,919 shares of restricted stock and the grants of awards made in February 2012 under the Company's Long Term Incentive Plan.

(2) Unvested restricted stock, RSU, stock option and Pioneer Southwest phantom unit awards automatically vest upon a change in control, regardless of whether employment is subsequently terminated. Unvested restricted stock, RSU, stock option and Pioneer Southwest phantom unit awards also automatically vest upon a termination not for cause or a termination for good reason. In the case of normal retirement, death or disability, vesting of the awards is accelerated pro rata to the end of the month of termination.

(3) Unvested performance unit awards automatically vest upon a change in control with the award of shares subject to performance measured on the date of the change in control, regardless of whether employment is subsequently terminated. Unvested performance unit awards also automatically vest with the award of shares subject to performance measured at the end of the three-year performance period upon a termination not for cause or a

termination for good reason. In the case of normal retirement, performance unit awards vest pro rata to the end of the month with the award of shares subject to performance measured at the end of the three-year performance period. Performance unit awards vest pro rata to the end of the month with shares paid at target within 75 days following death or disability. The number of shares underlying performance units is calculated based on the same rankings in footnotes (11) and (12) of the 2011 Outstanding Equity Awards at Fiscal Year End table.

(4) Other than in connection with a change in control termination, payment of a bonus is subject to Compensation Committee discretion. This table assumes a bonus payment in the amount indicated.

(5) These amounts equal the cost of continued medical coverage for a period of 36 months in the event of a termination not for cause or a termination for good reason. In the event of a termination in connection with a change in control, the change in control agreements provide continued coverage until Mr. Sheffield is eligible to receive Medicare benefits; thus, the period of continued coverage is five years and six months as of December 31, 2011.

(6) This amount is payable only if employment is terminated by the Company and the date of termination is less than 30 days after the date of notice of termination.

Richard P. Dealy. The following table shows, as of December 31, 2011, the estimated potential payments and benefits that would be received by Mr. Dealy upon the termination of his employment in each of the circumstances indicated in the table.

Benefits and Payments Upon Termination (1)	Voluntary Termination or Termination for Cause	Termination Not for Cause or Termination for Good Reason	Normal Retirement or Death/Disability	Change in Control Termination
Long-Term Incentive Compensation:				
Restricted Stock (2)	$ -	$ 4,473,200	$ 4,473,200	$ 5,692,449
Performance Units (3)	$ -	$ 1,441,008	$ 1,441,008	$ 2,600,602
Stock options (2)	$ -	$ 3,126,801	$ 3,126,801	$ 3,490,140
Phantom units (2)	$ -	$ 149,079	$ 149,079	$ 347,196
Benefits & Perquisites:				
Severance Payment	$ -	$ 406,001	$ 406,001	$ 2,245,790
Prorated Bonus Payment (4)	$ -	$ 345,100	$ 345,100	$ 345,100
Medical Benefit Continuation (5)	$ -	$ 25,437	$ -	$ 43,519
280G Reimbursement	$ -	$ -	$ -	$ 1,966,285
Pay in lieu of 30-day Notice (6)	$ -	$ 33,833	$ -	$ 33,833
Total	$ -	$ 10,000,459	$ 9,941,189	$ 16,764,914

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(1) The benefits and payments quantified in the table do not contemplate the payments that the Company is obligated to make to the executive officer (i) if the Company terminates the executive officer without cause following a potential change in control or a change in control occurs within 12 months following the termination, or (ii) if the executive officer terminates employment following a change in control because he is required to relocate more than 50 miles, in both cases as described in the summary of the change in control agreements set forth above. Additionally, the benefits and payments quantified herein have been determined as of December 31, 2011, and therefore do not contemplate the effect on the long-term incentive compensation and 280G reimbursement components resulting from the vesting in February 2012 of 42,322 shares of restricted stock and the grants of awards made in February 2012 under the Company's Long Term Incentive Plan.

(2) Unvested restricted stock, stock option and Pioneer Southwest phantom unit awards automatically vest upon a change in control, regardless of whether employment is subsequently terminated. In the case of a termination not for cause, a termination for good reason, or normal retirement, death or disability, vesting of the awards is accelerated pro rata to the end of the month of termination.

(3) Unvested performance unit awards automatically vest upon a change in control with the award of shares subject to performance measured on the date of the change in control, regardless of whether employment is subsequently terminated. Unvested performance unit awards also automatically vest pro rata to the end of the month with the award of shares subject to performance measured at the end of the three-year performance

period upon a termination not for cause or a termination for good reason. In the case of normal retirement, performance unit awards vest pro rata to the end of the month with the award of shares subject to performance measured at the end of the three-year performance period. Performance unit awards vest pro rata to the end of the month with shares paid at target within 75 days following death or disability. The number of shares underlying performance units is calculated based on the same rankings in footnotes (11) and (12) of the 2011 Outstanding Equity Awards at Fiscal Year End table.

(4) Other than in connection with a change in control termination, payment of a bonus is subject to Compensation Committee discretion. This table assumes a bonus payment in the amount indicated.

(5) These amounts equal the cost of continued medical coverage for a period of 18 months in the event of a termination not for cause or a termination for good reason pursuant to the severance agreements. In the event of a termination in connection with a change in control, the change in control agreements provide continued coverage for a period of 36 months.

(6) This amount is payable only if employment is terminated by the Company and the date of termination is less than 30 days after the date of notice of termination.

Mark S. Berg. The following table shows, as of December 31, 2011, the estimated potential payments and benefits that would be received by Mr. Berg upon the termination of his employment in each of the circumstances indicated in the table.

Benefits and Payments Upon Termination (1)	Voluntary Termination or Termination for Cause	Termination Not for Cause or Termination for Good Reason	Normal Retirement or Death/Disability	Change in Control Termination
Long-Term Incentive Compensation:				
Restricted Stock (2)	$ -	$ 2,810,497	$ 2,810,497	$ 3,618,750
Performance Units (3)	$ -	$ 827,735	$ 827,735	$ 1,461,029
Stock options (2)	$ -	$ 1,894,149	$ 1,894,149	$ 2,111,980
Benefits & Perquisites:				
Severance Payment	$ -	$ 376,002	$ 376,002	$ 1,911,209
Prorated Bonus Payment (4)	$ -	$ 282,000	$ 282,000	$ 263,200
Medical Benefit Continuation (5)	$ -	$ 25,437	$ -	$ 43,519
280G Reimbursement	$ -	$ -	$ -	$ 1,393,014
Pay in lieu of 30-day Notice (6)	$ -	$ 31,333	$ -	$ 31,333
Total	$ -	$ 6,247,153	$ 6,190,383	$ 10,834,034