

PIONEER NATURAL RESOURCES CO

Form S-4/A

August 22, 2001

1

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

Registration No. 333-59094

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

AMENDMENT NO. 2

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

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

DELAWARE
(State or Other Jurisdiction of
Incorporation or Organization)

1311
(Primary standard industrial
classification code number)

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

5205 NORTH O'CONNOR BLVD., SUITE 1400

IRVING, TEXAS 75039

(972) 444-9001

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

SCOTT D. SHEFFIELD

PIONEER NATURAL RESOURCES COMPANY

5205 NORTH O'CONNOR BLVD., SUITE 1400

IRVING, TEXAS 75039

(972) 444-9001

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

Copies to:

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

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

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

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

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

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

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

CALCULATION OF REGISTRATION FEE

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

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

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

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

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

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

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

2

PIONEER NATURAL RESOURCES USA, INC.

5205 NORTH O'CONNOR BLVD., SUITE 1400

IRVING, TEXAS 75039

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

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

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

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

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

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

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

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

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

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

3

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

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

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

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

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

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

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

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

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

4

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

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

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

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

BY ORDER OF THE BOARD OF DIRECTORS,

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

, 2001

5

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

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

[PIONEER LOGO]

PIONEER NATURAL RESOURCES USA, INC.

5205 NORTH O'CONNOR BLVD., SUITE 1400

IRVING, TEXAS 75039

, 2001

Dear Limited Partners:

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

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

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

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

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

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

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

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

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

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

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

Sincerely,

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

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

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

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

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

6

PIONEER NATURAL RESOURCES COMPANY

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

(MAP)

WHERE YOU CAN FIND MORE INFORMATION

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

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

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

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

7

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

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

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

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

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

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

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

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

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

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

Pioneer Natural Resources Company

5205 North O'Connor Blvd., Suite 1400

Irving, Texas 75039

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

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

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

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

9

TABLE OF CONTENTS

	PAGE

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

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

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

	PAGE

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

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

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

	PAGE

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

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

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

iii

12

LIST OF APPENDICES

APPENDIX

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

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

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

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

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

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

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

- FOR EACH PARTNERSHIP THAT IS SUBJECT TO THE REPORTING REQUIREMENTS OF THE SECURITIES EXCHANGE ACT OF 1934, WHICH WE CALL A REPORTING PARTNERSHIP, THE PARTNERSHIP'S QUARTERLY REPORT ON FORM 10-Q, INCLUDING MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, FOR THE SIX MONTHS ENDED JUNE 30, 2001

- FOR EACH REPORTING PARTNERSHIP, THE PARTNERSHIP'S ANNUAL REPORT ON FORM 10-K, INCLUDING MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, FOR THE YEAR ENDED DECEMBER 31, 2000

- FOR EACH PARTNERSHIP THAT IS NOT SUBJECT TO THE REPORTING REQUIREMENTS OF THE SECURITIES EXCHANGE ACT OF 1934, WHICH WE CALL A NONREPORTING PARTNERSHIP, THE PARTNERSHIP'S FINANCIAL STATEMENTS, INCLUDING MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, FOR THE SIX MONTHS ENDED JUNE 30, 2001

- FOR EACH NONREPORTING PARTNERSHIP, THE PARTNERSHIP'S FINANCIAL STATEMENTS, INCLUDING MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, FOR THE YEAR ENDED DECEMBER 31, 2000

- SELECTED HISTORICAL FINANCIAL DATA FOR THE PARTNERSHIP FOR THE SIX MONTHS ENDED JUNE 30, 2001 AND 2000 AND THE FIVE YEARS ENDED DECEMBER 31, 2000

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

v

14

QUESTIONS AND ANSWERS ABOUT THE MERGER OF EACH PARTNERSHIP

Q: HOW DO I VOTE?

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

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

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

Q: MAY I VOTE IN PERSON?

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

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

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

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

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

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

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

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

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

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

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

Q: WHAT HAPPENS TO MY FUTURE CASH DISTRIBUTIONS?

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

Q: WHO CAN HELP ANSWER MY QUESTIONS?

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

vi

15

SUMMARY

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

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

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

THE MERGERS

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

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

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

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

you will receive.

1

16

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

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

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

THE COMPANIES

PIONEER NATURAL RESOURCES COMPANY

5205 North O'Connor Blvd., Suite 1400

Irving, Texas 75039
(972) 444-9001

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

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

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

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

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

PIONEER NATURAL RESOURCES USA, INC.

5205 North O'Connor Blvd., Suite 1400

Irving, Texas 75039
(972) 444-9001

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

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

5205 North O'Connor Blvd., Suite 1400

Irving, Texas 75039
(972) 444-9001

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

2

17

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

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

RISK FACTORS

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

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

on page 22 of this document. These include:

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

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

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

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

This information is based on assumptions, including the following:

- Pioneer Parent and Pioneer USA estimated the present value of estimated future net revenues for each partnership from the estimated reserves for each partnership at March 31, 2001.

- Pioneer Parent and Pioneer USA used the following parameters in calculating the present value of estimated future net revenues: (1) a five-year NYMEX futures price for oil and gas as of March 30, 2001, with prices held constant after year five at the year-five price, less standard industry adjustments, (2) historical operating costs adjusted only for those items affected by commodity prices, such as production taxes and ad valorem taxes, and (3) a discount rate of 10.0%.

- Williamson Petroleum Consultants, Inc. reviewed these estimates of each partnership's reserves as of March 31, 2001. Williamson's review included testing and evaluating the reserve information for all of the properties of each partnership. The review is more comprehensive than an audit, which involves testing and evaluating the reserve information of a representative subgroup of properties of each partnership.

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

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

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

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

MERGER VALUE

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

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

PER \$1,000 INITIAL LIMITED PARTNER INVESTMENT

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

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

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

-5-

20

MERGER VALUE

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

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

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

PER \$1,000 INITIAL LIMITED PARTNER INVESTMENT

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

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

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

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

-6-

21

NYMEX FUTURES PRICES

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

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

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

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

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

Merger value for limited partners:

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

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

Less estimated merger expenses and fees.....	(3)	(11,675)	
Less July 2001 distribution.....	(4)	(51,812)	

Merger value (page 5 of this document and Table 2 of Appendix A to this document).....	(5)	\$ 653,690	
		=====	
Initial investment:			
Initial investment by limited partners (Table 1 of Appendix A to this document).....		\$7,410,000	
Less initial investment by Pioneer USA (Table 6 of Appendix A to this document).....		433,000	

Initial investment without Pioneer USA.....		\$6,977,000	
		=====	
Number of per \$1,000 limited partner investments:...	(6)	6,977	
		=====	
Per \$1,000 limited partner investment as set forth in Table 3 of Appendix A to this document:			
Reserve value.....		\$ 93.46	(1) divided by (6)
Working capital value.....		9.32	(2) divided by (6)
Less estimated merger expenses and fees.....		(1.67)	(3) divided by (6)
Less July 2001 distribution.....		(7.43)	(4) divided by (6)

Merger value.....		\$ 93.68	
		=====	
Aggregate number of shares of Pioneer Parent common stock offered to limited partners of the partnership before rounding.....		36,316.11	(5) divided by \$18.00
		=====	
Aggregate number of shares of Pioneer Parent common stock offered to limited partners of the partnership rounded up to the nearest whole share.....	(7)	36,317	
		=====	
Number of shares of Pioneer Parent common stock offered per \$1,000 limited partner investment.....		5.21	(7) divided by (6)
		=====	

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

BENEFITS AND DISADVANTAGES TO THE LIMITED PARTNERS

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

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

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

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

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

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

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

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

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

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

8

23

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

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

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

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

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

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

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

FRACTIONAL SHARES

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

RECOMMENDATION TO LIMITED PARTNERS

(SEE PAGE 41)

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

9

24

FAIRNESS

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

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

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

continue to be incurred;

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

FAIRNESS OPINION OF FINANCIAL ADVISOR

(SEE PAGE 41)

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

MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES

(SEE PAGE 60)

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

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

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

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

CERTIFICATION OF NON-FOREIGN STATUS

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

10

25

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

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

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

RECORD DATE; VOTING POWER

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

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

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

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

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

PARTNER VOTE REQUIRED TO APPROVE THE MERGERS

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

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

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

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

CONDITIONS TO EACH MERGER

(SEE PAGE 69)

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

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

11

26

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

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

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

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

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

TERMINATION OF THE MERGER OF A PARTNERSHIP

(SEE PAGE 70)

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

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

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

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

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

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

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

FUTURE OF A PARTNERSHIP THAT DOES NOT PARTICIPATE IN THE MERGER

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

(SEE PAGE 64)

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

12

27

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

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

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

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

EXPENSES AND FEES

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

REGULATORY REQUIREMENTS

No federal or state regulatory requirements must be satisfied or approvals

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

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

SIMILAR TRANSACTIONS

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

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

13

28

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

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

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

THIRD PARTY OFFERS

(SEE PAGE 65)

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

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

COMPARATIVE PER SHARE MARKET PRICE

INFORMATION (SEE PAGE 77)

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

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

14

29

SUMMARY HISTORICAL CONSOLIDATED FINANCIAL DATA OF PIONEER PARENT

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

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

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

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

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

15

30

-
- (a) Includes amounts relating to the acquisition of MESA Inc. and Chauvco Resources Ltd. in August and December 1997, respectively.

 - (b) The six month period ended June 30, 2001 includes non-cash mark-to-market gains for changes in the fair values of non-hedge financial instruments of \$7.3 million. 1999 includes \$41.8 million of option fees and liquidated damages related to an unsuccessful asset sale and \$30.2 million of income associated with an excise tax refund.

 - (c) The six month periods ended June 30, 2001 and 2000 and the years ended December 31, 2000, 1999, 1998 and 1997 include non-cash mark-to-market charges for changes in the fair values of non-hedge financial instruments of \$6.6 million, \$42.0 million, \$58.5 million, \$27.0 million, \$21.2 million and \$5.2 million, respectively.

 - (d) The 1998 working capital deficit includes \$306.5 million of current maturities of long-term debt.

 - (e) On January 1, 2001, Pioneer Parent adopted the provisions of Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities." In accordance with those provisions, as of June 30, 2001, deferred hedge gains and losses have increased Pioneer Parent's stockholders' equity by \$49.4 million.

SUMMARY UNAUDITED PRO FORMA COMBINED FINANCIAL DATA OF PIONEER PARENT

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

- The merger of each partnership will be accounted for as a purchase business combination under generally accepted accounting principles.

- The income statement data is presented as if the merger of each partnership had been consummated on January 1, 2000.

- The balance sheet data is presented as if the merger of each partnership had been consummated on June 30, 2001.

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

You should consider the following:

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

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

16

31

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

	PRO FORMA SIX MONTHS ENDED JUNE 30, 2001	PRO FORMA YEAR ENDED DECEMBER 31, 2000

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

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

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

17

32

SUMMARY OIL AND GAS RESERVE INFORMATION

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

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

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

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

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

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

COMPARATIVE PER SHARE DATA

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

SIX MONTHS ENDED	YEAR ENDED
JUNE 30,	DECEMBER 31,

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

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

19

34

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

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

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

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

20

35

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

ON AN EQUIVALENT PER SHARE BASIS (1)

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

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

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

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

RISK FACTORS

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

RISK FACTORS RELATING TO THE MERGER OF EACH PARTNERSHIP

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

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

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

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

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

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

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

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

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

22

37

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

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

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

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

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

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

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

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

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

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

23

38

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

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

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

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

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

OBLIGATION WERE HIGHER THAN THE MERGER VALUE FOR THE PARTNERSHIP

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

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

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

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

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

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

24

39

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

RISKS ASSOCIATED WITH AN INVESTMENT IN PIONEER PARENT

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

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

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

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

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

PIONEER PARENT MIGHT NOT DECLARE DIVIDENDS

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

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

LIMITED PARTNERS WHO BECOME PIONEER PARENT STOCKHOLDERS MAY BE DILUTED

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

DIVIDENDS PAID TO PIONEER PARENT STOCKHOLDERS ARE TAXED AT TWO LEVELS

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

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

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

PIONEER PARENT'S DRILLING ACTIVITIES MAY NOT BE PRODUCTIVE

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

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

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

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

26

41

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

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

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

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

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

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

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

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

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

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

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

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

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

PIONEER PARENT IS NOT FULLY INSURED AGAINST OPERATING HAZARDS

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

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

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

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

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

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

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

THE OIL AND GAS INDUSTRY IS HIGHLY COMPETITIVE

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

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

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

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

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

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

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

- economic and labor conditions,

- political instability,

28

43

- tax laws, including United States taxes on foreign subsidiaries, and

- changes in the value of the United States dollar versus the local currency.

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

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

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

29

44

SPECIAL FACTORS

BACKGROUND OF THE MERGER OF EACH PARTNERSHIP

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

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

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

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

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

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

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

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

30

45

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

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

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

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

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

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

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

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

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

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

31

46

- tender offers; and
- repurchase offers.

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

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

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

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

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

merger transaction.

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

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

32

47

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

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

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

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

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

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

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

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

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

33

48

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

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

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

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

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

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

34

49

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

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

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

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

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

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

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

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

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

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

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

35

50

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

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

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

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

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

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

36

51

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

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

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

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

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

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

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

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

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

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

37

52

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

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

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

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

REASONS FOR THE MERGER OF EACH PARTNERSHIP

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

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

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

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

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

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

38

53

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

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

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

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

- As discussed below, the tax incentives for which each partnership (other than Parker & Parsley Producing Properties 87-A, Ltd., Parker & Parsley Producing Properties 87-B, Ltd. and Parker & Parsley Producing Properties 88-A, L.P., which were formed to purchase producing properties) was originally formed have been realized.

- Declining Cash Flows. As each partnership's properties have matured, the net cash flows from operations for the partnership have generally declined, except in periods of substantially increasing commodity prices. See Table 7 of Appendix A for each partnership's historical cash distributions. The marginal benefit of continuing the operations of each partnership is offset by the related administrative costs. These administrative costs consume an increasing amount, and ultimately will consume the entire amount, of the cash flows of each partnership as production declines.

- Tax Incentives Have Been Realized. Each partnership (other than Parker & Parsley Producing Properties 87-A, Ltd., Parker & Parsley Producing Properties 87-B, Ltd. and Parker & Parsley Producing Properties 88-A, L.P., which were formed to purchase producing properties) was intended to provide to its partners federal income tax deductions for intangible drilling and development costs incurred by the partnership during the initial years of the partnership. Pioneer USA believes that the tax incentives have been realized through the drilling activities that each partnership has completed.

- Partnership Tax Burdens May Now Exceed Benefits. As net cash flow available for distribution of each partnership has declined or, at times, disappeared, some limited partners of the partnership may incur greater costs to include their share of the tax information of the partnership in their returns than they receive in cash distributions. In any event, all limited partners of each partnership

39

54

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

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

- Fairness of Procedures. Pioneer USA considered the following factors in making its recommendation that the unaffiliated limited partners vote for the merger proposals for each partnership in which they own interests:

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

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

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

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

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

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

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

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

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

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

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

RECOMMENDATION OF PIONEER USA

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

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

41

56

FAIRNESS OPINION

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

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

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

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

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

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

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

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

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

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

limited partners of the partnership;

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

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

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

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

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

43

58

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

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

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

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

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

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

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

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

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

44

59

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

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

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

- The cash distributions on July 13, 2001 by the partnership to its partners; and

- Partnership level general and administrative expenses, calculated as follows and, consistent with the calculation of 2000 and 1999 expenses, generally representing the maximum expense percentages permitted under the partnership agreements:
 - The partnership agreement for each of Parker & Parsley 81-I, Ltd., Parker & Parsley 81-II, Ltd., Parker & Parsley 82-I, Ltd., Parker & Parsley 82-II, Ltd. and Parker & Parsley 82-III, Ltd. permits Pioneer USA to allocate to the partnership (1) general and administrative expenses and (2) all expenses directly attributable to the partnership as a result of fees or charges by parties other than Pioneer USA or its affiliates, including legal, auditing and engineering fees. However, for purposes of clause (1) and for administrative ease and to the benefit of each of those partnerships, Pioneer USA allocates to each of those partnerships general and administrative expenses based on 3% of the revenues of the partnership.

 - The partnership agreement for each of Parker & Parsley 83-A, Ltd. and Parker & Parsley 83-B, Ltd. permits Pioneer USA to allocate to the partnership (1) general and administrative expenses in an annual amount not to exceed the sum of 2% of the initial partner capital for the partnership and 2.25% of the drilling and completion expenses, of which there are none, and (2) all expenses directly attributable to the partnership as a result of fees or charges by parties other than Pioneer USA or its affiliates, including legal, auditing and engineering fees. However, for purposes of clause (1) and for administrative ease and to the benefit of each of those partnerships, Pioneer USA allocates to each of those partnerships general and administrative expenses based on 3% of the revenues of the partnership.

 - The partnership agreement for Parker & Parsley 84-A, Ltd. permits Pioneer USA to allocate to the partnership (1) general and administrative expenses in an annual amount not to exceed the sum of 3.25% of the revenues of the partnership and 2.25% of the drilling and completion expenses, of which there are none, and (2) all expenses directly attributable to the partnership as a result of fees or charges by parties other than Pioneer USA or its affiliates, including legal, auditing and engineering fees. However, for purposes of clause (1) and for administrative ease and to the benefit of the partnership, Pioneer USA allocates to the partnership general and administrative expenses based on 3% of the revenues of the partnership.

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

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

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

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

45

60

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

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

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

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

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

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

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

46

61

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

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

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

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

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

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

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

47

62

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

49

64

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

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

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

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

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

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

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

50

65

SUMMARY RESERVE REPORT

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

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

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

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

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

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

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

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

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

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

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

51

66

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

ALTERNATIVE TRANSACTIONS TO THE MERGER OF EACH PARTNERSHIP

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- preparing and disseminating information on properties to be offered;

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

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

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

53

68

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

FORWARD-LOOKING STATEMENTS

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

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

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

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

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

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

54

69

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

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

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

COMPONENTS OF MERGER VALUE FOR EACH PARTNERSHIP

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

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

partnership as follows:

- Pioneer Parent and Pioneer USA agreed to use the volumes of the partnership's estimated reserves as of March 31, 2001, as taken from the summary reserve report reviewed by Williamson Petroleum Consultants, Inc. as of March 31, 2001.

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

55

70

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

OTHER METHODS OF DETERMINING MERGER VALUES

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

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

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

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

57

72

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

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

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

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

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

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

58

73

THE MERGER OF EACH PARTNERSHIP

GENERAL

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

LEGAL OPINION FOR LIMITED PARTNERS

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

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

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

Parker & Parsley Producing Properties 87-B, Ltd.

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

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

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

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

59

74

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

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

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

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

DISTRIBUTION OF PIONEER PARENT COMMON STOCK

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

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

FRACTIONAL SHARES

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

MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES

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

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

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

federal income tax position of each limited partner.

60

75

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

Tax Consequences of a Conversion of Partnership Interests.

- Generally. As more fully described below, if you own partnership interests in a participating partnership, you will generally recognize an aggregate amount of net gain or loss equal to the difference between (1) the fair market value of Pioneer Parent common stock you receive in the merger of that partnership and (2) your adjusted tax basis in your partnership interests exclusive of any basis attributable to liabilities of the partnership immediately prior to the merger. A component of that net gain or loss may be ordinary income or ordinary loss depending upon the extent of any recapture of depletion or intangible drilling and development costs and any appreciation or depreciation in the ordinary assets of the partnership. The recognition of ordinary income will decrease the capital gain component or increase the capital loss component of the net gain or loss otherwise recognizable as a consequence of the merger.

- Characterization of the Merger of Each Partnership. The merger of a participating partnership into Pioneer USA should be treated for federal income tax purposes as a sale by such partnership of its assets for Pioneer Parent common stock followed by a distribution of the Pioneer Parent common stock received in liquidation of the limited partnership interests. Under Section 613A of the Internal Revenue Code, each of the partners of such partnership must:
 - maintain the partner's share of the basis in the partnership's oil and gas properties at the partner level;
 - adjust such basis for depletion deductions; and
 - use such basis to calculate gain or loss at the partner level on any sale by the partnership of its oil and gas properties.

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

- a taxable sale by you of your interest in a participating partnership's oil and gas properties for Pioneer Parent common stock and the assumption of liabilities; and
- a taxable sale of any remaining partnership assets by the participating partnership for Pioneer Parent common stock followed by a liquidation of the participating partnership.

- Gain or Loss on Sale of Partnership Oil and Gas Properties. Upon the deemed sale of a partnership's oil and gas properties in the merger of the partnership, you will recognize gain or loss equal to the difference between:

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

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

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

61

76

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

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

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

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

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

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

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

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

62

77

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

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

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

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

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

ACCOUNTING TREATMENT

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

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

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

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

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

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

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

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

FUTURE OF NONPARTICIPATING PARTNERSHIPS

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

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

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

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

securities of Pioneer Parent.

NONMANAGING GENERAL PARTNERS OF SOME PARTNERSHIPS

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

64

79

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

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

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

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

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

THIRD PARTY OFFERS

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

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

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

MERGER AMENDMENT

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

65

80

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

TERMINATION OF REGISTRATION AND REPORTING REQUIREMENTS

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

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

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

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

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

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

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

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

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

66

81

PAYMENT OF EXPENSES AND FEES

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

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

Total expenses.....	\$2,000,000
	=====

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

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

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

67

82

THE MERGER AGREEMENT

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

STRUCTURE; EFFECTIVE TIME

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

EFFECT OF THE MERGER OF EACH PARTNERSHIP

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

CONDUCT OF BUSINESS PRIOR TO THE MERGER OF EACH PARTNERSHIP

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

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

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

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

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

OTHER AGREEMENTS

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

68

83

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

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

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

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

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

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

- accuracy of information.

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

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

CONDITIONS TO THE MERGER OF EACH PARTNERSHIP

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

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

69

84

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

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

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

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

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

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

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

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

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

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

TERMINATION OF THE MERGER AGREEMENT AND THE MERGER OF ANY PARTNERSHIP

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

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

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

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

70

85

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

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

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

AMENDMENTS; WAIVERS

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

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

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

the partnership; or

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

Prior to the effective time, the parties may:

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

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

71

86

THE SPECIAL MEETINGS

TIME AND PLACE; PURPOSE

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

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

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

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

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

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

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

72

87

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

RECORD DATE; VOTING RIGHTS AND PROXIES

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

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

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

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

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

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

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

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

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

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

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

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

REVOCATION OF PROXIES

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

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

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

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

SOLICITATION OF PROXIES

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

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

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

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

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

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

74

89

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

QUORUM

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

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

REQUIRED VOTE; BROKER NON-VOTES

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

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

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

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

PARTICIPATION BY ASSIGNEES

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

75

90

SPECIAL REQUIREMENTS FOR SOME LIMITED PARTNERS

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

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

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

VALIDITY OF PROXY CARDS

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

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

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

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

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

LOCAL LAWS

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

76

91

COMPARATIVE PER SHARE MARKET PRICE AND DIVIDEND INFORMATION

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

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

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

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

PIONEER PARENT
COMMON STOCK

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

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

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

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

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

CONFLICTING DUTIES OF PIONEER USA, INDIVIDUALLY AND AS GENERAL PARTNER

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

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

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

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

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

the independent representative;

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

PIONEER USA'S EMPLOYEES PROVIDE SERVICES TO THE PARTNERSHIPS

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

FINANCIAL INTERESTS OF DIRECTORS AND OFFICERS

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

THE PARTNERSHIPS PAY OPERATOR FEES TO PIONEER USA

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

78

93

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

OWNERSHIP OF PARTNERSHIP INTERESTS

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

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

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

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

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

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

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

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

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

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

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

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

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

80

95

MANAGEMENT

PIONEER PARENT

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

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

Scott D. Sheffield. Mr. Sheffield, a distinguished graduate of the University of Texas with a Bachelor of Science degree in Petroleum Engineering, has been the Chairman of the Board of Directors of Pioneer Parent since August 1999 and the President and Chief Executive Officer of Pioneer Parent since August 1997. Mr. Sheffield was the Chairman of the Board of Directors, President

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

and Chief Executive Officer of Parker & Parsley Petroleum Company from October 1990 until August 1997. He was the President and a director of Parker & Parsley Petroleum Company from May 1990 until October 1990. Mr. Sheffield was the sole director of Parker & Parsley Petroleum Company from May 1990 until October 1990. Mr. Sheffield joined Parker & Parsley Development Company, a predecessor of Parker & Parsley Petroleum Company, as a petroleum engineer in 1979. Mr. Sheffield served as Vice President -- Engineering of Parker & Parsley Development Company from September 1981 until April 1985, when he was elected President and a director. In March 1989, Mr. Sheffield was elected Chairman of the Board of Directors and Chief Executive Officer of Parker & Parsley Development Company. Before joining Parker & Parsley Development Company's predecessor, Mr. Sheffield was employed as a production and reservoir engineer for Amoco Production Company.

Timothy L. Dove. Mr. Dove, a graduate of Massachusetts Institute of Technology with a Bachelor of Science degree in Mechanical Engineering and the University of Chicago with an M.B.A., has been Executive Vice President and Chief Financial Officer of Pioneer Parent since February 2000. He was Executive Vice President -- Business Development of Pioneer Parent from August 1997 until February 2000. Mr. Dove joined Parker & Parsley Petroleum Company in May 1994 as Vice President -- International and was promoted to Senior Vice President -- Business Development in October 1996, in which position he served until August 1997. Before joining Parker & Parsley Petroleum Company, Mr. Dove was employed with Diamond Shamrock Corp., and its successor, Maxus Energy Corp., in various capacities in international exploration and production, marketing, refining, and planning and development.

Dennis E. Fagerstone. Mr. Fagerstone, a graduate of the Colorado School of Mines with a B.S. in Petroleum Engineering, has been an Executive Vice President of Pioneer Parent since August 1997. Mr. Fagerstone served as Executive Vice President and Chief Operating Officer of MESA Inc. from March 1997 until August 1997. Mr. Fagerstone served as Senior Vice President and Chief Operating Officer of MESA Inc. from October 1996 to February 1997, and served as Vice President -- Exploration

81

96

and Production of MESA Inc. from May 1991 to October 1996. Mr. Fagerstone served as Vice President -- Operations of MESA Inc. from June 1988 until May 1991.

Mark L. Withrow. Mr. Withrow, a graduate of Abilene Christian University with a Bachelor of Science degree in Accounting and Texas Tech University with a J.D. degree, has been the Executive Vice President, General Counsel and Secretary of Pioneer Parent since August 1997. He served as Vice President -- General Counsel of Parker & Parsley Petroleum Company from February 1991 until January 1995, and served as Senior Vice President and General Counsel of Parker & Parsley Petroleum Company from January 1995 until August 1997. He was Parker & Parsley Petroleum Company's Secretary from August 1992 until August 1997. Mr. Withrow joined Parker & Parsley Development Company in January 1991. Before joining Parker & Parsley Development Company, Mr. Withrow was the managing partner of the law firm of Turpin, Smith, Dyer, Saxe & MacDonald, Midland, Texas.

Danny L. Kellum. Mr. Kellum, a graduate of Texas Tech University with a Bachelor of Science degree in Petroleum Engineering in 1979, has been Executive Vice President -- Domestic Operations of Pioneer Parent since May 2000. From January 2000 until May 2000, Mr. Kellum served as Vice President -- Domestic Operations. From August 1997 until December 1999, Mr. Kellum served as Vice President -- Permian Division. Mr. Kellum served as Spraberry District Manager for Parker & Parsley Petroleum Company from 1989 until 1994 and as Vice President of the Spraberry and Permian Divisions for Parker & Parsley Petroleum

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

Company from 1994 until August 1997. He joined Parker & Parsley Petroleum Company in 1981 as Operations Engineer after a brief career with Mobil Oil Corporation.

James R. Baroffio. Dr. Baroffio received a B.A. in Geology at the College of Wooster, Ohio, an M.S. in Geology at Ohio State University, and a Ph.D. in Geology at the University of Illinois. Before becoming a director of Pioneer Parent in December 1997, Dr. Baroffio enjoyed a long career with Standard Oil Company of California, the predecessor of Chevron Corporation, where he served as President, Chevron Research and Technology Center from 1980 to 1985 and eventually retired as President of Chevron Canada Resources in 1994. Dr. Baroffio was a member of the Board of Directors of the Rocky Mountain Oil & Gas Association and Chairman of the U.S. National Committee of the World Petroleum Congress. His community leadership positions included membership on the Board of Directors of Glenbow Museum and the Nature Conservancy of Canada, as well as serving as President of the Alberta Nature Conservancy.

R. Hartwell Gardner. Mr. Gardner, a graduate of Colgate University with a Bachelor of Arts degree in Economics and Harvard University with an M.B.A., became a director of Pioneer Parent in August 1997. He served as a director of Parker & Parsley Petroleum Company from November 1995 until August 1997. Until his retirement in September 1995, Mr. Gardner was the Treasurer of Mobil Oil Corporation and Mobil Corporation from 1974 and 1976, respectively. Mr. Gardner is a member of the Financial Executives Institute of which he served as Chairman in 1986/1987 and is a Director of Oil Investment Corporation Ltd. and Oil Casualty Investment Corporation Ltd., Pembroke, Bermuda.

James L. Houghton. Mr. Houghton is a certified public accountant and a graduate of Kansas University with a Bachelor of Science degree in Accounting, as well as a Bachelor of Law degree. Mr. Houghton has served as a director of Pioneer Parent since August 1997, and as a director of Parker & Parsley Petroleum Company from October 1991 until August 1997. Until his retirement in September 1991, Mr. Houghton was the lead oil and gas tax specialist for the accounting firm of Ernst & Young LLP, was a member of Ernst & Young's National Energy Group, and had served as its Southwest Regional Director of Tax. Mr. Houghton is a member of the American Institute of Certified Public Accountants, a member of the Oklahoma Society of Certified Public Accountants, a former Chairman of its Federal and Oklahoma Taxation Committee and past President of the Oklahoma Institute of Taxation. He has also served as a Director for the Independent Petroleum Association of America and as a member of its Tax Committee.

Jerry P. Jones. Mr. Jones earned a Bachelor of Science degree from West Texas State College in 1953 and a Bachelor of Law degree from the University of Texas School of Law in 1959. Mr. Jones has served as a director of Pioneer Parent since August 1997, and as a director of Parker & Parsley Petroleum

82

97

Company from May 1991 until August 1997. Mr. Jones has been an attorney with the law firm of Thompson & Knight, P.C., Dallas, Texas, since September 1959 and was a shareholder in that firm until January 1998, when he retired and became of counsel to the firm. Mr. Jones specialized in civil litigation, especially in the area of energy disputes.

Charles E. Ramsey, Jr. Mr. Ramsey is a graduate of the Colorado School of Mines with a Petroleum Engineering degree and a graduate of the Smaller Company Management program at the Harvard Graduate School of Business Administration. Mr. Ramsey has served as a director of Pioneer Parent since August 1997. Mr. Ramsey served as a director of Parker & Parsley Petroleum Company from October

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

1991 until August 1997. Since October 1991, he has operated Ramsey Energy LLC, an independent management and financial consulting firm. From June 1958 until June 1986, Mr. Ramsey held various engineering and management positions in the oil and gas industry and, for six years before October 1991, was a Senior Vice President in the Corporate Finance Department of Dean Witter Reynolds Inc. in Dallas, Texas. His industry experience includes 12 years of senior management experience in the positions of President, Chief Executive Officer and Executive Officer and Executive Vice President of May Petroleum Inc. Mr. Ramsey is also a former director of MBank Dallas, the Dallas Petroleum Club and Lear Petroleum Corporation.

PIONEER USA

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

NAME ----	AGE ---	POSITION -----
Timothy L. Dove.....	44	Director, Executive Vice President and Chief Financial Officer
Dennis E. Fagerstone.....	52	Director and Executive Vice President
Mark L. Withrow.....	53	Director, Executive Vice President, General Counsel and Secretary
Danny L. Kellum.....	46	Director and Executive Vice President

Timothy L. Dove. Mr. Dove has been a Director of Pioneer USA since August 1997 and has been Executive Vice President and Chief Financial Officer of Pioneer USA since February 2000. He was the Executive Vice President -- Business Development of Pioneer USA from August 1997 until February 2000. He served as a Director of Parker & Parsley Petroleum USA, Inc. from June 1997 until August 1997. He was a Senior Vice President of Parker & Parsley Petroleum USA, Inc. from October 1996 until August 1997. He was a Vice President of Parker & Parsley Petroleum USA, Inc. from December 1995 until October 1996. Mr. Dove's other business experience and biographical information are set forth above under "Management -- Pioneer Parent."

Dennis E. Fagerstone. Mr. Fagerstone has been a Director and an Executive Vice President of Pioneer USA since August 1997. Mr. Fagerstone's other business experience and biographical information are set forth above under "Management -- Pioneer Parent."

Mark L. Withrow. Mr. Withrow has been a Director of Pioneer USA since August 1997. He became an Executive Vice President, the General Counsel and the Secretary of Pioneer USA in August 1997. He served as a Director of Parker & Parsley Petroleum USA, Inc. from January 1996 until August 1997. He was a Senior Vice President and the Secretary of Parker & Parsley Petroleum USA, Inc. from January 1995 until August 1997. He was a Vice President and the Secretary of Parker & Parsley Petroleum USA, Inc. from December 1993 until January 1995. He was a Vice President of Parker & Parsley Petroleum USA, Inc. from January 1991 until December 1993. Mr. Withrow's other business experience and biographical information are set forth above under "Management -- Pioneer Parent."

Danny L. Kellum. Mr. Kellum has been a Director of Pioneer USA since February 2000, and has been Executive Vice President of Pioneer USA since May 2000. He served as Vice President -- Domestic Operations of Pioneer USA from January 2000 until May 2000, as Vice President -- Permian Division of Pioneer USA from April 1998 until December 1999 and as Vice President -- Spraberry Division of Pioneer USA from December 1997 until March 1998. Mr. Kellum's other business experience and biographical information are set forth above under "Management -- Pioneer Parent."

PIONEER PARENT

Pioneer Parent is a large independent exploration and production company with total proved reserves equivalent to 3.8 trillion cubic feet of natural gas, or 628 million barrels of oil. Pioneer Parent's proved reserves are balanced equally between natural gas and oil, and Pioneer Parent has a reserves-to-production ratio of 14 years. Three core areas in the United States comprise 67% of Pioneer Parent's reserve base: the Hugoton gas field, the West Panhandle gas field, and the Spraberry oil and natural gas field. Pioneer Parent also has domestic properties in East Texas, the Gulf Coast, and the offshore Gulf of Mexico as well as a significant international presence through its properties in Argentina, Canada, South Africa, and Gabon.

Pioneer Parent seeks to increase net asset value and production by combining lower risk development drilling with higher risk exploration activity. Pioneer Parent has identified over 1,700 development drilling locations on its properties in the U.S., Argentina and Canada. Approximately 76% of the identified 1,700 development drilling locations have proved undeveloped reserves attributable to them. Pioneer Parent's exploration program is focused in the deepwater Gulf of Mexico, the Gulf Coast shelf, South Africa and Gabon. Pioneer Parent expects significant new production from the deepwater Gulf of Mexico and South Africa in 2002 and 2003 as it builds on its recent exploration successes in those areas. The production from Pioneer Parent's long-lived reserves in the Spraberry, Hugoton and West Panhandle fields are expected to provide stable cash flows to fund Pioneer Parent's development and exploration activities.

During 2000, Pioneer Parent spent \$340 million for capital expenditures to add 437 billion cubic feet of natural gas equivalent reserves. As a consequence, in 2000 Pioneer Parent replaced 167% of its production at an acquisition and finding cost of \$.78 per Mcf equivalent. Pioneer Parent's acquisition and finding cost is the result obtained by dividing total costs incurred by the sum of revisions of previous estimates, purchases of minerals-in-place and new discoveries and extensions. Pioneer Parent drilled 296 wells with 90% success worldwide, including 83 exploration and extension wells with 73% success.

For 2001, Pioneer Parent has budgeted \$480 million of capital expenditures, a 41% increase over 2000 capital expenditures but slightly less than expected available cash flow. Approximately 73% of the 2001 capital expenditure budget is for development activities with the remaining 27% for exploration. Pioneer Parent plans to drill approximately 460 development wells and 26 exploratory wells in its 2001 program, and approximately 65% of the capital expenditures will be for drilling activities in the U.S.

KEY PROJECTS TO INCREASE PRODUCTION

Pioneer Parent expects to increase its production of oil and gas from current levels by 25% to 30% on a gas equivalent basis by early to mid 2003,

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

primarily from four projects. The production increases anticipated from the four projects are derived from currently booked proved undeveloped reserves. The projects in general build on Pioneer Parent's recent exploration successes.

- The Canyon Express project is a joint development of three deepwater Gulf of Mexico discoveries, including Pioneer Parent's Aconcagua and Camden Hills fields. The project is being developed with a capacity to deliver 500 million cubic feet of natural gas per day by the summer of 2002. Pioneer Parent owns an 18% interest in the Canyon Express project and expects that production from the project will increase Pioneer Parent's North American natural gas production by 30% from current levels.

84

99

- Pioneer Parent's first well in offshore South Africa confirmed the presence of commercial oil reserves and resulted in Pioneer Parent's plans to develop the Sable oil field. First production from the field is expected in late 2002 or early 2003 at daily rates of 25 to 30 thousand barrels per day. Pioneer Parent has a 35% working interest in the field, and production from the project is expected to increase Pioneer Parent's total oil production by more than 20%. Pioneer Parent has also discovered oil and natural gas at its Boomslang prospect in offshore South Africa.
- The Devils Tower discovery was Pioneer Parent's second in the deepwater Gulf of Mexico. The oil field has been successfully appraised, and development plans call for first production in early 2003. Pioneer Parent has a 25% working interest in the field, and production from the field is expected to increase Pioneer Parent's total oil production by approximately 20% from current levels.

MORE INFORMATION

A more complete description of Pioneer Parent and its business is found in the reports that Pioneer Parent files with the SEC. Please see "Where You Can Find More Information" on the inside front cover page of this document. Pioneer Parent's business, and its expectations about its future, are subject to many risks. Please also read "Risks Associated with an Investment in Pioneer Parent" under the caption "Risk Factors" beginning on page 22 of this document.

85

100

THE PARTNERSHIPS

GENERAL

Pioneer USA's predecessor, Parker & Parsley Petroleum USA, Inc. or its predecessors or affiliates, sponsored each partnership. As a result of the merger of Parker & Parsley Petroleum Company and MESA Inc. to form Pioneer Parent on August 7, 1997, Pioneer USA became the managing or sole general partner of each partnership.

Appendix A to this document sets forth information about each partnership, including proved reserves as of December 31, 2000, estimated reserves as of March 31, 2001, oil and gas production, average sales prices and production

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

costs, productive wells and developed acreage, and historical cash distributions. In addition, the supplement for each partnership constitutes an integral part of this document. You should read Appendix A and the supplement carefully in their entirety.

THE DRILLING PARTNERSHIPS

The drilling partnerships consist of the following 43 limited partnerships that were formed from 1981 through 1991:

NAME -----	STATE OF FORMATION -----
Parker & Parsley 81-I, Ltd.....	Texas
Parker & Parsley 81-II, Ltd.....	Texas
Parker & Parsley 82-I, Ltd.....	Texas
Parker & Parsley 82-II, Ltd.....	Texas
Parker & Parsley 82-III, Ltd.....	Texas
Parker & Parsley 83-A, Ltd.....	Texas
Parker & Parsley 83-B, Ltd.....	Texas
Parker & Parsley 84-A, Ltd.....	Texas
Parker & Parsley 85-A, Ltd.....	Texas
Parker & Parsley 85-B, Ltd.....	Texas
Parker & Parsley Private Investment 85-A, Ltd.....	Texas
Parker & Parsley Selected 85 Private Investment, Ltd.....	Texas
Parker & Parsley 86-A, Ltd.....	Texas
Parker & Parsley 86-B, Ltd.....	Texas
Parker & Parsley 86-C, Ltd.....	Texas
Parker & Parsley Private Investment 86, Ltd.....	Texas
Parker & Parsley 87-A Conv., Ltd.....	Texas
Parker & Parsley 87-A, Ltd.....	Texas
Parker & Parsley 87-B Conv., Ltd.....	Texas
Parker & Parsley 87-B, Ltd.....	Texas
Parker & Parsley Private Investment 87, Ltd.....	Texas
Parker & Parsley 88-A Conv., L.P.....	Delaware
Parker & Parsley 88-A, L.P.....	Delaware
Parker & Parsley 88-B Conv., L.P.....	Delaware
Parker & Parsley 88-B L.P.....	Delaware
Parker & Parsley 88-C Conv., L.P.....	Delaware
Parker & Parsley 88-C, L.P.....	Delaware
Parker & Parsley Private Investment 88, L.P.....	Delaware
Parker & Parsley 89-A Conv., L.P.....	Delaware
Parker & Parsley 89-A, L.P.....	Delaware
Parker & Parsley 89-B Conv., L.P.....	Delaware
Parker & Parsley 89-B, L.P.....	Delaware
Parker & Parsley Private Investment 89, L.P.....	Delaware

NAME -----	STATE OF FORMATION -----
Parker & Parsley 90-A Conv., L.P.....	Delaware
Parker & Parsley 90-A, L.P.....	Delaware

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

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

Each drilling partnership was formed to establish long-lived oil and gas reserves primarily by drilling low-risk development wells in the Spraberry field of the Permian Basin of West Texas. The oil and gas properties of each drilling partnership consist primarily of leasehold interests in producing properties located in Texas. The partners of a drilling partnership received a tax benefit from drilling activities in the partnership's first year. Subsequently, each drilling partnership has regularly distributed its net cash flow. As of the date of this document, each drilling partnership has expended all of its initial capital contributions.

For a discussion of transactions between each drilling partnership and Pioneer USA, see the notes to the financial statements of each drilling partnership included in the supplement for the partnership.

THE INCOME PARTNERSHIPS

The income partnerships consist of the following three limited partnerships that were formed in 1987 and 1988:

NAME	STATE OF FORMATION
----	-----
Parker & Parsley Producing Properties 87-A, Ltd.....	Texas
Parker & Parsley Producing Properties 87-B, Ltd.....	Texas
Parker & Parsley Producing Properties 88-A, L.P.....	Delaware

The primary objective of each income partnership was to acquire long-lived, producing oil and gas properties in the Spraberry field of the Permian Basin of West Texas. Subsequently, each income partnership has regularly distributed its net cash flow. As of the date of this document, each income partnership has expended all of its initial capital contributions.

For a discussion of transactions between each income partnership and Pioneer USA, see the notes to the financial statements of each income partnership included in the supplement for the partnership.

COMPARISON OF RIGHTS OF STOCKHOLDERS AND PARTNERS

GENERAL

The rights of Pioneer Parent stockholders are currently governed by the Delaware General Corporation Law and the certificate of incorporation and bylaws of Pioneer Parent. The rights of the limited partners of each partnership are

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

currently governed by the Delaware Revised Uniform Limited Partnership Act or the Texas Revised Limited Partnership Act and, in either case, the partnership agreement of the partnership. Accordingly, on completion of the merger of each partnership, the rights of Pioneer Parent stockholders and of limited partners who become Pioneer Parent stockholders in the merger of their partnerships will be governed by the Delaware General Corporation Law, Pioneer Parent's certificate of incorporation and Pioneer Parent's bylaws. The following is a summary of the material differences between the current rights of Pioneer Parent stockholders and those of the limited partners of each partnership.

The following summary of the material differences between the Pioneer Parent certificate of incorporation, the Pioneer Parent bylaws and the partnership agreement for each partnership may not contain all the information that is important to you. To review all provisions and differences of such documents in full detail, please read the full text of these documents, the Delaware General Corporation Law, the Delaware Revised Uniform Limited Partnership Act and the Texas Revised Limited Partnership Act. Copies of the Pioneer Parent certificate of incorporation, the Pioneer Parent bylaws and the partnership agreement for each partnership in which you own an interest will be sent to you upon request. For information on how these documents may be obtained, see "Where You Can Find More Information" on the inside front cover page of this document.

Pioneer Parent's certificate of incorporation and bylaws will not be amended in conjunction with the merger of any partnership.

88

103

SUMMARY COMPARISON OF TERMS OF SHARES OF PIONEER PARENT COMMON STOCK AND PARTNERSHIP INTERESTS

SHARES	PARTNERSHIP INTERESTS
LIQUIDITY AND MARKETABILITY	
Shares of Pioneer Parent common stock are generally freely transferable. The shares of Pioneer Parent common stock that are currently outstanding are traded on the New York Stock Exchange and the Toronto Stock Exchange, and the shares of Pioneer Parent common stock to be issued in the merger of each participating partnership have been approved for listing on the New York Stock Exchange and the Toronto Stock Exchange upon official notice of issuance.	The partnership interests of each partnership may not be transferred if, in the opinion of counsel to the partnership, (1) such transfers would result in the termination of the partnership for federal income tax purposes under Section 708 of the Internal Revenue Code, or (2) such transfers may not be effected without registration under the Securities Act of 1933 or would result in the violation of any applicable state securities laws. Clause (1) is not applicable to Parker & Parsley 85-A, Ltd., Parker & Parsley 85-B, Ltd., Parker & Parsley Private Investment 85-A, Ltd., Parker & Parsley Selected 85 Private Investment, Ltd., Parker & Parsley Private Investment 86, Ltd., Parker & Parsley 87-A Conv., Ltd., Parker & Parsley 87-A, Ltd., Parker & Parsley 87-B Conv., Ltd. and Parker & Parsley 87-B, Ltd. and Parker & Parsley Private Investment 87, Ltd. In addition, no

transferee of a partnership interest has the right to become a substitute limited partner unless, among other things, such substitution is approved by Pioneer USA, which may grant or withhold such consent in its absolute discretion. In view of the foregoing restrictions, it was never intended that the partnership interests would be actively traded. No broad-based secondary market for the partnership interests of any partnership exists.

 RIGHTS OF REPURCHASE

Pioneer Parent's stockholders have no right to present their shares of Pioneer Parent common stock for repurchase by Pioneer Parent or any other person.

Within the time periods specified in the partnership agreements of Parker & Parsley 82- I, Ltd., Parker & Parsley 82-II, Ltd., Parker & Parsley 82-III, Ltd., Parker & Parsley 83-A, Ltd., Parker & Parsley 83-B, Ltd. and Parker & Parsley 84-A, Ltd., a limited partner of any of those partnerships may tender all or, subject to some limitations, part of his partnership interests in the partnership to Pioneer USA for repurchase in accordance with the partnership agreement for the partnership. See "Risk Factors -- Risk Factors Relating to the Merger of Each Partnership -- Repurchase Rights Terminate on Completion of the Mergers." A comparison of the merger value for each of these partnerships and the repurchase prices in 2001 is set forth in Table 8 of Appendix A.

 SHARES

 PARTNERSHIP INTERESTS

MANAGEMENT, MANAGEMENT LIABILITY AND INDEMNIFICATION

Pioneer Parent is managed by a board of directors elected by its stockholders. Under Delaware law, the directors are accountable to Pioneer Parent and its stockholders as fiduciaries and are required to perform their duties (1) in good faith, (2) in a manner believed to be in the best interests of Pioneer Parent and its stockholders and (3) with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances. The liability of the directors is limited pursuant to the provisions of Delaware law and Pioneer

Each of the partnerships is managed by Pioneer USA, which generally has exclusive authority over each of the partnership's operations. The limited partners may not participate in management of the partnerships. Under Delaware and Texas law, Pioneer USA and any nonmanaging general partners of any of the partnerships are accountable to the partnership as fiduciaries and consequently are required to exercise good faith and integrity in all of their dealings with respect to the affairs of the partnership. Under Texas or Delaware law, as applicable, Pioneer USA and any

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

Parent's certificate of incorporation, which limits a director's liability for monetary damages to Pioneer Parent or its stockholders for breach of the director's duty of care, where a director fails to exercise sufficient care in carrying out the responsibilities of office. Such provisions, however, would not protect a director for (1) a breach of duty of loyalty, (2) intentional misconduct or knowing violations of law, (3) unlawful dividend payments or redemption of stock, or (4) any transaction in which the director derived an improper personal benefit. Such provisions do not foreclose any other remedy which might be available to Pioneer Parent or its stockholders. Pioneer Parent's certificate of incorporation and Delaware law provide broad indemnification rights to directors and officers who

- act in good faith,
- in a manner reasonably believed to be in or not opposed to the best interests of Pioneer Parent and,
- with respect to criminal actions or proceedings, without reasonable cause to believe their conduct was unlawful.

Pioneer Parent's certificate of incorporation also requires Pioneer Parent to indemnify its officers and directors under some circumstances for expenses or liabilities incurred as a result of litigation. In addition, Pioneer Parent's certificate of incorporation authorizes Pioneer Parent to advance expenses incurred in the defense of its directors and officers. Pioneer Parent intends to take full advantage of those provisions and has entered into agreements with Pioneer Parent's directors and officers indemnifying them to the fullest extent permitted by Delaware law.

nonmanaging general partners of any of the partnerships have liability for the payment of partnership obligations and debts, unless limitations upon such liability are expressly stated in the obligation. The partnership agreement of each partnership provides generally that Pioneer USA, any nonmanaging general partners of the partnership and, in some cases, their affiliates will be indemnified for losses relating to acts performed or omitted to be performed in good faith and in the best interests of the partnership; provided that the conduct of Pioneer USA, any such nonmanaging general partner or affiliate, as applicable, did not constitute negligence or misconduct. Pioneer USA and any nonmanaging general partners of the partnership may be removed by an affirmative vote of limited partners holding a majority of the outstanding limited partnership interests in the partnership; provided, that an opinion of counsel to the limited partners and acceptable to the partnership is delivered to the partnership to the effect that the exercise of such rights by the limited partners (1) will not result in the loss of the limited partners' limited liability and (2) will not adversely affect the tax status of the partnership, Pioneer USA or the other partners.

SHARES

PARTNERSHIP INTERESTS

MANAGEMENT COMPENSATION

The board of directors of Pioneer Parent appoints officers to serve at the discretion

Each partnership reimburses Pioneer USA for its general and administrative expenses.

of the board of directors. The board of directors of Pioneer Parent determines the officer salaries and incentive compensation; provided, that the board of directors of Pioneer Parent may delegate the power to determine such compensation to the chairman of the board, the president or any committee of the board of directors.

MANAGEMENT CONTROL

Pioneer Parent's board of directors has exclusive control over Pioneer Parent's business and affairs subject only to the restrictions in Pioneer Parent's certificate of incorporation and bylaws. Pioneer Parent's stockholders have the right to elect members of the board of directors by a plurality vote at each annual meeting of the stockholders. The directors are accountable to Pioneer Parent and its subsidiaries as fiduciaries.

Under the partnership agreement of each partnership, Pioneer USA is generally vested with all management authority to manage, control, administer and operate the business, properties and affairs of the partnership, including authority and responsibility for overseeing all executive, supervisory and administrative services rendered to the partnership. Pioneer USA and any nonmanaging general partners have the right to continue to serve in such capacity unless Pioneer USA or such nonmanaging general partner is removed upon the affirmative vote of limited partners holding a majority of the outstanding limited partnership interests in the partnership; provided, that an opinion of counsel to the limited partners, and acceptable to the partnership, is delivered to the partnership to the effect that the exercise of such rights by the limited partners (1) will not result in the loss of the limited partners' limited liability and (2) will not adversely affect the tax status of the partnership, Pioneer USA or the other partners. The limited partners of each partnership have no right to participate in the management and control of the partnership and have no voice in the partnership's affairs except for some limited matters that may be submitted to a vote of the limited partners under the terms of the partnership agreement of the partnership. See "Voting Rights and Amendments" below. Pioneer USA is accountable as a fiduciary to each partnership.

SHARES

PARTNERSHIP INTERESTS

VOTING RIGHTS AND AMENDMENTS

Pioneer Parent's certificate of

Generally, meetings of each partnership may

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

incorporation provides that (1) stockholders of Pioneer Parent may act only at annual or special meetings of stockholders and not by written consent, (2) Pioneer Parent will hold an annual meeting each calendar year at which its stockholders will elect directors, (3) special meetings of stockholders may be called only by the board of directors, and (4) only business proposed by the board of directors may be considered at special meetings of stockholders.

be called by Pioneer USA or by limited partners owning at least 10% of the outstanding limited partnership interests. The limited partners may conduct any partnership business at such meeting which is permitted under the partnership agreement for such partnership and is specified in the notice of such meeting, but the limited partners may not engage in any activity which would be deemed taking part in the management or control of the partnership's business.

Most amendments to Pioneer Parent's certificate of incorporation require the approval of the stockholders who own a majority of the outstanding shares of Pioneer Parent common stock. A number of fundamental amendments, however, require approval by a greater percentage of stockholders. For example, any amendment to the following provisions requires the approval of two-thirds of the stockholders: (1) election of directors, (2) authority of the board of directors, (3) stockholder meetings and (4) limitation on the liability of directors. Any amendment to the provision that prohibits action by the written consent of the stockholders in lieu of a meeting requires the approval of 80% of the stockholders. In addition, the following actions require the approval of 80% of the stockholders and the approval of two-thirds of the disinterested stockholders: (1) any merger, consolidation or share exchange involving any person, other than Pioneer Parent or a subsidiary of Pioneer Parent, who beneficially owns 10% or more of the outstanding voting securities of Pioneer Parent, which person we call a related party, (2) some sales, leases, exchanges or similar transactions with related parties, (3) some issuances of securities to related parties, (4) adoption of any plan or proposal for liquidation of Pioneer Parent initiated by related parties, or (5) any series or combination of any of the actions described in clauses (1) through (4).

Amendments to the partnership agreement of each partnership generally require the approval by limited partners holding a majority of outstanding limited partnership interests in the partnership. An amendment that has any of the following effects requires the unanimous approval of Pioneer USA and the limited partners: (1) increases the liability or duties of any of the partners, (2) changes the contributions required of the partners, (3) provides for any reallocation of profits, losses or deductions to the detriment of a partner, (4) establishes any new priority in one or more partners as to the return of capital contributions or as to profits, losses, deductions or distribution to the detriment of a partner, or (5) causes the partnership to be taxed as a corporation. Pioneer USA may, in its sole discretion, adopt any of the following amendments: (1) change the name of the partnership, (2) change the location of the principal place of business of the partnership, (3) admit a new or substitute limited partner, (4) modify its general partnership interest as a result of a transfer of a portion of such interest, (5) correct a typographical error, or (6) any other similar change where the Pioneer USA determines that the amendment will not adversely affect the limited partners and Pioneer USA believes the amendment is necessary or advisable to qualify the partnership under the laws of a state in which it engages or proposes to engage in business or to keep the partnership from being treated as a corporation for tax purposes.

ANTI-TAKEOVER PROVISIONS

The certificate of incorporation and bylaws of Pioneer Parent and the Delaware General Corporation Law include a number of provisions which may have the effect of encouraging persons considering unsolicited tender offers or other unilateral takeover proposals to negotiate with Pioneer Parent's board of directors rather than pursue non-negotiated takeover attempts. These provisions include (1) a classified board of directors, (2) advance notice requirements for shareholder proposals and director nominations, (3) restrictions on certain business combinations and (4) prohibition against actions approved by written consent without the approval of a specified percentage of the shareholders. In addition, Pioneer Parent has adopted a rights plan and distributed to each holder of its common stock and Canadian exchangeable shares rights to acquire shares of Series A Junior Participating Preferred Stock in certain circumstances. The rights plan, which is also known as a "poison pill," is intended to prevent any person from accumulating a significant position in Pioneer Parent's voting stock without approval of Pioneer Parent's board of directors.

There are no anti-takeover provisions in the partnership agreement for any of the partnerships or under Delaware or Texas, partnership law, as the case may be.

CONTINUITY OF EXISTENCE

Pioneer Parent has a perpetual existence.

Except for the following partnerships, each partnership has a finite life of 50 years from the year of its formation. The following partnerships continue until terminated by mutual agreement of the partners of the partnership:

Parker & Parsley 81-I, Ltd.
Parker & Parsley 81-II, Ltd.
Parker & Parsley 82-I, Ltd.
Parker & Parsley 82-II, Ltd.
Parker & Parsley 82-III, Ltd.
Parker & Parsley 83-A, Ltd.
Parker & Parsley 83-B, Ltd.
Parker & Parsley 84-A, Ltd.

LIMITED LIABILITY

A stockholder's liability will generally be limited to such stockholder's contribution to Pioneer Parent's capital. Under Delaware law, Pioneer Parent's stockholders will not be liable for Pioneer Parent's debts or obligations. The shares of Pioneer Parent common stock offered by Pioneer Parent under this document, upon issuance, will be fully paid and nonassessable.

Assuming the limited partners of a partnership do not take part in the management or control of the business of such partnership, a limited partner's liability is generally limited to the limited partner's contribution to the capital of the partnership and such limited partner's share of assets and undistributed profits of the partnership. A limited partner will receive a return of the limited partner's capital contribution to the partnership to the extent that a distribution to the limited partner reduces the limited partner's share of the fair value of the partnership's net assets below the value of the limited partner's unreturned capital contributions. A substituted limited partner is subject to the liabilities and obligations of the substituted limited partner's assignor, except those liabilities of which the substituted limited partner was unaware at the time he became a substituted limited partner and which could not be ascertained from the partnership agreement of the partnership.

BUSINESS ACTIVITIES AND FINANCING

Pioneer Parent's mission is to provide its stockholders with superior investment returns through strategies that maximize Pioneer Parent's long-term profitability and net asset values. The strategies employed to achieve this mission are anchored by Pioneer Parent's long-lived Spraberry oil and gas field and Hugoton and West Panhandle gas fields' reserves and production. Underlying these fields are approximately 67% of Pioneer Parent's proved oil and gas reserves which have a remaining productive life in excess of 40 years. The stable base of oil and gas production from these fields generates operating cash flows that allow Pioneer Parent the financial flexibility to selectively reinvest capital:

- to develop and increase production from existing properties through low-risk development drilling activities;
- to leverage cost containment opportunities to achieve operating and technical efficiencies; and
- to pursue strategic acquisitions in Pioneer Parent's core areas that will complement Pioneer Parent's existing asset base and provide additional growth opportunities.

The business operations of each partnership have consisted of the acquisition, development and production of oil and gas reserves. Each partnership has expended its initial partnership capital, and additional properties cannot be acquired. Operations can be financed only through permitted borrowings, reinvestment of earnings not distributed, permitted assessments, or permitted sales of assets. Each partnership generally is required to distribute to its partners all or substantially all its net cash flow from operations, after provision for any reserves deemed appropriate by Pioneer USA.

 SHARES

 PARTNERSHIP INTERESTS

Pioneer Parent also has the financial flexibility to use portions of its operating cash flows:

- to selectively expand into new geographic areas that feature producing properties and provide exploration or exploitation opportunities;
- to invest in the personnel and technology necessary to increase Pioneer Parent's exploration opportunities; and
- to enhance liquidity.

This flexibility allows Pioneer Parent to take advantage of future exploration, development and acquisition opportunities. Pioneer Parent may engage in any phase of the oil and gas business and any other lawful business.

Pioneer Parent may finance its operations and the acquisition of additional properties through, among other things, the issuance of additional shares of Pioneer Parent common stock, borrowings, and the reinvestment of earnings not distributed to stockholders.

 FINANCIAL REPORTING

Pioneer Parent is subject to the reporting requirements of the Securities Exchange Act of 1934.

For a list of the partnerships that are subject to the reporting requirements of the Securities Exchange Act of 1934, see "Where You Can Find More Information" on the inside front cover page of this document. In addition, the partnership agreement of each partnership requires that some reports be delivered to the limited partners.

 TAX INFORMATION

"Double taxation" at the corporate and stockholder levels typically results when a corporation such as Pioneer Parent earns income and distributes that income to its stockholders in the form of dividends. Stockholders will only recognize income on amounts actually distributed by Pioneer Parent. Distributions made by Pioneer Parent out of current or accumulated earnings and profits are taxed as dividend income. Distributions in excess of current or accumulated earnings and profits are treated as a non-taxable return of basis to the extent of stockholders' adjusted basis in

None of the partnerships is a taxable entity for federal income tax purposes. The partners of each partnership are required to take into account their pro rata share of the partnership's income, gains, losses, and deductions, regardless of whether they receive any cash distributions from the partnership. Some partners may be entitled to percentage depletion. A partner will be required to recapture some deductions and credits upon the sale of all or a portion of his partnership interests.

their shares, with the excess taxed as capital gain.

SHARES

Dividends, if any, received by stockholders from Pioneer Parent generally will constitute portfolio income, and cannot be offset with losses from "passive activities." Losses and credits generated within Pioneer Parent do not pass through to the stockholders. After the end of Pioneer Parent's taxable year, stockholders will receive Form 1099-DIV to report their dividend income.

PARTNERSHIP INTERESTS

A partner's share of a partnership's income and loss will be subject to the "passive activity" limitations. Under the passive activity rules, losses of a partner arising from his ownership of partnership interests may be used to offset passive income from another passive investment and income of a partner arising from his ownership of partnership interests may only be offset with passive losses from another passive investment. For a discussion of the tax consequences associated with the merger of each partnership, see "The Merger of Each Partnership -- Material U.S. Federal Income Tax Consequences."

DIVIDEND OR DISTRIBUTION POLICY AND PARTICIPATION IN PROFITS AND LOSSES

The shares of Pioneer Parent common stock constitute equity interests in Pioneer Parent. Each stockholder will be entitled to his pro rata share of the dividends made with respect to the Pioneer Parent common stock. The dividends payable to the stockholders are not fixed in amount and are only paid if, as and when declared by Pioneer Parent's board of directors. Dividends payable with respect to the shares of Pioneer Parent common stock depend upon the performance of Pioneer Parent.

For a description of the distribution policies of each partnership, see "Risk Factors -- Risks Associated with an Investment in Pioneer Parent -- Pioneer Parent Might Not Declare Dividends." The average quarterly cash distributions by each partnership for 1999, 2000 and the year-to-date in 2001 are set forth in Table 7 of Appendix A. For a description of the provisions of the partnership agreement of each partnership governing the allocation of costs and revenues among the partnership's partners, see Table 9 of Appendix A.

LEGAL MATTERS

Vinson & Elkins L.L.P., counsel to Pioneer Parent, will pass upon the validity of the Pioneer Parent common stock to be issued upon the merger of each partnership and material federal income tax matters related to the merger of each partnership. The limited partners' special legal counsel, _____, _____, will deliver the legal opinion referred to in "The Merger of Each Partnership -- Legal Opinion for Limited Partners" on page 59 of this document. That special counsel may rely as to matters of law of jurisdictions other than the United States and the State of _____ on the opinion of counsel in such other jurisdictions.

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

INDEPENDENT AUDITORS AND INDEPENDENT PETROLEUM CONSULTANTS

The consolidated financial statements of Pioneer Parent appearing in its Annual Report (Form 10-K) for the year ended December 31, 2000, have been audited by Ernst & Young LLP, independent auditors, as set forth in their report, which is incorporated by reference into this document. Such consolidated financial statements are incorporated by reference in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

The financial statements of each partnership listed on pages 5 and 6 of this document at December 31, 2000 and 1999 and for each of the three years in the period ended December 31, 2000 have been audited by Ernst & Young LLP, independent auditors, as set forth in their reports included in the supplemental information to this document for each partnership. Such financial statements are included in the supplemental information of each partnership in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.

96

111

Williamson Petroleum Consultants, Inc., independent petroleum consultants, estimated each partnership's reserves as of December 31, 2000, and reviewed Pioneer Parent's and Pioneer USA's estimates of each partnership's reserves as of March 31, 2001 and the present value of the estimated future net revenues from those estimated reserves included in the summary reserve reports included in this document and such summary reserve reports and estimates and the review as of March 31, 2001, are included in this document in reliance upon their reports given upon their authority as experts on the matters covered by the summary reserve report and review.

97

112

COMMONLY USED OIL AND GAS TERMS

The definitions set forth below shall apply to the indicated terms as used in this document. All volumes of natural gas referred to herein are stated at the legal pressure base of the state or area where the reserves exist and at 60 degrees Fahrenheit and in most instances are rounded to the nearest major multiple.

"Bbl" means a standard barrel of 42 U.S. gallons and represents the basic unit for measuring the production of crude oil, natural gas liquids and condensate.

"Bcf" means one billion cubic feet under prescribed conditions of pressure and temperature and represents the basic unit for measuring the production of natural gas.

"BOE" means a barrel-of-oil-equivalent and is a customary convention used in the United States to express oil and gas volumes on a comparable basis. It is determined on the basis of the estimated relative energy content of natural gas to oil, being approximately six Mcf of natural gas per Bbl of oil.

"BTU" means British thermal unit.

"development drilling" means drilling within the proved area of an oil or

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

gas reservoir to the depth of a stratigraphic horizon known to be productive.

"exploration activity" means drilling activity to find and produce oil or natural gas in an area that is not known to be an oil or natural gas reservoir, or drilling activity to extend a known reservoir.

"Mbbbl" means one thousand Bbls.

"MBOE" means one thousand BOEs.

"Mcf" means one thousand cubic feet under prescribed conditions of pressure and temperature and represents the basic unit for measuring the production of natural gas.

"MMBbl" means one million Bbls.

"MMcf" means one million cubic feet under prescribed conditions of pressure and temperature and represents the basic unit for measuring the production of natural gas.

"NGLs" means natural gas liquids.

"proved reserves" means the estimated quantities of crude oil, natural gas, and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions, i.e., prices and costs as of the date the estimate is made. Prices include consideration of changes in existing prices provided only by contractual arrangements, but not on escalations based upon future conditions.

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

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

98

113

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

99

114

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

PIONEER NATURAL RESOURCES COMPANY

UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS

INTRODUCTORY STATEMENTS

The unaudited pro forma combined financial statements of Pioneer Parent have been prepared to give effect to Pioneer Parent's offer to acquire 46 limited partnerships (collectively, the "Combined Partnerships") that Pioneer USA serves as the sole or managing general partner. Pioneer Parent and Pioneer USA agreed to a merger value for each partnership. The aggregate merger value for the Combined Partnerships is \$107.1 million. For a description of the method used to determine the merger value for each partnership and the amount of Pioneer Parent common stock offered, see "Method of Determining Merger Value For Each Partnership and Amount of Pioneer Parent Common Stock Offered". The merger value for each partnership will not change. The only variables are the determination of which partnerships will approve the agreement and plan of merger, if any, and the number of shares of Pioneer Parent that will be issued to the limited partners of those partnerships that approve the agreement and plan of merger.

For purposes of presenting the unaudited pro forma combined financial statements, Pioneer Parent has assumed that each partnership will approve the agreement and plan of merger and will merge into Pioneer Parent and be converted into the right to receive Pioneer Parent common stock using an estimated per share market value of \$18.00. The actual purchase price will be determined on the closing date based on the value of Pioneer Parent's common stock issued to those partnerships that approve the agreement and plan of merger. Pioneer Parent will value the shares of common stock to be issued using the average closing price of its common stock over a five day period comprised of the two days prior to a defined measurement date, the defined measurement date and the two days following the defined measurement date. See Note (2) to the unaudited pro forma combined financial statements for additional information regarding the purchase price, the valuation of Pioneer Parent common stock and the definition of the measurement date referred to above.

The unaudited pro forma combined balance sheet of Pioneer Parent as of June 30, 2001 has been prepared to give effect to the acquisition of the Combined Partnerships as if it had occurred on June 30, 2001.

The unaudited pro forma combined statements of operations of Pioneer Parent for the six months ended June 30, 2001 and for the year ended December 31, 2000 have been prepared to give effect to the acquisition of the Combined Partnerships as if it had occurred on January 1, 2000.

The unaudited pro forma combined financial statements included herein are not necessarily indicative of the results that might have occurred had the transaction taken place on the dates that are assumed for the pro forma presentations and are not intended to be a projection of future results. Future results may vary significantly from the results reflected in the accompanying unaudited pro forma combined financial statements because of normal production declines, changes in product prices, future acquisitions and divestitures, future development and exploration activities, and other factors.

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

The following unaudited pro forma combined financial statements should be read in conjunction with the Consolidated Financial Statements (and the related notes) of Pioneer Parent included in the Annual Report on Form 10-K for the year ended December 31, 2000, the Quarterly Report on Form 10-Q for the six months ended June 30, 2001 and the historical financial statements of each partnership in which you own an interest contained in the supplement to this document for the partnership.

P-1

115

PIONEER NATURAL RESOURCES COMPANY
 UNAUDITED PRO FORMA COMBINED BALANCE SHEET
 AS OF JUNE 30, 2001
 (IN THOUSANDS, EXCEPT SHARE DATA)

	PIONEER PARENT	COMBINED PARTNERSHIPS	PRO FORMA ADJUSTMENTS
	-----	-----	-----
ASSETS			
Current assets:			
Cash and cash equivalents.....	\$ 18,227	\$ 12,819	\$ (7,064)
Accounts receivable:			
Trade, net.....	100,222	5,802	
Affiliates.....	2,460	--	(1,130)
Inventories.....	15,068	--	
Deferred income taxes.....	5,600	--	
Other current assets:			
Derivatives.....	51,304	--	--
Other.....	8,338	--	--
Total current assets.....	201,219	18,621	
Property, plant and equipment, at cost:			
Oil and gas properties, using the successful efforts method of accounting:			
Proved properties.....	3,400,375	355,133	(258,448)
Unproved properties.....	210,808	--	
Accumulated depletion, depreciation and amortization.....	(1,003,926)	(309,584)	309,584
	2,607,257	45,549	
Deferred income taxes.....	83,611	--	
Other property and equipment, net.....	21,425	--	
Other assets, net.....	148,542	--	
	\$ 3,062,054	\$ 64,170	
	=====	=====	

LIABILITIES AND STOCKHOLDERS' EQUITY

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

Current liabilities:

Accounts payable:				
Trade.....	\$ 113,046	\$ 49	\$	
Affiliates.....	3,200	1,130		(1,130)
Interest payable.....	39,056	--		
Other current liabilities:				
Derivative obligations.....	43,020	--		
Other.....	48,362	--		
	-----	-----		
Total current liabilities.....	246,684	1,179		
	-----	-----		
Long-term debt.....	1,572,227	--		
Other noncurrent liabilities.....	179,656	--		
Deferred income taxes.....	24,485	--		
Partners' capital.....	--	62,991		(62,991)
Stockholders' equity:				
Common stock.....	1,017	--		59
Additional paid-in capital.....	2,357,778	--		107,004
Treasury stock.....	(44,431)	--		
Accumulated deficit.....	(1,326,497)	--		
Accumulated other comprehensive income:				
Deferred hedge gains and losses.....	49,375	--		
Cumulative translation adjustment.....	1,760	--		
	-----	-----		
Total stockholders' equity and partners' capital.....	1,039,002	62,991		
	-----	-----		
Commitments and contingencies.....	\$ 3,062,054	\$ 64,170		
	=====	=====		

The accompanying notes are an integral part of these unaudited pro forma combined financial statements.

P-2

116

PIONEER NATURAL RESOURCES COMPANY

UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS

SIX MONTHS ENDED JUNE 30, 2001

(IN THOUSANDS, EXCEPT PER SHARE DATA)

	PIONEER PARENT	COMBINED PARTNERSHIPS	PRO FORMA ADJUSTMENTS	PRO FOR PIONEER P
	-----	-----	-----	-----
Revenues:				
Oil and gas.....	\$476,597	\$25,254	\$ (1,666) (d)	\$500,1
Interest and other.....	16,122	195	(12) (d)	16,3
Gain on disposition of assets, net.....	8,765	178	--	8,9
	-----	-----		-----
	501,484	25,627		525,4
	-----	-----		-----
Cost and expenses:				
Oil and gas production.....	107,776	10,618	(80) (d)	

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

			(3,311) (e)	115,0
Depletion, depreciation and amortization.....	109,557	1,739	1,613 (f)	112,9
Exploration and abandonments.....	69,466	119	--	69,5
General and administrative.....	18,453	777	(58) (d)	
			3,311 (e)	22,4
Interest.....	69,876	--		69,8
Other.....	27,091	--		27,0
	-----	-----		-----
	402,219	13,253		416,9
	-----	-----		-----
Income from continuing operations before income taxes.....	99,265	12,374		108,4
Income tax provision.....	(3,008)	--	-- (h)	(3,0
	-----	-----		-----
Income from continuing operations.....	\$ 96,257	\$12,374		\$105,4
	=====	=====		=====
Income from continuing operations per common share:				
Basic.....	\$.98			\$ 1.
	=====			=====
Diluted.....	\$.97			\$ 1.
	=====			=====
Weighted average shares outstanding:				
Basic.....	98,358		5,948 (i)	104,3
	=====			=====
Diluted.....	99,709		5,948 (i)	105,6
	=====			=====

See accompanying notes to unaudited pro forma combined financial statements.

P-3

117

PIONEER NATURAL RESOURCES COMPANY

UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2000
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	PIONEER PARENT	COMBINED PARTNERSHIPS	PRO FORMA ADJUSTMENTS	PRO FOR PIONEER P
	-----	-----	-----	-----
Revenues:				
Oil and gas.....	\$852,738	\$52,013	\$ (3,369) (d)	\$901,3
Interest and other.....	25,775	484	(28) (d)	26,2
Gain on disposition of assets, net.....	34,184	247	(6) (d)	34,4
	-----	-----		-----
	912,697	52,744		962,0
	-----	-----		-----
Cost and expenses:				
Oil and gas production.....	189,265	19,958	(1,392) (d)	
			(5,655) (e)	202,1
Depletion, depreciation and amortization.....	214,938	3,236	3,768 (f)	221,9
Impairment of oil and gas properties.....	--	663	(663) (g)	

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

Exploration and abandonments.....	87,550	72	(3) (d)	87,6
General and administrative.....	33,262	1,599	(110) (d)	
			5,655 (e)	40,4
Interest.....	161,952	--		161,9
Other.....	67,231	--		67,2
	-----	-----		-----
	754,198	25,528		781,3
	-----	-----		-----
Income from continuing operations before income taxes.....	158,499	27,216		180,7
Income tax benefit.....	6,000	--	-- (h)	6,0
	-----	-----		-----
Income from continuing operations.....	\$164,499	\$27,216		\$186,7
	=====	=====		=====
Income from continuing operations per common share:				
Basic.....	\$ 1.65			\$ 1.
	=====			=====
Diluted.....	\$ 1.65			\$ 1.
	=====			=====
Weighted average shares outstanding:				
Basic.....	99,378		5,948 (i)	105,3
	=====			=====
Diluted.....	99,762		5,948 (i)	105,7
	=====			=====

See accompanying notes to unaudited pro forma combined financial statements.

P-4

118

PIONEER NATURAL RESOURCES COMPANY

NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS

JUNE 30, 2001 AND DECEMBER 31, 2000

NOTE 1. BASIS OF PRESENTATION

The unaudited pro forma combined financial information of Pioneer Natural Resources Company ("Pioneer Parent") has been prepared to give effect to Pioneer Parent's offer to acquire 46 limited partnerships (collectively, the "Combined Partnerships") that Pioneer USA serves as the sole or managing general partner. The unaudited pro forma combined balance sheet as of June 30, 2001 has been prepared to give effect to the acquisition of the Combined Partnerships as if it had occurred on June 30, 2001. The unaudited pro forma combined statements of operations for the six months ended June 30, 2001 and for the year ended December 31, 2000 are presented as if the acquisition of the Combined Partnerships occurred on January 1, 2000.

Following is a description of the individual columns included in these unaudited pro forma combined financial statements:

Pioneer Parent -- Represents the consolidated balance sheet of Pioneer Parent as of June 30, 2001, and the consolidated statements of operations of Pioneer Parent for the six months ended June 30, 2001 and the year ended

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

December 31, 2000.

Combined Partnerships -- Represents the combined balance sheets of the 46 limited partnerships as of June 30, 2001 and the combined statements of operations of such limited partnerships for the six months ended June 30, 2001 and the year ended December 31, 2000.

NOTE 2. PRO FORMA ADJUSTMENTS

Following are descriptions of the pro forma adjustments used in the preparation of the accompanying unaudited pro forma combined financial statements:

- (a) To record the acquisition of the Combined Partnerships, using the purchase method of accounting, for \$107.1 million in Pioneer Parent common stock, representing 5,947,940 shares assuming an \$18.00 average stock price. The allocation of the purchase price to the acquired assets and liabilities is preliminary and, therefore, subject to change.

The purchase price allocation as of June 30, 2001 reflects the fair value of the Combined Partnerships' assets and liabilities as of that date. A final purchase price allocation will be done at closing based upon the fair value of the Combined Partnerships' assets and liabilities at that time. The date three business days prior to the special meeting of limited partners of each partnership to be held on _____, 2001 will be the measurement date for determining the final number of shares of Pioneer Parent common stock to be issued (the "Measurement Date"). Pioneer Parent will value the shares to be issued using the average closing price of Pioneer Parent common stock for the five-day period comprised of the two days prior to the Measurement Date, the Measurement Date and the two business days subsequent to the Measurement Date. The final allocation is not anticipated to change materially other than for cash flow generated from the Combined Partnerships' property interests between March 31, 2001 and closing, which will be reflected as a reduction to oil and gas properties and an increase to working capital in the final purchase price allocation.

- (b) To eliminate affiliate receivables and affiliate payables between Pioneer Parent and the Combined Partnerships.
- (c) To adjust pro forma cash and partners' capital for the \$7.1 million cash distribution disbursed to existing partners other than Pioneer USA during July 2001.
- (d) To eliminate Pioneer Parent's proportionate share of the Combined Partnerships that is already reflected in Pioneer Parent's consolidated statements of operations for the six months ended June 30, 2001 and for the year ended December 31, 2000.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

PIONEER NATURAL RESOURCES COMPANY

NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

- (e) To eliminate the Combined Partnership's share of operating overhead charged by Pioneer Parent that was recorded by the Combined Partnerships as an increase in lease operating expenses and by Pioneer Parent as a reduction to general and administrative expense.
- (f) To adjust depreciation, depletion and amortization expense for the basis allocated to the oil and gas properties acquired and accounted for using the successful efforts method of accounting.
- (g) To eliminate the Combined Partnerships impairment of oil and gas properties that would not occur on a pro forma basis with Pioneer Parent due to the basis in oil and gas properties reflecting the value assigned using the purchase method of accounting.
- (h) Pioneer Parent has unused net operating loss carryovers in the United States that could be used to offset any incremental earnings of the Combined Partnerships. Accordingly, no pro forma adjustment was recorded for additional income tax expense. See Note 3. below.
- (i) To adjust the weighted average basic and diluted common shares outstanding for the issuance of 5,947,940 shares of Pioneer Parent common stock to acquire the Combined Partnerships.

The pro forma numerator for basic and diluted earnings per share calculations equals "income from continuing operations" per the Unaudited Pro Forma Combined Statement of Operations (see pages P-3 and P-4). Following is a reconciliation of the pro forma weighted average basic and diluted shares outstanding (in thousands):

	JUNE 30, 2001	DECEMBER 31, 2000
	-----	-----
Pioneer Parent weighted average basic common shares outstanding.....	98,358	99,378
Shares issued to the nonmanaging general partners*.....	11	11
Shares issued to the limited partners*.....	5,937	5,937
	-----	-----
Pro forma Pioneer Parent weighted average basic shares outstanding.....	104,306	105,326
Effect of dilutive common stock options.....	1,351	384
	-----	-----
Pro forma Pioneer Parent weighted average diluted shares outstanding.....	105,657	105,710
	=====	=====

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

*The actual shares issued to the nonmanaging general partners and limited partners will be based on the final determination of the aggregate purchase price and the final measurement of the value of Pioneer Parent common stock, as described more fully in adjustment (a) above. The following table quantifies a range of possible shares to be issued to the nonmanaging general partners and limited partners and Pioneer Parent's pro forma income from continuing operations per common share -- basic and diluted for the six months ended June 30, 2001 and the year ended December 31, 2000 if, based on a \$107.1 million aggregate purchase price, the average closing price of the Pioneer Parent common stock over the five day period comprised of the two business days prior to the Measurement Date, the

P-6

120

PIONEER NATURAL RESOURCES COMPANY

NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

Measurement Date and the two business days subsequent to the Measurement Date is \$16.00 per share, \$18.00 per share, or \$20.00 per share:

	AVERAGE PRICE OF PIONEER PARENT COMMON STOCK		
	\$16.00	\$18.00	\$20.00
	----- (IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)		
Shares issued to the nonmanaging general partners.....	13	11	10
	=====	=====	=====
Shares issued to the limited partners.....	6,679	5,937	5,343
	=====	=====	=====
For the six months ended June 30, 2001:			
Pro forma Pioneer Parent weighted average basic shares outstanding.....	105,050	104,306	103,711
	=====	=====	=====
Pro forma Pioneer Parent weighted average diluted shares outstanding.....	106,401	105,657	105,062
	=====	=====	=====
Pro forma income from continuing operations per common share:			
Basic.....	\$ 1.00	\$ 1.01	\$ 1.02
	=====	=====	=====
Diluted.....	\$ 0.99	\$ 1.00	\$ 1.00
	=====	=====	=====
For the year ended December 31, 2000:			
Pro forma Pioneer Parent weighted average basic shares outstanding.....	106,070	105,326	104,731
	=====	=====	=====
Pro forma Pioneer Parent weighted average diluted shares outstanding.....	106,454	105,710	105,115
	=====	=====	=====
Pro forma income from continuing operations per common share:			
Basic.....	\$ 1.76	\$ 1.77	\$ 1.78

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	=====	=====	=====
Diluted.....	\$ 1.75	\$ 1.77	\$ 1.78
	=====	=====	=====

NOTE 3. INCOME TAXES

Pioneer Parent will account for income taxes in accordance with the provisions of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes." In accordance therewith, Pioneer Parent will prepare separate tax calculations for each tax jurisdiction in which Pioneer Parent will be subject to income taxes. Pioneer Parent has unused net operating loss carryovers and alternative minimum tax net operating loss carryovers that would be utilized to reduce incremental United States income taxes that would otherwise be incurred as a result of pro forma pre-tax earnings of the Combined Partnerships. Accordingly, Pioneer Parent has not recognized incremental income tax expense in the accompanying unaudited pro forma combined statements of operations for the six months ended June 30, 2001 and the year ended December 31, 2000.

NOTE 4. OIL AND GAS RESERVE DATA

The following unaudited pro forma supplemental information regarding the oil and gas activities of Pioneer Parent is presented pursuant to the disclosure requirements promulgated by the Securities and Exchange Commission and Statement of Financial Accounting Standards No. 69, "Disclosures About Oil and Gas Producing Activities." The pro forma combined reserve information is presented as if the

P-7

121

PIONEER NATURAL RESOURCES COMPANY

NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

acquisition of the Combined Partnerships had occurred on January 1, 2000. Information for oil and NGL's are presented in barrels (Bbls) and for gas in thousands of cubic feet (Mcf).

The pro forma combined net proved reserves are 2.2 MMBOE more than the summation of historical net proved reserves of Pioneer Parent and the Combined Partnerships. This difference can be attributed to the net impact of the partnerships' historical net proved reserves being burdened by administrative overhead and the Pioneer Parent reserves already including its pro rata share of the partnerships' reserves. Administrative overhead is charged by the operator (Pioneer Parent for the majority of the properties) in accordance with the joint operating agreements of each property and in accordance with the guidelines prescribed by the Council of Petroleum Accounting Society ("COPAS"). Because these charges will not be charged to Pioneer Parent after the transaction, on a pro forma combined basis Pioneer Parent has eliminated the administrative overhead charges consistent with industry standards. Consequently, the economic lives of the partnerships' properties are extended and additional reserves on a pro forma combined basis have been added. Offsetting the adjustment above is the elimination of Pioneer Parent's general partner and limited partner ownership because such ownership is already included in Pioneer Parent's reserves.

Pioneer Parent emphasizes that reserve estimates are inherently imprecise and subject to revision and that estimates of new discoveries are more imprecise

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

than those of producing oil and gas properties. Accordingly, the estimates are expected to change as future information becomes available and such changes could be significant.

For additional information regarding the oil and gas activities of Pioneer Parent and the Combined Partnerships, from which the following unaudited pro forma supplemental information was derived, please see: (a) Pioneer Parent's Annual Report on Form 10-K for the year ended December 31, 2000 for information regarding Pioneer Parent's stand-alone oil and gas activities, (b) Table 11 of Appendix A and (c) the review by Williamson Petroleum Consultants, Inc. of the Summary Reserve Report for the Combined Partnerships included in Appendix C for the volumes and values attributable to the Combined Partnerships.

P-8

122

PIONEER NATURAL RESOURCES COMPANY

NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

QUANTITIES OF OIL AND GAS RESERVES

Set forth below is a pro forma summary of the changes in the net quantities of oil, NGL and natural gas reserves for the year ended December 31, 2000.

	OIL & NGLS (MMBLS)	GAS (MMCF)	MBOE
	-----	-----	-----
TOTAL PROVED RESERVES:			
UNITED STATES			
Balance, January 1.....	290,683	1,365,530	518,271
Revisions of previous estimates.....	18,704	54,518	27,790
Purchases of minerals-in-place.....	1,237	28,071	5,916
New discoveries and extensions.....	4,819	66,486	15,900
Production.....	(18,571)	(86,206)	(32,939)
Sales of minerals-in-place.....	(743)	(35,054)	(6,586)
	-----	-----	-----
BALANCE, DECEMBER 31.....	296,129	1,393,345	528,352
ARGENTINA			
Balance, January 1.....	29,797	415,620	99,067
Revisions of previous estimates.....	1,411	(15,558)	(1,182)
Purchases of minerals-in-place.....	--	--	--
New discoveries and extensions.....	8,066	43,914	15,385
Production.....	(3,431)	(35,694)	(9,380)
Sales of minerals-in-place.....	--	--	--
	-----	-----	-----
BALANCE, DECEMBER 31.....	35,843	408,282	103,890
CANADA			
Balance, January 1.....	3,970	145,251	28,179
Revisions of previous estimates.....	429	(10,013)	(1,240)
Purchases of minerals-in-place.....	140	7,768	1,435
New discoveries and extensions.....	138	6,132	1,160
Production.....	(611)	(16,219)	(3,315)
Sales of minerals-in-place.....	--	--	--
	-----	-----	-----
BALANCE, DECEMBER 31.....	4,066	132,919	26,219
SOUTH AFRICA			

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

BALANCE, JANUARY 1.....	--	--	--
New discoveries and extensions.....	5,552	--	5,552
	-----	-----	-----
BALANCE, DECEMBER 31.....	5,552	--	5,552
TOTAL			
BALANCE, JANUARY 1.....	324,450	1,926,401	645,517
Revisions of previous estimates.....	20,544	28,947	25,368
Purchases of minerals-in-place.....	1,377	35,839	7,351
New discoveries and extensions.....	18,575	116,532	37,997
Production.....	(22,613)	(138,119)	(45,634)
Sales of minerals-in-place.....	(743)	(35,054)	(6,586)
	-----	-----	-----
BALANCE, DECEMBER 31.....	341,590	1,934,546	664,013
	=====	=====	=====

P-9

123

PIONEER NATURAL RESOURCES COMPANY

NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

	OIL & NGLS (MBBLS)	GAS (MMCF)	MBOE
	-----	-----	-----
PROVED DEVELOPED RESERVES:			
United States.....	241,253	1,169,664	436,198
Argentina.....	22,931	358,124	82,618
Canada.....	2,598	61,210	12,800
	-----	-----	-----
JANUARY 1.....	266,782	1,588,998	531,616
	=====	=====	=====
United States.....	236,249	1,120,610	423,018
Argentina.....	22,679	345,281	80,226
Canada.....	2,930	80,953	16,422
	-----	-----	-----
DECEMBER 31.....	261,858	1,546,844	519,666
	=====	=====	=====

STANDARDIZED MEASURE OF DISCOUNTED FUTURE NET CASH FLOWS

The pro forma standardized measure of discounted future net cash flow is computed by applying year-end prices of oil and gas (with consideration of price changes only to the extent provided by contractual arrangements) to the estimated future production of oil and gas reserves less estimated future expenditures (based on year-end costs) to be incurred in developing and producing the proved reserves discounted using a rate of 10 percent per year to reflect the estimated timing of the future cash flows. Future income taxes are calculated by comparing undiscounted future cash flows to the tax basis of oil and gas properties plus available carryforwards and credits and applying the current tax rate to the difference.

DECEMBER 31,
2000

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

(IN THOUSANDS)

UNITED STATES

Oil and gas producing activities:

Future cash inflows.....	\$19,615,577
Future production costs.....	(5,290,990)
Future development costs.....	(479,290)
Future income tax expenses.....	(3,945,569)

9,899,728

10% annual discount factor.....	(4,991,172)
---------------------------------	-------------

Standardized measure of discounted future net cash flows.....

\$ 4,908,556

=====

ARGENTINA

Oil and gas producing activities:

Future cash inflows.....	\$ 1,183,652
Future production costs.....	(215,853)
Future development costs.....	(114,606)
Future income tax expenses.....	(81,705)

771,488

10% annual discount factor.....	(264,126)
---------------------------------	-----------

Standardized measure of discounted future net cash flows.....

\$ 507,362

=====

P-10

124

PIONEER NATURAL RESOURCES COMPANY

NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

DECEMBER 31,
2000

(IN THOUSANDS)

CANADA

Oil and gas producing activities:

Future cash inflows.....	\$ 1,029,007
Future production costs.....	(104,189)
Future development costs.....	(35,443)
Future income tax expenses.....	(306,399)

582,976

10% annual discount factor.....	(168,441)
---------------------------------	-----------

Standardized measure of discounted future net cash flows.....

\$ 414,535

=====

SOUTH AFRICA

Oil and gas producing activities:

Future cash inflows.....	\$ 126,134
Future production costs.....	(65,232)
Future development costs.....	(47,970)
Future income tax expenses.....	--

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	12,932
10% annual discount factor.....	(5,782)

Standardized measure of discounted future net cash flows.....	\$ 7,150
	=====
TOTAL	
Oil and gas producing activities:	
Future cash inflows.....	\$21,954,370
Future production costs.....	(5,676,264)
Future development costs.....	(677,309)
Future income tax expenses.....	(4,333,673)

	11,267,124
10% annual discount factor.....	(5,429,521)

Standardized measure of discounted future net cash flows.....	\$ 5,837,603
	=====

P-11

125

PIONEER NATURAL RESOURCES COMPANY

NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS -- (CONTINUED)

CHANGES RELATING TO THE PRO FORMA STANDARDIZED MEASURE OF DISCOUNTED FUTURE NET CASH FLOWS

The principal sources of the change in the pro forma combined standardized measure of discounted future net cash flows for the year ended December 31, 2000 are as follows (in thousands):

Oil and gas sales, net of production costs.....	\$ (699,206)
Net changes in prices and production costs.....	3,920,249
Extension and discoveries.....	525,361
Development costs incurred during the period.....	101,350
Sales of minerals-in-place.....	(72,624)
Purchases of mineral-in-place.....	187,097
Revisions of estimated future development costs.....	(200,734)
Revisions of previous quantity estimates.....	329,124
Accretion of discount.....	313,281
Changes in production rates, timing and other.....	(270,400)

Change in present value of future net revenues.....	4,133,498
Net change in present value of future income taxes.....	(1,428,700)

	2,704,798
Balance, beginning of year.....	3,132,805

Balance, end of year.....	\$ 5,837,603
	=====

P-12

126

APPENDIX A

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

TO

PROXY STATEMENT/PROSPECTUS

GENERAL INFORMATION RELATING TO EACH PARTNERSHIP

Table 1	Jurisdiction of Organization, Initial Subscription Price for Each Unit, Initial Investment by Limited Partners and Number of Limited Partners as of July 31, 2001
Table 2	Merger Value Attributable to Pioneer USA, Nonmanaging General Partners and Limited Partners
Table 3	Merger Value Attributable to Partnership Interests of Limited Partners Per \$1,000 Investment
Table 4	Ownership Percentage and Merger Value Attributable to Nonmanaging General Partners Other Than Pioneer USA
Table 5	Ownership Percentage and Merger Value Attributable to Pioneer USA in Its Capacities as General Partner, Nonmanaging General Partner and Limited Partner
Table 6	Voting Percentage and Initial Investment Owned by Pioneer USA in Its Capacity as a Limited Partner as of July 31, 2001
Table 7	Historical Quarterly Partnership Distributions to the Limited Partners Per \$1,000 Investment from Inception through July 31, 2001
Table 8	Annual Repurchase Prices and Aggregate Annual Repurchase Payments
Table 9	Participation in Costs and Revenues of Each Partnership
Table 10	Average Oil, Natural Gas Liquids and Gas Sales Prices and Production Costs for the Six Months Ended June 30, 2001 and 2000 and the Years Ended December 31, 2000, 1999 and 1998
Table 11	Proved Reserves Attributable to Pioneer USA, Nonmanaging General Partners and Limited Partners as of December 31, 2000
Table 12	Partnership Estimated Reserves Attributable to Pioneer USA, Nonmanaging General Partners and Limited Partners as of March 31, 2001
Table 13	Oil, Natural Gas Liquids and Gas Production for the Six Months Ended June 30, 2001 and 2000 and the Years Ended December 31, 2000, 1999 and 1998
Table 14	Productive Wells and Developed Acreage as of June 30, 2001
Table 15	Recent Trades of Partnership Interests Per \$1,000 Investments for the

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Five Months Ended May 31, 2001 and the Years Ended December 31, 2000
and 1999

Table 16 Reserve Value Attributable to Pioneer USA, Nonmanaging General Partners and Limited Partners as of March 31, 2001

A-1

127

TABLE 1

JURISDICTION OF ORGANIZATION, INITIAL SUBSCRIPTION PRICE FOR EACH UNIT,
INITIAL INVESTMENT BY LIMITED PARTNERS AND NUMBER OF LIMITED PARTNERS

AS OF JULY 31, 2001

	JURISDICTION OF ORGANIZATION	INITIAL SUBSCRIPTION PRICE FOR EACH UNIT	INITIAL INVESTMENT BY LIMITED PARTNERS (IN THOUSAND)
	-----	-----	-----
Parker & Parsley 81-I, Ltd.....	Texas	\$ 5,000	\$ 7,410
Parker & Parsley 81-II, Ltd.....	Texas	5,000	6,440
Parker & Parsley 82-I, Ltd.....	Texas	2,000	11,805
Parker & Parsley 82-II, Ltd.....	Texas	2,000	12,252
Parker & Parsley 82-III, Ltd.....	Texas	2,000	6,882
Parker & Parsley 83-A, Ltd.....	Texas	1,000	19,505
Parker & Parsley 83-B, Ltd.....	Texas	1,000	23,370
Parker & Parsley 84-A, Ltd.....	Texas	1,000	19,435
Parker & Parsley 85-A, Ltd.....	Texas	1,000	9,613
Parker & Parsley 85-B, Ltd.....	Texas	1,000	7,988
Parker & Parsley Private Investment 85-A, Ltd....	Texas	40,000	5,000
Parker & Parsley Selected 85 Private Investment, Ltd.....	Texas	40,000	4,690
Parker & Parsley 86-A, Ltd.....	Texas	1,000	10,131
Parker & Parsley 86-B, Ltd.....	Texas	1,000	17,208
Parker & Parsley 86-C, Ltd.....	Texas	1,000	19,317
Parker & Parsley Private Investment 86, Ltd.....	Texas	40,000	4,920
Parker & Parsley 87-A Conv., Ltd.....	Texas	1,000	3,856
Parker & Parsley 87-A, Ltd.....	Texas	1,000	28,811
Parker & Parsley 87-B Conv., Ltd.....	Texas	1,000	4,919
Parker & Parsley 87-B, Ltd.....	Texas	1,000	20,089
Parker & Parsley Producing Properties 87-A, Ltd...	Texas	500	12,213
Parker & Parsley Producing Properties 87-B, Ltd...	Texas	500	6,096
Parker & Parsley Private Investment 87, Ltd.....	Texas	40,000	10,480
Parker & Parsley 88-A Conv., L.P.....	Delaware	1,000	3,793
Parker & Parsley 88-A, L.P.....	Delaware	1,000	12,935
Parker & Parsley 88-B Conv., L.P.....	Delaware	1,000	3,636
Parker & Parsley 88-B, L.P.....	Delaware	1,000	8,954
Parker & Parsley 88-C Conv., L.P.....	Delaware	1,000	3,411
Parker & Parsley 88-C, L.P.....	Delaware	1,000	2,431
Parker & Parsley Producing Properties 88-A, L.P.....	Delaware	500	5,611
Parker & Parsley Private Investment 88, L.P.....	Delaware	40,000	9,960
Parker & Parsley 89-A Conv., L.P.....	Delaware	1,000	2,797

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Parker & Parsley 89-A, L.P.....	Delaware	1,000	8,317
Parker & Parsley 89-B Conv., L.P.....	Delaware	1,000	6,307
Parker & Parsley 89-B, L.P.....	Delaware	1,000	6,949
Parker & Parsley Private Investment 89, L.P.....	Delaware	40,000	7,060
Parker & Parsley 90-A Conv., L.P.....	Delaware	1,000	2,359
Parker & Parsley 90-A, L.P.....	Delaware	1,000	6,811
Parker & Parsley 90-B Conv., L.P.....	Delaware	1,000	11,897
Parker & Parsley 90-B, L.P.....	Delaware	1,000	32,264
Parker & Parsley 90-C Conv., L.P.....	Delaware	1,000	7,531
Parker & Parsley 90-C, L.P.....	Delaware	1,000	12,107
Parker & Parsley Private Investment 90, L.P.....	Delaware	40,000	10,970
Parker & Parsley 90 Spraberry Private Dev., L.P.....	Delaware	40,000	5,200
Parker & Parsley 91-A, L.P.....	Delaware	1,000	11,620
Parker & Parsley 91-B, L.P.....	Delaware	1,000	11,249
Total.....			

A-2

128

TABLE 2

MERGER VALUE ATTRIBUTABLE TO PIONEER USA, NONMANAGING
GENERAL PARTNERS AND LIMITED PARTNERS (a)

	PIONEER USA (B)	NONMANAGING GENERAL PARTNERS (C)	LI PART
	-----	-----	-----
Parker & Parsley 81-I, Ltd.	\$ 235,285	\$16,888	6
Parker & Parsley 81-II, Ltd.	160,791	6,535	5
Parker & Parsley 82-I, Ltd.	410,553	13,871	8
Parker & Parsley 82-II, Ltd.	433,854	13,187	1,2
Parker & Parsley 82-III, Ltd.	305,910	9,927	7
Parker & Parsley 83-A, Ltd.	962,385	37,202	2,6
Parker & Parsley 83-B, Ltd.	1,310,513	49,882	3,5
Parker & Parsley 84-A, Ltd.	1,313,732	55,855	3,7
Parker & Parsley 85-A, Ltd.	39,179	--	1,2
Parker & Parsley 85-B, Ltd.	20,208	--	1,1
Parker & Parsley Private Investment 85-A, Ltd.	47,872	--	1,3
Parker & Parsley Selected 85 Private Investment, Ltd.	28,332	--	1,0
Parker & Parsley 86-A, Ltd.	23,353	--	1,7
Parker & Parsley 86-B, Ltd.	69,533	--	3,9
Parker & Parsley 86-C, Ltd.	42,190	--	3,1
Parker & Parsley Private Investment 86, Ltd.	13,416	--	1,3
Parker & Parsley 87-A Conv., Ltd.	14,805	--	7
Parker & Parsley 87-A, Ltd.	92,985	--	5,7
Parker & Parsley 87-B Conv., Ltd.	12,399	--	1,0
Parker & Parsley 87-B, Ltd.	51,532	--	4,1
Parker & Parsley Producing Properties 87-A, Ltd.	35,395	--	2,5
Parker & Parsley Producing Properties 87-B, Ltd.	61,106	--	2,2
Parker & Parsley Private Investment 87, Ltd.	26,261	--	2,5
Parker & Parsley 88-A Conv., L.P.	21,776	--	9
Parker & Parsley 88-A, L.P.	75,042	--	3,1

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Parker & Parsley 88-B Conv., L.P.	19,347	--	1,2
Parker & Parsley 88-B, L.P.	62,940	--	3,0
Parker & Parsley 88-C Conv., L.P.	13,021	--	9
Parker & Parsley 88-C, L.P.	8,602	--	7
Parker & Parsley Producing Properties 88-A, L.P.	35,259	--	2,0
Parker & Parsley Private Investment 88, L.P.	35,389	--	3,5
Parker & Parsley 89-A Conv., L.P.	9,382	--	9
Parker & Parsley 89-A, L.P.	62,877	--	2,7
Parker & Parsley 89-B Conv., L.P.	23,451	--	1,7
Parker & Parsley 89-B, L.P.	39,784	--	1,9
Parker & Parsley Private Investment 89, L.P.	31,687	--	1,9
Parker & Parsley 90-A Conv., L.P.	9,413	--	5
Parker & Parsley 90-A, L.P.	53,832	--	1,6
Parker & Parsley 90-B Conv., L.P.	54,557	--	3,2
Parker & Parsley 90-B, L.P.	111,674	--	8,7
Parker & Parsley 90-C Conv., L.P.	26,279	--	1,8
Parker & Parsley 90-C, L.P.	36,882	--	2,9
Parker & Parsley Private Investment 90, L.P.	52,606	--	3,3
Parker & Parsley 90 Spraberry Private Dev., L.P.	16,330	--	1,6
Parker & Parsley 91-A, L.P.	65,445	--	4,6
Parker & Parsley 91-B, L.P.	55,026	--	5,0

- (a) The merger value for each partnership is equal to the sum of the present value of estimated future net revenues from the partnership's estimated oil and gas reserves and its net working capital in each case as of March 31, 2001, less its pro rata share, based on its reserve value, of the estimated expenses and fees of the mergers of all of the partnerships and less the cash distribution on July 13, 2001, by the partnership to its partners.
- (b) Represents Pioneer USA's partnership interests in each partnership as: (1) the sole or managing general partner of the partnership; (2) a limited partner of the partnership; and (3) the sole general partner of each nonmanaging general partner. Pioneer USA will not receive any Pioneer Parent common stock for its partnership interests in any participating partnership. However, as a result of the merger of each participating partnership, Pioneer USA will own 100% of the properties of the partnership including properties attributable to its partnership interests in the partnership.
- (c) Represents four unaffiliated individuals' partnership interests as limited partners of each nonmanaging general partner. Excludes Pioneer USA's partnership interests as general partner of each nonmanaging general partner.
- (d) Represents the partnership interests of unaffiliated limited partners of each partnership. Excludes Pioneer USA's partnership interests as a limited partner of any partnership.

A-3

129

TABLE 3

MERGER VALUE ATTRIBUTABLE TO PARTNERSHIP INTERESTS
OF LIMITED PARTNERS PER \$1,000 INVESTMENT

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	LIMITED PARTNERS PER \$1,000			
	RESERVE VALUE	WORKING CAPITAL VALUE	EXPENSES AND FEES	JU DIST
Parker & Parsley 81-I, Ltd.	\$ 93.46	\$ 9.32	\$ (1.67)	\$
Parker & Parsley 81-II, Ltd.	79.80	10.16	(1.43)	
Parker & Parsley 82-I, Ltd.	82.50	9.69	(1.48)	
Parker & Parsley 82-II, Ltd.	100.28	9.83	(1.80)	
Parker & Parsley 82-III, Ltd.	121.32	10.28	(2.17)	
Parker & Parsley 83-A, Ltd.	138.02	15.18	(2.47)	
Parker & Parsley 83-B, Ltd.	153.78	17.04	(2.75)	
Parker & Parsley 84-A, Ltd.	194.07	20.97	(3.47)	
Parker & Parsley 85-A, Ltd.	133.47	16.15	(2.39)	
Parker & Parsley 85-B, Ltd.	140.20	17.78	(2.51)	
Parker & Parsley Private Investment 85-A, Ltd.	277.58	24.78	(4.97)	
Parker & Parsley Selected 85 Private Investment, Ltd.	223.13	20.14	(3.99)	
Parker & Parsley 86-A, Ltd.	172.10	10.64	(3.08)	
Parker & Parsley 86-B, Ltd.	224.67	22.98	(4.02)	
Parker & Parsley 86-C, Ltd.	161.34	21.31	(2.89)	
Parker & Parsley Private Investment 86, Ltd.	267.16	24.39	(4.78)	
Parker & Parsley 87-A Conv., Ltd.	194.73	24.00	(3.49)	
Parker & Parsley 87-A, Ltd.	193.80	24.23	(3.47)	
Parker & Parsley 87-B Conv., Ltd.	200.25	23.92	(3.59)	
Parker & Parsley 87-B, Ltd.	200.25	24.05	(3.59)	
Parker & Parsley Producing Properties 87-A, Ltd.	204.54	32.10	(3.66)	
Parker & Parsley Producing Properties 87-B, Ltd.	382.32	26.85	(6.85)	
Parker & Parsley Private Investment 87, Ltd.	249.19	23.09	(4.46)	
Parker & Parsley 88-A Conv., L.P.	239.58	31.69	(4.29)	
Parker & Parsley 88-A, L.P.	239.58	32.24	(4.29)	
Parker & Parsley 88-B Conv., L.P.	334.79	30.88	(5.99)	
Parker & Parsley 88-B, L.P.	334.79	31.07	(5.99)	
Parker & Parsley 88-C Conv., L.P.	286.38	28.93	(5.13)	
Parker & Parsley 88-C, L.P.	286.38	27.05	(5.13)	
Parker & Parsley Producing Properties 88-A, L.P.	336.82	58.49	(6.03)	
Parker & Parsley Private Investment 88, L.P.	345.73	32.64	(6.19)	
Parker & Parsley 89-A Conv., L.P.	325.18	33.65	(5.82)	
Parker & Parsley 89-A, L.P.	325.19	34.23	(5.82)	
Parker & Parsley 89-B Conv., L.P.	273.19	30.92	(4.89)	
Parker & Parsley 89-B, L.P.	272.72	31.03	(4.88)	
Parker & Parsley Private Investment 89, L.P.	280.87	27.07	(5.03)	
Parker & Parsley 90-A Conv., L.P.	241.78	30.00	(4.33)	
Parker & Parsley 90-A, L.P.	241.78	30.61	(4.33)	
Parker & Parsley 90-B Conv., L.P.	271.69	26.06	(4.86)	
Parker & Parsley 90-B, L.P.	272.05	26.27	(4.87)	
Parker & Parsley 90-C Conv., L.P.	243.95	23.39	(4.37)	
Parker & Parsley 90-C, L.P.	243.96	22.68	(4.37)	
Parker & Parsley Private Investment 90, L.P.	305.52	28.37	(5.47)	
Parker & Parsley 90 Spraberry Private Dev., L.P.	311.48	27.40	(5.58)	
Parker & Parsley 91-A, L.P.	403.07	33.61	(7.22)	
Parker & Parsley 91-B, L.P.	441.41	36.88	(7.90)	

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

TABLE 4

OWNERSHIP PERCENTAGE AND MERGER VALUE ATTRIBUTABLE TO
NONMANAGING GENERAL PARTNERS OTHER THAN PIONEER USA

	NONMANAGING GENERAL PARTNERS (A)		NONMANAGING GENERAL PARTNER MERGER VALUE AS PERCENTAGE OF MERGER VALUE FOR THE PARTNERSHIP
	OWNERSHIP PERCENTAGE (B)	MERGER VALUE (C)	
Parker & Parsley 81-I, Ltd.	2.00%	\$16,888	1.86%
Parker & Parsley 81-II, Ltd.	1.00%	6,535	0.94%
Parker & Parsley 82-I, Ltd.	1.13%	13,871	1.07%
Parker & Parsley 82-II, Ltd.	0.84%	13,187	0.80%
Parker & Parsley 82-III, Ltd.	0.94%	9,927	0.90%
Parker & Parsley 83-A, Ltd.	1.05%	37,202	1.02%
Parker & Parsley 83-B, Ltd.	1.05%	49,882	1.01%
Parker & Parsley 84-A, Ltd.	1.13%	55,855	1.09%

- (a) Represents four unaffiliated individuals' partnership interests as limited partners of each nonmanaging general partner. Excludes Pioneer USA's partnership interests as general partner of each nonmanaging general partner.
- (b) Percentage owned is based upon ownership within the partnership as set forth in the revenue sharing provisions of the partnership agreement for the partnership.
- (c) See "Method of Determining Merger Value for Each Partnership and Amount of Pioneer Parent Common Stock Offered."
- (d) Represents the dollar amount in the nonmanaging general partners' merger value column divided by the merger value for the partnership as set forth in Table 2.

A-5

131

TABLE 5

OWNERSHIP PERCENTAGE AND MERGER VALUE
ATTRIBUTABLE TO PIONEER USA IN ITS CAPACITIES AS
GENERAL PARTNER, NONMANAGING GENERAL PARTNER AND LIMITED PARTNER

PIONEER USA (A) PIONEER USA (A)
MERGER MERGER

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	OWNERSHIP PERCENTAGE (B)	MERGER VALUE (C)	PERCENTAGE FOR THE P
Parker & Parsley 81-I, Ltd.	27.38%	\$ 235,285	2
Parker & Parsley 81-II, Ltd.	24.41%	160,791	2
Parker & Parsley 82-I, Ltd.	32.66%	410,553	3
Parker & Parsley 82-II, Ltd.	27.43%	433,854	2
Parker & Parsley 82-III, Ltd.	28.54%	305,910	2
Parker & Parsley 83-A, Ltd.	26.99%	962,385	2
Parker & Parsley 83-B, Ltd.	27.39%	1,310,513	2
Parker & Parsley 84-A, Ltd.	26.34%	1,313,732	2
Parker & Parsley 85-A, Ltd.	2.93%	39,179	
Parker & Parsley 85-B, Ltd.	1.72%	20,208	
Parker & Parsley Private Investment 85-A, Ltd.	3.38%	47,872	
Parker & Parsley Selected 85 Private Investment, Ltd. ...	2.69%	28,332	
Parker & Parsley 86-A, Ltd.	1.34%	23,353	
Parker & Parsley 86-B, Ltd.	1.74%	69,533	
Parker & Parsley 86-C, Ltd.	1.31%	42,190	
Parker & Parsley Private Investment 86, Ltd.	1.00%	13,416	
Parker & Parsley 87-A Conv., Ltd.	1.90%	14,805	
Parker & Parsley 87-A, Ltd.	1.60%	92,985	
Parker & Parsley 87-B Conv., Ltd.	1.20%	12,399	
Parker & Parsley 87-B, Ltd.	1.22%	51,532	
Parker & Parsley Producing Properties 87-A, Ltd.	1.35%	35,395	
Parker & Parsley Producing Properties 87-B, Ltd.	2.59%	61,106	
Parker & Parsley Private Investment 87, Ltd.	1.00%	26,261	
Parker & Parsley 88-A Conv., L.P.....	2.31%	21,776	
Parker & Parsley 88-A, L.P.....	2.32%	75,042	
Parker & Parsley 88-B Conv., L.P.....	1.54%	19,347	
Parker & Parsley 88-B, L.P.....	2.04%	62,940	
Parker & Parsley 88-C Conv., L.P.....	1.29%	13,021	
Parker & Parsley 88-C, L.P.....	1.20%	8,602	
Parker & Parsley Producing Properties 88-A, L.P.....	1.69%	35,259	
Parker & Parsley Private Investment 88, L.P.....	1.00%	35,389	
Parker & Parsley 89-A Conv., L.P.....	1.00%	9,382	
Parker & Parsley 89-A, L.P.....	2.25%	62,877	
Parker & Parsley 89-B Conv., L.P.....	1.31%	23,451	
Parker & Parsley 89-B, L.P.....	2.03%	39,784	
Parker & Parsley Private Investment 89, L.P.....	1.56%	31,687	
Parker & Parsley 90-A Conv., L.P.....	1.59%	9,413	
Parker & Parsley 90-A, L.P.....	3.14%	53,832	
Parker & Parsley 90-B Conv., L.P.....	1.67%	54,557	
Parker & Parsley 90-B, L.P.....	1.25%	111,674	
Parker & Parsley 90-C Conv., L.P.....	1.39%	26,279	
Parker & Parsley 90-C, L.P.....	1.22%	36,882	
Parker & Parsley Private Investment 90, L.P.....	1.54%	52,606	
Parker & Parsley 90 Spraberry Private Dev., L.P.....	1.00%	16,330	
Parker & Parsley 91-A, L.P.....	1.38%	65,445	
Parker & Parsley 91-B, L.P.....	1.09%	55,026	

(a) Represents Pioneer USA's partnership interests in each partnership as: (1) the sole or managing general partner of the partnership; (2) a limited partner of the partnership; and (3) the sole general partner of each nonmanaging general partner. Pioneer USA will not receive any Pioneer Parent common stock for its partnership interests in any participating partnership. However, as a result of the merger of each participating

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

partnership, Pioneer USA will own 100% of the properties of the partnership including properties attributable to its partnership interests in the partnership.

- (b) Percentage owned is based upon ownership within the partnership as set forth in the revenue sharing provisions of the partnership agreement for the partnership.
- (c) See "Method of Determining Merger Value for Each Partnership and Amount of Pioneer Parent Common Stock Offered."
- (d) Represents the dollar amount in Pioneer USA's merger value column divided by the merger value for the partnership as set forth in Table 2.

A-6

132

TABLE 6

VOTING PERCENTAGE AND INITIAL INVESTMENT OWNED BY PIONEER USA
IN ITS CAPACITY AS A LIMITED PARTNER

AS OF JULY 31, 2001

	PIONEER USA VOTING PERCENTAGE (A) (B)	INITIAL INVESTMENT OWNED BY PIONEER USA (D) (IN THOUSANDS)
	-----	-----
Parker & Parsley 81-I, Ltd.....	5.84%	\$ 433
Parker & Parsley 81-II, Ltd.....	0.55%	35
Parker & Parsley 82-I, Ltd.....	11.71%	1,382
Parker & Parsley 82-II, Ltd.....	4.37%	535
Parker & Parsley 82-III, Ltd.....	5.97%	411
Parker & Parsley 83-A, Ltd.....	4.06%	791
Parker & Parsley 83-B, Ltd.....	4.59%	1,072
Parker & Parsley 84-A, Ltd.....	3.28%	638
Parker & Parsley 85-A, Ltd.(c).....	0.00%	187
Parker & Parsley 85-B, Ltd.(c).....	0.00%	58
Parker & Parsley Private Investment 85-A, Ltd.(c).....	0.00%	120
Parker & Parsley Selected 85 Private Investment, Ltd.(c)....	0.00%	80
Parker & Parsley 86-A, Ltd.....	0.35%	35
Parker & Parsley 86-B, Ltd.....	0.74%	128
Parker & Parsley 86-C, Ltd.....	0.31%	60
Parker & Parsley Private Investment 86, Ltd.(c).....	0.00%	--
Parker & Parsley 87-A Conv., Ltd.....	0.91%	35
Parker & Parsley 87-A, Ltd.....	0.61%	175
Parker & Parsley 87-B Conv., Ltd.....	0.20%	10
Parker & Parsley 87-B, Ltd.....	0.22%	45
Parker & Parsley Producing Properties 87-A, Ltd.....	0.35%	43
Parker & Parsley Producing Properties 87-B, Ltd.....	1.61%	98
Parker & Parsley Private Investment 87, Ltd.....	0.00%	--
Parker & Parsley 88-A Conv., L.P.....	1.32%	50

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Parker & Parsley 88-A, L.P.....	1.34%	173
Parker & Parsley 88-B Conv., L.P.....	0.55%	20
Parker & Parsley 88-B, L.P.....	1.05%	94
Parker & Parsley 88-C Conv., L.P.....	0.29%	10
Parker & Parsley 88-C, L.P.....	0.21%	5
Parker & Parsley Producing Properties 88-A, L.P.....	0.70%	39
Parker & Parsley Private Investment 88, L.P.....	0.00%	--
Parker & Parsley 89-A Conv., L.P.....	0.00%	--
Parker & Parsley 89-A, L.P.....	1.26%	105
Parker & Parsley 89-B Conv., L.P.....	0.32%	20
Parker & Parsley 89-B, L.P.....	1.04%	72
Parker & Parsley Private Investment 89, L.P.....	0.57%	40
Parker & Parsley 90-A Conv., L.P.....	0.59%	14
Parker & Parsley 90-A, L.P.....	2.16%	147
Parker & Parsley 90-B Conv., L.P.....	0.67%	80
Parker & Parsley 90-B, L.P.....	0.26%	83
Parker & Parsley 90-C Conv., L.P.....	0.40%	30
Parker & Parsley 90-C, L.P.....	0.22%	27
Parker & Parsley Private Investment 90, L.P.....	0.55%	60
Parker & Parsley 90 Spraberry Private Dev., L.P.....	0.00%	--
Parker & Parsley 91-A, L.P.(c).....	0.00%	45
Parker & Parsley 91-B, L.P.(c).....	0.00%	10

- (a) Represents Pioneer USA's partnership interests in each partnership as a limited partner of the partnership. Pioneer USA will not receive any Pioneer Parent common stock for its partnership interests in any participating partnership. However, as a result of the merger of each participating partnership, Pioneer USA will own 100% of the properties of the partnership including properties attributable to its partnership interests in the partnership.
- (b) Represents percentage of limited partners' vote that Pioneer USA is entitled to vote. The voting percentage is calculated by dividing (1) Pioneer USA's ownership percentage of the partnership interests held as a limited partner, by (2) the percentage of partnership interests held by all limited partners in the partnership. For example, if the limited partners of a partnership represent 99% of the partnership and Pioneer USA owns 5% of the partnership interests as a limited partner in that partnership, Pioneer USA's voting percentage is 5.05%.
- (c) Pioneer USA is not entitled to vote partnership interests it holds as limited partner in this partnership.
- (d) Represents Pioneer USA's share of the initial investment by limited partners as shown on Table 1.

A-7

133

TABLE 7

HISTORICAL QUARTERLY PARTNERSHIP DISTRIBUTIONS TO THE LIMITED PARTNERS
PER \$1,000 INVESTMENT
FROM INCEPTION THROUGH JULY 31, 2001

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

QUARTERLY DISTRIBUTIONS TO LIMITED PARTNERS PER \$1,000 INVESTED						
	INCEPTION TO 12/31/98	QUARTER ENDED 3/31/99	QUARTER ENDED 6/30/99	QUARTER ENDED 9/30/99	QUARTER ENDED 12/31/99	QUARTER ENDED 3/31/00
Parker & Parsley 81-I, Ltd.	\$ 616.71	\$0.69	\$ --	\$ 3.26	\$ 2.42	\$ 4.24
Parker & Parsley 81-II, Ltd.	808.37	--	0.35	1.26	2.71	2.01
Parker & Parsley 82-I, Ltd.	946.73	0.62	0.53	2.03	1.09	3.93
Parker & Parsley 82-II, Ltd.	1,099.24	0.83	--	3.34	3.48	4.98
Parker & Parsley 82-III, Ltd.	924.16	--	1.69	2.92	5.07	7.49
Parker & Parsley 83-A, Ltd.	1,264.54	--	--	4.11	5.20	7.22
Parker & Parsley 83-B, Ltd.	1,458.60	0.96	1.79	4.89	6.30	8.70
Parker & Parsley 84-A, Ltd.	1,384.63	0.80	2.78	4.69	6.81	8.28
Parker & Parsley 85-A, Ltd.	678.73	0.83	1.49	4.98	9.55	7.09
Parker & Parsley 85-B, Ltd.	876.32	--	3.17	4.12	7.19	7.95
Parker & Parsley Private Investment 85-A, Ltd.	997.86	3.16	5.23	8.79	12.34	15.51
Parker & Parsley Selected 85 Private Investment, Ltd.	872.24	1.66	--	4.33	6.68	9.18
Parker & Parsley 86-A, Ltd.	1,279.93	0.79	2.23	6.38	5.82	8.66
Parker & Parsley 86-B, Ltd.	1,469.69	1.53	5.01	5.85	8.40	10.40
Parker & Parsley 86-C, Ltd.	1,401.81	0.82	2.38	1.77	7.30	8.35
Parker & Parsley Private Investment 86, Ltd.	1,525.50	1.23	1.22	5.88	5.44	14.07
Parker & Parsley 87-A Conv., Ltd.	1,228.63	1.83	2.20	6.07	7.90	11.58
Parker & Parsley 87-A, Ltd.	1,228.70	1.83	2.20	6.07	7.90	11.58
Parker & Parsley 87-B Conv., Ltd.	1,154.18	1.85	2.29	5.50	8.64	10.07
Parker & Parsley 87-B, Ltd.	1,154.25	1.85	2.29	5.50	8.64	10.07
Parker & Parsley Producing Properties 87-A, Ltd.	889.65	1.49	0.89	6.21	9.75	10.92
Parker & Parsley Producing Properties 87-B, Ltd.	956.04	3.97	1.02	8.98	13.99	18.53
Parker & Parsley Private Investment 87, Ltd.	1,457.32	2.20	4.09	8.56	9.55	12.55
Parker & Parsley 88-A Conv., L.P.	991.51	3.16	3.06	7.97	11.11	12.48
Parker & Parsley 88-A, L.P.	991.61	3.16	3.06	7.97	11.11	12.48
Parker & Parsley 88-B Conv., L.P.	966.33	3.44	2.88	8.95	13.65	18.22
Parker & Parsley 88-B, L.P.	966.37	3.44	2.88	8.95	13.65	18.22
Parker & Parsley 88-C Conv., L.P.	913.42	3.92	2.34	4.27	11.12	16.38
Parker & Parsley 88-C, L.P.	913.01	3.92	2.34	4.27	11.12	16.38
Parker & Parsley Producing Properties 88-A, L.P.	1,075.69	6.51	4.02	7.58	11.34	21.95
Parker & Parsley Private Investment 88, L.P.	1,031.07	3.57	6.66	8.39	12.47	15.99
Parker & Parsley 89-A Conv., L.P.	911.13	2.66	2.77	9.16	13.97	17.96
Parker & Parsley 89-A, L.P.	911.19	2.66	2.77	9.16	13.97	17.96
Parker & Parsley 89-B Conv., L.P.	787.19	3.26	1.22	8.31	11.43	14.28
Parker & Parsley 89-B, L.P.	787.20	3.26	1.22	8.31	11.43	14.28
Parker & Parsley Private Investment 89, L.P.	689.19	1.02	1.85	6.67	4.97	13.32
Parker & Parsley 90-A Conv., L.P.	784.83	3.18	1.68	8.12	9.46	12.70

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Parker & Parsley 90-A, L.P.	784.89	3.18	1.68	8.12	9.46	12.70
Parker & Parsley 90-B Conv., L.P.	600.45	2.10	1.80	7.47	11.46	14.98
Parker & Parsley 90-B, L.P.	600.53	2.10	1.80	7.47	11.46	14.98
Parker & Parsley 90-C Conv., L.P.	537.51	0.95	--	6.26	10.83	13.62
Parker & Parsley 90-C, L.P.	537.52	0.95	--	6.26	10.83	13.62
Parker & Parsley Private Investment 90, L.P.	673.63	2.14	3.11	5.62	12.23	15.05
Parker & Parsley 90 Spraberry Private Dev., L.P.	632.08	3.71	3.09	6.40	13.59	16.68
Parker & Parsley 91-A, L.P.	663.47	3.99	6.33	11.37	15.54	20.76
Parker & Parsley 91-B, L.P.	526.98	3.95	7.05	13.55	18.24	21.87

QUARTERLY DISTRIBUTIONS TO LIMITED PARTNERS PER \$1,000 INVESTED

	QUARTER ENDED 9/30/00	QUARTER ENDED 12/31/00	QUARTER ENDED 3/31/01	QUARTER ENDED 6/30/01	MONTH ENDED 7/31/01	INCEPTION TO 7/31/01
Parker & Parsley 81-I, Ltd.	\$ 4.53	\$ 5.41	\$ 6.91	\$ --	\$ 7.43	\$ 657.13
Parker & Parsley 81-II, Ltd.	5.00	5.97	6.88	--	6.33	841.87
Parker & Parsley 82-I, Ltd.	6.70	4.06	8.08	--	7.39	985.93
Parker & Parsley 82-II, Ltd.	4.58	6.41	8.01	--	5.04	1,141.98
Parker & Parsley 82-III, Ltd.	9.38	8.84	10.27	--	7.72	985.34
Parker & Parsley 83-A, Ltd.	9.04	10.25	12.04	--	8.56	1,328.26
Parker & Parsley 83-B, Ltd.	11.28	10.66	11.10	--	8.20	1,532.16
Parker & Parsley 84-A, Ltd.	12.41	13.00	14.37	--	12.51	1,471.45
Parker & Parsley 85-A, Ltd.	9.94	10.41	13.70	--	9.33	757.31
Parker & Parsley 85-B, Ltd.	9.26	12.47	15.53	--	9.76	954.81
Parker & Parsley Private Investment 85-A, Ltd.	16.65	16.32	18.72	--	16.62	1,131.64
Parker & Parsley Selected 85 Private Investment, Ltd.	12.92	12.98	18.63	--	16.85	967.15
Parker & Parsley 86-A, Ltd.	12.54	13.08	18.73	--	9.62	1,369.16
Parker & Parsley 86-B, Ltd.	14.24	15.95	18.32	--	13.25	1,575.72
Parker & Parsley 86-C, Ltd.	12.04	12.45	15.95	--	14.38	1,486.92
Parker & Parsley Private Investment 86, Ltd.	17.03	15.11	22.67	--	16.82	1,634.33
Parker & Parsley 87-A Conv., Ltd.	13.96	12.79	16.86	--	15.03	1,332.03
Parker & Parsley 87-A, Ltd.	13.96	12.79	16.86	--	15.03	1,332.10
Parker & Parsley 87-B Conv., Ltd.	13.53	12.84	17.13	--	12.85	1,251.46
Parker & Parsley 87-B, Ltd.	13.53	12.84	17.13	--	12.85	1,251.53
Parker & Parsley Producing Properties 87-A, Ltd.	12.12	14.11	21.51	--	20.23	1,000.38
Parker & Parsley Producing Properties 87-B, Ltd.	26.75	26.21	27.53	--	19.38	1,127.05
Parker & Parsley Private Investment 87, Ltd.	14.14	16.03	18.36	--	19.75	1,575.74
Parker & Parsley 88-A Conv., L.P.	17.33	16.95	20.80	--	20.40	1,120.44
Parker & Parsley 88-A, L.P.	17.33	16.95	20.80	--	20.40	1,120.54
Parker & Parsley 88-B Conv., L.P.	22.63	25.37	28.91	--	18.63	1,129.70
Parker & Parsley 88-B, L.P.	22.63	25.37	28.91	--	18.63	1,129.74
Parker & Parsley 88-C Conv., L.P.	19.83	21.01	24.91	--	17.26	1,052.80
Parker & Parsley 88-C, L.P.	19.83	21.01	24.91	--	17.26	1,052.39

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Parker & Parsley Producing Properties 88-A, L.P.	18.82	21.76	27.21	--	20.76	1,234.73
Parker & Parsley Private Investment 88, L.P.	23.09	21.51	23.55	--	20.42	1,185.95
Parker & Parsley 89-A Conv., L.P.	20.40	23.38	29.49	--	20.93	1,070.24
Parker & Parsley 89-A, L.P.	20.40	23.38	29.49	--	20.93	1,070.30
Parker & Parsley 89-B Conv., L.P.	20.23	20.99	26.50	--	19.07	931.42
Parker & Parsley 89-B, L.P.	20.23	20.99	26.50	--	19.07	931.43
Parker & Parsley Private Investment 89, L.P.	16.66	20.33	13.22	--	18.24	800.47
Parker & Parsley 90-A Conv., L.P.	17.43	19.18	19.99	--	18.61	909.70
Parker & Parsley 90-A, L.P.	17.43	19.18	19.99	--	18.61	909.76
Parker & Parsley 90-B Conv., L.P.	19.51	19.68	23.73	--	20.34	736.72
Parker & Parsley 90-B, L.P.	19.51	19.68	23.73	--	20.34	736.80
Parker & Parsley 90-C Conv., L.P.	19.01	17.84	21.19	--	15.22	657.33
Parker & Parsley 90-C, L.P.	19.01	17.84	21.18	--	15.22	657.33
Parker & Parsley Private Investment 90, L.P.	20.29	25.10	27.49	--	20.44	823.21
Parker & Parsley 90 Spraberry Private Dev., L.P.	14.00	13.98	20.44	--	22.40	760.35
Parker & Parsley 91-A, L.P.	26.03	30.05	27.29	--	26.41	854.43
Parker & Parsley 91-B, L.P.	33.92	35.07	24.81	--	25.28	737.60

(a) Past cash distributions to limited partners are not necessarily indicative of future cash distributions. Limited partners should not assume that any nonparticipating partnership will continue to make cash distributions at levels similar to those shown. See "The Merger of Each Partnership -- Distribution of Pioneer Parent Common Stock."

A-8

134

TABLE 8

ANNUAL REPURCHASE PRICES AND AGGREGATE ANNUAL REPURCHASE PAYMENTS

	2001		2000		1999	
	REPURCHASE PRICE PER \$1,000 INVESTMENT	AGGREGATE ANNUAL REPURCHASE PAYMENTS	REPURCHASE PRICE PER \$1,000 INVESTMENT	AGGREGATE ANNUAL REPURCHASE PAYMENTS	REPURCHASE PRICE PER \$1,000 INVESTMENT	AGGREGATE ANNUAL REPURCHASE PAYMENTS
Parker & Parsley 82-I, Ltd.....	\$137.97	\$ 15,298	\$ 71.89	\$ 4,745	\$ 7.52	
Parker & Parsley 82-II, Ltd.....	133.72	10,822	102.38	1,024	26.17	
Parker & Parsley 82-III,						

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Ltd.....	151.60	--	109.73	1,097	12.17
Parker & Parsley 83-A, Ltd.....	196.67	22,072	137.59	9,494	27.05
Parker & Parsley 83-B, Ltd.....	210.15	39,967	153.89	3,078	43.46
Parker & Parsley 84-A, Ltd.....	267.03	56,737	175.78	7,031	45.72
		-----		-----	
		\$144,896		\$26,469	
		=====		=====	

A-9

135

TABLE 9

PARTICIPATION IN COSTS AND REVENUES OF EACH PARTNERSHIP

	CAPITAL COSTS			
	PIONEER USA (A)	NONMANAGING GENERAL PARTNERS (A)	LIMITED PARTNERS (A)	PIONEER US
Parker & Parsley 81-I, Ltd.	8%	2%	90%	20%
Parker & Parsley 81-II, Ltd.	8%	2%	90%	20%
Parker & Parsley 82-I, Ltd.	8%	2%	90%	20%
Parker & Parsley 82-II, Ltd.	8%	2%	90%	20%
Parker & Parsley 82-III, Ltd.	8%	2%	90%	20%
Parker & Parsley 83-A, Ltd.(b).....	8%	2%	90%	20%
Parker & Parsley 83-B, Ltd.(b).....	8%	2%	90%	20%
Parker & Parsley 84-A, Ltd.(b).....	8%	2%	90%	20%
Parker & Parsley 85-A, Ltd.	1%	--	99%	1%
Parker & Parsley 85-B, Ltd.	1%	--	99%	1%
Parker & Parsley Private Investment 85-A, Ltd.	1%	--	99%	1%
Parker & Parsley Selected 85 Private Investment, Ltd.	1%	--	99%	1%
Parker & Parsley 86-A, Ltd.	1%	--	99%	1%
Parker & Parsley 86-B, Ltd.	1%	--	99%	1%
Parker & Parsley 86-C, Ltd.	1%	--	99%	1%
Parker & Parsley Private Investment 86, Ltd.	1%	--	99%	1%
Parker & Parsley 87-A Conv., Ltd.	1%	--	99%	1%
Parker & Parsley 87-A, Ltd.	1%	--	99%	1%
Parker & Parsley 87-B Conv., Ltd.	1%	--	99%	1%
Parker & Parsley 87-B, Ltd.	1%	--	99%	1%
Parker & Parsley Producing Properties 87-A, Ltd.	1%	--	99%	1%
Parker & Parsley Producing Properties 87-B, Ltd.	1%	--	99%	1%
Parker & Parsley Private Investment 87, Ltd.	1%	--	99%	1%
Parker & Parsley 88-A Conv., L.P.	1%	--	99%	1%
Parker & Parsley 88-A, L.P.	1%	--	99%	1%
Parker & Parsley 88-B Conv., L.P.	1%	--	99%	1%

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Parker & Parsley 88-B, L.P.	1%	--	99%	1%
Parker & Parsley 88-C Conv., L.P.	1%	--	99%	1%
Parker & Parsley 88-C, L.P.	1%	--	99%	1%
Parker & Parsley Producing Properties 88-A, L.P.	1%	--	99%	1%
Parker & Parsley Private Investment 88, L.P.	1%	--	99%	1%
Parker & Parsley 89-A Conv., L.P.	1%	--	99%	1%
Parker & Parsley 89-A, L.P.	1%	--	99%	1%
Parker & Parsley 89-B Conv., L.P.	1%	--	99%	1%
Parker & Parsley 89-B, L.P.	1%	--	99%	1%
Parker & Parsley Private Investment 89, L.P.	1%	--	99%	1%
Parker & Parsley 90-A Conv., L.P.	1%	--	99%	1%
Parker & Parsley 90-A, L.P.	1%	--	99%	1%
Parker & Parsley 90-B Conv., L.P.	1%	--	99%	1%
Parker & Parsley 90-B, L.P.	1%	--	99%	1%
Parker & Parsley 90-C Conv., L.P.	1%	--	99%	1%
Parker & Parsley 90-C, L.P.	1%	--	99%	1%
Parker & Parsley Private Investment 90, L.P.	1%	--	99%	1%
Parker & Parsley 90 Spraberry Private Dev., L.P.	1%	--	99%	1%
Parker & Parsley 91-A, L.P.	1%	--	99%	1%
Parker & Parsley 91-B, L.P.	1%	--	99%	1%

(a) These percentages represent the sharing ownerships as set forth in the prospectus for each partnership. Includes Pioneer USA's partnership interests in each partnership as: (1) the sole or managing general partner of the partnership; (2) a limited partner of the partnership; and (3) the sole general partner of each nonmanaging general partner. Pioneer USA will not receive any Pioneer Parent common stock for its partnership interests in any participating partnership.

(b) Incremental direct costs 100% to limited partners.

A-10

136

TABLE 10

AVERAGE OIL, NATURAL GAS LIQUIDS AND GAS SALES PRICES AND PRODUCTION COSTS

FOR THE SIX MONTHS ENDED JUNE 30, 2001 AND

2000 AND THE YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998

AVERAGE SALES PRICE		
OIL (PER BBL)		
FOR THE SIX MONTHS ENDED	FOR THE YEAR ENDED	FOR THE MONTHS E

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	JUNE 30,		DECEMBER 31,			JUNE 3
	2001	2000	2000	1999	1998	2001
Parker & Parsley 81-I, Ltd.	\$27.89	\$27.49	\$29.26	\$16.94	\$13.33	\$15.26
Parker & Parsley 81-II, Ltd.	27.41	27.24	29.26	16.67	13.16	17.43
Parker & Parsley 82-I, Ltd.	27.66	27.45	29.39	16.61	13.32	16.58
Parker & Parsley 82-II, Ltd.	27.79	27.51	29.47	17.08	13.14	17.15
Parker & Parsley 82-III, Ltd.	27.93	27.90	29.67	17.13	13.31	15.02
Parker & Parsley 83-A, Ltd.	27.56	27.55	29.54	16.96	13.34	16.66
Parker & Parsley 83-B, Ltd.	27.63	27.78	29.69	17.18	13.30	16.64
Parker & Parsley 84-A, Ltd.	27.02	27.63	29.55	17.36	13.30	14.22
Parker & Parsley 85-A, Ltd.	27.71	27.78	29.38	17.11	13.27	16.01
Parker & Parsley 85-B, Ltd.	27.95	28.58	30.02	18.07	13.30	16.85
Parker & Parsley Private Investment 85-A, Ltd.	27.93	28.37	30.19	16.91	13.20	15.56
Parker & Parsley Selected 85 Private Investment, Ltd.	27.92	27.61	29.59	17.27	13.44	16.24
Parker & Parsley 86-A, Ltd.	27.73	27.71	28.87	17.00	13.32	16.75
Parker & Parsley 86-B, Ltd.	27.88	27.57	29.45	17.18	13.08	16.48
Parker & Parsley 86-C, Ltd.	27.42	27.64	29.43	17.18	13.26	15.98
Parker & Parsley Private Investment 86, Ltd.	27.77	27.85	29.45	17.34	13.34	16.28
Parker & Parsley 87-A Conv., Ltd.	27.45	27.41	29.46	17.06	13.22	16.73
Parker & Parsley 87-A, Ltd.	27.45	27.41	29.46	17.06	13.22	16.73
Parker & Parsley 87-B Conv., Ltd.	27.14	27.30	29.31	16.71	13.17	17.29
Parker & Parsley 87-B, Ltd.	27.14	27.30	29.31	16.71	13.17	17.29
Parker & Parsley Producing Properties 87-A, Ltd.	27.14	27.33	29.34	16.80	13.04	11.84
Parker & Parsley Producing Properties 87-B, Ltd.	26.89	27.96	29.36	17.44	13.05	17.04
Parker & Parsley Private Investment 87, Ltd.	27.01	28.16	29.56	16.82	13.05	16.91
Parker & Parsley 88-A Conv., L.P.	26.40	28.50	29.28	16.91	13.59	16.19
Parker & Parsley 88-A, L.P.	26.40	28.50	29.28	16.91	13.59	16.19
Parker & Parsley 88-B Conv., L.P.	28.24	26.91	29.29	17.17	13.24	17.47
Parker & Parsley 88-B, L.P.	28.24	26.91	29.29	17.17	13.24	17.47
Parker & Parsley 88-C Conv., L.P.	28.40	26.96	29.33	17.24	13.30	17.07
Parker & Parsley 88-C, L.P.	28.40	26.96	29.33	17.24	13.30	17.07
Parker & Parsley Producing Properties 88-A, L.P.	27.18	27.71	29.44	16.82	13.14	14.40

A-11

137

AVERAGE SALES PRICE					
OIL (PER BBL)					
FOR THE SIX MONTHS ENDED JUNE 30,		FOR THE YEAR ENDED DECEMBER 31,			FOR THE MONTHS E JUNE 3
2001	2000	2000	1999	1998	2001

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Parker & Parsley Private Investment 88, L.P.	27.55	27.54	29.45	17.01	13.31	16.27
Parker & Parsley 89-A Conv., L.P.	27.77	27.56	29.59	17.11	13.23	14.50
Parker & Parsley 89-A, L.P.	27.77	27.56	29.59	17.11	13.23	14.50
Parker & Parsley 89-B Conv., L.P.	27.69	27.44	29.21	16.96	13.26	17.02
Parker & Parsley 89-B, L.P.	27.69	27.44	29.21	16.96	13.26	17.02
Parker & Parsley Private Investment 89, L.P.	27.14	27.07	29.00	17.06	13.28	14.90
Parker & Parsley 90-A Conv., L.P.	27.89	27.46	29.32	17.06	13.20	16.87
Parker & Parsley 90-A, L.P.	27.89	27.46	29.32	17.06	13.20	16.87
Parker & Parsley 90-B Conv., L.P.	28.26	27.72	29.23	17.23	13.12	16.09
Parker & Parsley 90-B, L.P.	28.26	27.72	29.23	17.23	13.12	16.09
Parker & Parsley 90-C Conv., L.P.	27.55	27.46	29.34	17.13	13.24	16.04
Parker & Parsley 90-C, L.P.	27.55	27.46	29.34	17.13	13.24	16.04
Parker & Parsley Private Investment 90, L.P.	27.78	27.42	29.35	17.30	13.19	17.09
Parker & Parsley 90 Spraberry Private Dev., L.P.	27.13	27.19	29.17	17.04	13.06	16.74
Parker & Parsley 91-A, L.P.	27.42	27.85	29.90	17.57	13.15	12.09
Parker & Parsley 91-B, L.P.	27.93	28.58	30.09	17.90	13.33	16.07

	AVERAGE SALES PRICE					AVERAG
	GAS (PER MCF)					COS
	FOR THE SIX MONTHS ENDED JUNE 30,		FOR THE YEAR ENDED DECEMBER 31,			FOR THE MONTHS JUNE
	2001	2000	2000	1999	1998	2001
Parker & Parsley 81-I, Ltd.	\$4.83	\$2.60	\$3.22	\$1.78	\$1.78	\$10.13
Parker & Parsley 81-II, Ltd.	5.12	2.26	3.07	1.82	1.80	13.40
Parker & Parsley 82-I, Ltd.	4.77	2.71	3.29	1.95	1.82	12.32
Parker & Parsley 82-II, Ltd.	5.07	2.33	2.98	1.79	1.64	12.61
Parker & Parsley 82-III, Ltd.	4.34	1.95	2.54	1.65	1.53	11.44
Parker & Parsley 83-A, Ltd.	4.95	2.27	3.02	1.78	1.60	12.32
Parker & Parsley 83-B, Ltd.	4.80	2.13	2.83	1.66	1.54	13.54
Parker & Parsley 84-A, Ltd.	4.04	1.86	2.49	1.47	1.33	10.65
Parker & Parsley 85-A, Ltd.	4.75	2.04	2.66	1.70	1.56	12.14
Parker & Parsley 85-B, Ltd.	5.05	2.23	2.92	1.72	1.58	10.60
Parker & Parsley Private Investment 85-A, Ltd.	4.55	1.92	2.65	1.54	1.41	8.66
Parker & Parsley Selected 85 Private Investment, Ltd.	4.57	2.12	2.77	1.67	1.56	10.07
Parker & Parsley 86-A, Ltd.	4.74	1.96	2.56	1.57	1.46	14.09
Parker & Parsley 86-B, Ltd.	5.01	2.13	2.82	1.71	1.58	10.82

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	AVERAGE SALES PRICE					AVERAG
	GAS (PER MCF)					COS
	FOR THE SIX MONTHS ENDED JUNE 30,		FOR THE YEAR ENDED DECEMBER 31,			FOR THE MONTHS ENDED JUNE 30,
	2001	2000	2000	1999	1998	2001
Parker & Parsley 86-C, Ltd.	4.64	2.05	2.78	1.58	1.49	11.07
Parker & Parsley Private Investment 86, Ltd.	5.09	2.24	2.90	1.73	1.61	12.11
Parker & Parsley 87-A Conv., Ltd.	4.69	2.17	2.86	1.68	1.54	9.89
Parker & Parsley 87-A, Ltd.	4.69	2.17	2.86	1.68	1.54	9.89
Parker & Parsley 87-B Conv., Ltd.	5.13	2.13	2.98	1.64	1.49	11.64
Parker & Parsley 87-B, Ltd.	5.13	2.13	2.98	1.64	1.49	11.64
Parker & Parsley Producing Properties 87-A, Ltd.	4.01	2.03	2.56	1.46	1.23	11.65
Parker & Parsley Producing Properties 87-B, Ltd.	4.86	2.09	2.88	1.62	1.46	12.13
Parker & Parsley Private Investment 87, Ltd.	4.78	2.24	2.99	1.71	1.59	9.91
Parker & Parsley 88-A Conv., L.P.	4.25	2.19	2.99	1.69	1.56	9.18
Parker & Parsley 88-A, L.P.	4.25	2.19	2.99	1.69	1.56	9.18
Parker & Parsley 88-B Conv., L.P.	6.03	2.12	2.87	1.70	1.56	10.33
Parker & Parsley 88-B, L.P.	6.03	2.12	2.87	1.70	1.56	10.33
Parker & Parsley 88-C Conv., L.P.	5.64	2.10	2.82	1.70	1.55	10.23
Parker & Parsley 88-C, L.P.	5.64	2.10	2.82	1.70	1.55	10.23
Parker & Parsley Producing Properties 88-A, L.P.	4.35	1.90	2.55	1.48	1.41	8.61
Parker & Parsley Private Investment 88, L.P.	4.88	2.11	2.82	1.69	1.55	9.69
Parker & Parsley 89-A Conv., L.P.	5.03	2.35	3.07	1.81	1.74	9.67
Parker & Parsley 89-A, L.P.	5.03	2.35	3.07	1.81	1.74	9.67
Parker & Parsley 89-B Conv., L.P.	4.91	2.18	2.90	1.72	1.60	10.36
Parker & Parsley 89-B, L.P.	4.91	2.18	2.90	1.72	1.60	10.36
Parker & Parsley Private Investment 89, L.P.	4.53	1.96	2.73	1.57	1.46	12.80
Parker & Parsley 90-A Conv., L.P.	4.98	2.20	2.94	1.76	1.64	10.06
Parker & Parsley 90-A, L.P.	4.98	2.20	2.94	1.76	1.64	10.06
Parker & Parsley 90-B Conv., L.P.	4.79	2.08	2.84	1.62	1.50	9.51
Parker & Parsley 90-B, L.P.	4.79	2.08	2.84	1.62	1.50	9.51
Parker & Parsley 90-C Conv., L.P.	4.91	2.11	2.89	1.70	1.55	11.40
Parker & Parsley 90-C, L.P.	4.91	2.11	2.89	1.70	1.55	11.40
Parker & Parsley Private Investment 90, L.P.	4.97	2.14	2.90	1.72	1.57	9.52
Parker & Parsley 90 Spraberry Private Dev., L.P.	4.95	2.12	2.91	1.65	1.60	8.13
Parker & Parsley 91-A, L.P.	5.35	2.27	3.06	1.70	1.56	9.32
Parker & Parsley 91-B, L.P.	4.70	2.14	2.93	1.61	1.47	9.62

(a) Gas production is converted to oil equivalents at the rate of six mcf per barrel, representing the relative energy content of natural gas and oil.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

TABLE 11

PROVED RESERVES ATTRIBUTABLE TO PIONEER USA,
NONMANAGING GENERAL PARTNERS AND LIMITED PARTNERS
AS OF DECEMBER 31, 2000

	TOTAL PROVED RESERVES					
	PIONEER USA (A)		NONMANAGING GENERAL PARTNERS (B)		LIMITED PARTNERS	
	OIL & NGL (BBLs)	GAS (MCF)	OIL & NGL (BBLs)	GAS (MCF)	OIL & NGL (BBLs)	GAS
Parker & Parsley 81-I, Ltd.	57,816	116,841	4,224	8,535	149,140	30
Parker & Parsley 81-II, Ltd.	49,524	72,494	2,029	2,970	151,342	22
Parker & Parsley 82-I, Ltd.	116,859	262,924	4,026	9,058	236,971	53
Parker & Parsley 82-II, Ltd.	111,975	171,077	3,444	5,262	292,783	44
Parker & Parsley 82-III, Ltd.	88,780	85,126	2,916	2,796	219,396	21
Parker & Parsley 83-A, Ltd.	280,513	416,062	10,912	16,185	747,838	1,10
Parker & Parsley 83-B, Ltd.	348,652	567,327	13,365	21,748	910,884	1,48
Parker & Parsley 84-A, Ltd.	355,491	589,384	15,185	25,176	979,100	1,62
Parker & Parsley 85-A, Ltd.	11,187	15,154	--	--	371,156	50
Parker & Parsley 85-B, Ltd.	5,233	7,901	--	--	299,222	45
Parker & Parsley Private Investment 85-A, Ltd.	11,095	12,053	--	--	317,553	34
Parker & Parsley Selected 85 Private Investment, Ltd.	6,238	10,351	--	--	225,761	37
Parker & Parsley 86-A, Ltd.	6,075	11,653	--	--	446,620	85
Parker & Parsley 86-B, Ltd.	16,246	21,064	--	--	919,385	1,19
Parker & Parsley 86-C, Ltd.	11,745	16,465	--	--	886,520	1,24
Parker & Parsley Private Investment 86, Ltd.	3,174	4,960	--	--	314,198	49
Parker & Parsley 87-A Conv., Ltd.	3,451	5,510	--	--	178,340	28
Parker & Parsley 87-A, Ltd.	21,378	34,166	--	--	1,313,604	2,09
Parker & Parsley 87-B Conv., Ltd.	2,988	4,431	--	--	245,753	36
Parker & Parsley 87-B, Ltd.	12,411	18,405	--	--	1,003,438	1,48
Parker & Parsley Producing Properties 87-A, Ltd.	9,632	9,615	--	--	704,591	70

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Parker & Parsley Producing Properties 87-B, Ltd.	13,937	22,316	--	--	523,830	83
Parker & Parsley Private Investment 87, Ltd.	7,631	9,691	--	--	755,457	95
Parker & Parsley 88-A Conv., L.P.	5,253	7,315	--	--	222,619	31
Parker & Parsley 88-A, L.P.	18,059	25,149	--	--	758,976	1,05
Parker & Parsley 88-B Conv., L.P.	4,220	5,515	--	--	269,028	35
Parker & Parsley 88-B, L.P.	13,722	17,933	--	--	659,140	86
Parker & Parsley 88-C Conv., L.P.	2,870	4,039	--	--	219,589	30
Parker & Parsley 88-C, L.P.	1,908	2,685	--	--	156,634	22
Parker & Parsley Producing Properties 88-A, L.P.	7,216	9,530	--	--	420,265	55
Parker & Parsley Private Investment 88, L.P.	7,708	9,375	--	--	763,081	92
Parker & Parsley 89-A Conv., L.P.	2,027	2,852	--	--	200,631	28
Parker & Parsley 89-A, L.P.	13,556	19,075	--	--	588,978	82
Parker & Parsley 89-B Conv., L.P.	5,782	7,927	--	--	434,277	59
Parker & Parsley 89-B, L.P.	9,810	13,454	--	--	474,439	65
Parker & Parsley Private Investment 89, L.P.	7,311	7,715	--	--	461,062	48
Parker & Parsley 90-A Conv., L.P.	2,145	2,701	--	--	132,990	16
Parker & Parsley 90-A, L.P.	12,362	15,527	--	--	381,738	47
Parker & Parsley 90-B Conv., L.P.	12,549	16,252	--	--	740,794	95
Parker & Parsley 90-B, L.P.	25,709	33,227	--	--	2,023,300	2,61
Parker & Parsley 90-C Conv., L.P.	6,507	6,522	--	--	460,152	46
Parker & Parsley 90-C, L.P.	9,158	9,179	--	--	741,036	74
Parker & Parsley Private Investment 90, L.P.	12,668	12,480	--	--	809,113	79
Parker & Parsley 90 Spraberry Private Dev., L.P.	4,177	3,814	--	--	413,544	37
Parker & Parsley 91-A, L.P.	13,541	19,696	--	--	965,302	1,40
Parker & Parsley 91-B, L.P.	11,335	13,334	--	--	1,030,441	1,21
	-----	-----	-----	-----	-----	-----
Total (d)	1,761,624	2,750,266	56,101	91,730	25,520,011	34,7
	=====	=====	=====	=====	=====	=====

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

- (a) Represents Pioneer USA's partnership interests in each partnership as: (1) the sole or managing general partner of the partnership; (2) a limited partner of the partnership; and (3) the sole general partner of each nonmanaging general partner. Pioneer USA will not receive any Pioneer Parent common stock for its partnership interests in any participating partnership. However, as a result of the merger of each participating partnership, Pioneer USA will acquire 100% of the properties of the partnership including properties attributable to its partnership interests in the partnerships.
- (b) Represents four unaffiliated individuals' partnership interests as limited partners of each nonmanaging general partner. Excludes Pioneer USA's partnership interests as general partner of each nonmanaging general partner.
- (c) Represents the partnership interests of unaffiliated limited partners of each partnership. Excludes Pioneer USA's partnership interests as a limited partner of any partnership.
- (d) Corresponds to amounts in the reserve report prepared by Williamson Petroleum Consultants, Inc. as of December 31, 2000.

A-15

141

TABLE 12

PARTNERSHIP ESTIMATED RESERVES ATTRIBUTABLE TO PIONEER USA,
NONMANAGING GENERAL PARTNERS AND LIMITED PARTNERS
AS OF MARCH 31, 2001

	TOTAL PARTNERSHIP ESTIMATED RESERVES					
	PIONEER USA (A)		NONMANAGING GENERAL PARTNERS (B)		LIMITED PARTNER	
	OIL & NGL (BBLs)	GAS (MCF)	OIL & NGL (BBLs)	GAS (MCF)	OIL & NGL (BBLs)	GAS
Parker & Parsley 81-I, Ltd.	46,238	91,778	3,346	6,646	125,199	24
Parker & Parsley 81-II, Ltd.	37,856	54,560	1,550	2,235	117,486	16
Parker & Parsley 82-I, Ltd.	84,829	185,562	2,911	6,366	173,823	38
Parker & Parsley 82-II, Ltd.	86,492	129,054	2,653	3,952	230,855	34
Parker & Parsley 82-III, Ltd.	70,391	67,377	2,307	2,200	176,169	17
Parker & Parsley 83-A, Ltd.	218,795	326,786	8,511	12,712	583,300	87
Parker & Parsley 83-B, Ltd.	291,206	465,689	11,163	17,852	760,802	1,21
Parker & Parsley 84-A, Ltd.	292,862	491,568	12,510	20,998	806,606	1,35
Parker & Parsley 85-A,						

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Ltd.	8,049	11,144	--	--	267,056	36
Parker & Parsley 85-B, Ltd.	3,895	5,744	--	--	222,695	32
Parker & Parsley Private Investment 85-A, Ltd.	9,194	10,026	--	--	263,153	28
Parker & Parsley Selected 85 Private Investment, Ltd.	5,597	9,285	--	--	202,578	33
Parker & Parsley 86-A, Ltd.	4,770	9,016	--	--	350,649	66
Parker & Parsley 86-B, Ltd.	13,311	17,664	--	--	753,269	99
Parker & Parsley 86-C, Ltd.	8,904	12,643	--	--	672,110	95
Parker & Parsley Private Investment 86, Ltd.	2,513	4,471	--	--	248,765	44
Parker & Parsley 87-A Conv., Ltd.	2,811	4,304	--	--	145,236	22
Parker & Parsley 87-A, Ltd.	17,506	26,769	--	--	1,075,693	1,64
Parker & Parsley 87-B Conv., Ltd.	2,452	3,631	--	--	201,644	29
Parker & Parsley 87-B, Ltd.	10,184	15,084	--	--	823,376	1,21
Parker & Parsley Producing Properties 87-A, Ltd.	7,452	7,410	--	--	545,101	54
Parker & Parsley Producing Properties 87-B, Ltd.	11,567	18,737	--	--	434,740	70
Parker & Parsley Private Investment 87, Ltd.	4,975	6,755	--	--	492,481	66
Parker & Parsley 88-A Conv., L.P.	4,230	5,908	--	--	179,261	25
Parker & Parsley 88-A, L.P.	14,543	20,313	--	--	611,206	85
Parker & Parsley 88-B Conv., L.P.	3,577	4,530	--	--	228,017	28
Parker & Parsley 88-B, L.P.	11,631	14,730	--	--	558,694	70
Parker & Parsley 88-C Conv., L.P.	2,409	3,281	--	--	184,330	25
Parker & Parsley 88-C, L.P.	1,602	2,182	--	--	131,487	17
Parker & Parsley Producing Properties 88-A, L.P.	6,217	7,922	--	--	362,041	46
Parker & Parsley Private Investment 88, L.P.	6,683	7,887	--	--	661,637	78
Parker & Parsley 89-A Conv., L.P.	1,762	2,851	--	--	174,412	28
Parker & Parsley 89-A, L.P.	11,786	19,075	--	--	512,077	82
Parker & Parsley 89-B Conv., L.P.	4,581	6,387	--	--	344,057	47
Parker & Parsley 89-B, L.P.	7,771	10,837	--	--	375,814	52
Parker & Parsley Private Investment 89, L.P.	6,188	6,426	--	--	390,232	40
Parker & Parsley 90-A Conv., L.P.	1,803	2,546	--	--	111,776	15
Parker & Parsley 90-A, L.P.	10,286	14,525	--	--	317,641	44
Parker & Parsley 90-B Conv., L.P.	10,577	13,469	--	--	624,406	79

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Parker & Parsley 90-B, L.P.....	21,654	27,526	--	--	1,704,172	2,16
Parker & Parsley 90-C Conv., L.P.....	5,264	5,255	--	--	372,246	37
Parker & Parsley 90-C, L.P.....	7,409	7,397	--	--	599,484	59
Parker & Parsley Private Investment 90, L.P.....	9,699	9,806	--	--	619,485	62
Parker & Parsley 90 Spraberry Private Dev., L.P.....	3,771	3,374	--	--	373,324	33
Parker & Parsley 91-A, L.P.....	11,694	16,775	--	--	833,634	1,19
Parker & Parsley 91-B, L.P.....	10,272	12,121	--	--	933,817	1,10
	-----	-----	-----	-----	-----	-----
Total.....	1,417,258	2,200,180	44,951	72,961	20,876,036	28,5
	=====	=====	=====	=====	=====	=====

A-16

142

-
- (a) Represents Pioneer USA's partnership interests in each partnership as: (1) the sole or managing general partner of the partnership; (2) a limited partner of the partnership; and (3) the sole general partner of each nonmanaging general partner. Pioneer USA will not receive any Pioneer Parent common stock for its partnership interests in any participating partnership. However, as a result of the merger of each participating partnership, Pioneer USA will acquire 100% of the properties of the partnership including properties attributable to its partnership interests in the partnerships.
- (b) Represents four unaffiliated individuals' partnership interests as limited partners of each nonmanaging general partner. Excludes Pioneer USA's partnership interests as general partner of each nonmanaging general partner.
- (c) Represents the partnership interests of unaffiliated limited partners of each partnership. Excludes Pioneer USA's partnership interests as a limited partner of any partnership.

A-17

143

TABLE 13

OIL, NATURAL GAS LIQUIDS AND GAS PRODUCTION

FOR THE SIX MONTHS ENDED JUNE 30, 2001 AND

2000 AND THE YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998

OIL & NGL (BBLs)

GAS (

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	FOR THE SIX MONTHS ENDED JUNE 30,		FOR THE YEAR ENDED DECEMBER 31,			FOR THE MONTHS JUNE
	2001	2000	2000	1999	1998	2001
Parker & Parsley 81-I, Ltd.	6,368	7,036	13,976	14,970	13,937	12,725
Parker & Parsley 81-II, Ltd.	5,536	6,953	13,921	13,232	16,033	11,975
Parker & Parsley 82-I, Ltd.	11,388	12,155	24,158	23,886	25,898	27,831
Parker & Parsley 82-II, Ltd.	10,933	12,604	24,922	27,554	27,854	22,031
Parker & Parsley 82-III, Ltd.	8,607	10,544	20,646	20,801	19,540	12,402
Parker & Parsley 83-A, Ltd.	29,541	33,151	66,679	69,238	67,612	52,495
Parker & Parsley 83-B, Ltd.	33,837	41,940	81,814	89,446	93,695	56,204
Parker & Parsley 84-A, Ltd.	38,301	43,066	85,485	85,868	88,702	57,564
Parker & Parsley 85-A, Ltd.	11,722	14,037	27,458	31,246	27,808	21,052
Parker & Parsley 85-B, Ltd.	9,856	10,065	20,809	21,410	24,803	16,032
Parker & Parsley Private Investment 85-A, Ltd.	7,651	9,054	17,619	20,664	21,200	7,461
Parker & Parsley Selected 85 Private Investment, Ltd.	7,950	7,674	15,698	14,598	15,439	12,602
Parker & Parsley 86-A, Ltd.	13,299	15,422	31,785	33,226	31,472	20,166
Parker & Parsley 86-B, Ltd.	25,551	30,997	62,337	63,132	70,399	43,243
Parker & Parsley 86-C, Ltd.	30,072	33,640	66,329	64,894	74,674	54,393
Parker & Parsley Private Investment 86, Ltd.	8,782	10,793	20,938	20,843	22,245	17,822
Parker & Parsley 87-A Conv., Ltd.	5,843	6,912	13,096	13,578	14,371	10,345
Parker & Parsley 87-A, Ltd.	43,647	51,722	97,824	101,441	107,375	77,315
Parker & Parsley 87-B Conv., Ltd.	6,390	8,146	16,015	16,758	17,879	8,728
Parker & Parsley 87-B, Ltd.	26,099	33,261	65,401	68,433	73,036	35,640
Parker & Parsley Producing Properties 87-A, Ltd.	24,585	26,669	53,656	53,101	64,367	24,458
Parker & Parsley Producing Properties 87-B, Ltd.	14,052	17,391	33,115	35,770	40,796	19,481
Parker & Parsley Private Investment 87, Ltd.	18,141	16,906	35,242	40,495	42,801	25,756
Parker & Parsley 88-A Conv., L.P.	7,026	7,158	14,604	17,052	16,899	14,063
	GAS (MCF)					TOTAL (BOE)
	FOR THE YEAR ENDED		FOR THE SIX MONTHS ENDED			FO

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	DECEMBER 31,			JUNE 30,		2000
	2000	1999	1998	2001	2000	
Parker & Parsley 81-I, Ltd.	25,901	28,708	24,638	8,489	9,092	18,293
Parker & Parsley 81-II, Ltd.	15,864	19,167	22,439	7,532	8,097	16,565
Parker & Parsley 82-I, Ltd.	45,981	48,380	48,971	16,027	16,031	31,822
Parker & Parsley 82-II, Ltd.	35,900	42,858	41,862	14,605	15,687	30,905
Parker & Parsley 82-III, Ltd.	21,480	23,061	17,680	10,674	12,446	24,226
Parker & Parsley 83-A, Ltd.	94,612	109,716	95,156	38,290	40,957	82,448
Parker & Parsley 83-B, Ltd.	132,106	157,842	147,495	43,204	53,649	103,832
Parker & Parsley 84-A, Ltd.	138,617	154,235	145,870	47,895	54,427	108,588
Parker & Parsley 85-A, Ltd.	41,549	55,226	43,021	15,231	17,639	34,383
Parker & Parsley 85-B, Ltd.	30,909	33,467	41,501	12,528	12,537	25,961
Parker & Parsley Private Investment 85-A, Ltd.	20,905	23,218	22,343	8,895	10,734	21,103
Parker & Parsley Selected 85 Private Investment, Ltd.	22,987	27,627	25,328	10,050	9,517	19,529
Parker & Parsley 86-A, Ltd.	56,549	62,354	49,805	16,660	19,759	41,210
Parker & Parsley 86-B, Ltd.	79,859	86,726	97,715	32,758	37,836	75,647
Parker & Parsley 86-C, Ltd.	95,610	105,081	129,149	39,138	41,263	82,264
Parker & Parsley Private Investment 86, Ltd.	33,570	30,923	33,219	11,752	13,561	26,533
Parker & Parsley 87-A Conv., Ltd.	20,355	24,503	24,025	7,567	8,808	16,489
Parker & Parsley 87-A, Ltd.	152,075	183,099	179,494	56,533	65,885	123,170
Parker & Parsley 87-B Conv., Ltd.	23,682	24,436	25,477	7,845	10,096	19,962
Parker & Parsley 87-B, Ltd.	96,740	99,771	104,072	32,039	41,229	81,524
Parker & Parsley Producing Properties 87-A, Ltd.	45,872	53,145	56,240	28,661	30,485	61,301
Parker & Parsley Producing Properties 87-B, Ltd.	49,380	48,774	50,220	17,299	21,746	41,345
Parker & Parsley Private Investment 87, Ltd.	48,307	52,874	58,036	22,434	20,889	43,293
Parker & Parsley 88-A Conv., L.P.	21,399	27,417	25,367	9,370	8,941	18,171

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	OIL & NGL (BBLs)					GAS (MCF)
	FOR THE SIX MONTHS ENDED JUNE 30,		FOR THE YEAR ENDED DECEMBER 31,			FOR THE SIX MONTHS ENDED JUNE 30,
	2001	2000	2000	1999	1998	2001
Parker & Parsley 88-A, L.P.	23,970	24,407	49,808	58,141	57,635	47,966
Parker & Parsley 88-B Conv., L.P.	7,743	9,309	18,572	16,986	17,610	8,437
Parker & Parsley 88-B, L.P.	19,089	22,934	45,729	41,830	43,365	20,792
Parker & Parsley 88-C Conv., L.P.	6,735	7,753	15,453	14,136	14,859	8,160
Parker & Parsley 88-C, L.P.	4,792	5,520	11,023	10,071	10,596	5,811
Parker & Parsley Producing Properties 88-A, L.P.	12,098	13,726	26,976	30,280	34,491	16,169
Parker & Parsley Private Investment 88, L.P.	19,574	23,313	46,284	48,802	48,933	28,101
Parker & Parsley 89-A Conv., L.P.	5,776	6,423	13,092	14,166	14,102	11,172
Parker & Parsley 89-A, L.P.	17,189	19,094	38,923	42,129	41,931	33,232
Parker & Parsley 89-B Conv., L.P.	12,925	16,104	30,959	32,585	35,481	23,283
Parker & Parsley 89-B, L.P.	14,236	17,736	34,089	35,879	39,063	25,638
Parker & Parsley Private Investment 89, L.P.	14,694	15,219	30,738	30,310	36,741	21,188
Parker & Parsley 90-A Conv., L.P.	4,331	4,958	9,876	10,130	11,399	8,155
Parker & Parsley 90-A, L.P.	12,493	14,303	28,519	29,248	32,915	23,539
Parker & Parsley 90-B Conv., L.P.	23,763	26,562	53,388	53,864	58,543	35,369
Parker & Parsley 90-B, L.P.	64,464	72,038	144,804	146,064	158,775	95,918
Parker & Parsley 90-C Conv., L.P.	13,982	16,386	32,773	32,618	33,187	17,805
Parker & Parsley 90-C, L.P.	22,479	26,332	52,686	52,433	53,358	28,625
Parker & Parsley Private Investment 90, L.P.	22,587	26,680	52,913	46,335	49,468	29,299
Parker & Parsley 90 Spraberry Private Dev., L.P.	10,509	10,715	22,593	20,688	20,835	14,921
Parker & Parsley 91-A, L.P.	24,949	32,881	64,129	64,820	70,623	52,227
Parker & Parsley 91-B, L.P.	24,152	35,483	69,550	65,056	66,527	28,144
Total.....	787,707	915,172	1,816,404	1,858,207	1,969,272	1,245,735

GAS (MCF)

TOTAL (BOE)

FOR THE SIX

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	FOR THE YEAR ENDED DECEMBER 31,			MONTHS ENDED JUNE 30,		FO
	2000	1999	1998	2001	2000	2000
Parker & Parsley 88-A, L.P.	72,965	93,498	86,501	31,964	30,489	61,969
Parker & Parsley 88-B Conv., L.P.	21,781	23,221	21,214	9,149	11,116	22,202
Parker & Parsley 88-B, L.P.	53,620	57,190	52,254	22,554	27,383	54,666
Parker & Parsley 88-C Conv., L.P.	19,618	21,119	19,764	8,095	9,412	18,723
Parker & Parsley 88-C, L.P.	13,979	15,049	14,091	5,761	6,701	13,353
Parker & Parsley Producing Properties 88-A, L.P.	37,939	44,467	51,099	14,793	17,126	33,299
Parker & Parsley Private Investment 88, L.P.	59,532	66,701	61,718	24,258	28,463	56,206
Parker & Parsley 89-A Conv., L.P.	20,057	20,484	21,106	7,638	8,117	16,435
Parker & Parsley 89-A, L.P.	59,638	60,905	62,751	22,728	24,132	48,863
Parker & Parsley 89-B Conv., L.P.	42,179	46,681	52,345	16,806	19,754	37,989
Parker & Parsley 89-B, L.P.	46,454	51,400	57,643	18,509	21,755	41,831
Parker & Parsley Private Investment 89, L.P.	30,037	32,985	44,624	18,225	17,440	35,744
Parker & Parsley 90-A Conv., L.P.	13,365	14,989	16,309	5,690	6,108	12,104
Parker & Parsley 90-A, L.P.	38,570	43,302	47,086	16,416	17,619	34,947
Parker & Parsley 90-B Conv., L.P.	64,786	70,803	73,460	29,658	32,065	64,186
Parker & Parsley 90-B, L.P.	175,696	192,016	199,215	80,450	86,961	174,087
Parker & Parsley 90-C Conv., L.P.	30,423	29,399	30,348	16,950	18,735	37,844
Parker & Parsley 90-C, L.P.	48,907	47,265	48,787	27,250	30,109	60,837
Parker & Parsley Private Investment 90, L.P.	49,484	47,331	54,218	27,470	30,845	61,160
Parker & Parsley 90 Spraberry Private Dev., L.P.	22,121	19,579	24,095	12,996	12,379	26,280
Parker & Parsley 91-A, L.P.	94,315	100,615	108,617	33,654	40,762	79,848
Parker & Parsley 91-B, L.P.	85,556	74,025	68,244	28,843	42,621	83,809
Total.....	<u>2,451,231</u>	<u>2,695,632</u>	<u>2,724,612</u>	<u>995,333</u>	<u>1,121,403</u>	<u>2,224,946</u>

(a) Gas production is converted to oil equivalents at the rate of six mcf per barrel, representing the relative energy content of natural gas and oil.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

A-19

145

TABLE 14

PRODUCTIVE WELLS AND DEVELOPED ACREAGE

AS OF JUNE 30, 2001

	PRODUCTIVE OIL AND GAS WELLS		DEVELOPED ACRES	
	GROSS (A)	NET (B)	GROSS (A)	NET (B)
Parker & Parsley 81-I, Ltd.	16	9.13	2,328	1,25
Parker & Parsley 81-II, Ltd.	12	8.40	1,563	1,05
Parker & Parsley 82-I, Ltd.	17	16.19	1,702	1,55
Parker & Parsley 82-II, Ltd.	16	15.38	1,882	1,48
Parker & Parsley 82-III, Ltd.	13	11.63	2,013	1,38
Parker & Parsley 83-A, Ltd.	42	37.59	5,154	3,60
Parker & Parsley 83-B, Ltd.	41	40.66	5,227	4,19
Parker & Parsley 84-A, Ltd.	38	37.55	4,929	4,01
Parker & Parsley 85-A, Ltd.	21	17.05	2,083	1,31
Parker & Parsley 85-B, Ltd.	17	13.05	2,536	1,21
Parker & Parsley Private Investment 85-A, Ltd.	11	7.78	1,204	65
Parker & Parsley Selected 85 Private Investment, Ltd. ...	12	9.23	1,282	73
Parker & Parsley 86-A, Ltd.	26	21.86	1,689	1,10
Parker & Parsley 86-B, Ltd.	43	35.66	2,709	1,69
Parker & Parsley 86-C, Ltd.	53	44.36	4,432	2,78
Parker & Parsley Private Investment 86, Ltd.	14	12.37	1,685	1,13
Parker & Parsley 87-A Conv., Ltd.	71	6.91	6,498	65
Parker & Parsley 87-A, Ltd.	71	51.65	6,498	4,92
Parker & Parsley 87-B Conv., Ltd.	47	8.07	4,465	79
Parker & Parsley 87-B, Ltd.	47	32.98	4,465	3,25
Parker & Parsley Producing Properties 87-A, Ltd.	84	38.05	10,576	3,61
Parker & Parsley Producing Properties 87-B, Ltd.	34	20.29	4,302	1,60
Parker & Parsley Private Investment 87, Ltd.	24	19.65	1,685	1,13
Parker & Parsley 88-A Conv., L.P.	39	8.01	3,286	59
Parker & Parsley 88-A, L.P.	39	25.98	3,286	1,62
Parker & Parsley 88-B Conv., L.P.	40	7.47	2,766	95
Parker & Parsley 88-B, L.P.	40	18.39	2,766	41
Parker & Parsley 88-C Conv., L.P.	40	6.84	2,757	34
Parker & Parsley 88-C, L.P.	40	4.87	2,757	24
Parker & Parsley Producing Properties 88-A, L.P.	22	17.73	1,689	1,19
Parker & Parsley Private Investment 88, L.P.	22	19.18	1,873	1,21
Parker & Parsley 89-A Conv., L.P.	31	5.69	2,811	55
Parker & Parsley 89-A, L.P.	31	16.91	2,811	1,64
Parker & Parsley 89-B Conv., L.P.	33	13.72	2,992	1,15
Parker & Parsley 89-B, L.P.	33	15.12	2,992	1,26
Parker & Parsley Private Investment 89, L.P.	19	13.87	1,913	1,25
Parker & Parsley 90-A Conv., L.P.	25	4.56	2,045	39
Parker & Parsley 90-A, L.P.	25	13.17	2,045	1,14
Parker & Parsley 90-B Conv., L.P.	102	22.88	9,729	2,08
Parker & Parsley 90-B, L.P.	102	62.05	9,729	5,65
Parker & Parsley 90-C Conv., L.P.	42	13.68	1,021	31
Parker & Parsley 90-C, L.P.	42	21.99	1,021	50
Parker & Parsley Private Investment 90, L.P.	27	20.65	2,333	1,55

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Parker & Parsley 90 Spraberry Private Dev., L.P.	12	9.00	1,017	65
Parker & Parsley 91-A, L.P.	47	24.71	4,389	1,89
Parker & Parsley 91-B, L.P.	29	21.97	1,922	1,30
	-----	-----	-----	-----
Total.....	1,652	903.93	150,857	73,12
	=====	=====	=====	=====

-
- (a) A "gross well" or "gross acre" is a well or an acre in which a working interest is owned. The number of gross wells or acres represents the sum of the wells or acres in which a working interest is owned.
- (b) A "net well" or "net acre" is deemed to exist when the sum of the fractional working interests in gross wells or acres equals one. The number of net wells or acres is the sum of the fractional working interests in gross wells or acres.

A-20

146

TABLE 15

RECENT TRADES OF PARTNERSHIP INTERESTS (a)
PER \$1,000 INVESTMENT

FOR THE FIVE MONTHS ENDED MAY 31, 2001 AND

THE YEARS ENDED DECEMBER 31, 2000 AND 1999

	PER \$1,000 INVESTMENT					
	FOR THE FIVE MONTHS ENDED MAY 31, 2001			FOR THE YEAR ENDED		
	SALES PRICE		NUMBER OF SALES	NUMBER SOLD	SALES PRICE	
	HIGH	LOW			HIGH	LOW
Parker & Parsley 82-I, Ltd.	\$ --	\$ --	--	--	\$ 47.75	\$ 37.50
Parker & Parsley 82-II, Ltd.	110.00	75.00	3	30	89.00	45.00
Parker & Parsley 83-A, Ltd.	120.00	100.00	4	65	112.50	94.00
Parker & Parsley 83-B, Ltd.	137.00	117.50	2	20	135.00	96.11
Parker & Parsley 84-A, Ltd.	200.00	143.56	4	90	165.00	101.11
Parker & Parsley 85-A, Ltd.	--	--	--	--	--	--
Parker & Parsley 85-B, Ltd.	145.00	145.00	1	10	135.00	100.00
Parker & Parsley 86-A, Ltd.	140.00	125.00	2	15	160.00	65.00
Parker & Parsley 86-B, Ltd.	165.00	165.00	1	5	160.00	97.00
Parker & Parsley 86-C, Ltd.	147.66	130.00	3	21	135.00	95.45
Parker & Parsley 87-A, Ltd.	163.75	145.00	3	155	163.75	78.00
Parker & Parsley 87-B, Ltd.	191.50	157.20	3	35	179.25	105.66
Parker & Parsley Producing Properties 87-A, Ltd.	280.00	280.00	1	20	280.00	184.00
Parker & Parsley Producing Properties 87-B, Ltd.	138.00	138.00	1	4	310.00	146.00
Parker & Parsley 88-A, L.P.	210.00	186.00	3	35	205.00	135.00
Parker & Parsley 88-B, L.P.	--	--	--	--	188.12	128.00
Parker & Parsley 88-C, L.P.	250.00	250.00	2	90	175.00	138.20

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Parker & Parsley Producing Properties 88-A, L.P.	--	--	--	--	--	--
Parker & Parsley 89-A, L.P.	215.00	215.00	2	30	221.00	140.00
Parker & Parsley 89-B, L.P.	--	--	--	--	215.00	215.00
Parker & Parsley 90-A, L.P.	--	--	--	--	230.00	126.11
Parker & Parsley 90-B, L.P.	260.00	211.12	7	80	211.12	100.00
Parker & Parsley 90-C, L.P.	225.00	112.30	3	45	210.00	112.30
Parker & Parsley 91-A, L.P.	320.00	275.00	2	20	259.00	212.00
Parker & Parsley 91-B, L.P.	300.00	300.00	3	20	235.11	235.11

PER \$1,000 INVESTMENT

FOR THE YEAR ENDED DECEMBER 31, 1999

	SALES PRICE		NUMBER OF SALES	NUMBER SOLD
	HIGH	LOW		
Parker & Parsley 82-I, Ltd.	\$ 15.00	\$ 4.17	2	24
Parker & Parsley 82-II, Ltd.	30.83	10.50	3	41
Parker & Parsley 83-A, Ltd.	54.00	36.75	10	151
Parker & Parsley 83-B, Ltd.	63.11	43.00	2	35
Parker & Parsley 84-A, Ltd.	72.00	44.00	8	104
Parker & Parsley 85-A, Ltd.	61.00	10.00	5	50
Parker & Parsley 85-B, Ltd.	75.00	75.00	2	30
Parker & Parsley 86-A, Ltd.	55.00	10.00	2	40
Parker & Parsley 86-B, Ltd.	111.00	62.34	9	108
Parker & Parsley 86-C, Ltd.	80.00	45.00	5	32
Parker & Parsley 87-A, Ltd.	112.00	65.00	10	155
Parker & Parsley 87-B, Ltd.	101.67	10.00	12	205
Parker & Parsley Producing Properties 87-A, Ltd.	175.00	112.00	4	79
Parker & Parsley Producing Properties 87-B, Ltd.	170.00	128.00	3	30
Parker & Parsley 88-A, L.P.	105.11	57.00	3	25
Parker & Parsley 88-B, L.P.	111.00	62.00	4	50
Parker & Parsley 88-C, L.P.	56.00	56.00	1	25
Parker & Parsley Producing Properties 88-A, L.P.	225.00	225.00	1	4
Parker & Parsley 89-A, L.P.	138.00	86.00	5	70
Parker & Parsley 89-B, L.P.	146.11	105.00	5	85
Parker & Parsley 90-A, L.P.	92.00	84.33	2	25
Parker & Parsley 90-B, L.P.	175.00	90.00	12	115
Parker & Parsley 90-C, L.P.	136.33	60.51	8	125
Parker & Parsley 91-A, L.P.	121.00	88.00	2	13
Parker & Parsley 91-B, L.P.	135.00	135.00	1	10

(a) This table contains historical information about recent trades of partnership interests on a per \$1,000 investment as determined from "The Partnership Spectrum." The price information represents the prices reported to have been paid to the sellers net of commissions paid by buyers. This information should not be relied upon as any indication of the price at which the partnership interests may trade. There may have been other secondary sale transactions in the partnership interests, although no information regarding any such transactions is available to Pioneer USA. Because the information regarding sale transactions in the partnership

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

interests in this table is provided without verification by Pioneer USA and because the information provided does not reflect sufficient activity to cause the prices shown to be representative of the market values of the partnership interests, the information should not be relied upon as indicative of the ability of limited partners to sell their partnership interests in secondary sale transactions or as to the prices at which the partnership interests may be sold.

A-21

147

TABLE 16

RESERVE VALUE ATTRIBUTABLE TO PIONEER USA, NONMANAGING
GENERAL PARTNERS AND LIMITED PARTNERS
AS OF MARCH 31, 2001

	TOTAL RESERVE VALUE		
	PIONEER USA (B)	NONMANAGING GENERAL PARTNERS (C)	LIMITED PARTNERS (D)
Parker & Parsley 81-I, Ltd.	\$ 242,920	\$ 17,609	\$ 6
Parker & Parsley 81-II, Ltd.	165,833	6,793	5
Parker & Parsley 82-I, Ltd.	419,236	14,382	8
Parker & Parsley 82-II, Ltd.	439,725	13,485	1,1
Parker & Parsley 82-III, Ltd.	312,876	10,249	7
Parker & Parsley 83-A, Ltd.	968,805	37,688	2,5
Parker & Parsley 83-B, Ltd.	1,312,532	50,316	3,4
Parker & Parsley 84-A, Ltd.	1,324,574	56,580	3,6
Parker & Parsley 85-A, Ltd.	37,920	--	1,2
Parker & Parsley 85-B, Ltd.	19,444	--	1,1
Parker & Parsley Private Investment 85-A, Ltd.	47,329	--	1,3
Parker & Parsley Selected 85 Private Investment, Ltd.	28,421	--	1,0
Parker & Parsley 86-A, Ltd.	23,635	--	1,7
Parker & Parsley 86-B, Ltd.	67,810	--	3,8
Parker & Parsley 86-C, Ltd.	41,159	--	3,1
Parker & Parsley Private Investment 86, Ltd.	13,277	--	1,3
Parker & Parsley 87-A Conv., Ltd.	14,400	--	7
Parker & Parsley 87-A, Ltd.	90,315	--	5,5
Parker & Parsley 87-B Conv., Ltd.	11,952	--	9
Parker & Parsley 87-B, Ltd.	49,644	--	4,0
Parker & Parsley Producing Properties 87-A, Ltd.	34,029	--	2,4
Parker & Parsley Producing Properties 87-B, Ltd.	61,008	--	2,2
Parker & Parsley Private Investment 87, Ltd.	26,380	--	2,6
Parker & Parsley 88-A Conv., L.P.	21,158	--	8
Parker & Parsley 88-A, L.P.	72,749	--	3,0
Parker & Parsley 88-B Conv., L.P.	18,992	--	1,2
Parker & Parsley 88-B, L.P.	61,751	--	2,9
Parker & Parsley 88-C Conv., L.P.	12,731	--	9
Parker & Parsley 88-C, L.P.	8,464	--	6
Parker & Parsley Producing Properties 88-A, L.P.	32,226	--	1,8
Parker & Parsley Private Investment 88, L.P.	34,783	--	3,4
Parker & Parsley 89-A Conv., L.P.	9,187	--	9
Parker & Parsley 89-A, L.P.	61,463	--	2,6
Parker & Parsley 89-B Conv., L.P.	22,869	--	1,7
Parker & Parsley 89-B, L.P.	38,779	--	1,8

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Parker & Parsley Private Investment 89, L.P.....	31,264	--	1,9
Parker & Parsley 90-A Conv., L.P.....	9,146	--	5
Parker & Parsley 90-A, L.P.....	52,176	--	1,6
Parker & Parsley 90-B Conv., L.P.....	54,385	--	3,2
Parker & Parsley 90-B, L.P.....	111,242	--	8,7
Parker & Parsley 90-C Conv., L.P.....	25,876	--	1,8
Parker & Parsley 90-C, L.P.....	36,420	--	2,9
Parker & Parsley Private Investment 90, L.P.....	52,185	--	3,3
Parker & Parsley 90 Spraberry Private Dev., L.P.....	16,361	--	1,6
Parker & Parsley 91-A, L.P.....	65,448	--	4,6
Parker & Parsley 91-B, L.P.....	54,570	--	4,9
	-----	-----	-----
Total.....	\$6,657,449	\$207,102	\$104,8
	=====	=====	=====

-
- (a) The reserve value is one of the components of the merger value for each partnership and represents the present value of estimated future net revenues from the partnership's estimated oil and gas reserves as of March 31, 2001. The present value was calculated using: (1) a five-year New York Mercantile Exchange, or NYMEX, futures price for oil and gas as of March 31, 2001 with prices held constant after year five at the year five price, less standard industry adjustments, (2) historical operating costs adjusted only for those items affected by commodity prices, such as production taxes and ad valorem taxes, and (3) a 10.0% discount rate. For 2001, the oil and gas prices were based on the average NYMEX futures price for the nine-month period beginning on April 1, 2001 and ending December 31, 2001.
- (b) Represents Pioneer USA's partnership interests in each partnership as: (1) the sole or managing general partner of the partnership; (2) a limited partner of the partnership; and (3) the sole general partner of each nonmanaging general partner. Pioneer USA will not receive any Pioneer Parent common stock for its partnership interests in any participating partnership. However, as a result of the merger of each participating partnership, Pioneer USA will acquire 100% of the properties of the partnership including properties attributable to its partnership interests in the partnerships.
- (c) Represents four unaffiliated individuals' partnership interests as limited partners of each nonmanaging general partner. Excludes Pioneer USA's partnership interests as general partner of each nonmanaging general partner.
- (d) Represents the partnership interests of unaffiliated limited partners of each partnership. Excludes Pioneer USA's partnership interests as a limited partner of any partnership.

A-22

148

APPENDIX B

TO

PROXY STATEMENT/PROSPECTUS

SUMMARY RESERVE REPORT OF

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

WILLIAMSON PETROLEUM CONSULTANTS, INC.

FOR THE PARTNERSHIPS

AS OF MARCH 31, 2001

August 17, 2001

Pioneer Natural Resources USA, Inc.

5205 North O'Connor Boulevard, Suite 1400

Irving, Texas 75039

Attention Board of Directors

Gentlemen:

Subject: Summary Letter Including 46 Reports of

Review of Estimates Prepared by

Pioneer Natural Resources USA, Inc.

of Oil and Gas Reserves and

Associated Future Net Revenue to the

Interests of the Limited Partners

or the Converted Limited Partners

in Various Parker & Parsley Partnerships

Managed by Pioneer Natural Resources USA, Inc.

Effective March 31, 2001

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Williamson Project 1.8859

In accordance with your request, Williamson Petroleum Consultants, Inc. (Williamson) has prepared this summary letter for inclusion in the proxy statement to be distributed to the limited partners of the referenced Partnerships by Pioneer Natural Resources USA, Inc. (Pioneer USA). This letter includes the results from 46 review letters prepared for Pioneer USA to the interests of the Limited Partners or the Converted Limited Partners in various Parker & Parsley Partnerships managed by Pioneer USA effective March 31, 2001. A listing of the 46 Williamson review letters is included as Exhibit I.

I. DEFINITIONS OF SEC RESERVES(1)

The estimated reserves presented in this summary letter are net proved reserves, including proved developed producing, proved developed nonproducing, and proved undeveloped reserves, and were computed in accordance with the financial reporting requirements of the Securities and Exchange Commission (SEC). In preparing these evaluations, no attempt has been made to quantify the element of uncertainty associated with any category. Reserves were assigned to each category as warranted.

(1)For evaluations prepared for disclosure to the Securities and Exchange Commission, see United States Securities and Exchange Commission, Regulation S-X, Article 4 -- Rules of General Application, Reg. 210. 4-10.

B-1

149

The definitions of oil and gas reserves pursuant to the requirements of the Securities Exchange Act are:

Proved Oil and Gas Reserves

Proved oil and gas reserves are the estimated quantities of crude oil, natural gas, and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions, i.e., prices and costs as of the date the estimate is made. Prices include consideration of changes in existing prices provided only by contractual arrangements, but not on escalations based upon future conditions.

A. Reservoirs are considered proved if economic producibility is

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

supported by either actual production or conclusive formation test. The area of a reservoir considered proved includes:

1. that portion delineated by drilling and defined by gas-oil and/or oil-water contacts, if any; and

2. the immediately adjoining portions not yet drilled, but which can be reasonably judged as economically productive on the basis of available geological and engineering data. In the absence of information on fluid contacts, the lowest known structural occurrence of hydrocarbons controls the lower proved limit of the reservoir.

B. Reserves which can be produced economically through application of improved recovery techniques (such as fluid injection) are included in the "proved" classification when successful testing by a pilot project, or the operation of an installed program in the reservoir, provides support for the engineering analysis on which the project or program was based.

C. Estimates of proved reserves do not include the following:

1. oil that may become available from known reservoirs but is classified separately as "indicated additional reserves";

2. crude oil, natural gas, and natural gas liquids, the recovery of which is subject to reasonable doubt because of uncertainty as to geology, reservoir characteristics, or economic factors;

3. crude oil, natural gas, and natural gas liquids, that may occur in undrilled prospects; and

4. crude oil, natural gas, and natural gas liquids, that may be recovered from oil shales, coal, gilsonite, and other such sources.

Proved Developed Oil and Gas Reserves(2)

Proved developed oil and gas reserves are reserves that can be expected to be recovered through existing wells with existing equipment and operating methods. Additional oil and gas expected to be obtained through the application of fluid injection or other improved recovery techniques for supplementing the natural forces and mechanisms of primary recovery should be included as "proved developed reserves" only after testing by a pilot project or after the operation of an installed program has confirmed through production response that increased

recovery will be achieved.

(2) Williamson Petroleum Consultants, Inc. separates proved developed reserves into proved developed producing and proved developed nonproducing reserves. This is to identify proved developed producing reserves as those to be recovered from actively producing wells; proved developed nonproducing reserves as those to be recovered from wells or intervals within wells, which are completed but shut in waiting on equipment or pipeline connections, or wells where a relatively minor expenditure is required for recompletion to another zone.

B-2

150

Proved Undeveloped Reserves

Proved undeveloped oil and gas reserves are reserves that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion. Reserves on undrilled acreage shall be limited to those drilling units offsetting productive units that are reasonably certain of production when drilled. Proved reserves for other undrilled units can be claimed only where it can be demonstrated with certainty that there is continuity of production from the existing productive formation. Under no circumstances should estimates, for proved undeveloped reserves be attributable to any acreage for which an application of fluid injection or other improved recovery technique is contemplated, unless such techniques have been proved effective by actual tests in the area and in the same reservoir.

II. DISCUSSION OF THE REVIEW

In performing the review, Williamson conducted an evaluation of the methods and procedures utilized by Pioneer USA in the preparation of the estimates of reserves and associated future net revenue and performed tests and procedures considered necessary to render the opinions set forth herein.

Williamson evaluated the properties in 46 Parker & Parsley Partnerships as of December 31, 2000 and the results of that evaluation were transmitted in 46 individual reports (the SEC Reports) dated February 20, 2001. Williamson also prepared a Summary Letter Report including the SEC Reports for inclusion in a Schedule 13e-3 under the Securities Exchange Act of 1934 to be filed with the SEC. Pioneer USA prepared reports on each partnership using the SEC Reports as the bases. Pioneer USA rolled forward the Williamson oil and gas projections from the SEC Reports to March 31, 2001, applied different pricing, added three proved undeveloped locations, and made ownership interest changes on some wells. (Most of the changes were due to payout reversions that had occurred prior to March 31, 2001.) Pioneer USA represented that no Williamson reserves projections were altered and no changes were made to the lease operating expenses,

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

production taxes, or ownership interests (except as noted above). The Pioneer USA evaluations resulted in oil, natural gas liquids (NGL), and gas combined total net reserves of 13,882.872 MBBL, 7,008.607 MBBL, and 28,430.649 MMCF with a combined total future net revenue discounted at 10.0 percent (DFNR) of M\$104,150.210. Pioneer USA updated the production generally through April 2001 and transmitted these March 31, 2001 roll-forward reports in the form of an Aries database to Williamson for review. Williamson has reviewed the Pioneer USA database and has determined that no changes have been made to the database except for the effective date; oil, gas, and NGL prices; the addition of three proved undeveloped locations; and the ownership interest changes noted above. In reviewing the roll forward oil and gas reserves projections with the added six months of production for the months of November 2000 through April 2001, Williamson recommended and made changes to the oil and/or gas projections of certain wells as required. These reserves changes resulted in a change to the Pioneer USA combined total DFNR of M\$1,870.163 or 1.8 percent of the combined total DFNR. The change to the Pioneer USA DFNR for the individual partnerships ranged from 16.4 percent to a negative 11.1 percent.

Based on our review, it is the opinion of Williamson that the estimates of the reviewed oil and gas reserves and associated future net revenue prepared by Pioneer USA effective March 31, 2001 are reasonable in the aggregate and were prepared in accordance with generally accepted petroleum engineering and evaluation principles as set forth in "Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information" promulgated by the Society of Petroleum Engineers.

Exhibits II, III, and IV detail the Pioneer USA oil, NGL, and gas net reserves and associated future net revenue, undiscounted and discounted for each Partnership for the Total Proved, Total Proved Developed, and Total Proved Undeveloped, respectively, from the Williamson review letters.

III. CONSENT AND DECLARATION OF INDEPENDENT STATUS

We understand that the estimates prepared by Pioneer USA and reviewed by Williamson are to be included in the proxy statement/prospectus filed by you with the SEC under the Securities Exchange Act

B-3

151

of 1934. We understand further that the estimates may be used by you to establish merger values for the Partnerships. With this understanding in mind, it is our opinion that the estimates of reserves and associated future net revenue prepared by Pioneer USA and reviewed by us are reasonable in the aggregate and were prepared in accordance with generally accepted petroleum engineering and evaluation principles in estimating the proved oil and gas reserves and in computing the future net revenue derived from such reserves for each property attributable to the interests held by the Partnerships.

Williamson is an independent consulting firm and does not own any interests

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

in the oil and gas properties covered by this summary letter. No employee, officer, or director of Williamson is an employee, officer, or director of Pioneer USA or any of the subject Partnerships. Neither the employment of nor the compensation received by Williamson is contingent upon the values assigned to the properties covered by this summary letter.

Yours very truly,

WILLIAMSON PETROLEUM CONSULTANTS, INC.

/s/ JOHN D. SAVAGE

John D. Savage, P.E.

Senior Vice President

JDS/chk

Enclosures

152

B-4

EXHIBIT I

SUMMARY LETTER INCLUDING 46 REPORTS OF
REVIEW OF ESTIMATES PREPARED BY
PIONEER NATURAL RESOURCES USA, INC.
OF OIL AND GAS RESERVES AND
ASSOCIATED FUTURE NET REVENUE
TO THE INTERESTS OF THE LIMITED PARTNERS
OR THE CONVERTED LIMITED PARTNERS

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

IN VARIOUS PARKER & PARSLEY PARTNERSHIPS

MANAGED BY PIONEER NATURAL RESOURCES USA, INC.

EFFECTIVE MARCH 31, 2001

WILLIAMSON PROJECT 1.8859

LIST OF WILLIAMSON PETROLEUM CONSULTANTS, INC. REVIEW LETTERS

EFFECTIVE MARCH 31, 2001

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil and Gas Reserves and Associated Future Net Revenue to the Interests of the Limited Partners in Parker & Parsley 81-I, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil and Gas Reserves and Associated Future Net Revenue to the Interests of the Limited Partners in Parker & Parsley 81-II, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil and Gas Reserves and Associated Future Net Revenue to the Interests of the Limited Partners in Parker & Parsley 82-I, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil and Gas Reserves and Associated Future Net Revenue to the Interests of the Limited Partners in Parker & Parsley 82-II, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil and Gas Reserves and Associated Future Net Revenue to the Interests of the Limited Partners in Parker & Parsley 82-III, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil and Gas Reserves and Associated Future Net Revenue to the Interests of the Limited Partners in Parker & Parsley 83-A, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil and Gas Reserves and Associated Future Net Revenue to the Interests of the Limited Partners in Parker & Parsley 83-B, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil and Gas Reserves and Associated Future Net Revenue to the Interests of the Limited Partners in Parker & Parsley 84-A, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

B-5

153

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil and Gas Reserves and Associated Future Net Revenue to the Interests of the Limited Partners in Parker & Parsley 85-A, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil and Gas Reserves and Associated Future Net Revenue to the Interests of the Limited Partners in Parker & Parsley 85-B, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil and Gas Reserves and Associated Future Net Revenue to the Interests of the Limited Partners in Parker & Parsley Private Investment 85-A, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil and Gas Reserves and Associated Future Net Revenue to the Interests of the Limited Partners in Parker & Parsley Selected 85 Private Investment, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil and Gas Reserves and Associated Future Net Revenue to the Interests of the Limited Partners in Parker & Parsley 86-A, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil and Gas Reserves and Associated Future Net Revenue to the Interests of the Limited Partners in Parker & Parsley 86-B, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

and Gas Reserves and Associated Future Net Revenue to the Interests of the Limited Partners in Parker & Parsley 86-C, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil and Gas Reserves and Associated Future Net Revenue to the Interests of the Limited Partners in Parker & Parsley Private Investment 86, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil and Gas Reserves and Associated Future Net Revenue to the Interests of the Converted Limited Partners in Parker & Parsley 87-A Converted, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil and Gas Reserves and Associated Future Net Revenue to the Interests of the Limited Partners in Parker & Parsley 87-A, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil and Gas Reserves and Associated Future Net Revenue to the Interests of the Converted Limited Partners in Parker & Parsley 87-B Converted, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil and Gas Reserves and Associated Future Net Revenue to the Interests of the Limited Partners in Parker & Parsley

B-6

154

87-B, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil and Gas Reserves and Associated Future Net Revenue to the Interests of the Limited Partners in Parker & Parsley Producing Properties 87-A, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil and Gas Reserves and Associated Future Net Revenue to the Interests of the Limited Partners in Parker & Parsley Producing Properties 87-B, Ltd. Managed by

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil and Gas Reserves and Associated Future Net Revenue to the Interests of the Limited Partners in Parker & Parsley Private Investment 87, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil and Gas Reserves and Associated Future Net Revenue to the Interests of the Converted Limited Partners in Parker & Parsley 88-A Converted, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil and Gas Reserves and Associated Future Net Revenue to the Interests of the Limited Partners in Parker & Parsley 88-A, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil and Gas Reserves and Associated Future Net Revenue to the Interests of the Converted Limited Partners in Parker & Parsley 88-B Converted, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil and Gas Reserves and Associated Future Net Revenue to the Interests of the Limited Partners in Parker & Parsley 88-B, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil and Gas Reserves and Associated Future Net Revenue to the Interests of the Converted Limited Partners in Parker & Parsley 88-C Converted, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil and Gas Reserves and Associated Future Net Revenue to the Interests of the Limited Partners in Parker & Parsley 88-C, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil and Gas Reserves and Associated Future Net Revenue to the Interests of the Limited Partners in Parker & Parsley Producing Properties 88-A, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

1.8859"

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil and Gas Reserves and Associated Future Net Revenue to the Interests of the Limited Partners in Parker & Parsley Private Investment 88, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

B-7

155

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil and Gas Reserves and Associated Future Net Revenue to the Interests of the Converted Limited Partners in Parker & Parsley 89-A Converted, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil and Gas Reserves and Associated Future Net Revenue to the Interests of the Limited Partners in Parker & Parsley 89-A, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil and Gas Reserves and Associated Future Net Revenue to the Interests of the Converted Limited Partners in Parker & Parsley 89-B Converted, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil and Gas Reserves and Associated Future Net Revenue to the Interests of the Limited Partners in Parker & Parsley 89-B, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil and Gas Reserves and Associated Future Net Revenue to the Interests of the Limited Partners in Parker & Parsley Private Investment 89, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil and Gas Reserves and Associated Future Net Revenue to the Interests of the Converted Limited Partners in Parker & Parsley 90-A Converted, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

and Gas Reserves and Associated Future Net Revenue to the Interests of the Limited Partners in Parker & Parsley 90-A, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil and Gas Reserves and Associated Future Net Revenue to the Interests of the Converted Limited Partners in Parker & Parsley 90-B Converted, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil and Gas Reserves and Associated Future Net Revenue to the Interests of the Limited Partners in Parker & Parsley 90-B, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil and Gas Reserves and Associated Future Net Revenue to the Interests of the Converted Limited Partners in Parker & Parsley 90-C Converted, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil and Gas Reserves and Associated Future Net Revenue to the Interests of the Limited Partners in Parker & Parsley 90-C L.P. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil and Gas Reserves and Associated Future Net Revenue to the Interests of the Limited Partners in Parker & Parsley Private

B-8

156

Investment 90, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil and Gas Reserves and Associated Future Net Revenue to the Interests of the Limited Partners in Parker & Parsley 90 Spraberry Private Development, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil and Gas Reserves and Associated Future Net Revenue to the Interests of the Limited Partners in Parker & Parsley 91-A, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

"Review of Estimates Prepared by Pioneer Natural Resources USA, Inc. of Oil and Gas Reserves and Associated Future Net Revenue to the Interests of the Limited Partners in Parker & Parsley 91-B, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective March 31, 2001 Williamson Project 1.8859"

B-9

157

EXHIBIT II

SUMMARY LETTER INCLUDING 46 REPORTS OF
REVIEW OF ESTIMATES PREPARED BY
PIONEER NATURAL RESOURCES USA, INC.
OF OIL AND GAS RESERVES AND
ASSOCIATED FUTURE NET REVENUE
TO THE INTERESTS OF THE LIMITED PARTNERS
OR THE CONVERTED LIMITED PARTNERS
IN VARIOUS PARKER & PARSLEY PARTNERSHIPS
MANAGED BY PIONEER NATURAL RESOURCES USA, INC.
EFFECTIVE MARCH 31, 2001
WILLIAMSON PROJECT 1.8859
NET RESERVES AND FUTURE NET REVENUE FROM
REVIEW LETTERS PREPARED BY WILLIAMSON PETROLEUM
CONSULTANTS, INC.
EFFECTIVE MARCH 31, 2001

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	TOTAL PROVED				
	NET RESERVES TO THE EVALUATED INTERESTS			FUTURE NET REVENUE	
	OIL/CONDENSATE (MBBL)	LIQUID (MBBL)	GAS (MMCF)	UNDISCOUNTED	DISCOUNTED PER 10.0
Parker & Parsley 81-I, Ltd.	82.264	48.823	259.480	1,168.899	
Parker & Parsley 81-II, Ltd.	66.975	50.694	168.235	782.647	
Parker & Parsley 82-I, Ltd.	142.135	54.037	429.393	1,407.714	
Parker & Parsley 82-II, Ltd.	163.217	76.783	361.269	2,101.905	1
Parker & Parsley 82-III, Ltd. ...	131.569	55.082	181.031	1,334.954	
Parker & Parsley 83-A, Ltd.	382.712	225.243	908.023	4,375.619	2
Parker & Parsley 83-B, Ltd.	510.986	286.392	1,275.147	5,832.096	3
Parker & Parsley 84-A, Ltd.	497.742	336.241	1,399.838	6,282.321	3
Parker & Parsley 85-A, Ltd.	175.139	97.215	377.073	2,016.968	1
Parker & Parsley 85-B, Ltd.	149.887	74.437	330.848	1,864.301	1
Parker & Parsley Private Investment 85-A, Ltd.	188.458	81.166	294.019	2,623.316	1
Parker & Parsley Selected 85 Private Investment, Ltd.	120.690	85.403	341.876	1,860.766	1
Parker & Parsley 86-A, Ltd.	198.546	153.319	665.073	2,928.655	1
Parker & Parsley 86-B, Ltd.	504.170	254.744	1,007.115	6,660.474	3
Parker & Parsley 86-C, Ltd.	423.341	250.863	957.303	4,853.152	3
Parker & Parsley Private Investment 86, Ltd.	165.771	82.994	442.678	2,210.650	1
Parker & Parsley 87-A Conv., Ltd.	93.912	52.654	224.443	1,286.337	
Parker & Parsley 87-A, Ltd.	693.991	388.276	1,654.968	9,514.063	5
Parker & Parsley 87-B Conv., Ltd.	129.176	72.879	299.274	1,764.667	
Parker & Parsley 87-B, Ltd.	527.576	297.649	1,222.273	7,206.843	4
Parker & Parsley Producing Properties 87-A, Ltd.	426.729	120.298	543.992	4,255.595	2
Parker & Parsley Producing Properties 87-B, Ltd.	285.023	156.821	715.733	4,292.846	2
Parker & Parsley Private Investment 87, Ltd.	329.654	162.827	668.737	4,520.573	2
Parker & Parsley 88-A Conv., L.P.	116.016	65.640	253.729	1,588.020	
Parker & Parsley 88-A, L.P.	395.642	223.849	865.274	5,415.513	3
Parker & Parsley 88-B Conv., L.P.	158.995	70.283	290.380	2,184.678	1
Parker & Parsley 88-B, L.P.	391.541	173.080	715.088	5,379.979	2
Parker & Parsley 88-C Conv., L.P.	123.832	61.040	251.777	1,736.724	
Parker & Parsley 88-C, L.P.	88.255	43.503	179.440	1,237.753	

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	TOTAL PROVED				
	NET RESERVES TO THE EVALUATED INTERESTS			FUTURE NET REVENUE	
	OIL/CONDENSATE (MBBL)	LIQUID (MBBL)	GAS (MMCF)	UNDISCOUNTED	DISCOUNTED PER 10.0
Parker & Parsley Producing Properties 88-A, L.P.	238.804	125.771	464.564	3,419.956	1
Parker & Parsley Private Investment 88, L.P.	445.262	216.375	780.792	6,679.722	3
Parker & Parsley 89-A Conv., L.P.	114.139	60.273	282.272	1,675.614	
Parker & Parsley 89-A, L.P.	339.398	179.226	839.349	4,982.510	2
Parker & Parsley 89-B Conv., L.P.	216.989	128.163	481.258	2,973.068	1
Parker & Parsley 89-B, L.P.	238.716	141.033	529.613	3,267.544	1
Parker & Parsley Private Investment 89, L.P.	277.797	114.659	407.551	3,641.708	1
Parker & Parsley 90-A Conv., L.P.	71.070	41.373	158.781	976.631	
Parker & Parsley 90-A, L.P.	205.195	119.453	458.440	2,819.768	1
Parker & Parsley 90-B Conv., L.P.	423.611	205.022	800.528	5,584.044	3
Parker & Parsley 90-B, L.P.	1,152.236	556.331	2,171.905	15,178.700	8
Parker & Parsley 90-C Conv., L.P.	262.671	111.064	373.123	3,110.983	1
Parker & Parsley 90-C, L.P.	422.275	178.549	599.841	5,001.285	2
Parker & Parsley Private Investment 90, L.P.	439.460	183.432	629.750	6,034.439	3
Parker & Parsley 90 Spraberry Private Development, L.P.	283.243	90.081	333.986	3,245.033	1
Parker & Parsley 91-A, L.P.	575.176	261.699	1,200.498	9,122.714	4
Parker & Parsley 91-B, L.P.	652.384	282.264	1,102.958	9,313.127	4
Total All Partnerships.....	14,022.368	7,097.003	28,898.717	185,714.874	106

B-11

159

EXHIBIT III

SUMMARY LETTER INCLUDING 46 REPORTS OF

REVIEW OF ESTIMATES PREPARED BY

PIONEER NATURAL RESOURCES USA, INC.

OF OIL AND GAS RESERVES AND

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

ASSOCIATED FUTURE NET REVENUE

TO THE INTERESTS OF THE LIMITED PARTNERS

OR THE CONVERTED LIMITED PARTNERS

IN VARIOUS PARKER & PARSLEY PARTNERSHIPS

MANAGED BY PIONEER NATURAL RESOURCES USA, INC.

EFFECTIVE MARCH 31, 2001

WILLIAMSON PROJECT 1.8859

NET RESERVES AND FUTURE NET REVENUE FROM

REVIEW LETTERS PREPARED BY WILLIAMSON PETROLEUM CONSULTANTS, INC.

EFFECTIVE MARCH 31, 2001

	TOTAL PROVED DEVELOPED*				
	NET RESERVES TO THE EVALUATED INTERESTS			FUTURE NET REVENUE,	
	OIL/CONDENSATE (MBBL)	LIQUID (MBBL)	GAS (MMCF)	UNDISCOUNTED	DISCOUNTED PER ANNUAL AT 10.00
Parker & Parsley 81-I, Ltd.....	82.264	48.823	259.480	1,168.899	684
Parker & Parsley 81-II, Ltd.....	66.975	50.694	168.235	782.647	512
Parker & Parsley 82-I, Ltd.....	142.135	54.037	429.393	1,407.714	970
Parker & Parsley 82-II, Ltd.....	163.217	76.783	361.269	2,101.905	1,221
Parker & Parsley 82-III, Ltd.....	131.569	55.082	181.031	1,334.954	831
Parker & Parsley 83-A, Ltd.....	382.712	225.243	908.023	4,375.619	2,691
Parker & Parsley 83-B, Ltd.....	510.986	286.392	1,275.147	5,832.096	3,593
Parker & Parsley 84-A, Ltd.....	497.742	336.241	1,399.838	6,282.321	3,771

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Parker & Parsley 85-A, Ltd.....	175.139	97.215	377.073	2,016.968	1,283
Parker & Parsley 85-B, Ltd.....	149.887	74.437	330.848	1,864.301	1,119
Parker & Parsley Private Investment 85-A, Ltd.....	188.458	81.166	294.019	2,623.316	1,387
Parker & Parsley Selected 85 Private Investment, Ltd....	120.690	85.403	341.876	1,860.766	1,046
Parker & Parsley 86-A, Ltd.....	198.546	153.319	665.073	2,928.655	1,743
Parker & Parsley 86-B, Ltd.....	504.170	254.744	1,007.115	6,660.474	3,866
Parker & Parsley 86-C, Ltd.....	423.341	250.863	957.303	4,853.152	3,116
Parker & Parsley Private Investment 86, Ltd.....	165.771	82.994	442.678	2,210.650	1,314
Parker & Parsley 87-A Conv., Ltd.....	93.912	52.654	224.443	1,286.337	750
Parker & Parsley 87-A , Ltd.....	693.991	388.276	1,654.968	9,514.063	5,583
Parker & Parsley 87-B Conv., Ltd.....	129.176	72.879	299.274	1,764.667	984
Parker & Parsley 87-B, Ltd.....	527.576	297.649	1,222.273	7,206.843	4,022
Parker & Parsley Producing Properties 87-A, Ltd.....	426.729	120.298	543.992	4,255.595	2,498
Parker & Parsley Producing Properties 87-B, Ltd.....	285.023	156.821	715.733	4,292.846	2,330
Parker & Parsley Private Investment 87, Ltd.....	329.654	162.827	668.737	4,520.573	2,611
Parker & Parsley 88-A Conv., L.P.....	116.016	65.640	253.729	1,588.020	908
Parker & Parsley 88-A, L.P.....	395.642	223.849	865.274	5,415.513	3,098

B-12

160

	TOTAL PROVED DEVELOPED*				
	NET RESERVES TO THE EVALUATED INTERESTS			FUTURE NET REVENUE,	
	OIL/CONDENSATE (MBSL)	LIQUID (MBSL)	GAS (MMCF)	UNDISCOUNTED	DISCOUNTED PER ANNUAL AT 10.00%
Parker & Parsley 88-B Conv., L.P.....	158.995	70.283	290.380	2,184.678	1,217
Parker & Parsley 88-B, L.P.....	391.541	173.080	715.088	5,379.979	2,997
Parker & Parsley 88-C Conv., L.P.....	123.832	61.040	251.777	1,736.724	976
Parker & Parsley 88-C, L.P.....	88.255	43.503	179.440	1,237.753	696
Parker & Parsley Producing					

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Properties 88-A, L.P.....	238.804	125.771	464.564	3,419.956	1,889
Parker & Parsley Private					
Investment 88, L.P.....	445.262	216.375	780.792	6,679.722	3,443
Parker & Parsley 89-A Conv.,					
L.P.....	113.312	54.143	239.845	1,586.078	882
Parker & Parsley 89-A,					
L.P.....	336.937	160.997	713.189	4,716.271	2,623
Parker & Parsley 89-B Conv.,					
L.P.....	216.989	128.163	481.258	2,973.068	1,723
Parker & Parsley 89-B,					
L.P.....	238.716	141.033	529.613	3,267.544	1,895
Parker & Parsley Private					
Investment 89, L.P.....	277.797	114.659	407.551	3,641.708	1,982
Parker & Parsley 90-A Conv.,					
L.P.....	70.688	38.547	139.220	931.124	555
Parker & Parsley 90-A,					
L.P.....	204.093	111.295	401.961	2,688.377	1,604
Parker & Parsley 90-B Conv.,					
L.P.....	423.611	205.022	800.528	5,584.044	3,232
Parker & Parsley 90-B,					
L.P.....	1,152.236	556.331	2,171.905	15,178.700	8,777
Parker & Parsley 90-C Conv.,					
L.P.....	262.671	111.064	373.123	3,110.983	1,837
Parker & Parsley 90-C,					
L.P.....	422.275	178.549	599.841	5,001.285	2,953
Parker & Parsley Private					
Investment 90, L.P.....	439.460	183.432	629.750	6,034.439	3,351
Parker & Parsley 90 Spraberry					
Private Development,					
L.P.....	283.243	90.081	333.986	3,245.033	1,619
Parker & Parsley 91-A,					
L.P.....	575.176	261.699	1,200.498	9,122.714	4,683
Parker & Parsley 91-B,					
L.P.....	652.384	282.264	1,102.958	9,313.127	4,965
	-----	-----	-----	-----	-----
Total All					
Partnerships.....	14,017.596	7,061.660	28,654.090	185,182.201	105,854

* Proved developed includes proved developed producing and proved developed nonproducing; these funds do not include any value for the proved developed nonproducing category

B-13

161

EXHIBIT IV

SUMMARY LETTER INCLUDING 46 REPORTS OF

REVIEW OF ESTIMATES PREPARED BY

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

PIONEER NATURAL RESOURCES USA, INC.

OF OIL AND GAS RESERVES AND

ASSOCIATED FUTURE NET REVENUE

TO THE INTERESTS OF THE LIMITED PARTNERS

OR THE CONVERTED LIMITED PARTNERS

IN VARIOUS PARKER & PARSLEY PARTNERSHIPS

MANAGED BY PIONEER NATURAL RESOURCES USA, INC.

EFFECTIVE MARCH 31, 2001

WILLIAMSON PROJECT 1.8859

NET RESERVES AND FUTURE NET REVENUE FROM

REVIEW LETTERS PREPARED BY WILLIAMSON PETROLEUM CONSULTANTS, INC.

EFFECTIVE MARCH 31, 2001

	TOTAL PROVED UNDEVELOPED			
	NET RESERVES TO THE EVALUATED INTERESTS			FUTURE
	OIL/CONDENSATE (MBBL)	LIQUID (MBBL)	GAS (MMCF)	UNDISCOVERED
Parker & Parsley 81-I, Ltd.....	0.000	0.000	0.000	0.000
Parker & Parsley 81-II, Ltd.....	0.000	0.000	0.000	0.000
Parker & Parsley 82-I, Ltd.....	0.000	0.000	0.000	0.000
Parker & Parsley 82-II, Ltd.....	0.000	0.000	0.000	0.000
Parker & Parsley 82-III, Ltd.....	0.000	0.000	0.000	0.000
Parker & Parsley 83-A, Ltd.....	0.000	0.000	0.000	0.000
Parker & Parsley 83-B, Ltd.....	0.000	0.000	0.000	0.000
Parker & Parsley 84-A, Ltd.....	0.000	0.000	0.000	0.000
Parker & Parsley 85-A, Ltd.....	0.000	0.000	0.000	0.000
Parker & Parsley 85-B, Ltd.....	0.000	0.000	0.000	0.000
Parker & Parsley Private Investment 85-A, Ltd.....	0.000	0.000	0.000	0.000
Parker & Parsley Selected 85 Private				

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Investment, Ltd.....	0.000	0.000	0.000	0.000
Parker & Parsley 86-A, Ltd.....	0.000	0.000	0.000	0.000
Parker & Parsley 86-B, Ltd.....	0.000	0.000	0.000	0.000
Parker & Parsley 86-C, Ltd.....	0.000	0.000	0.000	0.000
Parker & Parsley Private Investment 86, Ltd.....	0.000	0.000	0.000	0.000
Parker & Parsley 87-A Conv., Ltd.....	0.000	0.000	0.000	0.000
Parker & Parsley 87-A , Ltd.....	0.000	0.000	0.000	0.000
Parker & Parsley 87-B Conv., Ltd.....	0.000	0.000	0.000	0.000
Parker & Parsley 87-B, Ltd.....	0.000	0.000	0.000	0.000
Parker & Parsley Producing Properties 87-A, Ltd.....	0.000	0.000	0.000	0.000
Parker & Parsley Producing Properties 87-B, Ltd.....	0.000	0.000	0.000	0.000
Parker & Parsley Private Investment 87, Ltd.....	0.000	0.000	0.000	0.000
Parker & Parsley 88-A Conv., L.P.....	0.000	0.000	0.000	0.000
Parker & Parsley 88-A, L.P.....	0.000	0.000	0.000	0.000
Parker & Parsley 88-B Conv., L.P.....	0.000	0.000	0.000	0.000
Parker & Parsley 88-B, L.P.....	0.000	0.000	0.000	0.000
Parker & Parsley 88-C Conv., L.P.....	0.000	0.000	0.000	0.000
Parker & Parsley 88-C, L.P.....	0.000	0.000	0.000	0.000

B-14

162

	TOTAL PROVED UNDEVELOPED			
	NET RESERVES TO THE EVALUATED INTERESTS			FUTUR
	OIL/CONDENSATE (MBBL)	LIQUID (MBBL)	GAS (MMCF)	UNDISCOU
Parker & Parsley Producing Properties 88-A, L.P.....	0.000	0.000	0.000	0.00
Parker & Parsley Private Investment 88, L.P.....	0.000	0.000	0.000	0.00
Parker & Parsley 89-A Conv., L.P.....	0.828	6.130	42.428	89.53
Parker & Parsley 89-A, L.P.....	2.461	18.229	126.160	266.23
Parker & Parsley 89-B Conv., L.P.....	0.000	0.000	0.000	0.00
Parker & Parsley 89-B, L.P.....	0.000	0.000	0.000	0.00
Parker & Parsley Private Investment 89, L.P.....	0.000	0.000	0.000	0.00
Parker & Parsley 90-A Conv., L.P.....	0.382	2.825	19.561	45.50
Parker & Parsley 90-A, L.P.....	1.102	8.158	56.479	131.39
Parker & Parsley 90-B Conv., L.P.....	0.000	0.000	0.000	0.00
Parker & Parsley 90-B, L.P.....	0.000	0.000	0.000	0.00
Parker & Parsley 90-C Conv., L.P.....	0.000	0.000	0.000	0.00
Parker & Parsley 90-C, L.P.....	0.000	0.000	0.000	0.00
Parker & Parsley Private Investment 90, L.P.....	0.000	0.000	0.000	0.00
Parker & Parsley 90 Spraberry Private Development, L.P.....	0.000	0.000	0.000	0.00
Parker & Parsley 91-A, L.P.....	0.000	0.000	0.000	0.00
Parker & Parsley 91-B, L.P.....	0.000	0.000	0.000	0.00

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Total All Partnerships.....	4.773	35.342	244.628	532.67
-----------------------------	-------	--------	---------	--------

163

B-15

APPENDIX C

TO

PROXY STATEMENT/PROSPECTUS

SUMMARY RESERVE REPORT OF
WILLIAMSON PETROLEUM CONSULTANTS, INC.
FOR THE PARTNERSHIPS
AS OF DECEMBER 31, 2000

August 20, 2001

Pioneer Natural Resources USA, Inc.
5205 North O'Connor Boulevard, Suite 1400
Irving, Texas 75039

Attention Board of Directors

Gentlemen:

Subject: Revised Letter Report Including 46 Reports Prepared

by Williamson Petroleum Consultants, Inc.
for Pioneer Natural Resources USA, Inc.

to the Interests of the Limited Partners

or the Converted Limited Partners
in Various Parker & Parsley Partnerships
Managed by Pioneer Natural Resources USA, Inc.
Effective December 31, 2000
for Disclosure to the
Securities and Exchange Commission
Williamson Project 0.8839

In accordance with your request, Williamson Petroleum Consultants, Inc. (Williamson) has prepared this revised summary letter for inclusion in the proxy statement to be distributed to the limited partners of the referenced partnerships by Pioneer Natural Resources USA, Inc. (Pioneer USA). This letter includes 46 Williamson reports prepared for Pioneer USA to the interests of the limited partners or the converted limited partners in various Parker & Parsley partnerships managed by Pioneer USA effective December 31, 2000 for disclosure to the Securities and Exchange Commission (SEC). A listing of the 46 Williamson reports is included as Exhibit I. This letter report has been revised to include updated wording in the definitions of SEC reserves. No other changes have been made to this document.

I. ESTIMATED RESERVES AND ESTIMATED FUTURE NET REVENUES

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The total Williamson estimated net proved reserves that are attributable to the evaluated interests of the 46 partnership reports are shown in Exhibit II and were based on economic parameters and operating condition considered applicable as of December 31, 2000 and may be used in disclosure to the SEC.

The present values of the estimated future net revenues from proved reserves were calculated using a discount rate of 10.00 percent per annum and were computed in accordance with the financial reporting requirements of the SEC and are presented in Exhibit II.

At the request of Pioneer USA, Williamson used the Landmark graphics and reserves and economics evaluation software, Aries, to prepare this summary report. In evaluations of these properties prior to December 31, 1991, Williamson utilized its proprietary software programs. No comparative tests have been performed to determine the difference in evaluation results of either reserves or revenue quantities that may occur solely as a result of the differences in the programs nor has Williamson performed tests to

C-1

164

determine the accuracy of Aries. However, in accordance with the request made by Pioneer USA and the general acceptance of Aries by the oil and gas industry, Williamson has used Aries to prepare this report.

II. DEFINITIONS OF SEC RESERVES(1)

The estimated reserves presented in this summary letter are net proved reserves, including proved developed producing, proved developed nonproducing, and proved undeveloped reserves, and were computed in accordance with the financial reporting requirements of the SEC. In preparing these evaluations, no attempt has been made to quantify the element of uncertainty associated with any category. Reserves were assigned to each category as warranted. The definitions of oil and gas reserves pursuant to the requirements of the Securities Exchange Act are:

Proved Oil and Gas Reserves

Proved oil and gas reserves are the estimated quantities of crude oil, natural gas, and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions, i.e., prices and costs as of the date the estimate is made. Prices include consideration of changes in existing prices provided only by contractual arrangements, but not on escalations based upon future conditions.

A. Reservoirs are considered proved if economic producibility is supported by either actual production or conclusive formation test. The area of a reservoir considered proved includes:

1. that portion delineated by drilling and defined by gas-oil and/or oil-water contacts, if any; and
2. the immediately adjoining portions not yet drilled, but which can be reasonably judged as economically productive on the basis of available geological and engineering data. In the absence of information on fluid contacts, the lowest known structural occurrence of hydrocarbons controls the lower proved limit of the reservoir.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

B. Reserves which can be produced economically through application of improved recovery techniques (such as fluid injection) are included in the "proved" classification when successful testing by a pilot project, or the operation of an installed program in the reservoir, provides support for the engineering analysis on which the project or program was based.

C. Estimates of proved reserves do not include the following:

1. oil that may become available from known reservoirs but is classified separately as "indicated additional reserves";
2. crude oil, natural gas, and natural gas liquids, the recovery of which is subject to reasonable doubt because of uncertainty as to geology, reservoir characteristics, or economic factors;
3. crude oil, natural gas, and natural gas liquids, that may occur in undrilled prospects; and
4. crude oil, natural gas, and natural gas liquids, that may be recovered from oil shales, coal, gilsonite, and other such sources.

- (1) For evaluations prepared for disclosure to the Securities and Exchange Commission, see United States Securities and Exchange Commission, Regulation S-X, Article 4 -- Rules of General Application, Reg. 210.4-10.

C-2

165

Proved Developed Oil and Gas Reserves(2)

Proved developed oil and gas reserves are reserves that can be expected to be recovered through existing wells with existing equipment and operating methods. Additional oil and gas expected to be obtained through the application of fluid injection or other improved recovery techniques for supplementing the natural forces and mechanisms of primary recovery should be included as "proved developed reserves" only after testing by a pilot project or after the operation of an installed program has confirmed through production response that increased recovery will be achieved.

Proved Undeveloped Reserves

Proved undeveloped oil and gas reserves are reserves that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion. Reserves on undrilled acreage shall be limited to those drilling units offsetting productive units that are reasonably certain of production when drilled. Proved reserves for other undrilled units can be claimed only where it can be demonstrated with certainty that there is continuity of production from the existing productive formation. Under no circumstances should estimates for proved undeveloped reserves be attributable to any acreage for which an application of fluid

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

injection or other improved recovery technique is contemplated, unless such techniques have been proved effective by actual tests in the area and in the same reservoir.

III. DISCUSSION OF SEC RESERVES

The properties evaluated in this report are located in the states of Oklahoma and Texas with the majority of the value in the Spraberry (Trend Area) field, Texas.

The individual projections of lease reserves and economics prepared to produce this summary report include data that describe the production forecasts and associated evaluation parameters such as interests, taxes, product prices, operating costs, investments, salvage values, abandonment costs, and net profit interests.

Net income to the evaluated interests is the future net revenue after consideration of royalty revenue payable to others, taxes, operating expenses, investments, salvage values, abandonment costs, and net profit interests, as applicable. The future net revenue is before federal income tax and excludes consideration of any encumbrances against the properties if such exist.

The future net revenue values presented in this report were based on projections of oil and gas production. It was assumed there would be no significant delay between the date of oil and gas production and the receipt of the associated revenue for this production. No opinion is expressed by Williamson in this report as to a fair market value of the evaluated properties.

Unless specifically identified and documented by Pioneer USA as having curtailment problems, gas production trends have been assumed to be a function of well productivity and not of market conditions. The effect of "take or pay" clauses in gas contracts was not considered.

Oil and natural gas liquids (NGL) reserves are expressed in thousands of United States (U.S.) barrels (MBBL) of 42 U.S. gallons. Gas volumes are expressed in millions of cubic feet (MMCF) at 60 degrees Fahrenheit and at the legal pressure base that prevails in the state which the reserves are located. No adjustment of the individual gas volumes to a common pressure base has been made.

- (2) Williamson Petroleum Consultants, Inc. separates proved developed reserves into proved developed producing and proved developed nonproducing reserves. This is to identify proved developed producing reserves as those to be recovered from actively producing wells; proved developed nonproducing reserves as those to be recovered from wells or intervals within wells, which are completed but shut in waiting on equipment or pipeline connections, or wells where a relatively minor expenditure is required for recompletion to another zone.

C-3

166

This report includes only those costs and revenues which are considered by Pioneer USA to be directly attributable to individual leases and areas. There could exist other revenues, overhead costs, or other costs associated with Pioneer USA or the Limited Partners/Converted Limited Partners which are not included in this report. Such additional costs and revenues are outside the

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

scope of this report. This report is not a financial statement for Pioneer USA or the Limited Partners/Converted Limited Partners and should not be used as the sole basis for any transaction concerning Pioneer USA, the Limited Partners/Converted Limited Partners, or the evaluated properties.

The reserves projections in this report are based on the use of the available data and accepted industry engineering methods. Future changes in any operational or economic parameters or production characteristics of the evaluated properties could increase or decrease their reserves. Unforeseen changes in market demand or allowables set by various regulatory agencies could also cause actual production rates to vary from those projected. Williamson reserves the right to alter any of the reserves projections and the associated economics included in this evaluation in any future evaluations based on additional data that may be acquired.

All data utilized in the preparation of this report with respect to interests, reversionary status, oil and gas prices, gas categories, gas contract terms, operating expenses, investments, salvage values, abandonment costs, net profit interests, well information, and current operating conditions, as applicable, were provided by Pioneer USA. Production data provided by Pioneer USA were utilized. The production data was generally through October 2000. All data have been reviewed for reasonableness and, unless obvious errors were detected, have been accepted as correct. It should be emphasized that revisions to the projections of reserves and economics included in this report may be required if the provided data are revised for any reason. No inspection of the properties was made as this was not considered within the scope of this evaluation. No investigation was made of any environmental liabilities that might apply to the evaluated properties, and no costs are included for any possible related expenses.

Since sufficient production history and other data were available, the estimates of reserves contained in this report were determined by extrapolation of historical production trends and in accordance with the Definitions of SEC Reserves included in this summary letter report.

Prices for oil sold as of December 31, 2000 were provided by Pioneer USA to be used at the effective date. These prices include adjustments for API gravity, transportation, and any bonus paid. These adjustments were made by Pioneer USA. After the effective date, prices were held constant for the life of the properties. No attempt has been made to account for oil price fluctuations which have occurred in the market subsequent to the effective date of this report.

Prices for gas sold as of December 31, 2000 were provided by Pioneer USA to be used at the effective date. These prices include adjustments for British thermal unit content, shrinkage due to NGL removal, transportation and handling charges, and any other known differences between sales and produced volumes. These adjustments were made by Pioneer USA. After the effective date, prices were held constant for the life of the properties unless Pioneer USA indicated that changes were provided for by contract. All gas prices were applied to projected wellhead volumes.

Prices for NGL sold as of December 31, 2000 were provided by Pioneer USA to be used at the effective date. NGL reserves were projected as a separate stream using a constant ratio (barrels of NGL/thousand cubic feet of gas) based on historical yields. After the effective date, prices were held constant for the life of the properties. No attempt has been made to account for price fluctuations which have occurred in the market subsequent to the effective date of this report.

It should be emphasized that with the current economic uncertainties, fluctuation in market conditions could significantly change the economics of the properties included in this report.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Operating expenses were provided by Pioneer USA and represented, when possible, the latest available 12-month average of all recurring expenses which are billable to the working interest owners. These expenses included, but were not limited to, all direct operating expenses, field overhead costs, and any ad valorem taxes not deducted separately. Expenses for workovers, well stimulations, and other

C-4

167

maintenance were not included in the operating expenses unless such work was expected on a recurring basis. Judgments for the exclusion of the nonrecurring expenses were made by Pioneer USA. Operating costs were held constant for the life of the properties.

State production and county ad valorem taxes have been deducted at the published rates as provided by Pioneer USA. A 7.5 percent severance tax exemption was applied until September 2001 for qualifying wells.

IV. CONSENT AND DECLARATION OF INDEPENDENT STATUS

We understand that our estimates are to be included in a Schedule 13e-3 under the Securities Exchange Act of 1934 to be filed by you with the SEC and in the proxy statement included as an exhibit to such Schedule 13e-3. We understand further that the estimates may be used by you to establish merger values for the Partnerships. With this understanding in mind, we have consistently applied the generally accepted petroleum engineering and evaluation principles in estimating the proved oil and gas reserves and in computing the future net revenues derived from such reserves for each property attributable to the interests held by the Partnerships.

Based on information supplied by Pioneer USA, neither capital costs nor salvage values were included in the projections of reserves and economics in this report.

Williamson is an independent consulting firm and does not own any interests in the oil and gas properties covered by this report. No employee, officer, or director of Williamson is an employee, officer, or director of Pioneer USA or any of the subject partnerships. Neither the employment of nor the compensation received by Williamson is contingent upon the values assigned to the properties covered by this report.

Yours very truly,

WILLIAMSON PETROLEUM CONSULTANTS, INC.

/s/ JOHN D. SAVAGE, P.E.

John D. Savage, P.E.

Senior Vice President

JDS/chk

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Enclosures

C-5

168

EXHIBIT I

LETTER REPORT INCLUDING 46 REPORTS PREPARED
BY WILLIAMSON PETROLEUM CONSULTANTS, INC.
FOR PIONEER NATURAL RESOURCES USA, INC.
TO THE INTERESTS OF LIMITED PARTNERS
OR THE CONVERTED LIMITED PARTNERS
IN VARIOUS PARKER & PARSLEY PARTNERSHIPS
MANAGED BY PIONEER NATURAL RESOURCES USA, INC.
EFFECTIVE DECEMBER 31, 2000
FOR DISCLOSURE TO THE
SECURITIES AND EXCHANGE COMMISSION
WILLIAMSON PROJECT 0.8839

LIST OF WILLIAMSON PETROLEUM CONSULTANTS, INC. REPORTS
EFFECTIVE DECEMBER 31, 2000

"Evaluation of Oil and Gas Reserves to the Interests of the Limited Partners in Parker & Parsley 81-I, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure to the Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

"Evaluation of Oil and Gas Reserves to the Interests of the Limited Partners in Parker & Parsley 81-II, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure to the Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

"Evaluation of Oil and Gas Reserves to the Interests of the Limited Partners in Parker & Parsley 82-I, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure to the Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

"Evaluation of Oil and Gas Reserves to the Interests of the Limited Partners in Parker & Parsley 82-II, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure to the Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

"Evaluation of Oil and Gas Reserves to the Interests of the Limited Partners in Parker & Parsley 82-III, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure to the Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

"Evaluation of Oil and Gas Reserves to the Interests of the Limited Partners in Parker & Parsley 83-A, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure to the Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

"Evaluation of Oil and Gas Reserves to the Interests of the Limited

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Partners in Parker & Parsley 83-B, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure to the Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

"Evaluation of Oil and Gas Reserves to the Interests of the Limited Partners in Parker & Parsley 84-A, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure to the Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

C-6

169

"Evaluation of Oil and Gas Reserves to the Interests of the Limited Partners in Parker & Parsley 85-A, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure to the Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

"Evaluation of Oil and Gas Reserves to the Interests of the Limited Partners in Parker & Parsley 85-B, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure to the Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

"Evaluation of Oil and Gas Reserves to the Interests of the Limited Partners in Parker & Parsley Private Investment 85-A, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure to the Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

"Evaluation of Oil and Gas Reserves to the Interests of the Limited Partners in Parker & Parsley Selected 85 Private Investment, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure to the Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

"Evaluation of Oil and Gas Reserves to the Interests of the Limited Partners in Parker & Parsley 86-A, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure to the Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

"Evaluation of Oil and Gas Reserves to the Interests of the Limited Partners in Parker & Parsley 86-B, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure to the Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

"Evaluation of Oil and Gas Reserves to the Interests of the Limited Partners in Parker & Parsley 86-C, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure to the Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

"Evaluation of Oil and Gas Reserves to the Interests of the Limited Partners in Parker & Parsley Private Investment 86, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure to the Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

"Evaluation of Oil and Gas Reserves to the Interests of the Converted Limited Partners in Parker & Parsley 87-A Converted, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure to the Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

"Evaluation of Oil and Gas Reserves to the Interests of the Limited Partners in Parker & Parsley 87-A, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure to the Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

"Evaluation of Oil and Gas Reserves to the Interests of the Converted Limited Partners in Parker & Parsley 87-B Converted, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure to the Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

"Evaluation of Oil and Gas Reserves to the Interests of the Limited Partners in Parker & Parsley 87-B, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure

C-7

170

to the Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

"Evaluation of Oil and Gas Reserves to the Interests of the Limited Partners in Parker & Parsley Producing Properties 87-A, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure to the Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

"Evaluation of Oil and Gas Reserves to the Interests of the Limited Partners in Parker & Parsley Producing Properties 87-B, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure to the Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

"Evaluation of Oil and Gas Reserves to the Interests of the Limited Partners in Parker & Parsley Private Investment 87, Ltd. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure to the Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

"Evaluation of Oil and Gas Reserves to the Interests of the Converted Limited Partners in Parker & Parsley 88-A Converted, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure to the Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

"Evaluation of Oil and Gas Reserves to the Interests of the Limited Partners in Parker & Parsley 88-A, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure to the Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

"Evaluation of Oil and Gas Reserves to the Interests of the Converted Limited Partners in Parker & Parsley 88-B Converted, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure to the Securities and Exchange Commission Summary Report Utilizing Aries Software

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Williamson Project 0.8839"

"Evaluation of Oil and Gas Reserves to the Interests of the Limited Partners in Parker & Parsley 88-B, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure to the Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

"Evaluation of Oil and Gas Reserves to the Interests of the Converted Limited Partners in Parker & Parsley 88-C Converted, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure to the Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

"Evaluation of Oil and Gas Reserves to the Interests of the Limited Partners in Parker & Parsley 88-C, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure to the Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

"Evaluation of Oil and Gas Reserves to the Interests of the Limited Partners in Parker & Parsley Producing Properties 88-A, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure to the Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

"Evaluation of Oil and Gas Reserves to the Interests of the Limited Partners in Parker & Parsley Private Investment 88, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure to the Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

C-8

171

"Evaluation of Oil and Gas Reserves to the Interests of the Converted Limited Partners in Parker & Parsley 89-A Converted, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure to the Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

"Evaluation of Oil and Gas Reserves to the Interests of the Limited Partners in Parker & Parsley 89-A, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure to the Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

"Evaluation of Oil and Gas Reserves to the Interests of the Converted Limited Partners in Parker & Parsley 89-B Converted, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure to the Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

"Evaluation of Oil and Gas Reserves to the Interests of the Limited Partners in Parker & Parsley 89-B, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure to the Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

"Evaluation of Oil and Gas Reserves to the Interests of the Limited Partners in Parker & Parsley Private Investment 89, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure to the

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

"Evaluation of Oil and Gas Reserves to the Interests of the Converted Limited Partners in Parker & Parsley 90-A Converted, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure to the Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

"Evaluation of Oil and Gas Reserves to the Interests of the Limited Partners in Parker & Parsley 90-A, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure to the Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

"Evaluation of Oil and Gas Reserves to the Interests of the Converted Limited Partners in Parker & Parsley 90-B Converted, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure to the Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

"Evaluation of Oil and Gas Reserves to the Interests of the Limited Partners in Parker & Parsley 90-B, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure to the Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

"Evaluation of Oil and Gas Reserves to the Interests of the Converted Limited Partners in Parker & Parsley 90-C Converted, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure to the Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

"Evaluation of Oil and Gas Reserves to the Interests of the Limited Partners in Parker & Parsley 90-C, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure to the Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

"Evaluation of Oil and Gas Reserves to the Interests of the Limited Partners in Parker & Parsley Private Investment 90, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective December 31,

C-9

172

2000 for Disclosure to the Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

"Evaluation of Oil and Gas Reserves to the Interests of the Limited Partners in Parker & Parsley 90 Spraberry Private Development, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure to the Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

"Evaluation of Oil and Gas Reserves to the Interests of the Limited Partners in Parker & Parsley 91-A, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure to the Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

"Evaluation of Oil and Gas Reserves to the Interests of the Limited

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Partners in Parker & Parsley 91-B, L.P. Managed by Pioneer Natural Resources USA, Inc. Effective December 31, 2000 for Disclosure to the Securities and Exchange Commission Summary Report Utilizing Aries Software Williamson Project 0.8839"

C-10

173

EXHIBIT II

LETTER REPORT INCLUDING 46 REPORTS PREPARED
BY WILLIAMSON PETROLEUM CONSULTANTS, INC.
FOR PIONEER NATURAL RESOURCES USA, INC.
TO THE INTERESTS OF LIMITED PARTNERS
OR THE CONVERTED LIMITED PARTNERS
IN VARIOUS PARKER & PARSLEY PARTNERSHIPS
MANAGED BY PIONEER NATURAL RESOURCES USA, INC.
EFFECTIVE DECEMBER 31, 2000
FOR DISCLOSURE TO THE
SECURITIES AND EXCHANGE COMMISSION
WILLIAMSON PROJECT 0.8839

NET RESERVES AND FUTURE NET REVENUE
FROM REPORTS PREPARED BY WILLIAMSON PETROLEUM CONSULTANTS, INC.
EFFECTIVE DECEMBER 31, 2000

PIONEER FUNDS -----	TOTAL PROVED DEVELOPED PRODUCING			
	NET RESERVES TO THE EVALUATED INTERESTS			FUTURE NET REV
	OIL/CONDENSATE (MBBL)	LIQUID (MBBL)	GAS (MMCF)	UNDISCOUNTED
Parker & Parsley 81-I, Ltd.	99.997	58.388	320.081	2,810.911
Parker & Parsley 81-II, Ltd.	84.731	67.440	222.749	1,977.257
Parker & Parsley 82-I, Ltd.	194.780	73.613	603.859	4,656.049
Parker & Parsley 82-II, Ltd.	211.725	94.426	467.740	4,879.008
Parker & Parsley 82-III, Ltd.	164.851	68.468	223.717	2,916.207
Parker & Parsley 83-A, Ltd.	497.915	281.533	1,156.089	11,168.739
Parker & Parsley 83-B, Ltd.	608.901	345.775	1,553.450	14,112.492
Parker & Parsley 84-A, Ltd.	608.956	403.376	1,678.388	15,623.823
Parker & Parsley 85-A, Ltd.	243.615	134.904	512.744	5,195.717
Parker & Parsley 85-B, Ltd.	201.444	99.966	455.062	4,490.151
Parker & Parsley Private Investment 85-A, Ltd.	228.363	96.999	353.440	5,194.664
Parker & Parsley Selected 85 Private Investment, Ltd.	130.193	99.486	381.116	3,650.520
Parker & Parsley 86-A, Ltd.	250.327	197.841	859.633	7,179.394
Parker & Parsley 86-B, Ltd.	618.084	308.191	1,200.966	14,120.080
Parker & Parsley 86-C, Ltd.	563.752	325.531	1,246.684	11,898.910
Parker & Parsley Private Investment 86, Ltd.	208.138	106.060	491.002	4,920.619
Parker & Parsley 87-A Conv., Ltd.	113.696	66.277	287.292	2,873.802
Parker & Parsley 87-A, Ltd.	834.588	487.044	2,112.270	21,154.029
Parker & Parsley 87-B Conv., Ltd.	157.541	88.713	365.167	3,907.545
Parker & Parsley 87-B, Ltd.	643.391	362.299	1,491.327	15,958.265
Parker & Parsley Producing				

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Properties 87-A, Ltd.	553.134	153.947	705.887	9,228.521
Parker & Parsley Producing				
Properties 87-B, Ltd.	348.562	183.827	852.462	9,400.038
Parker & Parsley Private Investment				
87, Ltd.	525.646	229.811	959.391	12,336.452
Parker & Parsley 88-A Conv.,				
L.P.	144.189	81.404	314.160	3,480.240
Parker & Parsley 88-A, L.P.	491.675	277.590	1,071.291	11,868.418
Parker & Parsley 88-B Conv.,				
L.P.	185.600	84.916	353.516	4,354.398

C-11

174

PIONEER FUNDS	TOTAL PROVED DEVELOPED PRODUCING			FUTURE NET REV	D PE 10	
	NET RESERVES TO THE EVALUATED INTERESTS					UNDISCOUNTED
	OIL/CONDENSATE (MBSL)	LIQUID (MBSL)	GAS (MMCF)			
Parker & Parsley 88-B, L.P.	457.018	209.116	870.573	10,723.127		
Parker & Parsley 88-C Conv.,						
L.P.	145.815	74.419	309.894	3,561.005		
Parker & Parsley 88-C, L.P.	103.921	53.036	220.852	2,537.908		
Parker & Parsley Producing						
Properties 88-A, L.P.	273.838	149.368	558.886	6,727.211		
Parker & Parsley Private Investment						
88, L.P.	509.333	253.748	928.143	12,668.293		
Parker & Parker 89-A Conv., L.P. ...	136.107	64.524	282.306	3,433.908		
Parker & Parsley 89-A, L.P.	404.668	191.841	839.377	10,210.849		
Parker & Parsley 89-B Conv.,						
L.P.	276.640	159.018	597.289	6,717.103		
Parker & Parsley 89-B, L.P.	304.369	175.038	657.490	7,386.746		
Parker & Parsley Private Investment						
89, L.P.	324.948	138.741	489.327	6,929.194		
Parker & Parsley 90-A Conv.,						
L.P.	86.964	46.820	168.458	2,004.818		
Parker & Parsley 90-A, L.P.	253.836	136.323	490.071	5,806.774		
Parker & Parsley 90-B Conv.,						
L.P.	503.298	242.511	965.950	11,527.923		
Parker & Parsley 90-B, L.P.	1,370.202	658.317	2,621.779	31,316.135		
Parker & Parsley 90-C Conv.,						
L.P.	323.794	138.198	463.058	6,302.167		
Parker & Parsley 90-C, L.P.	520.528	222.164	744.398	10,131.499		
Parker & Parsley Private Investment						
90, L.P.	584.599	228.964	801.496	12,370.155		
Parker & Parsley 90 Spraberry						
Private Development, L.P.	313.028	100.516	377.597	5,906.691		
Parker & Parsley 91-A, L.P.	662.796	306.258	1,409.517	17,786.756		
Parker & Parsley 91-B, L.P.	719.664	311.695	1,213.315	17,109.740		
Total All Partnerships.....	17,189.160	8,638.440	35,249.259	400,514.251	1	

C-12

175

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

APPENDIX D

TO

PROXY STATEMENT/PROSPECTUS

FAIRNESS OPINION

OF

ROBERT A. STANGER & CO., INC.

August 20, 2001

Board of Directors of
Pioneer Natural Resources USA, Inc.,
As the Sole or Managing General Partner of
The Partnerships Identified on Exhibit I
1400 Williams Square West
5205 North O'Connor Boulevard
Irving, Texas 75039

Gentlemen:

Pioneer Natural Resources USA, Inc. ("Pioneer USA"), the sole or managing general partner of the partnerships identified in Exhibit I attached hereto ("the Partnerships"), has advised us that the Partnerships are contemplating a transaction (the "Transaction") pursuant to an agreement (the "Merger Agreement") in which the Partnerships will merge with and into Pioneer USA and the interests of the limited partners (the "Limited Partners") in each Partnership will be converted into the right to receive shares of common stock (the "Pioneer Parent Shares") of Pioneer Natural Resources Company ("Pioneer Parent") equal to the estimated value of such Partnership's oil and gas reserves (the "Reserve Value") and net working capital (the "Working Capital Balance") as of March 31, 2001, less such Partnership's pro rata share, based upon its Reserve Value, of the first \$2 million of estimated expenses and fees of the mergers of all of the Partnerships and a cash distribution made in July, 2001 (collectively, referred to herein as the "Merger Value"). We have been advised that the Merger Value will be allocated and paid to holders of limited partnership interests (the "Limited Partner Interests") of each Partnership in accordance with the provisions of the Partnership agreement of each Partnership relating to a liquidation of the Partnership.

We have been further advised that the Reserve Value has been established by Pioneer USA and its parent company, Pioneer Parent, based upon the present value of estimated future net revenues (after certain expenses and charges) from each Partnership's proved oil and gas reserves as of March 31, 2001 utilizing prices for 2001, 2002, 2003, 2004 and thereafter of \$26.17, \$24.36, \$22.83, \$22.31 and \$21.97 per barrel of oil and \$5.18, \$4.61, \$4.16, \$4.09 and \$4.12 per thousand cubic feet of gas, and a discount rate of 10.0%. We have been further advised that the Reserve Value is based upon the reserve report of Pioneer USA and Pioneer Parent, as reviewed by Williamson Petroleum Consultants, Inc. ("Williamson"), an independent petroleum engineering firm, as of March 31, 2001, and to which Pioneer USA and Pioneer Parent applied the prices previously stated

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

(the "Reserve Analysis").

We have been advised that the Limited Partners in each Partnership will have the opportunity to approve or reject the participation by their Partnership in the Transaction pursuant to a proxy statement/ prospectus (the "Proxy Statement/Prospectus") and a Limited Partners meeting which will be prepared and held, respectively, in connection with the Transaction, and further that Limited Partners in each Partnership, in exchange for Limited Partner Interests, will receive the allocated Merger Value in Pioneer Parent Shares. We have been advised that the value to be ascribed to each share of Pioneer Parent, which is listed on the New York Stock Exchange ("NYSE"), shall be equal to the average closing price for such shares on the NYSE for the ten trading day period ending three business days prior to the special meeting of the Limited Partners contemplated herein.

D-1

176

You have requested that Robert A. Stanger & Co., Inc. ("Stanger") provide an opinion as to the fairness from a financial point of view to the unaffiliated Limited Partners of each Partnership and the unaffiliated limited partners of the nonmanaging general partner of each applicable Partnership of the Merger Value ascribed to each Partnership and the allocation thereof to: (i) the Limited Partners of each Partnership, as a group; (ii) the general partners of each Partnership as a group; (iii) Pioneer USA, as the managing or sole general partner of each partnership; (iv) the unaffiliated Limited Partners of each Partnership, as a group; and (v) the unaffiliated limited partners of the nonmanaging general partner of each applicable Partnership as a group.

Stanger, founded in 1978, has provided research, investment banking and consulting services to clients located throughout the United States, including major New York Stock Exchange member firms and insurance companies and over seventy companies engaged in the management and operations of partnerships. The investment banking activities of Stanger include financial advisory services, asset and securities valuations, industry and company research and analysis, litigation support and expert witness services, and due diligence investigations in connection with both publicly registered and privately placed securities transactions.

Stanger, as part of its investment banking business, is regularly engaged in the valuation of securities in connection with mergers, acquisitions, and reorganizations and for estate, tax, corporate and other purposes. In particular, Stanger's valuation practice principally involves partnerships, partnership securities and assets typically owned through partnerships including, but not limited to, oil and gas reserves, real estate, mortgages secured by real estate, cable television systems, and equipment leasing assets.

In arriving at the opinion set forth below, we have:

- Reviewed the Preliminary Proxy Statement/Prospectus;
- Reviewed a draft of the Merger Agreement which Pioneer USA has indicated to be in substantially the form which will be executed in connection with the Transaction;
- Reviewed the financial statements of each partnership, including, if

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

applicable, the partnership's Form 10-Q and Form 10-K, for the six months ended June 30, 2001 and for the years ended December 31, 2000, 1999 and 1998;

- Reviewed the Reserve Analyses of each Partnership reviewed by Williamson as of March 31, 2001;

- Reviewed the Reserve Analyses of each Partnership prepared by Williamson as of December 31, 2000;

- Reviewed the calculations prepared by Pioneer USA and Pioneer Parent of the Merger Value per \$1,000 original investment in each Partnership;

- Reviewed Pioneer USA's analysis of other alternatives to the merger of each partnership, including going concern value, liquidation value, royalty trust and production payment;

- Reviewed estimates prepared by Pioneer USA and Pioneer Parent of the going concern value and liquidation value per \$1,000 original investment in each Partnership;

- Interviewed key management personnel of Pioneer USA regarding the oil and gas reserves, the financial condition of each Partnership and the terms of the Transaction;

- Reviewed the financial statements of Pioneer Parent included in its Form 10-Q for the six months ended June 30, 2001 and its Form 10-K for the years ended December 31, 2000, 1999 and 1998;

- Reviewed pro forma financial data for Pioneer Parent assuming the completion of the Transaction;

- Reviewed recent secondary market trading activity for interests in the Partnerships, as available;

- Reviewed recent trading activity in Pioneer Parent Shares; and

- Conducted such other studies, analyses, inquiries and investigations as we deemed appropriate.

D-2

177

In rendering this opinion, we have relied, without independent verification, on the accuracy and completeness in all material respects of all financial and other information that was furnished or otherwise communicated to

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

us by Pioneer USA, Pioneer Parent and the Partnerships. We have been advised by Pioneer USA and Pioneer Parent that the oil and gas properties owned by the Partnerships are subject to operating agreements (the "Operating Agreements") with Pioneer USA and that: (i) such Operating Agreements provide for the payment of overhead charges and that such charges are reasonable compared to amounts charged for similar services by third-party operators; and (ii) except for cause, such Operating Agreements do not provide for the termination of Pioneer USA as operator, and (iii) such Operating Agreements do not provide for the revision of overhead charges, except as escalated under the terms of such Operating Agreements. Furthermore, we have been advised by Pioneer USA and Pioneer Parent that if each Partnership's reserves were offered for sale to a third party, a condition of such sale would be that the oil and gas reserves would continue to be subject to the Operating Agreements with Pioneer USA which provide for the payment of overhead charges, and that it would be appropriate to assume, when estimating the value of such reserves, that such charges would continue. We have also been advised that the Merger Value of each Partnership has been properly allocated between Pioneer USA, the unaffiliated limited partners of the nonmanaging general partner, and Limited Partners of each Partnership in accordance with the Partnership Agreement with respect to a liquidation of such Partnership.

We have not performed an independent appraisal of the oil and gas reserves or other assets and liabilities of the Partnerships. We have not conducted any engineering studies and have relied on estimates of Pioneer USA and Pioneer Parent, which were reviewed by Williamson Petroleum Consultants, Inc., with respect to oil and gas reserve volumes, prices, operating costs, and overhead charges.

We have relied on the assurance of Pioneer USA, Pioneer Parent and the Partnerships that: (i) the Reserve Analysis provided to us was in the judgment of Pioneer USA and the Partnerships reasonably prepared on bases consistent with actual historical experience and reflect their best currently available estimates and good faith judgments; (ii) there are no estimates of costs to remediate environmental conditions included in the Reserve Analysis; (iii) any historical financial data, balance sheet data, transaction cost estimates, Merger Value analyses, going concern value analyses and liquidation value analyses are accurate and complete in all material respects; (iv) all allocations included within the calculations of Merger Values, going concern values and liquidation values have been made in accordance with the Partnership Agreement for each Partnership; (v) no material changes have occurred in the information reviewed or in the value of the oil and gas reserves or Working Capital Balances as of March 31, 2001 of each Partnership between the date the information was provided to us and the date of this letter; (vi) the relative ownership interest of the Limited Partners, unaffiliated Limited Partners, general partners, unaffiliated limited partners of the nonmanaging general partner of each applicable Partnership and Pioneer USA, as manager or sole general partner, is accurately included in accordance with the Partnership Agreements on the analyses provided to us by Pioneer USA; (vii) neither Pioneer Parent or any of its affiliates has during the thirty days prior to the date hereof commenced or continued a share repurchase program or similar transaction which could affect the Pioneer Parent Share price to be used in the Transaction; and (viii) Pioneer USA, Pioneer Parent and the Partnerships are not aware of any information or facts regarding the Partnerships, the oil and gas properties, the Reserve Analysis or the Working Capital Balances of each Partnership that would cause the information supplied to us to be incomplete or misleading in any material respect.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

We have not been requested to, and therefore did not: (i) make any recommendation to Pioneer USA, the Partnerships or the Limited Partners with respect to whether to approve or reject the Transaction; (ii) determine or negotiate the amount or form of the Merger Value to be paid for Limited Partner Interests in the Transaction; (iii) offer the assets of the Partnerships for sale to any third party; (iv) express any opinion as to: (a) the impact of the Transaction with respect to Pioneer USA or the Limited Partners of any Partnerships that do not participate in the Transaction; (b) the tax consequences of the Transaction for Pioneer USA, the unaffiliated limited partners of the nonmanaging general partner or the Limited Partners of any Partnership; (c) Pioneer USA's or Pioneer Parent's ability to finance their obligations pursuant to the Merger Agreement or the impact of a failure to obtain financing on the

D-3

178

financial performance of Pioneer USA, Pioneer Parent or the Partnerships; (d) Pioneer USA's decision to estimate the Reserve Value of the oil and gas reserves of each Partnership based upon the continued operation of the properties by Pioneer USA and the payment of overhead charges in accordance with existing Operating Agreements or the impact, if any, on the estimated values of the Partnerships' oil and gas reserves if Pioneer USA and Pioneer Parent determined to offer or operate the assets subject to revised Operating Agreements; (e) whether or not alternative methods of determining the Merger Value would have also provided fair results or results substantially similar to the methodology used; (f) alternatives to the Transaction, including the offering of such assets for sale to third-party buyers; (g) the trading price of Pioneer Parent Shares immediately following the closing of the Transaction and the distribution of Pioneer Parent Shares in connection therewith; (h) the fairness of the termination of the repurchase obligations of Pioneer USA with respect to those partnerships wherein Pioneer USA is obligated to offer to repurchase limited partnership interests annually based upon a formula which, in certain circumstances including the repurchase offers based upon December 31, 2000 oil and gas prices, result in repurchase offer prices above the market value for the reserves of such Partnerships; or (i) any other terms of the Transaction.

This letter does not purport to be a complete description of the analyses performed or the matters considered in rendering this opinion. The analyses and the summary set forth herein must be considered as a whole, and selecting portions of such summary or analyses without considering all factors and analyses would create an incomplete view of the process underlying this opinion. In rendering this opinion, judgment was applied to a variety of complex analyses and assumptions. The assumptions made and the judgments applied in rendering the opinion are not readily susceptible to partial analysis or summary description. The fact that any specific analysis is referred to herein is not meant to indicate that such analysis was given greater weight than any other analyses.

Our opinion is based on business, economic, oil and gas market, and other conditions as of the date of our analysis and addresses the Merger Value in the context of information available as of the date of our analysis. Events occurring after that date could affect the value of the assets of the Partnerships or the assumptions used in preparing this opinion.

Based upon and subject to the foregoing, it is our opinion that, as of the date of this letter and subject to the assumptions, limitations and qualifications contained herein, the Merger Value ascribed to each Partnership in connection with the Transaction and the allocation thereof to: (i) the Limited Partners of each Partnership, as a group; (ii) the general partners of

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

each Partnership, as a group; (iii) Pioneer USA, as the managing or sole general partner of each Partnership; (iv) the unaffiliated Limited Partners of each Partnership, as a group; and (v) the unaffiliated limited partners of the non-managing general partner of each applicable Partnership, as a group; is fair to the unaffiliated Limited Partners of each Partnership and the unaffiliated limited partners of the nonmanaging general partner of each applicable Partnership, from a financial point of view.

Yours truly,

/s/ ROBERT A. STANGER & CO., INC.

Robert A. Stanger & Co., Inc.

Shrewsbury, New Jersey

August 20, 2001

D-4

179

EXHIBIT I

PARTNERSHIPS

Parker & Parsley 81-I, Ltd.
Parker & Parsley 81-II, Ltd.
Parker & Parsley 82-I, Ltd.
Parker & Parsley 82-II, Ltd.
Parker & Parsley 82-III, Ltd.
Parker & Parsley 83-A, Ltd.
Parker & Parsley 83-B, Ltd.
Parker & Parsley 84-A, Ltd.
Parker & Parsley 85-A, Ltd.
Parker & Parsley 85-B, Ltd.
Parker & Parsley Private Investment 85-A, Ltd.
Parker & Parsley Selected 85 Private Investment, Ltd.
Parker & Parsley 86-A, Ltd.
Parker & Parsley 86-B, Ltd.
Parker & Parsley 86-C, Ltd.
Parker & Parsley Private Investment 86, Ltd.
Parker & Parsley 87-A Conv., Ltd.
Parker & Parsley 87-A, Ltd.
Parker & Parsley 87-B Conv., Ltd.
Parker & Parsley 87-B, Ltd.
Parker & Parsley Producing Properties 87-A, Ltd.
Parker & Parsley Producing Properties 87-B, Ltd.
Parker & Parsley Private Investment 87, Ltd.
Parker & Parsley 88-A Conv., Ltd.
Parker & Parsley 88-A, L.P.
Parker & Parsley 88-B Conv., L.P.
Parker & Parsley 88-B, L.P.
Parker & Parsley 88-C Conv., L.P.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Parker & Parsley 88-C, L.P.
Parker & Parsley Producing Properties 88-A, L.P.
Parker & Parsley Private Investment 88, L.P.
Parker & Parsley 89-A Conv., L.P.
Parker & Parsley 89-A, L.P.
Parker & Parsley 89-B Conv., L.P.
Parker & Parsley 89-B, L.P.
Parker & Parsley Private Investment 89, L.P.
Parker & Parsley 90-A Conv., L.P.
Parker & Parsley 90-A, L.P.
Parker & Parsley 90-B Conv., L.P.
Parker & Parsley 90-B, L.P.
Parker & Parsley 90-C Conv., L.P.
Parker & Parsley 90-C, L.P.
Parker & Parsley Private Investment 90, L.P.
Parker & Parsley 90 Spraberry Private Development, L.P.
Parker & Parsley 91-A, L.P.
Parker & Parsley 91-B, L.P.

D-5

180

APPENDIX E

TO

PROXY STATEMENT/PROSPECTUS

THE MERGER PROPOSALS

The merger proposals for each partnership, except as otherwise indicated, are set forth below. For each partnership, the merger proposals include the approval of:

- the merger agreement for that partnership, pursuant to which:
- the partnership will be merged with and into Pioneer USA, on the terms and subject to the conditions set forth in the merger agreement as described in the proxy statement/prospectus; and
- each partner, whether limited or general, but other than Pioneer USA, will receive Pioneer Parent common stock in an amount based on the merger value of that partnership in exchange for that partner's partnership interests;
- the merger amendment for that partnership authorizing:
- the merger of the partnership with and into Pioneer USA, with Pioneer USA being the surviving entity;
- the elimination of any restrictions on the merger otherwise contained in

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

the partnership's partnership agreement; and

- the opinion of special legal counsel for the limited partners and the selection of that counsel.

For each partnership, approval of the merger proposals requires the affirmative vote of limited partners who own or have the power to vote a majority, or 66 2/3% for Parker & Parsley 91-A, L.P. and Parker & Parsley 91-B, L.P., of the limited partnership interests in that partnership. The effect of an abstention or a failure to vote is the same as a vote against the merger proposals. See "The Special Meetings -- Record Date; Voting Rights and Proxies." Subject to the terms and conditions of the merger of each partnership as described in the proxy statement/prospectus under "The Merger Agreement," if the merger proposals are approved by a partnership, that participating partnership will merge with and into Pioneer USA, with Pioneer USA being the surviving entity. From and after the closing of the merger of each participating partnership, the partnership interests of the partners in that partnership will represent the right to receive an amount of Pioneer Parent common stock as described in the proxy statement/prospectus.

Generally, the partnership agreement of each partnership requires that special legal counsel for the limited partners, acceptable to the partnership, deliver a legal opinion, acceptable to the partnership, that (1) neither the grant nor the exercise of the right to approve the merger of the partnership by its limited partners will adversely affect the federal income tax classification of the partnership or any of its limited partners and (2) neither the grant nor exercise of such right will result in the loss of any limited partner's limited liability. of , has delivered that opinion, subject to the approval of the limited partners of that opinion and the selection of special legal counsel for the limited partners. See "The Merger of Each Partnership -- Legal Opinion for Limited Partners."

APPROVAL OF MERGER FOR EACH PARTNERSHIP FORMED IN TEXAS:

RESOLVED: That, subject to receipt of a favorable opinion of special legal counsel for the limited partners as described in the proxy statement/prospectus, the partnership be merged with and into Pioneer USA, with Pioneer USA being the surviving entity, and that an amount of Pioneer Parent common stock be issued to each partner, other than Pioneer USA, in accordance with the terms set forth in the merger agreement included as Appendix F to the proxy statement/prospectus and subject to the conditions set forth therein.

E-1

181

RESOLVED: That, subject to receipt of a favorable opinion of special legal counsel for the limited partners as described in the proxy statement/prospectus, the following new article shall be added to the partnership agreement of the partnership:

ARTICLE

Notwithstanding any provisions of this Agreement to the contrary, it is hereby agreed as follows:

1. Definitions. For the purposes of this Article, "Proxy Statement/Prospectus" means the proxy statement/prospectus dated , 2001 of Pioneer Natural Resources Company, a Delaware corporation ("Pioneer Parent"), and Pioneer Natural Resources USA, Inc., a

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Delaware corporation ("Pioneer USA"), contained in the Registration Statement on Form S-4 (File No. 333-59094) of Pioneer Parent filed with the Securities and Exchange Commission.

2. Elimination of Restrictions to Transaction. Notwithstanding anything in this Agreement to the contrary, upon the consent of limited partners holding a majority of the outstanding limited partnership interests in the partnership, which consent may or may not be the same consent to the adoption of an amendment to this Agreement, no provision of this Agreement shall prohibit, limit or prevent:

(a) the merger or consolidation of the partnership, including the merger described in the Proxy Statement/Prospectus, with any other domestic limited partnership or other entity, as those terms are defined in the Texas Revised Limited Partnership Act, and

(b) the consummation of the merger of the partnership as described in the Proxy Statement/Prospectus.

In addition, no consent of the partnership, Pioneer USA or any partner or other procedure, including the delivery of opinions of counsel, shall be required in order to enable the partnership, Pioneer USA or any partner to effect the merger.

3. Mergers. For purposes of this Agreement, each merger described in the Proxy Statement/ Prospectus shall be treated as if the partnership has:

(a) disposed of all of its assets and liabilities to Pioneer USA in exchange for an amount of Pioneer Parent common stock representing the merger value of the partnership, and

(b) liquidated in the manner provided in the liquidation provisions of this Agreement.

Accordingly, upon the partnership's deemed liquidation resulting from the merger, Pioneer Parent will issue an amount of Pioneer Parent common stock to the partners, other than Pioneer USA, in accordance with the liquidation provisions of this Agreement. For purposes of Texas law, the merger shall be a merger subject to the provisions of Section 2.11 of the Texas Revised Limited Partnership Act.

4. Authority of Pioneer USA as General Partner. By obtaining the approval of the limited partners described in Section 2 of this Article, the partnership hereby extends the power of attorney granted to Pioneer USA pursuant to this Agreement to permit Pioneer USA to execute the merger agreement described in the Proxy Statement/Prospectus and the merger amendment contemplated by this Article on behalf of the limited partners. Pioneer USA shall be authorized, at such time in its full discretion as it deems appropriate, to execute, acknowledge, verify, deliver, file and record, for and in the name and on behalf of the partnership, Pioneer USA and the limited partners, any and all documents, agreements, certificates and instruments, and shall do and perform any and all acts required by applicable law or which Pioneer USA deems necessary or advisable in order to give effect to this Article and the transactions contemplated herein, including, but not limited to, the merger.

5. This Article Controlling. The provisions of this Article shall control over all other provisions of this Agreement.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Except as herein expressly amended, all other terms and provisions of this Agreement shall remain in full force and effect.

APPROVAL OF MERGER FOR EACH PARTNERSHIP FORMED IN DELAWARE:

RESOLVED: That, subject to receipt of a favorable opinion of special legal counsel for the limited partners as described in the proxy statement/prospectus, the partnership be merged with and into Pioneer USA, with Pioneer USA being the surviving entity, and that an amount of Pioneer Parent common stock be issued to each partner, other than Pioneer USA, in accordance with the terms set forth in the merger agreement included as Appendix F to the proxy statement/prospectus and subject to the conditions set forth therein.

RESOLVED: That, subject to receipt of a favorable opinion of special legal counsel for the limited partners as described in the proxy statement/prospectus, the following new article shall be added to the partnership agreement of the partnership:

ARTICLE

Notwithstanding any provisions of this Agreement to the contrary, it is hereby agreed as follows:

1. Definitions. For the purposes of this Article, "Proxy Statement/Prospectus" means the proxy statement/prospectus dated _____, 2001 of Pioneer Natural Resources Company, a Delaware corporation ("Pioneer Parent"), and Pioneer Natural Resources USA, Inc., a Delaware corporation ("Pioneer USA"), contained in the Registration Statement on Form S-4 (File No. 333-59094) of Pioneer Parent filed with the Securities and Exchange Commission.

2. Elimination of Restrictions to Transaction. Notwithstanding anything in this Agreement to the contrary, upon the consent of limited partners holding a majority of the outstanding limited partnership interests in the partnership, which consent may or may not be the same consent to the adoption of an amendment to this Agreement, no provision of this Agreement shall prohibit, limit or prevent:

(a) the merger or consolidation of the partnership, including the merger described in the Proxy Statement/Prospectus, with any other domestic limited partnership or other business entity, as those terms are defined in the Delaware Revised Uniform Limited Partnership Act, and

(b) the consummation of the merger of the partnership as described in the Proxy Statement/Prospectus.

In addition, no consent of the partnership, Pioneer USA or any partner or other procedure, including the delivery of opinions of counsel, shall be required in order to enable the partnership, Pioneer USA or any partner to effect the merger.

3. Mergers. For purposes of this Agreement, each merger described in the Proxy Statement/ Prospectus shall be treated as if the partnership has:

(a) disposed of all of its assets and liabilities to Pioneer USA in exchange for an amount of Pioneer Parent common stock representing the merger value of the partnership, and

(b) liquidated in the manner provided in the liquidation provisions of this Agreement.

Accordingly, upon the partnership's deemed liquidation resulting from the

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

merger, Pioneer Parent will issue an amount of Pioneer Parent common stock to the partners, other than Pioneer USA, in accordance with the liquidation provisions of this Agreement. For purposes of Delaware law, the merger shall be a merger subject to the provisions of Section 17.11 of the Delaware Revised Uniform Limited Partnership Act.

4. Authority of Pioneer USA as General Partner. By obtaining the approval of the limited partners described in Section 2 of this Article, the partnership hereby extends the power of attorney

E-3

183

granted to Pioneer USA pursuant to this Agreement to permit Pioneer USA to execute the merger agreement described in the Proxy Statement/Prospectus and the merger amendment contemplated by this Article on behalf of the limited partners. Pioneer USA shall be authorized, at such time in its full discretion as it deems appropriate, to execute, acknowledge, verify, deliver, file and record, for and in the name and on behalf of the partnership, Pioneer USA and the limited partners, any and all documents, agreements, certificates and instruments, and shall do and perform any and all acts required by applicable law or which Pioneer USA deems necessary or advisable in order to give effect to this Article and the transactions contemplated herein, including, but not limited to, the merger.

5. This Article Controlling. The provisions of this Article shall control over all other provisions of this Agreement.

Except as herein expressly amended, all other terms and provisions of this Agreement shall remain in full force and effect.

APPROVAL OF COUNSEL TO LIMITED PARTNERS FOR EACH PARTNERSHIP:

RESOLVED: That the selection of _____ of _____, _____ as special legal counsel for the limited partners of the partnership for the purpose of rendering the legal opinion described in the proxy statement/ prospectus under "The Merger of Each Partnership -- Legal Opinion for Limited Partners" be and hereby is approved by Pioneer USA, on behalf of the partnership, and the limited partners of such partnership.

RESOLVED: That the legal opinion delivered pursuant to the partnership agreement of the partnership as described in the proxy statement/prospectus under "The Merger of Each Partnership -- Legal Opinion for Limited Partners," in form and substance as set forth in Exhibit A to these merger proposals, be and hereby is approved as in form and substance satisfactory to the limited partners of such partnership in their reasonable judgment.

E-4

184

EXHIBIT A
TO

APPENDIX E

TO

PROXY STATEMENT/PROSPECTUS

OPINION OF

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Pioneer Natural Resources USA, Inc.,
 As Sole or Managing General Partner of
 46 Limited Partnerships Named in the
 Proxy Statement/Prospectus dated _____, 2001

5205 North O'Connor Blvd., Suite 1400
 Irving, Texas 75039

We are of the opinion that (1) neither the grant nor the exercise of the right to approve the merger of each partnership with and into Pioneer Natural Resources USA, Inc. by the partnership's limited partners will adversely affect the federal income tax classification of the partnership or any of its limited partners and (2) neither the grant nor exercise of such right will result in the loss of any limited partner's limited liability.

We hereby consent to the references to our firm and this opinion contained in the proxy statement/ prospectus forming a part of the registration statement on Form S-4 (File No. 333-59094) filed with the Securities and Exchange Commission by Pioneer Natural Resources Company, a Delaware corporation, in connection with the merger of each of the limited partnerships with and into Pioneer Natural Resources USA, Inc., a Delaware corporation.

E-5

185

APPENDIX F

TO

PROXY STATEMENT/PROSPECTUS

FORM OF AGREEMENT AND PLAN OF MERGER
 (DRILLING AND INCOME FUNDS)

THIS AGREEMENT AND PLAN OF MERGER dated as of _____, 2001 (this "Merger Agreement"), is entered into by and among Pioneer Natural Resources Company, a Delaware corporation ("Pioneer Parent"), Pioneer Natural Resources USA, Inc., a Delaware corporation and wholly-owned subsidiary of Pioneer Parent ("Pioneer USA"), and each of the limited partnerships referred to below (each, a "Partnership" and collectively, the "Partnerships").

RECITALS

A. Pioneer USA is the sole or managing general partner of each of the following Partnerships:

PARTNERSHIP NAME -----	STATE OF FORMATION -----
Parker & Parsley 81-I, Ltd.	Texas
Parker & Parsley 81-II, Ltd.	Texas
Parker & Parsley 82-I, Ltd.	Texas
Parker & Parsley 82-II, Ltd.	Texas
Parker & Parsley 82-III, Ltd.	Texas
Parker & Parsley 83-A, Ltd.	Texas
Parker & Parsley 83-B, Ltd.	Texas
Parker & Parsley 84-A, Ltd.	Texas
Parker & Parsley 85-A, Ltd.	Texas

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Parker & Parsley 85-B, Ltd.	Texas
Parker & Parsley Private Investment 85-A, Ltd.	Texas
Parker & Parsley Selected 85 Private Investment, Ltd.	Texas
Parker & Parsley 86-A, Ltd.	Texas
Parker & Parsley 86-B, Ltd.	Texas
Parker & Parsley 86-C, Ltd.	Texas
Parker & Parsley Private Investment 86, Ltd.	Texas
Parker & Parsley 87-A Conv., Ltd.	Texas
Parker & Parsley 87-A , Ltd.	Texas
Parker & Parsley 87-B Conv., Ltd.	Texas
Parker & Parsley 87-B, Ltd.	Texas
Parker & Parsley Producing Properties 87-A, Ltd.	Texas
Parker & Parsley Producing Properties 87-B, Ltd.	Texas
Parker & Parsley Private Investment 87, Ltd.	Texas
Parker & Parsley 88-A Conv., L.P.	Delaware
Parker & Parsley 88-A, L.P.	Delaware
Parker & Parsley 88-B Conv., L.P.	Delaware
Parker & Parsley 88-B, L.P.	Delaware
Parker & Parsley 88-C Conv., L.P.	Delaware
Parker & Parsley 88-C, L.P.	Delaware
Parker & Parsley Producing Properties 88-A, L.P.	Delaware
Parker & Parsley Private Investment 88, L.P.	Delaware
Parker & Parsley 89-A Conv., L.P.	Delaware
Parker & Parsley 89-A, L.P.	Delaware
Parker & Parsley 89-B Conv., L.P.	Delaware

F-1

186

PARTNERSHIP NAME -----	STATE OF FORMATION -----
Parker & Parsley 89-B, L.P.	Delaware
Parker & Parsley Private Investment 89, L.P.	Delaware
Parker & Parsley 90-A Conv., L.P.	Delaware
Parker & Parsley 90-A, L.P.	Delaware
Parker & Parsley 90-B Conv., L.P.	Delaware
Parker & Parsley 90-B, L.P.	Delaware
Parker & Parsley 90-C Conv., L.P.	Delaware
Parker & Parsley 90-C, L.P.	Delaware
Parker & Parsley Private Investment 90, L.P.	Delaware
Parker & Parsley 90 Spraberry Private Development, L.P.	Delaware
Parker & Parsley 91-A, L.P.	Delaware
Parker & Parsley 91-B, L.P.	Delaware

B. Each of P&P Employees 81-I, Ltd., a Texas limited partnership, P&P Employees 81-II, Ltd., a Texas limited partnership, P&P Employees 82-I, Ltd., a Texas limited partnership, P&P Employees 82-II, Ltd., a Texas limited partnership, P&P Employees 82-III, Ltd., a Texas limited partnership, P&P Employees 83-A, Ltd., a Texas limited partnership, P&P Employees 83-B, Ltd., a Texas limited partnership, and P&P Employees 84-A, Ltd., a Texas limited partnership (individually, the "Nonmanaging General Partner" and collectively, the "Nonmanaging General Partners"), is the nonmanaging general partner of Parker & Parsley 81-I, Ltd., Parker & Parsley 81-II, Ltd., Parker & Parsley 82-I, Ltd., Parker & Parsley 82-II, Ltd., Parker & Parsley 82-III, Ltd., Parker & Parsley 83-A, Ltd. Parker & Parsley 83-B, Ltd. and Parker & Parsley 84-A, Ltd., respectively.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

C. Pioneer USA is the sole general partner of each of the Nonmanaging General Partners and in such capacity has authority (i) to cause the Nonmanaging General Partner to perform its obligations under the partnership agreement of the respective Partnership; and (ii) to exercise on behalf of the Nonmanaging General Partner all of the rights and elections granted to such Nonmanaging General Partner by the respective Partnership.

D. The board of directors of each of Pioneer Parent and Pioneer USA has determined that it is in the best interests of Pioneer Parent and Pioneer USA (in its individual capacity, as the sole or managing general partner of each Partnership and as the sole general partner of each Nonmanaging General Partner) to merge each Partnership with and into Pioneer USA and each such board of directors has approved the merger of each Partnership referred to below, upon the terms and subject to the conditions contained herein.

E. Pioneer USA intends to solicit the vote of the limited partners of each Partnership holding at least a majority (or with respect to Parker & Parsley 91-A, L.P. and Parker & Parsley 91-B, L.P. (each, a "Super-Majority Partnership"), at least 66 2/3%) of the outstanding limited partnership interests of the Partnership to approve the merger of the Partnership. Subject to certain limitations, upon consummation of the merger of each Partnership, the partners, other than Pioneer USA, will have the right to receive a number of shares of common stock, par value \$0.01 per share, of Pioneer Parent together with associated rights to acquire Series A Junior Participating Preferred Stock (the common stock, together with the rights, the "Pioneer Parent Common Stock").

F-2

187

AGREEMENTS

NOW, THEREFORE, in consideration of the premises and the mutual agreements contained herein, the parties hereto agree as follows:

ARTICLE 1

THE MERGER OF EACH PARTNERSHIP

1.1 Merger of Each Partnership. At the Effective Time (as defined in Section 1.4), each Partnership shall be merged with and into Pioneer USA, the separate existence of the Partnership shall cease, and Pioneer USA, as the surviving corporation, shall continue to exist by virtue of and shall be governed by the laws of the State of Delaware.

1.2 Merger Value for Each Partnership; Pioneer Parent Common Stock Offered.

(a) At the Effective Time, by virtue of the merger of each Partnership and without any action on the part of Pioneer USA or the other partners of the Partnership, each partnership interest outstanding immediately prior thereto shall be converted into the right to receive an amount of Pioneer Parent Common Stock allocated to the Partnership, which amount shall be determined in accordance with the merger value assigned to the Partnership pursuant to the procedures set forth herein and in the Proxy Statement/Prospectus (as defined in Section 4.3) and the procedures set forth in the Partnership's partnership agreement for allocating liquidation distributions as though the assets of the Partnership were sold for the merger value of the Partnership. The merger value for each Partnership is equal to the sum of the present value of estimated

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

future net revenues from the Partnership's estimated oil and gas reserves and its net working capital, in each case as of March 31, 2001 and determined as described in the Proxy Statement/Prospectus, less its pro rata share, based on its reserve value, of the estimated expenses and fees of the mergers of all of the Partnerships and less the cash distribution mailed on July 13, 2001, by the Partnership to its partners. The merger value for each Partnership will not be adjusted as of the Closing Date. The number of shares of Pioneer Parent Common Stock to be issued for each partnership interest of each Partnership will be based on (i) the Partnership's merger value divided by (ii) the average closing price of the Pioneer Parent Common Stock, as reported by the New York Stock Exchange, for the ten trading days ending three business days before the initial date scheduled for the special meeting for the Partnership. For purposes of illustration in the Proxy Statement/Prospectus, Pioneer Parent and Pioneer USA calculated the aggregate number of shares of Pioneer Parent Common Stock to be offered based on \$18.00 per share of Pioneer Parent Common Stock. Pioneer Parent and Pioneer USA shall update the aggregate number of shares of Pioneer Parent Common Stock to be issued based on the average closing price as described in clause (ii) above before the date of the special meeting for each Partnership. The merger value assigned to each Partnership and the amount of Pioneer Parent Common Stock offered with respect to each \$1,000 investment by the limited partners in the Partnership pursuant to the merger of the Partnership are set forth in the table entitled "Summary Table -- Merger Value and Amount of Initial Limited Partner Investment Repaid" in the Proxy Statement/Prospectus.

(b) All partnership interests of each Partnership, when converted into the right to receive Pioneer Parent Common Stock, shall no longer be outstanding and shall automatically be cancelled and retired and shall cease to exist, and each holder of a certificate representing any such partnership interests shall cease to have any rights with respect thereto, except the right to receive the amount of Pioneer Parent Common Stock to be delivered in consideration therefor.

(c) The partnership interests, whether general or limited, in each Partnership held directly or indirectly by Pioneer USA shall be cancelled without any consideration being received therefor; provided, however, that as a result of the merger of each Partnership, Pioneer USA will own 100% of the properties of the Partnership, including properties attributable to its partnership interests in the Partnership.

(d) No fractional shares of Pioneer Parent Common Stock will be issued. Each fractional share of Pioneer Parent Common Stock to be issued to a partner of a Partnership will be rounded up to the nearest whole share.

F-3

188

(e) When any person has partnership interests in more than one Partnership that merges with Pioneer USA, Pioneer USA and Pioneer Parent may, at their sole discretion, aggregate the number of shares of Pioneer Parent Common Stock to be issued to that person before making the rounding and other adjustments provided in the preceding clause (d).

(f) If any limited partner is indebted to Pioneer USA for any portion of the limited partner's original investment in the Partnership, Pioneer USA plans to apply the Pioneer Parent Common Stock that would otherwise be distributed to the limited partner upon completion of the merger of the Partnership against

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

that limited partner's indebtedness. If a limited partner's indebtedness to Pioneer USA is less than the merger value allocated to limited partnership interests held by the limited partner, the limited partner shall receive Pioneer Parent Common Stock equal to the amount by which such merger value exceeds such indebtedness. If a limited partner's indebtedness to Pioneer USA is greater than the merger value allocated to the limited partnership interests held by the limited partner, Pioneer USA may collect the deficiency from the limited partner.

(g) To the extent that Pioneer USA or a Partnership is required to withhold and pay over, or otherwise pay, any withholding or other tax (the "Required Withholding") with respect to a partner or former partner in a Partnership (the "Withholding Partner") as a result of the Withholding Partner's current or former participation in the Partnership, Pioneer USA or the Partnership shall be entitled to deduct and withhold (or cause to be deducted and withheld) the Required Holding from the merger consideration (including the Pioneer Parent Common Stock) otherwise payable to the Withholding Partner. In the event Pioneer USA or a Partnership withholds Pioneer Parent Common Stock in order to satisfy the Required Withholding with respect to a Withholding Partner, Pioneer USA or the Partnership, as appropriate, may, in its sole discretion, (i) sell such Pioneer Parent Common Stock and use the proceeds therefrom to satisfy the Required Withholding, (ii) hold such Pioneer Parent Common Stock as security for the satisfaction of the Required Withholding by the Withholding Partner, in which case the Pioneer Parent Common Stock shall be released to the Withholding Partner upon the full satisfaction of the Required Withholding by the Withholding Partner, or (iii) take such other reasonable action as is required or appropriate to satisfy the Required Withholding at the sole expense of the Withholding Partner. To the extent that amounts are so withheld or deducted (or caused to be withheld or deducted) by Pioneer USA or a Partnership, such amounts shall be treated for all purposes of this Merger Agreement as having been paid to the Withholding Partner.

1.3 Closing. The closing of the merger of each Partnership (the "Closing") shall take place at the offices of Vinson & Elkins L.L.P., 3700 Trammell Crow Center, 2001 Ross Avenue, Dallas, Texas 75201, as soon as practicable after the fulfillment of the conditions referred to in Article 4, or at such other time and place as the parties shall agree (the date of such Closing being the "Closing Date").

1.4 Effective Time of Merger of Each Partnership. Upon satisfaction of the conditions set forth in Article 4 hereof and as soon as practicable after the Closing, this Merger Agreement, or a certificate of merger setting forth the information required by, and otherwise in compliance with, Section 263 of the General Corporation Law of the State of Delaware (the "DGCL") and, if applicable, Section 17-211 of the Revised Uniform Limited Partnership Act of the State of Delaware (the "DRULPA") with respect to the merger of each Partnership, shall be delivered for filing with the Secretary of State of the State of Delaware. At such time, if applicable, a certificate of merger with respect to the merger of each Partnership setting forth the information required by, and otherwise in compliance with, Section 2.11 the Revised Limited Partnership Act of the State of Texas (the "TRLPA") shall be delivered for filing with the Secretary of State of the State of Texas. The merger of each Partnership shall become effective upon the later of (a) the day and at the time the Secretary of State of the State of Delaware files this Merger Agreement or such certificate of merger in compliance with Section 263 of the DGCL and, if applicable, Section 17-211 of the DRULPA, and (b) if applicable, the day and at the time the Secretary of State of the State of Texas files such certificate of merger in compliance with Section 2.11 of the TRLPA (the time of such effectiveness is herein called the "Effective Time"). Notwithstanding the foregoing, by action of

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

its board of directors, either Pioneer Parent or Pioneer USA, in its individual capacity or as the sole general partner of each Partnership, may terminate this Merger Agreement at any time prior to the earlier

F-4

189

of (a) the filing of this Merger Agreement or the certificate of merger with respect to the merger of the Partnership in compliance with Section 263 of the DGCL and, if applicable, Section 17-211 of the DRULPA with the Secretary of State of the State of Delaware and (b) if applicable, the filing of the certificate of merger with respect to the merger of the Partnership in compliance with Section 2.11 of the TRLPA with Secretary of State of the State of Texas.

1.5 Effect of Merger of Each Partnership. At the Effective Time of the merger of each Partnership, Pioneer USA, without further action, as provided by the laws of the State of Delaware and the State of Texas, as the case may be, shall succeed to and possess all the rights, privileges, powers, and franchises, of a public as well as of a private nature, of the Partnership; and all property, real, personal and mixed, and all debts due on whatsoever account, including subscriptions to shares, and all other choses in action, and all and every other interest, of or belonging to or due to the Partnership shall be deemed to be vested in Pioneer USA without further act or deed; and the title to any real estate, or any interest therein, vested in Pioneer USA or the Partnership shall not revert or be in any way impaired by reason of the merger of the Partnership. Such transfer to and vesting in Pioneer USA shall be deemed to occur by operation of law, and no consent or approval of any other person shall be required in connection with any such transfer or vesting unless such consent or approval is specifically required in the event of merger or consolidation by law or express provision in any contract, agreement, decree, order, or other instrument to which Pioneer USA or the Partnership is a party or by which either of them is bound. At and after the Effective Time, Pioneer USA shall be responsible and liable for all debts, liabilities, and duties of each Partnership, including franchise taxes, if any, which may be enforced against Pioneer USA to the same extent as if said debts, liabilities, and duties had been incurred or contracted by it. Neither the rights of creditors nor any liens upon the property of any Partnership or Pioneer USA shall be impaired by the merger of any Partnership.

1.6 Certificate of Incorporation and Bylaws. The certificate of incorporation of Pioneer USA before the merger of each Partnership shall be and remain the certificate of incorporation of Pioneer USA after the Effective Time, until the same shall thereafter be altered, amended, or repealed in accordance with law and Pioneer USA's certificate of incorporation. The bylaws of Pioneer USA as in effect at the Effective Time shall be and remain the bylaws of Pioneer USA, as the surviving corporation, until the same shall thereafter be altered, amended, or repealed in accordance with law, Pioneer USA's certificate of incorporation or such bylaws.

1.7 Pioneer USA Common Stock. At the Effective Time, each outstanding share of common stock of Pioneer USA shall remain outstanding and shall continue to represent one share of common stock of Pioneer USA.

1.8 Officers and Directors. At the Effective Time, each of the persons who was serving as an officer of Pioneer USA immediately prior to the Effective Time shall continue to be an officer of Pioneer USA and shall continue to serve in such capacity at the pleasure of the board of directors of Pioneer USA or, if earlier, until their respective death or resignation. At the Effective Time, each of the persons who was serving as a director of Pioneer USA immediately prior to the Effective Time shall continue to be a director of Pioneer USA, and each shall serve in such capacity until the next annual meeting of stockholders of Pioneer USA and until his or her successor is elected and qualified or, if

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

earlier, until his death, resignation, or removal from office.

1.9 Exchange of Partnership Interests for Pioneer Parent Common Stock.

(a) Continental Stock Transfer & Trust Company shall act as the transfer and exchange agent (in such capacity, the "Transfer Agent") in connection with the issuance of certificates representing shares of Pioneer Parent Common Stock pursuant to Section 1.2.

(b) The Transfer Agent shall mail certificates representing shares of Pioneer Parent Common Stock to the partners of record, other than Pioneer USA, of each Partnership promptly following the Closing Date in payment of the merger consideration. Limited partners and Nonmanaging General Partners of

F-5

190

each Partnership will not be required to surrender partnership interest certificates to receive the Pioneer Parent Common Stock.

(c) If any certificate representing shares of Pioneer Parent Common Stock is to be issued in a name other than that in which the limited partnership interests cancelled in exchange therefor are registered, it shall be a condition of the issuance thereof that the person requesting such exchange shall pay to the Transfer Agent any transfer or other taxes required by reason of the issuance of a certificate representing shares of Pioneer Parent Common Stock in any name other than that of the registered holder of the cancelled limited partnership interests, or otherwise required, or shall establish to the satisfaction of the Transfer Agent that such tax has been paid or is not payable.

(d) After the Closing Date, there shall not be any further registration of transfers on the transfer books of any Partnership of the partnership interests that were issued and outstanding immediately before the Closing Date and were converted into the right to receive Pioneer Parent Common Stock. If, after the Closing Date, certificates representing partnership interests of a Partnership are presented, they shall be exchanged for Pioneer Parent Common Stock, all as provided in this Article.

ARTICLE 2

REPRESENTATIONS AND WARRANTIES

2.1 Representations and Warranties of Each Partnership. Each Partnership hereby represents and warrants to Pioneer Parent and Pioneer USA as follows:

(a) Formation; Qualification. The Partnership is a limited partnership duly formed under the DRULPA or TRLPA, as applicable, and is validly existing and in good standing under the laws of the State of Delaware or the State of Texas, as applicable. The Partnership has all requisite partnership power and authority to own, operate or lease its properties and to carry on its business as now being conducted. The

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Partnership is duly qualified to do business as a foreign limited partnership and is in good standing in each jurisdiction where the character of its properties owned, operated or leased, or the nature of its activities, makes such qualifications necessary.

(b) Capitalization. All of the outstanding partnership interests of the Partnership are free of all liens, encumbrances, defects and preemptive rights and are fully paid. Except as described in the Proxy Statement/Prospectus, there are no outstanding subscriptions, options or other arrangements or commitments obligating the Partnership to issue any additional partnership interests.

(c) No Conflicts. Assuming this Merger Agreement is approved by the requisite vote of the limited partners of the Partnership (with respect to Parker & Parsley 85-A, Ltd., Parker & Parsley 85-B, Ltd., Parker & Parsley Private Investment 85-A, Ltd., Parker & Parsley Selected 85 Private Investment, Ltd., Parker & Parsley Private Investment 86, Ltd., Parker & Parsley 91-A, L.P. and Parker & Parsley 91-B, L.P. (each, a "Special Vote Partnership"), excluding Pioneer USA and its affiliates), consummation of the transactions contemplated hereby and compliance with the terms and provisions of this Merger Agreement will not conflict with, result in a breach of, require notice under or constitute a default under (i) its certificate of limited partnership or partnership agreement, (ii) any material judgment, order, injunction, decree or ruling of any court or governmental authority or (iii) any material agreement, indenture or instrument to which the Partnership is a party.

(d) Authority, Authorization and Enforceability. The Partnership has all requisite power and authority to enter into and perform the provisions of this Merger Agreement. The execution and delivery of this Merger Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all necessary partnership action on the part of the Partnership other than the approval of its limited partners (with respect to each Special Vote Partnership, excluding Pioneer USA and its affiliates). Subject to such approval, this Merger Agreement has been duly executed and delivered by the Partnership and constitutes a valid and binding obligation of the Partnership enforceable in accordance with its terms.

F-6

191

(e) SEC Reports; Financial Statements.

(i) With respect to each of Reporting Partnership (as defined below), the Partnership's (A) Annual Report on Form 10-K for the year ended December 31, 2000, (B) Quarterly Report on Form 10-Q for the quarter ended June 30, 2001, and (C) all other reports or registration statements filed with the Securities and Exchange Commission (the "SEC") since December 31, 2000 (collectively, the "Partnership's SEC Reports") (1) were prepared in accordance with the applicable requirements of the Securities Act of 1933 (the "Securities Act") and the Securities Exchange Act of 1934 (the "Exchange Act"), and (2) as of their respective dates, did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they are made, not misleading.

(ii) Each of the financial statements of the Partnership for the

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

year ended December 31, 2000 and for the six months ended June 30, 2001 contained in the Partnership's supplement to the Proxy Statement/Prospectus and, with respect to each Reporting Partnership, in the Partnership's SEC Reports has been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods involved (except as may be indicated in the notes thereto) and each fairly presents the financial position of the Partnership as of the respective dates thereof and the results of operations and cash flows of the Partnership for the periods indicated, except that the unaudited interim financial statements are subject to normal and recurring year-end adjustments that are not expected to be material in amount.

(iii) For purposes hereof, the term "Reporting Partnership" means: Parker & Parsley 82-I, Ltd., Parker & Parsley 82-II, Ltd., Parker & Parsley 83-A, Ltd., Parker & Parsley 83-B, Ltd., Parker & Parsley 84-A, Ltd., Parker & Parsley 85-A, Ltd., Parker & Parsley 85-B, Ltd., Parker & Parsley 86-A, Ltd., Parker & Parsley 86-B, Ltd., Parker & Parsley 86-C, Ltd., Parker & Parsley 87-A, Ltd., Parker & Parsley 87-B, Ltd., Parker & Parsley Producing Properties 87-A, Ltd., Parker & Parsley Producing Properties 87-B, Ltd., Parker & Parsley 88-A, L.P., Parker & Parsley 88-B, L.P., Parker & Parsley Producing Properties 88-A, L.P., Parker & Parsley 89-A, L.P., Parker & Parsley 90-A L.P., Parker & Parsley 90-B Conv., L.P., Parker & Parsley 90-C, L.P., Parker & Parsley 90-C Conv., L.P., Parker & Parsley 90-C, L.P., Parker & Parsley 91-A, L.P. and Parker & Parsley 91-B, L.P.

(f) No Material Adverse Change. Since June 30, 2001, the Partnership has conducted its operations in the ordinary and usual course of business and has paid all of its obligations as they have become due; and the business of the Partnership has not undergone any material adverse change since such date.

(g) Accuracy of Information. None of the information supplied or to be supplied by the Partnership for inclusion in the Proxy Statement/Prospectus, as amended or supplemented, will, at the time of the mailing of the Proxy Statement/Prospectus, the time of the special meeting of the limited partners of the Partnership (each, a "Special Meeting") or the Closing Date, be false or misleading with respect to any material fact, contain any untrue statement of material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

2.2 Representations and Warranties of Pioneer USA. Pioneer USA hereby represents and warrants to Pioneer Parent and each Partnership as follows:

(a) Organization; Qualification. Pioneer USA is a corporation duly formed under the DGCL and is validly existing and in good standing under the laws of the State of Delaware. Pioneer USA has all requisite corporate power and authority to own, operate or lease its properties and to carry on its business as now being conducted. Pioneer USA is duly qualified to do business as a foreign corporation and is in good standing in each jurisdiction where the character of its properties owned, operated or leased, or the nature of its activities, makes such qualifications necessary.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

(b) No Conflicts. Consummation of the transactions contemplated hereby and compliance with the terms and provisions of this Merger Agreement will not conflict with, result in a breach of, require notice under or constitute a default under (i) its certificate of incorporation or bylaws, (ii) any material judgment, order, injunction, decree or ruling of any court or governmental authority or (iii) any material agreement, indenture or instrument to which Pioneer USA is a party.

(c) Authority, Authorization and Enforceability. Pioneer USA has all requisite corporate power and authority to execute and deliver this Merger Agreement and to perform the provisions of this Merger Agreement. The execution and delivery of this Merger Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of Pioneer USA. This Merger Agreement has been duly executed and delivered by Pioneer USA and constitutes a valid and binding obligation of Pioneer USA enforceable in accordance with its terms.

(d) No Material Adverse Change. Since June 30, 2001, Pioneer USA has conducted its operations in the ordinary and usual course of business and has paid all of its obligations as they have become due; and the business of Pioneer USA has not undergone any material adverse change since such date.

(e) Accuracy of Information. None of the information supplied or to be supplied by Pioneer USA for inclusion in the Proxy Statement/Prospectus, as amended or supplemented, will, at the time of the mailing of the Proxy Statement/Prospectus, the time of the Special Meeting of each Partnership or the Closing Date, be false or misleading with respect to any material fact, contain any untrue statement of material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(f) Capacity as General Partner. Pioneer USA is the sole or managing general partner of each Partnership and is the sole general partner of each Nonmanaging General Partner.

2.3 Representations and Warranties of Pioneer Parent. Pioneer Parent hereby represents and warrants to Pioneer USA and each Partnership as follows:

(a) Organization; Qualification. Pioneer Parent is a corporation duly formed under the DGCL and is validly existing and in good standing under the laws of the State of Delaware. Pioneer Parent has all requisite corporate power and authority to own, operate or lease its properties and to carry on its business as now being conducted. Pioneer Parent is duly qualified to do business as a foreign corporation and is in good standing in each jurisdiction where the character of its properties owned, operated or leased, or the nature of its activities, makes such qualifications necessary.

(b) No Conflicts. Consummation of the transactions contemplated hereby and compliance with the terms and provisions of this Merger Agreement will not conflict with, result in a breach of, require notice under or constitute a default under (i) its certificate of incorporation or bylaws, (ii) any material judgment, order, injunction, decree or ruling of any court or governmental authority or (iii) any material agreement, indenture or instrument to which Pioneer Parent is a party.

(c) Authority, Authorization and Enforceability. Pioneer Parent has

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

all requisite corporate power and authority to execute and deliver this Merger Agreement and to perform the provisions of this Merger Agreement. The execution and delivery of this Merger Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of Pioneer Parent. This Merger Agreement has been duly executed and delivered by Pioneer Parent and constitutes a valid and binding obligation of Pioneer Parent enforceable in accordance with its terms. When issued in accordance with this Merger Agreement, the shares of Pioneer Parent Common Stock will be validly issued, fully paid and nonassessable and not subject to preemptive rights.

F-8

193

(d) SEC Reports; Financial Statements.

(i) Pioneer Parent's (A) Annual Report on Form 10-K for the year ended December 31, 2000, (B) Quarterly Report on Form 10-Q for the quarter ended June 30, 2001, and (C) all other reports or registration statements filed with the SEC since December 31, 2000 (collectively, "Pioneer Parent's SEC Reports") (1) were prepared in accordance with the applicable requirements of the Securities Act and the Exchange Act, and (2) as of their respective dates, did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they are made, not misleading.

(ii) Each of the financial statements of Pioneer Parent for the year ended December 31, 2000 and for the six months ended June 30, 2001 contained in Pioneer Parent's SEC Reports has been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods involved (except as may be indicated in the notes thereto) and each fairly presents the financial position of Pioneer Parent as of the respective dates thereof and the results of operations and cash flows of Pioneer Parent for the periods indicated, except that the unaudited interim financial statements are subject to normal and recurring year-end adjustments that are not expected to be material in amount.

(e) No Material Adverse Change. Since June 30, 2001, Pioneer Parent has conducted its operations in the ordinary and usual course of business and has paid all of its obligations as they have become due; and the business of Pioneer Parent has not undergone any material adverse change since such date.

(f) Accuracy of Information. None of the information supplied or to be supplied by Pioneer Parent for inclusion in the Proxy Statement/Prospectus, as amended or supplemented, will, at the time of the mailing of the Proxy Statement/Prospectus, the time of the Special Meeting of each Partnership or the Closing Date, be false or misleading with respect to any material fact, contain any untrue statement of material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

ARTICLE 3

CONDITIONS PRECEDENT TO THE MERGER OF EACH PARTNERSHIP

3.1 Conditions to Each Party's Obligations to Effect the Merger of Each Partnership. The respective obligations of each party to effect the merger of each Partnership shall be subject to the fulfillment (or waiver in whole or in part by the intended beneficiary thereof in its sole discretion) at or prior to the Closing Date of the following conditions:

(a) This Merger Agreement, an amendment to the partnership agreement of each Partnership to permit the merger of such Partnership (the "Merger Amendment"), the selection of special counsel for the limited partners and that counsel's legal opinion referred to in Section 3.1(c) shall have been approved by the limited partners (with respect to each Special Vote Partnership, excluding Pioneer USA and its affiliates) holding at least a majority (or, with respect to each Super-Majority Partnership, at least 66 2/3%) of the outstanding limited partnership interests voting in person or by proxy at the Special Meetings at which a quorum is present, with respect to each merger.

(b) Pioneer USA shall have received from Robert A. Stanger & Co., Inc. a written opinion for inclusion in the Proxy Statement/Prospectus satisfactory in form and substance to Pioneer USA and substantially to the effect that, as of the date of that opinion, the merger value for each Partnership and the allocation of the merger value of the Partnership (1) to the limited partners of the Partnership as a group, (2) to the general partners of the Partnership as a group, (3) to Pioneer USA as the managing or sole general partner of the Partnership, (4) to the unaffiliated limited partners of

F-9

194

the Partnership as a group and (5) to the unaffiliated limited partners of the Nonmanaging General Partner, if any, of the Partnership as a group, is fair to the unaffiliated limited partners of the Partnership and the unaffiliated limited partners of the Nonmanaging General Partner, if any, of the Partnership, from a financial point of view. Such opinion shall not have been withdrawn prior to the Closing Date, unless a replacement opinion or opinions of an investment banking firm or firms satisfactory to Pioneer USA to a similar effect has been received by Pioneer USA and has not been withdrawn.

(c) The receipt, on or prior to the Closing Date, by Pioneer USA of the opinion of special legal counsel for the limited partners pursuant to the partnership agreement of each Partnership.

(d) No provision of any applicable law or regulation and no judgment, injunction, order or decree shall prohibit the consummation of the merger of any Partnership and the transactions related thereto.

(e) No suit, action or proceeding shall have been filed or otherwise be pending against Pioneer Parent, Pioneer USA or any officer, director or affiliate of Pioneer Parent or Pioneer USA challenging the legality or any aspect of the merger of any Partnership or the transactions related thereto.

(f) The shares of Pioneer Parent Common Stock issuable upon the merger of each Partnership pursuant to this Merger Agreement shall have been

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

authorized for listing on the New York Stock Exchange and the Toronto Stock Exchange upon official notice of issuance.

(g) The parties to the merger of each Partnership having made all filings and registrations with, and notifications to, all third parties, including, without limitation, lenders and all appropriate regulatory authorities, required for consummation of the transactions contemplated by this Merger Agreement (other than the filing and recordation of appropriate merger documents required by the DGCL, the DRULPA and the TRLPA, as applicable), and all approvals and authorizations and consents of all third parties, including, without limitation, lenders and all regulatory authorities, required for consummation of the transactions contemplated by this Merger Agreement shall have been received and shall be in full force and effect, except for such filings, registrations, notifications, approvals, authorizations and consents, the failure of which to make or obtain would not have a material adverse effect on the business or financial condition of Pioneer Parent, Pioneer USA or any Partnership.

(h) The absence of any opinion of counsel that the exercise by the limited partners of any Partnership of the right to approve the merger of such Partnership is not permitted under applicable state law.

3.2 Conditions to Obligations of Pioneer Parent to Effect the Merger of Each Partnership. The obligations of Pioneer Parent to effect the merger of each Partnership shall be subject to the fulfillment (or waiver in whole or in part by the intended beneficiary thereof in its sole discretion), at or prior to the Closing Date, of the following additional conditions:

(a) Pioneer USA and each Partnership shall have performed in all material respects their respective agreements contained in this Merger Agreement required to be performed at or prior to the Closing Date.

(b) The representations and warranties of Pioneer USA and each Partnership contained in this Merger Agreement shall be true and correct in all material respects at and as of the Closing Date as if made at and as of such time unless they relate to another specified time.

3.3 Conditions to Obligations of Pioneer USA and Each Partnership to Effect the Merger of Such Partnership. The obligations of Pioneer USA and each Partnership to effect the merger of such

F-10

195

Partnership shall be subject to the fulfillment (or waiver in whole or in part by the intended beneficiary thereof in its sole discretion) at or prior to the Closing Date of the following additional conditions:

(a) Pioneer Parent shall have performed in all material respects its agreements contained in this Merger Agreement required to be performed at or prior to the Closing Date.

(b) The representations and warranties of Pioneer Parent contained in this Merger Agreement shall be true and correct in all material respects at and as of the Closing Date as if made at and as of such time unless they relate to another specific time.

ARTICLE 4

ADDITIONAL AGREEMENTS

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

4.1 Conduct of Business Pending the Merger of Each Partnership. Each Partnership covenants and agrees that, between the date of this Merger Agreement and the Closing Date, unless the other parties shall otherwise agree in writing or as otherwise contemplated in this Merger Agreement, it shall conduct its businesses only in the ordinary course of business and in a manner consistent with past practice, and it shall not take any action except for actions consistent with such practice, and it shall not make any distributions to its partners. Each Partnership shall use its reasonable best efforts to preserve intact its business organization, to keep available the services of its present officers, employees and consultants, and to preserve its relationships with customers, suppliers and other persons with which it has significant business dealings.

4.2 Special Meetings; Proxies. As soon as reasonably practicable after the execution of this Merger Agreement, Pioneer USA will take all action necessary to duly call, give notice of, convene and hold the Special Meetings to consider and vote upon approval of this Merger Agreement, the Merger Amendment, the selection of special legal counsel for the limited partners, that counsel's legal opinion referred to in Section 3.1(c) and the transactions contemplated hereby and thereby. Pioneer USA will use its reasonable best efforts to solicit from the limited partners proxies in favor of this Merger Agreement, the Merger Amendment, the selection of special legal counsel for the limited partners, that counsel's legal opinion referred to in Section 3.1(c) and the transactions contemplated hereby and thereby, and to take all other action necessary or advisable to secure any vote or consent of the limited partners of each Partnership required by the partnership agreement of the Partnership or this Merger Agreement or applicable law to effect the merger of the Partnership.

4.3 Proxy Statement/Prospectus. Pioneer Parent and Pioneer USA shall file with the SEC a registration statement that includes a preliminary proxy statement/prospectus for each Special Meeting (the definitive form of such proxy statement/prospectus is referred to as the "Proxy Statement/ Prospectus"). Pioneer Parent and Pioneer USA shall use all reasonable commercial efforts to have the registration statement declared effective by the SEC as promptly as practicable. Pioneer Parent and Pioneer USA shall cause the Proxy Statement/Prospectus to be mailed to the limited partners of each Partnership as soon as practicable thereafter in accordance with applicable federal and state law.

4.4 Authorization for Shares and Stock Exchange Listing. Prior to the Effective Time, Pioneer Parent and Pioneer USA shall have taken all action necessary to permit Pioneer Parent to issue the number of shares of Pioneer Parent Common Stock required to be issued pursuant to this Merger Agreement. Each of Pioneer Parent and Pioneer USA shall use its commercially reasonable efforts to cause the shares of Pioneer Parent Common Stock to be issued in the merger of each Partnership to be approved for listing on the New York Stock Exchange and the Toronto Stock Exchange, subject to official notice of issuance, prior to the Closing Date.

4.5 Additional Agreements. Subject to the terms and conditions herein provided, each of the parties hereto agrees to use all reasonable commercial efforts to obtain in a timely manner all necessary waivers, consents and approvals and to effect all necessary registrations and filings, and to use all reasonable commercial efforts to take, or cause to be taken, all other actions and to do, or cause to be

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

done, all other things necessary, proper or advisable under applicable laws and regulations to consummate and make effective as promptly as practicable the transactions contemplated by this Merger Agreement.

ARTICLE 5

TERMINATION

5.1 Termination. This Merger Agreement may be terminated and the merger of any Partnership contemplated hereby may be abandoned, in whole or in part, at any time prior to the Effective Time, whether before or after approval of the merger of the Partnership by its limited partners (with respect to each Special Vote Partnership, excluding Pioneer USA and its affiliates):

(a) By mutual written consent of the parties;

(b) By any party, if:

(i) there shall be any applicable law, rule or regulation that makes consummation of the merger of any Partnership illegal or otherwise prohibited or if any judgment, injunction, order or decree enjoining any party from consummating the merger of any Partnership is entered and such judgment, injunction, order or decree shall have become final and non-appealable;

(ii) at the Special Meeting of each Partnership or at any adjournment or postponement thereof, the approval of the limited partners of the Partnership referred to in Section 3.1(a) shall not have been obtained by reason of the failure to obtain the requisite vote; or

(iii) there shall be any pending suit, action or proceeding filed against Pioneer Parent, Pioneer USA, any Partnership or any officer, director or affiliate of Pioneer Parent or Pioneer USA challenging the legality or any aspect of the merger of any Partnership or the transactions related thereto;

(c) By Pioneer Parent, if either Pioneer USA or any Partnership shall have failed to perform its agreements and covenants contained herein, which failure has a material adverse effect on Pioneer USA or such Partnership, as the case may be, or materially and adversely affects the transactions contemplated by this Merger Agreement;

(d) By Pioneer USA or any Partnership with respect to the Partnership's merger, if Pioneer Parent shall have failed to perform its agreements and covenants contained herein, which failure has a material adverse effect on Pioneer USA or such Partnership, as the case may be, or materially and adversely affects the transactions contemplated by this Merger Agreement;

(e) By Pioneer Parent or Pioneer USA, pursuant to Section 1.4 hereof;

(f) By Pioneer USA, if Pioneer USA, after considering the written advice of outside legal counsel, determines in good faith that termination of this Merger Agreement is required for Pioneer USA's board of directors to comply with its fiduciary duties to its sole stockholder or to any Partnership imposed by applicable law; or

(g) By Pioneer Parent, if there shall have occurred any event, circumstance, condition, development or occurrence causing, resulting in or having, or reasonably expected to cause, result in or have, a material

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

adverse effect (i) on any Partnership's business, operations, properties (taken as a whole), condition (financial or otherwise), results of operations, assets (taken as a whole), liabilities, cash flows or prospects, (ii) on market prices for oil and gas prevailing generally in the oil and gas industry since the date of determination of the oil and gas commodity prices used in the determination of the merger value for each Partnership, (iii) on the price of Pioneer Parent Common Stock or (iv) on the oil and gas industry generally.

5.2 Effect of Termination. In the event of termination of this Merger Agreement by a party as provided in Section 5.1, written notice thereof shall promptly be given to the other parties and this Merger

F-12

197

Agreement shall forthwith terminate without further action by any of the parties hereto. If this Merger Agreement is terminated as so provided, there shall be no liabilities or obligations hereunder on the part of any party hereto except as provided in Section 6.13 and except that nothing herein shall relieve any party hereto from liability for any breach of this Merger Agreement.

ARTICLE 6

MISCELLANEOUS

6.1 Headings. The headings contained in this Merger Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Merger Agreement.

6.2 Amendment. This Merger Agreement may be supplemented, amended or modified by an instrument in writing signed by Pioneer Parent and Pioneer USA (on behalf of itself and as (a) the sole or managing general partner of each Partnership, (b) the sole general partner of each Nonmanaging General Partner and (c) attorney-in-fact for the limited partners of each Partnership) at any time prior to the Closing Date; provided, however, that after approval by the limited partners of each Partnership (with respect to each Special Vote Partnership, excluding Pioneer USA and its affiliates) of this Merger Agreement, the Merger Amendment, the selection of special legal counsel for the limited partners and that counsel's legal opinion referred to in Section 3.1(c), no amendment may be made which would adversely change the type or amount of, or the method for determining, the consideration to be received upon consummation of the merger of each Partnership or which would in any other way materially and adversely affect the rights of such limited partners (other than a termination of this Merger Agreement or abandonment of the merger of any Partnership).

6.3 Waiver. At any time prior to the Closing Date, the parties hereto may (a) extend the time for the performance of any of the obligations or other acts of the other parties hereto, (b) waive any inaccuracies in the representations and warranties contained herein or in any document delivered pursuant hereto, and (c) waive compliance with any of the agreements or conditions contained herein. Any such extension or waiver shall not operate as an extension or waiver of, or estoppel with respect to, any subsequent failure of compliance or other failure. Any agreement on the part of a party hereto to any such extension or waiver shall be valid against such party if set forth in an instrument in writing signed by such party.

6.4 Expiration of Representations and Warranties. All representations and warranties made pursuant to this Merger Agreement shall expire with, and be terminated and extinguished by, the merger of each Partnership on the Closing Date.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

6.5 Notices. All notices and other communications to be given or made hereunder by any party shall be delivered by first class mail, or by personal delivery, postage or fees prepaid, (a) to Pioneer Parent at 5205 North O'Connor Boulevard, Suite 1400, Irving, Texas 75039, Attn: Scott D. Sheffield, with a copy to Vinson & Elkins L.L.P., 3700 Trammell Crow Center, 2001 Ross Avenue, Dallas, Texas 75201, Attn: Robert L. Kimball, and (b) to the other parties at Pioneer Natural Resources USA, Inc., 1400 Williams Square West, 5205 North O'Connor Boulevard, Irving, Texas 75039, Attn: Mark L. Withrow, with a copy to Sayles, Lidji & Werbner, 4400 Renaissance Tower, 1201 Elm Street, Dallas, Texas 75270, Attn: Brian M. Lidji.

6.6 Counterparts. This Merger Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same agreement.

6.7 Severability. If any term or other provision of this Merger Agreement is invalid, illegal or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of this Merger Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party.

F-13

198

6.8 Entire Agreement. This Merger Agreement, including the documents and instruments referred to herein, constitutes the entire agreement and supersedes all other prior agreements and undertakings, both written and oral, between the parties, or any of them, with respect to the subject matter hereof.

6.9 Remedies. Except as otherwise expressly provided herein, this Merger Agreement is not intended to confer upon any other person any rights or remedies hereunder.

6.10 Assignment. This Merger Agreement shall not be assigned by operation of law or otherwise without the consent of all parties hereto.

6.11 No Implied Waiver. Except as expressly provided in this Merger Agreement, no course of dealing among the parties hereto and no delay by any of them in exercising any right, power or remedy conferred herein or now or hereafter existing at law or in equity, by statute or otherwise, shall operate as a waiver of, or otherwise prejudice, any such right, power or remedy.

6.12 Governing Law. Except to the extent that TRLPA is mandatorily applicable, this Merger Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware (regardless of the laws that might otherwise govern under applicable principles of conflicts of law) as to all matters.

6.13 Expenses. Except as otherwise provided herein, to the extent the merger of a Partnership is completed, that participating Partnership shall pay its pro rata share, based on its reserve value, of the aggregate estimated expenses and fees to be incurred in connection with the merger of each Partnership with and into Pioneer USA. Pioneer Parent shall pay (a) the estimated expenses and fees otherwise allocable to any nonparticipating Partnership and (2) any expenses and fees actually incurred in excess of \$2.0 million. In addition, if Pioneer Parent terminates this Merger Agreement or abandons the merger of any Partnership pursuant to Section 5.1, Pioneer Parent

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

shall pay all estimated expenses and fees of such Partnership incurred in connection with the merger of such Partnership before such termination or abandonment.

6.14 Liquidation. Each Partnership, Pioneer Parent and Pioneer USA intend and agree that the merger of each Partnership shall be treated as a liquidation of the Partnership into Pioneer USA pursuant to Section 332 of the Internal Revenue Code of 1986, as amended, and shall make all declarations and filings necessary to accomplish such intent and liquidation.

F-14

199

IN WITNESS WHEREOF, each of the parties hereto has executed this Merger Agreement as of the date first written above.

PIONEER NATURAL RESOURCES COMPANY

By:

Name:
Title:

PIONEER NATURAL RESOURCES USA, INC.

By:

Mark L. Withrow
Executive Vice President,
General Counsel and Secretary

PARTNERSHIPS:

Parker & Parsley 81-I, Ltd.
Parker & Parsley 81-II, Ltd.
Parker & Parsley 82-I, Ltd.
Parker & Parsley 82-II, Ltd.
Parker & Parsley 82-III, Ltd.
Parker & Parsley 83-A, Ltd.
Parker & Parsley 83-B, Ltd.
Parker & Parsley 84-A, Ltd.
Parker & Parsley 85-A, Ltd.
Parker & Parsley 85-B, Ltd.
Parker & Parsley Private Investment
85-A, Ltd.
Parker & Parsley Selected 85 Private
Investment, Ltd.
Parker & Parsley 86-A, Ltd.
Parker & Parsley 86-B, Ltd.
Parker & Parsley 86-C, Ltd.
Parker & Parsley Private Investment
86, Ltd.
Parker & Parsley 87-A Conv., Ltd.
Parker & Parsley 87-A, Ltd.
Parker & Parsley 87-B Conv., Ltd.
Parker & Parsley 87-B, Ltd.
Parker & Parsley Producing
Properties 87-A, Ltd.
Parker & Parsley Producing
Properties 87-B, Ltd.
Parker & Parsley Private Investment

87, Ltd.

F-15

200

Parker & Parsley 88-A Conv., L.P.
Parker & Parsley 88-A, L.P.
Parker & Parsley 88-B Conv., L.P.
Parker & Parsley 88-B, L.P.
Parker & Parsley 88-C Conv., L.P.
Parker & Parsley 88-C, L.P.
Parker & Parsley Producing
Properties 88-A, L.P.
Parker & Parsley Private Investment
88, L.P.
Parker & Parsley 89-A Conv., L.P.
Parker & Parsley 89-A, L.P.
Parker & Parsley 89-B Conv., L.P.
Parker & Parsley 89-B, L.P.
Parker & Parsley Private Investment
89, L.P.
Parker & Parsley 90-A Conv., L.P.
Parker & Parsley 90-A, L.P.
Parker & Parsley 90-B Conv., L.P.
Parker & Parsley 90-B, L.P.
Parker & Parsley 90-C Conv., L.P.
Parker & Parsley 90-C, L.P.
Parker & Parsley Private Investment
90, L.P.
Parker & Parsley 90 Spraberry
Private Development, L.P.
Parker & Parsley 91-A, L.P.
Parker & Parsley 91-B, L.P.

By: Pioneer Natural Resources USA,
Inc., as the sole or managing
general partner of each
Partnership

By:

Mark L. Withrow
Executive Vice President,
General Counsel and Secretary

By: Pioneer Natural Resources USA,
Inc., as the sole general
partner of each Nonmanaging
General Partner

By:

Mark L. Withrow
Executive Vice President,
General Counsel and Secretary

F-16

201

By: Pioneer Natural Resources USA,
Inc., as attorney-in-fact for
the limited partners of each
Partnership

By:

Mark L. Withrow
Executive Vice President,
General Counsel and Secretary

F-17

202

PIONEER NATURAL RESOURCES COMPANY
PIONEER NATURAL RESOURCES USA, INC.
5205 NORTH O'CONNOR BLVD., SUITE 1400
IRVING, TEXAS 75039

SUPPLEMENTAL INFORMATION

OF

PARKER & PARSLEY 81-I, LTD., A TEXAS LIMITED PARTNERSHIP

TO

PROXY STATEMENT/PROSPECTUS DATED _____, 2001

THE DATE OF THIS SUPPLEMENT IS _____, 2001

This document contains important information specific to Parker & Parsley 81-I, Ltd. and supplements the proxy statement/prospectus dated _____, 2001, of Pioneer Natural Resources Company and Pioneer Natural Resources USA, Inc., by which Pioneer USA is soliciting proxies to be voted at a special meeting of limited partners of the partnership. The purpose of the special meeting is for you to vote upon the merger of the partnership with and into Pioneer USA that, if completed, will result in your receiving common stock of Pioneer Natural Resources Company for your partnership interests.

This document contains the following information concerning Parker & Parsley 81-I, Ltd.:

- o A table containing:
 - the aggregate initial investment by the limited partners
 - the aggregate historical limited partner distributions through July 31, 2001
 - the merger value attributable to partnership interests of limited partners, excluding Pioneer USA
 - the merger value per \$1,000 limited partner investment
 - the merger value per \$1,000 limited partner investment as a multiple of distributions for the past four quarterly distributions including the distribution in July 2001

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

- the book value per \$1,000 limited partner investment as of June 30, 2001 and as of December 31, 2000

- the going concern value per \$1,000 limited partner investment

- the liquidation value per \$1,000 limited partner investment

- the ordinary tax loss per \$1,000 limited partner investment in year of initial investment

- o Information about:
 - the legal opinion for the limited partners

 - the term of the partnership

- o The partnership's financial statements, including management's discussion and analysis of financial condition and results of operations, for the six months ended June 30, 2001

- o The partnership's financial statements, including management's discussion and analysis of financial condition and results of operations, for the year ended December 31, 2000

- o Selected historical financial data for the partnership for the six months ended June 30, 2001 and 2000 and the five years ended December 31, 2000

-1-

203

PARKER & PARSLEY 81-I, LTD.

SUPPLEMENTAL INFORMATION TABLE

Aggregate Initial Investment by the Limited Partners (a)

Aggregate Historical Limited Partner Distributions through July 31, 2001 (a)

Merger Value Attributable to Partnership Interests of Limited Partners, Excluding Pioneer USA (a),

Merger Value per \$1,000 Limited Partner Investment (b), (c)

Merger Value per \$1,000 Limited Partner Investment as a Multiple of Distributions for the past four quarterly distributions including the distribution in July 2001 (b), (c)

Book Value per \$1,000 Limited Partner Investment:

-- as of June 30, 2001 (c)

-- as of December 31, 2000 (c)

Going Concern Value per \$1,000 Limited Partner Investment (c), (d)

Liquidation Value per \$1,000 Limited Partner Investment (c), (e)

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Ordinary Tax Loss per \$1,000 Limited Partner Investment in Year of Initial Investment (c), (f)

- (a) Stated in thousands.
- (b) The merger value for the partnership is equal to the sum of the present value of estimated future net revenues from the partnership's estimated oil and gas reserves and its net working capital, in each case as of March 31, 2001, less its pro rata share, based on its reserve value, of the estimated expenses and fees of the mergers of all of the partnerships and less the cash distribution on July 13, 2001, by the partnership to its partners.
- (c) Interests in some partnerships were sold in units at prices other than \$1,000. We have presented this information based on a \$1,000 initial investment for ease of use and comparison among partnerships. You should not assume that the amount shown per \$1,000 investment is the same as the value or amount attributable to a single unit investment.
- (d) The going concern value for the partnership is based upon: (1) the sum of (A) the estimated net cash flow from the sale of the partnership's reserves during a 10-year operating period and (B) the estimated residual value from the sale of the partnership's remaining reserves at the end of the operating period, in each case using the same pricing and discount rate as in the merger value calculation, less (2) (A) partnership level general and administrative expenses, and (B) the cash distribution on July 13, 2001 by the partnership to its partners.
- (e) The liquidation value for the partnership is based upon the sale of the partnership's reserves at the reserve value, less (1) liquidation expenses which are estimated to be the sum of (A) the partnership's pro rata share of the merger expenses and fees described in footnote (b) above and (B) 3% of the partnership's reserve value, and (2) the cash distribution on July 13, 2001 by the partnership to its partners. The liquidation expenses represent the estimated costs to retain an investment banker or broker to sell the assets of the partnership and the legal and other closing costs associated with such transaction, including the wind-down costs of the partnership.
- (f) Your ability to use your distributive share of the partnership's loss to offset your other income may have been subject to certain limitations at your level as a partner, and you may therefore wish to consult your tax advisor to determine the additional value, if any, actually realized by you in your particular circumstances.

INFORMATION ABOUT THE LEGAL OPINION FOR THE LIMITED PARTNERS

The partnership agreement for the partnership requires that special legal counsel render an opinion on behalf of the limited partners to Pioneer USA that (1) neither the grant nor the exercise of the right to approve the merger of the partnership by its limited partners will adversely affect the federal income tax classification of the partnership or any of its limited partners; and (2) neither the grant nor exercise of such right will result in the loss of any limited partner's limited liability. In addition, the counsel designated to

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

render the opinion must be counsel other than counsel to Pioneer USA or the partnership. Both the designated counsel and the legal opinion must be approved by the limited partners. Pioneer USA has retained _____ of Dallas, Texas for the purpose of rendering this legal opinion on behalf of the limited partners to Pioneer USA. The merger proposals include an approval of that counsel and the form of its opinion. A copy of the opinion is attached as an exhibit to the merger proposals.

INFORMATION ABOUT THE TERM OF THE PARTNERSHIP

The term of the partnership shall continue until terminated in accordance with the applicable provisions of its partnership agreement.

-2-

204

PARKER & PARSLEY 81-I, LTD.

(A Texas Limited Partnership)

FINANCIAL STATEMENTS

June 30, 2001 and December 31, 2000

(Unaudited)

205

PARKER & PARSLEY 81-I, LTD.

(A Texas Limited Partnership)

BALANCE SHEETS

	June 30, 2001	December 31, 2000
	-----	-----
	(Unaudited)	
ASSETS		
Current assets:		
Cash	\$ 102,047	\$ 38,546
Accounts receivable - oil and gas sales	50,689	63,269
	-----	-----
Total current assets	152,736	101,815
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	5,245,897	5,245,144
Accumulated depletion	(5,146,166)	(5,142,190)

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Net oil and gas properties	----- 99,731 -----	----- 102,954 -----
	\$ 252,467 =====	\$ 204,769 =====
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable - affiliate	\$ 9,658	\$ 8,817
Partners' capital:		
General partners	57,505	45,564
Limited partners (1,482 interests)	185,304	150,388
	----- 242,809 -----	----- 195,952 -----
	\$ 252,467 =====	\$ 204,769 =====

The financial information included as of June 30, 2001 has been prepared by the managing general partner without audit by independent public accountants.

The accompanying notes are an integral part of these financial statements.

2

206

PARKER & PARSLEY 81-I, LTD.
(A Texas Limited Partnership)

STATEMENTS OF OPERATIONS
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2001	2000	2001	2000
	-----	-----	-----	-----
Revenues:				
Oil and gas	\$ 103,562	\$ 97,018	\$ 211,753	\$ 191,199
Interest	719	795	1,438	1,358
	----- 104,281 -----	----- 97,813 -----	----- 213,191 -----	----- 192,557 -----
Costs and expenses:				
Oil and gas production	40,997	44,490	85,961	85,156
General and administrative	3,109	3,731	7,966	6,652
Depletion	2,085	2,067	3,976	3,685
	----- 46,191 -----	----- 50,288 -----	----- 97,903 -----	----- 95,493 -----
Net income	\$ 58,090 =====	\$ 47,525 =====	\$ 115,288 =====	\$ 97,064 =====

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Allocation of net income:				
General partners	\$ 14,835	\$ 12,191	\$ 29,163	\$ 24,819
	=====	=====	=====	=====
Limited partners	\$ 43,255	\$ 35,334	\$ 86,125	\$ 72,245
	=====	=====	=====	=====
Net income per limited partnership interest	\$ 29.18	\$ 23.84	\$ 58.11	\$ 48.75
	=====	=====	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

The accompanying notes are an integral part of these financial statements.

3

207

PARKER & PARSLEY 81-I, LTD.
(A Texas Limited Partnership)

STATEMENT OF PARTNERS' CAPITAL
(Unaudited)

	General partners	Limited partners	Total
	-----	-----	-----
Balance at January 1, 2001	\$ 45,564	\$ 150,388	\$ 195,952
Distributions	(17,222)	(51,209)	(68,431)
Net income	29,163	86,125	115,288
	-----	-----	-----
Balance at June 30, 2001	\$ 57,505	\$ 185,304	\$ 242,809
	=====	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

The accompanying notes are an integral part of these financial statements.

4

208

PARKER & PARSLEY 81-I, LTD.
(A Texas Limited Partnership)

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

STATEMENTS OF CASH FLOWS
(Unaudited)

	Six months ended June 30,	
	2001	2000
	-----	-----
Cash flows from operating activities:		
Net income	\$ 115,288	\$ 97,064
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion	3,976	3,685
Changes in assets and liabilities:		
Accounts receivable	12,580	(12,389)
Accounts payable	841	843
	-----	-----
Net cash provided by operating activities	132,685	89,203
	-----	-----
Cash flows used in investing activities:		
Additions to oil and gas properties	(753)	(4,475)
Cash flows used in financing activities:		
Cash distributions to partners	(68,431)	(96,204)
	-----	-----
Net increase (decrease) in cash	63,501	(11,476)
Cash at beginning of period	38,546	38,716
	-----	-----
Cash at end of period	\$ 102,047	\$ 27,240
	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

The accompanying notes are an integral part of these financial statements.

PARKER & PARSLEY 81-I, LTD.
(A Texas Limited Partnership)

NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Unaudited)

Note 1. Organization and nature of operations

Parker & Parsley 81-I, Ltd. (the "Partnership") is a limited partnership organized in 1981 under the laws of the State of Texas.

The Partnership engages in oil and gas development and production in Texas and

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

is not involved in any industry segment other than oil and gas.

Note 2. Basis of presentation

In the opinion of management, the unaudited financial statements of the Partnership as of June 30, 2001 and for the three and six months ended June 30, 2001 and 2000 include all adjustments and accruals consisting only of normal recurring accrual adjustments which are necessary for a fair presentation of the results for the interim period. These interim results are not necessarily indicative of results for a full year. Certain reclassifications may have been made to the June 30, 2000 financial statements to conform to the June 30, 2001 financial statement presentations.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in these interim financial statements. The financial statements should be read in conjunction with the financial statements and the notes thereto contained in the Partnership's report for the year ended December 31, 2000, a copy of which is available upon request by writing to Rich Dealy, Vice President and Chief Accounting Officer, 5205 North O'Connor Boulevard, Suite 1400, Irving, Texas 75039-3746.

Management's Discussion and Analysis of Financial Condition and Results of Operations (1)

Results of Operations

Six months ended June 30, 2001 compared with six months ended
June 30, 2000

Revenues:

The Partnership's oil and gas revenues increased 11% to \$211,753 for the six months ended June 30, 2001 as compared to \$191,199 for the same period in 2000. The increase in revenues resulted from higher average prices received, offset by a decrease in production. For the six months ended June 30, 2001, 4,203 barrels of oil, 2,165 barrels of natural gas liquids ("NGLs") and 12,725 mcf of gas were sold, or 8,489 barrel of oil equivalents ("BOEs"). For the six months ended June 30, 2000, 4,524 barrels of oil, 2,512 barrels of NGLs and 12,333 mcf of gas were sold, or 9,092 BOEs.

The average price received per barrel of oil increased \$.40, or 1%, from \$27.49 for the six months ended June 30, 2000 to \$27.89 for the same period in 2001. The average price received per barrel of NGLs increased \$1.43, or 10%, from \$13.83 during the six months ended June 30, 2000 to \$15.26 for the same period in 2001. The average price received per mcf of gas increased 86% from \$2.60 during the six months ended June 30, 2000 to \$4.83 for the same period in 2001. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received during the six months ended June 30, 2001.

Costs and Expenses:

Total costs and expenses increased to \$97,903 for the six months ended June 30, 2001 as compared to \$95,493 for the same period in 2000, an increase of \$2,410,

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

or 3%. This increase was due to increases in general and administrative expenses ("G&A"), production costs and depletion.

Production costs were \$85,961 for the six months ended June 30, 2001 and \$85,156 for the same period in 2000 resulting in an \$805 increase, or 1%. The increase was due to increased production taxes due to higher oil and gas prices, offset by less well maintenance costs.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 20% from \$6,652 for the six months ended June 30, 2000 to \$7,966 for the same period in 2001, primarily due to a higher allocation of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues and an increase in audit and tax fees.

Depletion was \$3,976 for the six months ended June 30, 2001 as compared to \$3,685 for the same period in 2000, an increase of \$291, or 8%. This increase was the result of a decline in proved reserves during the period ended June 30, 2001 due to lower commodity prices, offset by a decline in oil production of 321 barrels for the six months ended June 30, 2001 as compared to the same period in 2000.

Three months ended June 30, 2001 compared with three months ended June 30, 2000

Revenues:

The Partnership's oil and gas revenues increased 7% to \$103,562 for the three months ended June 30, 2001 as compared to \$97,018 for the same period in 2000. The increase in revenues resulted from higher average prices received for gas and NGLs and an increase in production, offset by a decline in the average price received for oil. For the three months ended June 30, 2001, 2,046 barrels of oil, 1,395 barrels of NGLs and 7,163 mcf of gas were sold, or 4,635 BOEs. For the three months ended June 30, 2000, 2,122 barrels of oil, 1,295 barrels of NGLs and 6,231 mcf of gas were sold, or 4,456 BOEs.

The average price received per barrel of oil decreased \$.67, or 2%, from \$27.86 for the three months ended June 30, 2000 to \$27.19 for the three months ended June 30, 2001. The average price received per barrel of NGLs increased \$1.32, or 10%, from \$13.13 during the three months ended June 30, 2000 to \$14.45 for the same period in 2001. The average price received per mcf of gas increased 16% to \$3.88 during the three months ended June 30, 2001 from \$3.35 during the same period in 2000.

Costs and Expenses:

Total costs and expenses decreased to \$46,191 for the three months ended June 30, 2001 as compared to \$50,288 for the same period in 2000, a decrease of \$4,097, or 8%. This decrease was due to declines in production costs and G&A, offset by an increase in depletion.

Production costs were \$40,997 for the three months ended June 30, 2001 and \$44,490 for the same period in 2000 resulting in a \$3,493 decrease, or 8%. The decrease was due to less well maintenance costs.

During this period, G&A decreased 17%, from \$3,731 for the three months ended June 30, 2000 to \$3,109 for the same period in 2001, primarily due to lower audit and tax expenses.

Depletion was \$2,085 for the three months ended June 30, 2001 as compared to \$2,067 for the same period in 2000, an increase of \$18.

211

Liquidity and Capital Resources

Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$43,482 during the six months ended June 30, 2001 from the same period ended June 30, 2000. This increase was due to an increase in oil and gas sales receipts of \$20,634 and a reduction in working capital of \$24,967, offset by an increase in production costs of \$805 and G&A expenses of \$1,314. The increase in oil and gas receipts resulted from the increase in commodity prices during 2001 which contributed an additional \$32,905 to oil and gas receipts, offset by \$12,271 resulting from the decline in production during 2001 as compared to the same period in 2000. The increase in production costs was primarily due to increased production taxes associated with higher oil and gas prices, offset by less well maintenance costs. The increase in G&A was primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues and an increase in audit and tax fees.

Net Cash Used in Investing Activities

The Partnership's investing activities for the six months ended June 30, 2001 and 2000 were for expenditures related to equipment upgrades on various oil and gas properties.

Net Cash Used in Financing Activities

For the six months ended June 30, 2001, cash distributions to the partners were \$68,431, of which \$17,222 was distributed to the general partners and \$51,209 to the limited partners. For the same period ended June 30, 2000, cash distributions to the partners were \$96,204, of which \$23,868 was distributed to the general partners and \$72,336 to the limited partners.

For the three months ended June 30, 2001, no distributions were made by the partnership to its partners. Subsequent to June 30, 2001 the cash distribution that otherwise would have been mailed to partners in late June was made to holders of record as of July 9, 2001 and was mailed on July 13, 2001. For further information, see "Proposal to acquire partnerships" below.

Proposal to acquire partnerships

On June 29, 2001, Pioneer Natural Resources Company ("Pioneer") filed with the Securities and Exchange Commission Amendment No. 1 to the Form S-4 Registration Statement (File No. 333- 59094) (the "preliminary proxy statement/prospectus"), which proposes an agreement and plan of merger among Pioneer, Pioneer Natural Resources USA, Inc. ("Pioneer USA"), a wholly-owned subsidiary of Pioneer, and 46 Parker & Parsley limited partnerships. Each partnership that approves the agreement and plan of merger and the other related merger proposals will merge with and into Pioneer USA upon the closing of the transactions described in the preliminary proxy statement/prospectus, and the partnership interests of each such partnership will be converted into the right to receive Pioneer common stock. The Partnership is one of the 46 Parker & Parsley limited partnerships that will be asked to approve the agreement and plan of merger. The preliminary proxy statement/prospectus is non-binding and is subject to, among other things, consideration of offers from third parties to purchase any partnership or its assets and the majority approval of the limited partnership interests in each partnership.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Pioneer USA will solicit proxies from limited partners to approve the mergers only when the proxy statement/prospectus is final and declared effective. No solicitation will be made using preliminary materials. Nonetheless, copies of the preliminary proxy statement/prospectus may be obtained without charge upon request from Pioneer Natural Resources Company, 5205 North O'Connor Blvd., Suite 1400, Irving, Texas 75039, Attention: Investor Relations.

The limited partners are urged to read the proxy statement/prospectus of Pioneer filed with the Securities and Exchange Commission, when it is finalized, because it contains important information about the proposed mergers, including information about the direct and indirect interests of Pioneer USA and Pioneer in the mergers. The limited partners may also obtain the preliminary and (when filed) final proxy statement/prospectus and other relevant documents relating to the proposed mergers free through the internet web site that the Securities and Exchange Commission maintains at www.sec.gov.

- (1) "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" contains forward looking statements that involve risks and uncertainties. Accordingly, no assurances can be given that the actual events and results will not be materially different than the anticipated results described in the forward looking statements.

8

212

PARKER & PARSLEY 81-I, LTD.
(A Texas Limited Partnership)

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT

December 31, 2000 and 1999

213

INDEPENDENT AUDITORS' REPORT

The Partners
Parker & Parsley 81-I, Ltd.
(A Texas Limited Partnership):

We have audited the balance sheets of Parker & Parsley 81-I, Ltd. as of December 31, 2000 and 1999, and the related statements of operations, partners' capital and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Partnership's

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parker & Parsley 81-I, Ltd. as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Dallas, Texas
March 9, 2001

2

214

PARKER & PARSLEY 81-I, LTD.
(A Texas Limited Partnership)

BALANCE SHEETS
December 31

	2000	
ASSETS	-----	-----
Current assets:		
Cash	\$ 38,546	\$
Accounts receivable - oil and gas sales	63,269	
	-----	-----
Total current assets	101,815	
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	5,245,144	
Accumulated depletion	(5,142,190)	
	-----	-----
Net oil and gas properties	102,954	

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	-----	-----
	\$ 204,769	\$
	=====	=====
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable - affiliate	\$ 8,817	\$
Partners' capital:		
General partners	45,564	
Limited partners (1,482 interests)	150,388	
	-----	-----
	195,952	-----
	-----	-----
	\$ 204,769	\$
	=====	=====

The accompanying notes are an integral part of these financial statements.

3

215

PARKER & PARSLEY 81-I, LTD.
(A Texas Limited Partnership)

STATEMENTS OF OPERATIONS
For the years ended December 31

	2000	1999	1998
	-----	-----	-----
Revenues:			
Oil and gas	\$ 416,230	\$ 260,652	\$ 199,789
Interest	3,071	1,858	2,462

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Gain on disposition of assets	--	--	67
	-----	-----	-----
	419,301	262,510	202,318
	-----	-----	-----
Costs and expenses:			
Oil and gas production	174,233	165,810	157,631
General and administrative	15,697	13,087	8,892
Impairment of oil and gas properties	--	--	50,343
Depletion	8,759	11,881	116,799
	-----	-----	-----
	198,689	190,778	333,665
	-----	-----	-----
Net income (loss)	\$ 220,612	\$ 71,732	\$ (131,347)
	=====	=====	=====
Allocation of net income (loss):			
General partners	\$ 56,242	\$ 19,205	\$ (7,775)
	=====	=====	=====
Limited partners	\$ 164,370	\$ 52,527	\$ (123,572)
	=====	=====	=====
Net income (loss) per limited partnership interest	\$ 110.91	\$ 35.44	\$ (83.38)
	=====	=====	=====

The accompanying notes are an integral part of these financial statements.

4

216

PARKER & PARSLEY 81-I, LTD.
(A Texas Limited Partnership)

STATEMENTS OF PARTNERS' CAPITAL

		General partners	
		-----	-----
Partners' capital at January 1, 1998	\$	52,826	\$
Distributions		(10,054)	
Net loss		(7,775)	

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Partners' capital at December 31, 1998	-----	34,997	-----
Distributions		(15,981)	
Net income		19,205	-----
Partners' capital at December 31, 1999		38,221	
Distributions		(48,899)	
Net income		56,242	-----
Partners' capital at December 31, 2000	\$	45,564	\$
		=====	=====

The accompanying notes are an integral part of these financial statements.

PARKER & PARSLEY 81-I, LTD.
(A Texas Limited Partnership)

STATEMENTS OF CASH FLOWS
For the years ended December 31

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Cash flows from operating activities:		
Net income (loss)	\$	220,612
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Impairment of oil and gas properties		-
Depletion		8,759
Gain on disposition of assets		-
Changes in assets and liabilities:		
Accounts receivable		(28,929)
Accounts payable		(1,224)

Net cash provided by operating activities		199,218

Cash flows from investing activities:		
Additions to oil and gas properties		(4,512)
Proceeds from asset dispositions		-

Net cash provided by (used in) investing activities		(4,512)

Cash flows used in financing activities:		
Cash distributions to partners		(194,876)

Net increase (decrease) in cash		(170)
Cash at beginning of year		38,716

Cash at end of year	\$	38,546
		=====

The accompanying notes are an integral part of these financial statements.

PARKER & PARSLEY 81-I, LTD.
(A Texas Limited Partnership)

NOTES TO FINANCIAL STATEMENTS
December 31, 2000, 1999 and 1998

NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS

Parker & Parsley 81-I, Ltd. (the "Partnership") is a limited partnership organized in 1981 under the laws of the State of Texas. The Partnership's general partners are Pioneer Natural Resources USA, Inc. ("Pioneer USA") and P&P Employees 81-I, Ltd. ("EMPL"). The Partnership's managing general partner is Pioneer USA.

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Oil and gas properties - The Partnership utilizes the successful efforts method of accounting for its oil and gas properties and equipment. Under this method, all costs associated with productive wells and nonproductive development wells are capitalized while nonproductive exploration costs are expensed. Capitalized costs relating to proved properties are depleted using the unit-of-production method on a property-by-property basis based on proved oil (dominant mineral) reserves as evaluated by independent petroleum consultants. The carrying amounts of properties sold or otherwise disposed of and the related allowances for depletion are eliminated from the accounts and any gain or loss is included in results of operations.

Impairment of long-lived assets - In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the Partnership reviews its long-lived assets to be held and used on an individual property basis, including oil and gas properties accounted for under the successful efforts method of accounting, whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. An impairment loss is indicated if the sum of the expected future cash flows is less than the carrying amount of the assets. In this circumstance, the Partnership recognizes an impairment loss for the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset.

Use of estimates in the preparation of financial statements - Preparation of the accompanying financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

7

219

Net income (loss) per limited partnership interest - The net income (loss) per limited partnership interest is calculated by using the number of outstanding limited partnership interests.

Income taxes - A Federal income tax provision has not been included in the financial statements as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

Statements of cash flows - For purposes of reporting cash flows, cash includes depository accounts held by banks.

General and administrative expenses - General and administrative expenses are allocated in part to the Partnership by the managing general partner. Allocated expenses are determined by the managing general partner based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Reclassifications - Certain reclassifications may have been made to the

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

1999 and 1998 financial statements to conform to the 2000 financial statement presentations.

Environmental - The Partnership is subject to extensive federal, state and local environmental laws and regulations. These laws, which are constantly changing, regulate the discharge of materials into the environment and may require the Partnership to remove or mitigate the environmental effects of the disposal or release of petroleum or chemical substances at various sites. Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Liabilities for expenditures of a noncapital nature are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated. Such liabilities are generally undiscounted unless the timing of cash payments for the liability or component are fixed or reliably determinable. No such liabilities have been accrued as of December 31, 2000.

Revenue recognition - The Partnership uses the entitlements method of accounting for oil, natural gas liquids ("NGLs") and natural gas revenues.

NOTE 3. IMPAIRMENT OF LONG-LIVED ASSETS

In accordance with SFAS 121, the Partnership reviews its proved oil and gas properties for impairment whenever events and circumstances indicate a decline in the recoverability of the carrying value of the Partnership's oil and gas properties. The Partnership has estimated the expected future cash flows of its oil and gas properties as of December 31, 2000, 1999 and 1998, based on proved reserves, and compared such estimated future cash flows to the respective carrying amount of the oil and gas properties to determine if the carrying amounts were likely to be recoverable. For those proved oil and gas properties for which the carrying amount exceeded the estimated future cash flows, an impairment was determined to exist; therefore, the Partnership adjusted the carrying amount of those oil and gas properties to their fair value as determined by discounting their expected future cash flows at a discount rate commensurate with the risks involved

8

220

in the industry. As a result, the Partnership recognized a non-cash impairment provision of \$50,343 related to its proved oil and gas properties during 1998.

NOTE 4. INCOME TAXES

The financial statement basis of the Partnership's net assets and liabilities was \$308,345 less than the tax basis at December 31, 2000.

The following is a reconciliation of net income (loss) per statements of operations with the net income per Federal income tax returns for the years ended December 31:

	2000	
	-----	-----
Net income (loss) per statements of operations	\$ 220,612	\$
Depletion and depreciation provisions for tax reporting purposes less than amounts for		

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

financial reporting purposes	6,157	
Impairment of oil and gas properties for financial reporting purposes	-	
Other, net	(447)	
	-----	----
Net income per Federal income tax returns	\$ 226,322	\$
	=====	=====

NOTE 5. OIL AND GAS PRODUCING ACTIVITIES

The following is a summary of the costs incurred, whether capitalized or expensed, related to the Partnership's oil and gas producing activities for the years ended December 31:

	2000	
	-----	----
Property acquisition costs	\$ 4,512	\$
	=====	=====

Capitalized oil and gas properties consist of the following:

Proved properties:		
Property acquisition costs		\$
Completed wells and equipment		

Accumulated depletion		

Net oil and gas properties		\$
		=====

NOTE 6. RELATED PARTY TRANSACTIONS

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$	78,719	\$
Reimbursement of general and administrative expenses	\$	12,487	\$

Pioneer USA, EMPL and the Partnership are parties to the Partnership agreement. EMPL is a limited partnership in which Pioneer USA owns 60% and the remaining portion is owned by former affiliates.

The costs and revenues of the Partnership are allocated as follows:

	General partners -----
Revenues:	
Proceeds from property dispositions prior to cost recovery	10%
All other Partnership revenues	25%
Costs and expenses:	
Lease acquisition costs, drilling and completion costs and all other costs	10%
Operating costs, direct costs and general and administrative expenses	25%

NOTE 7. OIL AND GAS INFORMATION (UNAUDITED)

The following table presents information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities during the years then ended. All of the Partnership's reserves are proved developed and located within the United States. The Partnership's reserves are based on an evaluation prepared by Williamson Petroleum Consultants, Inc., an independent petroleum consultant, using criteria established by the Securities and Exchange Commission.

10

222

	Oil and NGLs (bbls) -----	Gas (mcf) -----
Net proved reserves at January 1, 1998	131,090	275,544
Revisions	(70,930)	(119,307)
Production	(13,937)	(24,638)
	-----	-----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Net proved reserves at December 31, 1998	46,223	131,599
Revisions	160,567	219,656
Production	(14,970)	(28,708)
	-----	-----
Net proved reserves at December 31, 1999	191,820	322,547
Revisions	33,336	130,129
Production	(13,976)	(25,901)
	-----	-----
Net proved reserves at December 31, 2000	211,180	426,775
	=====	=====

As of December 31, 2000, the estimated present value of future net revenues of proved reserves, calculated using December 31, 2000 prices of \$26.64 per barrel of oil, \$13.30 per barrel of NGLs and \$7.65 per mcf of gas, discounted at 10% was approximately \$1,915,000 and undiscounted was \$3,748,000.

Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves. The Partnership emphasizes that reserve estimates are inherently imprecise and, accordingly, the estimates are expected to change as future information becomes available.

Disclosures about Oil & Gas Producing Activities

Standardized Measure of Discounted Future Net Cash Flows

The standardized measure of discounted future net cash flows is computed by applying year-end prices of oil and gas (with consideration of price changes only to the extent provided by contractual arrangements) to the estimated future production of proved oil and gas reserves less estimated future expenditures (based on year-end costs) to be incurred in developing and producing the proved reserves, discounted using a rate of 10% per year to reflect the estimated timing of the future cash flows. A Federal income tax provision has not been calculated as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

Discounted future cash flow estimates like those shown below are not intended to represent estimates of the fair value of oil and gas properties. Estimates of fair value should also consider anticipated future oil and gas prices, interest rates, changes in development and production costs and risks associated with future production. Because of these and other considerations, any estimate of fair value is necessarily subjective and imprecise.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	2000	
	-----	-----
		(in
Oil and gas producing activities:		
Future cash inflows	\$ 7,853	\$
Future production costs	(4,105)	
	-----	-----
	3,748	
10% annual discount factor	(1,833)	
	-----	-----
Standardized measure of discounted future net cash flows	\$ 1,915	\$
	=====	=====

	For the years e	
	2000	
	-----	-----
		(in
Oil and Gas Producing Activities:		
Oil and gas sales, net of production costs	\$ (242)	\$
Net changes in prices and production costs	888	
Revisions of previous quantity estimates	415	
Accretion of discount	96	
Changes in production rates, timing and other	(206)	
	-----	-----
Change in present value of future net revenues	951	
	-----	-----
Balance, beginning of year	964	
	-----	-----
Balance, end of year	\$ 1,915	\$
	=====	=====

NOTE 8. MAJOR CUSTOMERS

The following table reflects the major customers of the Partnership's oil and gas sales (a major customer is defined as a customer whose sales exceed 10% of total sales) during the years ended December 31:

	2000

Plains Marketing, L.P.	54%
Genesis Crude Oil, L.P.	-
Western Gas Resources, Inc.	-
Exxon Corporation	8%

At December 31, 2000, the amount receivable from Plains Marketing, L.P.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

was \$19,892 which is included in the caption "Accounts receivable - oil and gas sales" in the accompanying Balance Sheet.

Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on the ability of the Partnership to sell its oil, NGLs and gas production.

12

224

NOTE 9. PARTNERSHIP AGREEMENT

The following is a brief summary of the more significant provisions of the limited partnership agreement:

General partners - The general partners of the Partnership are Pioneer USA and EMPL. Pioneer USA, the managing general partner, has the power and authority to manage, control and administer all Partnership affairs. As managing general partner and operator of the Partnership's properties, all production expenses are incurred by Pioneer USA and billed to the Partnership. The majority of the Partnership's oil and gas revenues are received directly by the Partnership, however, a portion of the oil and gas revenue is initially received by Pioneer USA prior to being paid to the Partnership.

Limited partner liability - The maximum amount of liability of any limited partner is the total contributions of such partner plus his share of any undistributed profits.

Initial capital contributions - The limited partners entered into subscription agreements for aggregate capital contributions of \$7,410,000. The general partners are required to contribute amounts equal to 10% of Partnership expenditures for lease acquisition, drilling and completion and 25% of direct, general and administrative and operating expenses.

13

225

PARKER & PARSLEY 81-I, LTD.
(A TEXAS LIMITED PARTNERSHIP)

THIS REPORT CONTAINS FORWARD LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. ACCORDINGLY, NO ASSURANCES CAN BE GIVEN THAT THE ACTUAL EVENTS AND RESULTS WILL NOT BE MATERIALLY DIFFERENT THAN THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Results of operations

2000 compared to 1999

The Partnership's oil and gas revenues increased 60% to \$416,230 for 2000 as compared to \$260,652 in 1999. The increase in revenues resulted from higher average prices received, offset by a decrease in production. In 2000, 8,793 barrels of oil, 5,183 barrels of natural gas liquids ("NGLs") and 25,901 mcf of gas were sold, or 18,293 barrel of oil equivalents ("BOEs"). In 1999, 9,249 barrels of oil, 5,721 barrels of NGLs and 28,708 mcf of gas were sold, or 19,755 BOEs. Due to the decline characteristics of the Partnership's oil and gas properties, management expects a certain amount of decline in production in the future until the Partnership's economically recoverable reserves are fully depleted.

The average price received per barrel of oil increased \$12.32, or 73%, from \$16.94 in 1999 to \$29.26 in 2000. The average price received per barrel of NGLs increased \$5.38, or 58%, from \$9.22 in 1999 to \$14.60 in 2000. The average price received per mcf of increased 81% from \$1.78 in 1999 to \$3.22 in 2000. The market price for oil and gas has been extremely volatile in the past decade, and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received in 2000.

Total costs and expenses increased in 2000 to \$198,689 as compared to \$190,778 in 1999, an increase of \$7,911, or 4%. The increase was primarily due to an increase in production costs and general and administrative expenses ("G&A"), offset by a decline in depletion.

Production costs were \$174,233 in 2000 and \$165,810 in 1999, resulting in an \$8,423 increase, or 5%. The increase was primarily due to higher production taxes associated with higher oil and gas prices, offset by less well maintenance costs.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 20% from \$13,087 in 1999 to \$15,697 in 2000, primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$12,487 in 2000 and \$7,820 in 1999 for G&A incurred on behalf of the Partnership. The remaining G&A was paid directly by the Partnership. The managing general partner determines the allocated expenses based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Depletion was \$8,759 in 2000 as compared to \$11,881 in 1999, representing a decrease of \$3,122, or 26%. This decrease was primarily due to a 20,821 barrels of oil increase in proved reserves during 2000 as a result of the higher commodity prices.

1999 compared to 1998

The Partnership's 1999 oil and gas revenues increased 30% to \$260,652 from \$199,789 in 1998. The increase in revenues resulted from higher average prices received and an increase in production. In 1999, 9,249 barrels of oil, 5,721 barrels of NGLs and 28,708 mcf of gas were sold, or 19,755 BOEs. In 1998, 9,634 barrels of oil, 4,303 barrels of NGLs and 24,638 mcf of gas were sold, or 18,043 BOEs.

226

The average price received per barrel of oil increased \$3.61, or 27%, from \$13.33 in 1998 to \$16.94 in 1999. The average price received per barrel of NGLs increased \$2.82, or 44%, from \$6.40 in 1998 to \$9.22 in 1999. The average price received per mcf of gas remained unchanged at \$1.78 in 1998 and 1999.

Total costs and expenses decreased in 1999 to \$190,778 as compared to \$333,665 in 1998, a decrease of \$142,887, or 43%. The decrease was primarily due to declines in depletion and the impairment of oil and gas properties, offset by an increase in production costs and G&A.

Production costs were \$165,810 in 1999 and \$157,631 in 1998, resulting in an \$8,179 increase, or 5%. The increase was due to additional well maintenance costs incurred to stimulate well production and an increase in production taxes due to increased oil and gas revenues, offset by a decline in ad valorem taxes.

During this period, G&A increased 47% from \$8,892 in 1998 to \$13,087 in 1999 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$7,820 in 1999 and \$6,250 in 1998 for G&A incurred on behalf of the Partnership.

In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the managing general partner reviews the Partnership's oil and gas properties for impairment whenever events or circumstances indicate a decline in the recoverability of the carrying value of the Partnership's assets may have occurred. As a result of the review and evaluation of its long-lived assets for impairment, the Partnership recognized a non-cash charge of \$50,343 related to its oil and gas properties during 1998.

Depletion was \$11,881 in 1999 compared to \$116,799 in 1998, representing a decrease of \$104,918, or 90%. This decrease was the result of a combination of factors that included an increase in proved reserves of 104,672 barrels of oil during 1999 as a result of the higher commodity prices, a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 1998 and a decline in oil production of 385 barrels for the period ended December 31, 1999 compared to the same period in 1998.

Petroleum industry

The petroleum industry has been characterized by volatile oil, NGL and natural gas commodity prices and relatively stable supplier costs during the three years ended December 31, 2000. During 1998, weather patterns, regional economic recessions and political matters combined to cause worldwide oil supplies to exceed demand resulting in a substantial decline in oil prices. Also during 1998, but to a lesser extent, market prices for natural gas declined. During 1999 and 2000, the Organization of Petroleum Exporting Countries ("OPEC") and certain other crude oil exporting nations announced reductions in their planned export volumes. Those announcements, together with the enactment of the announced reductions in export volumes, had a positive impact on world oil prices, as have overall natural gas supply and demand fundamentals on North American natural gas prices. Although the favorable commodity price environment and stable field service cost environment is expected to continue during 2001, there is no assurance that commodity prices will not return to a less favorable level or that field service costs will not escalate in the future, both of which could negatively impact the Partnership's future results of operations and cash distributions.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Liquidity and capital resources

Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$124,224 during the year ended December 31, 2000 from 1999. This increase was due to an increase in oil and gas sales receipts of \$156,791, offset by increases in production costs paid of \$8,423, G&A expenses paid of \$2,610 and working capital of \$21,534. The increase in oil and gas receipts resulted from the increase in commodity prices during 2000 which contributed an additional \$187,015 to oil and gas receipts, offset by \$30,224 resulting from the decline in production during 2000. The increase in production costs was primarily due to increased production taxes associated with higher oil and gas prices, offset by lower well maintenance costs. The increase in G&A was primarily due to higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues.

227

Net Cash Provided by (Used in) Investing Activities

The Partnership's principal investing activities during 2000 and 1999 included expenditures related to upgrades of equipment on various oil and gas properties.

Net Cash Used in Financing Activities

In 2000, cash distributions to the partners were \$194,876, of which \$48,899 was distributed to the general partners and \$145,977 to the limited partners. In 1999, cash distributions to the partners were \$63,186, of which \$15,981 was distributed to the general partners and \$47,205 to the limited partners.

228

PARKER & PARSLEY 81-I, LTD.

SELECTED FINANCIAL DATA

The following selected financial data for the Partnership should be read in connection with Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements included in the attached supplemental information.

Six months ended June 30,		Years ended Decem		
2001	2000	2000	1999	1998

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Operating results:					
Oil and gas sales	\$ 211,753	\$ 191,199	\$ 416,230	\$ 260,652	\$ 199,789
	=====	=====	=====	=====	=====
Impairment of oil and gas properties	\$ --	\$ --	\$ --	\$ --	\$ 50,343
	=====	=====	=====	=====	=====
Gain on litigation settlement, net	\$ --	\$ --	\$ --	\$ --	\$ --
	=====	=====	=====	=====	=====
Net income (loss)	\$ 115,288	\$ 97,064	\$ 220,612	\$ 71,732	\$ (131,347)
	=====	=====	=====	=====	=====
Allocation of net income (loss):					
General partners	\$ 29,163	\$ 24,819	\$ 56,242	\$ 19,205	\$ (7,775)
	=====	=====	=====	=====	=====
Limited partners	\$ 86,125	\$ 72,245	\$ 164,370	\$ 52,527	\$ (123,572)
	=====	=====	=====	=====	=====
Limited partners' net income (loss) per limited partnership interest	\$ 58.11	\$ 48.75	\$ 110.91	\$ 35.44	\$ (83.38)
	=====	=====	=====	=====	=====
Limited partners' cash distributions per limited partnership interest	\$ 34.55	\$ 48.81	\$ 98.50	\$ 31.85	\$ 30.85
	=====	=====	=====	=====	=====
As of period ended:					
Total assets	\$ 252,467	\$ 181,960	\$ 204,769	\$ 180,257	\$ 168,805
	=====	=====	=====	=====	=====

(a) Including litigation settlement per limited partnership interest of \$20.66 in 1996.

229

PIONEER NATURAL RESOURCES COMPANY
PIONEER NATURAL RESOURCES USA, INC.
5205 NORTH O'CONNOR BLVD., SUITE 1400
IRVING, TEXAS 75039

SUPPLEMENTAL INFORMATION

OF

PARKER & PARSLEY 81-II LTD., A TEXAS LIMITED PARTNERSHIP

TO

PROXY STATEMENT/PROSPECTUS DATED , 2001

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

THE DATE OF THIS SUPPLEMENT IS , 2001

This document contains important information specific to Parker & Parsley 81-II Ltd. and supplements the proxy statement/prospectus dated , 2001, of Pioneer Natural Resources Company and Pioneer Natural Resources USA, Inc., by which Pioneer USA is soliciting proxies to be voted at a special meeting of limited partners of the partnership. The purpose of the special meeting is for you to vote upon the merger of the partnership with and into Pioneer USA that, if completed, will result in your receiving common stock of Pioneer Natural Resources Company for your partnership interests.

This document contains the following information concerning Parker & Parsley 81-II Ltd.:

- o A table containing:
 - the aggregate initial investment by the limited partners
 - the aggregate historical limited partner distributions through July 31, 2001
 - the merger value attributable to partnership interests of limited partners, excluding Pioneer USA
 - the merger value per \$1,000 limited partner investment
 - the merger value per \$1,000 limited partner investment as a multiple of distributions for the past four quarterly distributions including the distribution in July 2001
 - the book value per \$1,000 limited partner investment as of June 30, 2001 and as of December 31, 2000
 - the going concern value per \$1,000 limited partner investment
 - the liquidation value per \$1,000 limited partner investment
 - the ordinary tax loss per \$1,000 limited partner investment in year of initial investment
- o Information about:
 - the legal opinion for the limited partners
 - the term of the partnership
- o The partnership's financial statements, including management's discussion and analysis of financial condition and results of operations, for the six months ended June 30, 2001
- o The partnership's financial statements, including management's discussion and analysis of financial condition and results of operations, for the year ended December 31, 2000

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

- o Selected historical financial data for the partnership for the six months ended June 30, 2001 and 2000 and the five years ended December 31, 2000

-1-

230

PARKER & PARSLEY 81-II LTD.

SUPPLEMENTAL INFORMATION TABLE

Aggregate Initial Investment by the Limited Partners (a)	\$	6
Aggregate Historical Limited Partner Distributions through July 31, 2001 (a)	\$	5
Merger Value Attributable to Partnership Interests of Limited Partners, Excluding Pioneer USA (a), (b)	\$	
Merger Value per \$1,000 Limited Partner Investment (b), (c)	\$	8
Merger Value per \$1,000 Limited Partner Investment as a Multiple of Distributions for the past four quarterly distributions including the distribution in July 2001 (b), (c)		
Book Value per \$1,000 Limited Partner Investment:		
-- as of June 30, 2001 (c)	\$	8
-- as of December 31, 2000 (c)	\$	8
Going Concern Value per \$1,000 Limited Partner Investment (c), (d)	\$	7
Liquidation Value per \$1,000 Limited Partner Investment (c), (e)	\$	7
Ordinary Tax Loss per \$1,000 Limited Partner Investment in Year of Initial Investment (c), (f)	\$	

(a) Stated in thousands.

(b) The merger value for the partnership is equal to the sum of the present value of estimated future net revenues from the partnership's estimated oil and gas reserves and its net working capital, in each case as of March 31, 2001, less its pro rata share, based on its reserve value, of the estimated expenses and fees of the mergers of all of the partnerships and less the cash distribution on July 13, 2001, by the partnership to its partners.

(c) Interests in some partnerships were sold in units at prices other than \$1,000. We have presented this information based on a \$1,000 initial investment for ease of use and comparison among partnerships. You should

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

not assume that the amount shown per \$1,000 investment is the same as the value or amount attributable to a single unit investment.

- (d) The going concern value for the partnership is based upon: (1) the sum of (A) the estimated net cash flow from the sale of the partnership's reserves during a 10-year operating period and (B) the estimated residual value from the sale of the partnership's remaining reserves at the end of the operating period, in each case using the same pricing and discount rate as in the merger value calculation, less (2) (A) partnership level general and administrative expenses, and (B) the cash distribution on July 13, 2001, by the partnership to its partners.
- (e) The liquidation value for the partnership is based upon the sale of the partnership's reserves at the reserve value, less (1) liquidation expenses which are estimated to be the sum of (A) the partnership's pro rata share of the merger expenses and fees described in footnote (b) above and (B) 3% of the partnership's reserve value, and (2) the cash distribution on July 13, 2001 by the partnership to its partners. The liquidation expenses represent the estimated costs to retain an investment banker or broker to sell the assets of the partnership and the legal and other closing costs associated with such transaction, including the wind-down costs of the partnership.
- (f) Your ability to use your distributive share of the partnership's loss to offset your other income may have been subject to certain limitations at your level as a partner, and you may therefore wish to consult your tax advisor to determine the additional value, if any, actually realized by you in your particular circumstances.

INFORMATION ABOUT THE LEGAL OPINION FOR THE LIMITED PARTNERS

The partnership agreement for the partnership requires that special legal counsel render an opinion on behalf of the limited partners to Pioneer USA that (1) neither the grant nor the exercise of the right to approve the merger of the partnership by its limited partners will adversely affect the federal income tax status or classification of the partnership or any of its limited partners; and (2) neither the grant nor exercise of such right will result in the loss of any limited partner's limited liability. In addition, the counsel designated to render the opinion must be counsel other than counsel to Pioneer USA or the partnership. Both the designated counsel and the legal opinion must be approved by the limited partners. Pioneer USA has retained _____ of Dallas, Texas for the purpose of rendering this legal opinion on behalf of the limited partners to Pioneer USA. The merger proposals include an approval of that counsel and the form of its opinion. A copy of the opinion is attached as an exhibit to the merger proposals.

INFORMATION ABOUT THE TERM OF THE PARTNERSHIP

The term of the partnership shall continue until terminated in accordance with the applicable provisions of its partnership agreement.

-2-

231

PARKER & PARSLEY 81-II, LTD.

(A Texas Limited Partnership)

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

FINANCIAL STATEMENTS

June 30, 2001 and December 31, 2000

(Unaudited)

232

PARKER & PARSLEY 81-II, LTD.
(A Texas Limited Partnership)

BALANCE SHEETS

	June 30, 2001	December 31, 2000
	-----	-----
	(Unaudited)	
ASSETS		
Current assets:		
Cash	\$ 83,809	\$ 29,376
Accounts receivable - oil and gas sales	38,815	64,821
	-----	-----
Total current assets	122,624	94,197
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	5,349,540	5,345,296
Accumulated depletion	(4,842,640)	(4,821,914)
	-----	-----
Net oil and gas properties	506,900	523,382
	-----	-----
	\$ 629,524	\$ 617,579
	=====	=====
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable - affiliate	\$ 9,160	\$ 9,253
Partners' capital:		
General partners	66,930	61,405
Limited partners (1,153 interests)	553,434	546,921
	-----	-----
	620,364	608,326
	-----	-----
	\$ 629,524	\$ 617,579
	=====	=====

The financial information included as of June 30, 2001 has been prepared by the managing general partner without audit by independent public accountants.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The accompanying notes are an integral part of these financial statements.

2

233

PARKER & PARSLEY 81-II, LTD.
(A Texas Limited Partnership)

STATEMENTS OF OPERATIONS
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2001	2000	2001	2000
Revenues:				
Oil and gas	\$ 90,934	\$ 104,047	\$ 199,000	\$ 174,048
Interest	663	496	1,345	893
	-----	-----	-----	-----
	91,597	104,543	200,345	174,941
	-----	-----	-----	-----
Costs and expenses:				
Oil and gas production	50,059	50,877	100,899	99,416
General and administrative	2,729	3,420	7,177	5,610
Depletion	10,062	15,070	20,726	26,817
	-----	-----	-----	-----
	62,850	69,367	128,802	131,843
	-----	-----	-----	-----
Net income	\$ 28,747	\$ 35,176	\$ 71,543	\$ 43,098
	=====	=====	=====	=====
Allocation of net income:				
General partners	\$ 8,696	\$ 11,054	\$ 20,740	\$ 14,797
	=====	=====	=====	=====
Limited partners	\$ 20,051	\$ 24,122	\$ 50,803	\$ 28,301
	=====	=====	=====	=====
Net income per limited partnership interest	\$ 17.39	\$ 20.93	\$ 44.06	\$ 24.55
	=====	=====	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

The accompanying notes are an integral part of these financial statements.

3

234

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

PARKER & PARSLEY 81-II, LTD.
(A Texas Limited Partnership)

STATEMENT OF PARTNERS' CAPITAL
(Unaudited)

	General partners -----	Limited partners -----	Total -----
Balance at January 1, 2001	\$ 61,405	\$ 546,921	\$ 608,326
Distributions	(15,215)	(44,290)	(59,505)
Net income	20,740 -----	50,803 -----	71,543 -----
Balance at June 30, 2001	\$ 66,930 =====	\$ 553,434 =====	\$ 620,364 =====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

The accompanying notes are an integral part of these financial statements.

4

235

PARKER & PARSLEY 81-II, LTD.
(A Texas Limited Partnership)

STATEMENTS OF CASH FLOWS
(Unaudited)

	Six months ended June 30, -----	
	2001 -----	2000 -----
Cash flows from operating activities:		
Net income	\$ 71,543	\$ 43,098
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion	20,726	26,817

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Changes in assets and liabilities:		
Accounts receivable	26,006	(20,263)
Accounts payable	(93)	1,090
	-----	-----
Net cash provided by operating activities	118,182	50,742
	-----	-----
Cash flows used in investing activities:		
Additions to oil and gas properties	(4,244)	(5,487)
Cash flows used in financing activities:		
Cash distributions to partners	(59,505)	(42,093)
	-----	-----
Net increase in cash	54,433	3,162
Cash at beginning of period	29,376	30,160
	-----	-----
Cash at end of period	\$ 83,809	\$ 33,322
	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

The accompanying notes are an integral part of these financial statements.

5

236

PARKER & PARSLEY 81-II, LTD.
(A Texas Limited Partnership)

NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Unaudited)

Note 1. Organization and nature of operations

Parker & Parsley 81-II (the "Partnership") is a limited partnership organized in 1981 under the laws of the State of Texas.

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

Note 2. Basis of presentation

In the opinion of management, the unaudited financial statements of the Partnership as of June 30, 2001 and for the three and six months ended June 30, 2001 and 2000 include all adjustments and accruals consisting only of normal recurring accrual adjustments which are necessary for a fair presentation of the results for the interim period. These interim results are not necessarily indicative of results for a full year. Certain reclassifications may have been made to the June 30, 2000 financial statements to conform to the June 30, 2001 financial statement presentations.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in these interim financial statements. The

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

financial statements should be read in conjunction with the financial statements and the notes thereto contained in the Partnership's report for the year ended December 31, 2000, a copy of which is available upon request by writing to Rich Dealy, Vice President and Chief Accounting Officer, 5205 North O'Connor Boulevard, Suite 1400, Irving, Texas 75039-3746.

Management's Discussion and Analysis of Financial Condition and Results of Operations (1)

Results of Operations

Six months ended June 30, 2001 compared with six months ended June 30, 2000

Revenues:

The Partnership's oil and gas revenues increased 14% to \$199,000 for the six months ended June 30, 2001 as compared to \$174,048 for the same period in 2000. The increase in revenues resulted from higher average prices received, offset by a decrease in production. For the six months ended June 30, 2001, 4,136 barrels

6

237

of oil, 1,400 barrels of natural gas liquids ("NGLs") and 11,975 mcf of gas were sold, or 7,532 barrel of oil equivalents ("BOEs"). For the six months ended June 30, 2000, 4,547 barrels of oil, 2,406 barrels of NGLs and 6,862 mcf of gas were sold, or 8,097 BOEs.

The average price received per barrel of oil increased \$.17, or 1%, from \$27.24 for the six months ended June 30, 2000 to \$27.41 for the same period in 2001. The average price received per barrel of NGLs increased \$3.03, or 21%, from \$14.40 during the six months ended June 30, 2000 to \$17.43 for the same period in 2001. The average price received per mcf of gas increased 127% from \$2.26 during the six months ended June 30, 2000 to \$5.12 for the same period in 2001. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received during the six months ended June 30, 2001.

Costs and Expenses:

Total costs and expenses decreased to \$128,802 for the six months ended June 30, 2001 as compared to \$131,843 for the same period in 2000, a decrease of \$3,041, or 2%. This decrease was due to a decline in depletion, offset by increases in general and administrative expenses ("G&A") and production costs.

Production costs were \$100,899 for the six months ended June 30, 2001 and \$99,416 for the same period in 2000 resulting in a \$1,483 increase, or 1%. The increase was due to higher production taxes due to higher oil and gas prices and additional well maintenance costs incurred to stimulate well production.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 28% from \$5,610 for the six months ended June 30, 2000 to \$7,177 for the same period in 2001, primarily due to a higher allocation of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues and an increase in audit and tax fees.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Depletion was \$20,726 for the six months ended June 30, 2001 as compared to \$26,817 for the same period in 2000, a decrease of \$6,091, or 23%. This decrease was the result of a decline in oil production of 411 barrels for the six months ended June 30, 2001 as compared to the same period in 2000.

Three months ended June 30, 2001 compared with three months ended June 30, 2000

Revenues:

The Partnership's oil and gas revenues decreased 13% to \$90,934 for the three months ended June 30, 2001 as compared to \$104,047 for the same period in 2000. The decrease in revenues resulted from lower average prices received for oil and

7

238

a decrease in production, offset by higher average prices received for gas and NGLs. For the three months ended June 30, 2001, 1,967 barrels of oil, 865 barrels of NGLs and 6,244 mcf of gas were sold, or 3,873 BOEs. For the three months ended June 30, 2000, 2,495 barrels of oil, 1,721 barrels of NGLs and 5,373 mcf of gas were sold, or 5,112 BOEs.

The average price received per barrel of oil decreased \$.25, or 1%, from \$27.16 for the three months ended June 30, 2000 to \$26.91 for the three months ended June 30, 2001. The average price received per barrel of NGLs increased \$2.13, or 16%, from \$13.15 during the three months ended June 30, 2000 to \$15.28 for the same period in 2001. The average price received per mcf of gas increased 56% to \$3.97 during the three months ended June 30, 2001 from \$2.54 during the same period in 2000.

Costs and Expenses:

Total costs and expenses decreased to \$62,850 for the three months ended June 30, 2001 as compared to \$69,367 for the same period in 2000, a decrease of \$6,517, or 9%. This decrease was due to declines in depletion, production costs and G&A.

Production costs were \$50,059 for the three months ended June 30, 2001 and \$50,877 for the same period in 2000 resulting in an \$818 decrease, or 2%. The decrease was due to lower well maintenance costs.

During this period, G&A decreased 20%, from \$3,420 for the three months ended June 30, 2000 to \$2,729 for the same period in 2001, primarily due to a lower allocation of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of decreased oil and gas revenues and a decrease in audit and tax fees.

Depletion was \$10,062 for the three months ended June 30, 2001 as compared to \$15,070 for the same period in 2000, a decrease of \$5,008, or 33%. This decrease was the result of a decline in oil production of 528 barrels for the three months ended June 30, 2001 as compared to the same period in 2000.

Liquidity and Capital Resources

Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$67,440 during the six months ended June 30, 2001 from the same period ended June 30, 2000. This increase was due to an increase in oil and gas sales receipts of \$25,404 and a

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

reduction in working capital of \$45,086, offset by increases in production costs of \$1,483 and G&A expenses of \$1,567. The increase in oil and gas receipts resulted from the increase in commodity prices during 2001 which contributed an additional \$27,593 to oil and gas receipts, offset by \$2,189 resulting from the decline in production during 2001 as compared to the same period in 2000. The increase in production costs was primarily due to increased production taxes

8

239

associated with higher oil and gas prices and additional well maintenance costs incurred to stimulate well production. The increase in G&A was primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues and an increase in audit and tax fees.

Net Cash Used in Investing Activities

For the six months ended June 30, 2001 and 2000, the Partnership's investing activities included expenditures related to equipment upgrades on various oil and gas properties.

Net Cash Used in Financing Activities

For the six months ended June 30, 2001, cash distributions to the partners were \$59,505, of which \$15,215 was distributed to the general partners and \$44,290 to the limited partners. For the same period ended June 30, 2000, cash distributions to the partners were \$42,093, of which \$9,905 was distributed to the general partners and \$32,188 to the limited partners.

For the three months ended June 30, 2001, no distributions were made by the partnership to its partners. Subsequent to June 30, 2001 the cash distribution that otherwise would have been mailed to partners in late June was made to holders of record as of July 9, 2001 and was mailed on July 13, 2001. For further information, see "Proposal to acquire partnerships" below.

Proposal to acquire partnerships

On June 29, 2001, Pioneer Natural Resources Company ("Pioneer") filed with the Securities and Exchange Commission Amendment No. 1 to the Form S-4 Registration Statement (File No. 333- 59094) (the "preliminary proxy statement/prospectus"), which proposes an agreement and plan of merger among Pioneer, Pioneer Natural Resources USA, Inc. ("Pioneer USA"), a wholly-owned subsidiary of Pioneer, and 46 Parker & Parsley limited partnerships. Each partnership that approves the agreement and plan of merger and the other related merger proposals will merge with and into Pioneer USA upon the closing of the transactions described in the preliminary proxy statement/prospectus, and the partnership interests of each such partnership will be converted into the right to receive Pioneer common stock. The Partnership is one of the 46 Parker & Parsley limited partnerships that will be asked to approve the agreement and plan of merger. The preliminary proxy statement/prospectus is non-binding and is subject to, among other things, consideration of offers from third parties to purchase any partnership or its assets and the majority approval of the limited partnership interests in each partnership.

Pioneer USA will solicit proxies from limited partners to approve the mergers only when the proxy statement/prospectus is final and declared effective. No solicitation will be made using preliminary materials. Nonetheless, copies of the preliminary proxy statement/prospectus may be obtained without charge upon

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

request from Pioneer Natural Resources Company, 5205 North O'Connor Blvd., Suite 1400, Irving, Texas 75039, Attention: Investor Relations.

The limited partners are urged to read the proxy statement/prospectus of Pioneer filed with the Securities and Exchange Commission, when it is finalized, because it contains important information about the proposed mergers, including information about the direct and indirect interests of Pioneer USA and Pioneer

9

240

in the mergers. The limited partners may also obtain the preliminary and (when filed) final proxy statement/prospectus and other relevant documents relating to the proposed mergers free through the internet web site that the Securities and Exchange Commission maintains at www.sec.gov.

- (1) "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" contains forward looking statements that involve risks and uncertainties. Accordingly, no assurances can be given that the actual events and results will not be materially different than the anticipated results described in the forward looking statements.

10

241

PARKER & PARSLEY 81-II, LTD.
(A Texas Limited Partnership)

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT

December 31, 2000 and 1999

242

INDEPENDENT AUDITORS' REPORT

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The Partners
Parker & Parsley 81-II, Ltd.
(A Texas Limited Partnership):

We have audited the balance sheets of Parker & Parsley 81-II, Ltd. as of December 31, 2000 and 1999, and the related statements of operations, partners' capital and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parker & Parsley 81-II, Ltd. as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Dallas, Texas
March 9, 2001

2

243

PARKER & PARSLEY 81-II, LTD.
(A Texas Limited Partnership)

BALANCE SHEETS December 31

	2000	1999
	-----	-----
ASSETS		

Current assets:		
Cash	\$ 29,376	\$ 30,160
Accounts receivable - oil and gas sales	64,821	27,908
	-----	-----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Total current assets	94,197	58,068
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	5,345,296	5,338,113
Accumulated depletion	(4,821,914)	(4,776,074)
	-----	-----
Net oil and gas properties	523,382	562,039
	-----	-----
	\$617,579	\$ 620,107
	=====	=====
LIABILITIES AND PARTNERS' CAPITAL		

Current liabilities:		
Accounts payable - affiliate	\$ 9,253	\$ 10,581
Partners' capital:		
General partners	61,405	58,558
Limited partners (1,153 interests)	546,921	550,968
	-----	-----
	608,326	609,526
	-----	-----
	\$ 617,579	\$ 620,107
	=====	=====

The accompanying notes are an integral part of these financial statements.

3

244

PARKER & PARSLEY 81-II, LTD.
(A Texas Limited Partnership)

STATEMENTS OF OPERATIONS
For the years ended December 31

	2000	1999	1998
	-----	-----	-----
Revenues:			
Oil and gas	\$ 387,180	\$ 204,717	\$ 209,110
Interest	2,775	1,395	1,725
Gain on disposition of assets	-	240	-
	-----	-----	-----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	389,955	206,352	210,835
	-----	-----	-----
Costs and expenses:			
Oil and gas production	189,764	140,847	173,960
General and administrative	13,791	9,864	7,867
Impairment of oil and gas properties	-	-	30,131
Depletion	45,840	49,409	95,466
	-----	-----	-----
	249,395	200,120	307,424
	-----	-----	-----
Net income (loss)	\$ 140,560	\$ 6,232	\$ (96,589)
	=====	=====	=====
Allocation of net income (loss):			
General partners	\$ 41,791	\$ 8,423	\$ (5,308)
	=====	=====	=====
Limited partners	\$ 98,769	\$ (2,191)	\$ (91,281)
	=====	=====	=====
Net income (loss) per limited partnership interest	\$ 85.66	\$ (1.90)	\$ (79.17)
	=====	=====	=====

The accompanying notes are an integral part of these financial statements.

PARKER & PARSLEY 81-II, LTD.
(A Texas Limited Partnership)

STATEMENTS OF PARTNERS' CAPITAL

	General partners	Limited partners	Total
	-----	-----	-----
Partners' capital at January 1, 1998	\$ 76,354	\$706,525	\$782,879
Distributions	(11,831)	(34,220)	(46,051)
Net loss	(5,308)	(91,281)	(96,589)
	-----	-----	-----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Partners' capital at December 31, 1998	59,215	581,024	640,239
Distributions	(9,080)	(27,865)	(36,945)
Net income (loss)	8,423	(2,191)	6,232
	-----	-----	-----
Partners' capital at December 31, 1999	58,558	550,968	609,526
Distributions	(38,944)	(102,816)	(141,760)
Net income	41,791	98,769	140,560
	-----	-----	-----
Partners' capital at December 31, 2000	\$ 61,405	\$546,921	\$608,326
	=====	=====	=====

The accompanying notes are an integral part of these financial statements.

5

246

PARKER & PARSLEY 81-II, LTD.
(A Texas Limited Partnership)

STATEMENTS OF CASH FLOWS
For the years ended December 31

	2000	1999	1998
	-----	-----	-----
Cash flows from operating activities:			
Net income (loss)	\$140,560	\$ 6,232	\$(96,589)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Impairment of oil and gas properties	-	-	30,131
Depletion	45,840	49,409	95,466
Gain on disposition of assets	-	(240)	-
Changes in assets and liabilities:			
Accounts receivable	(36,913)	(3,325)	15,443
Accounts payable	(1,328)	3,022	(3,482)
	-----	-----	-----
Net cash provided by operating activities	148,159	55,098	40,969
	-----	-----	-----
Cash flows from investing activities:			
Additions to oil and gas properties	(7,183)	(4,254)	(8,322)
Proceeds from asset dispositions	-	690	-

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Net cash used in investing activities	(7,183)	(3,564)	(8,322)
Cash flows used in financing activities:			
Cash distributions to partners	(141,760)	(36,945)	(46,051)
Net increase (decrease) in cash	(784)	14,589	(13,404)
Cash at beginning of year	30,160	15,571	28,975
Cash at end of year	\$ 29,376	\$30,160	\$ 15,571

The accompanying notes are an integral part of these financial statements.

6

247

PARKER & PARSLEY 81-II, LTD.
(A Texas Limited Partnership)

NOTES TO FINANCIAL STATEMENTS
December 31, 2000, 1999 and 1998

NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS

Parker & Parsley 81-II (the "Partnership") is a limited partnership organized in 1981 under the laws of the State of Texas. The Partnership's general partners are Pioneer Natural Resources USA, Inc. ("Pioneer USA") and P&P Employees 81-II, Ltd. ("EMPL"). The Partnership's managing general partner is Pioneer USA.

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Oil and gas properties - The Partnership utilizes the successful efforts method of accounting for its oil and gas properties and equipment. Under this method, all costs associated with productive wells and nonproductive development wells are capitalized while nonproductive exploration costs are expensed. Capitalized costs relating to proved properties are depleted using the unit-of-production method on a property-by-property basis based on proved oil (dominant mineral) reserves as evaluated by independent petroleum consultants. The carrying amounts of properties sold or otherwise disposed of and the related allowances for depletion are eliminated from the accounts and any gain or loss is included in results of operations.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Impairment of long-lived assets - In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the Partnership reviews its long-lived assets to be held and used on an individual property basis, including oil and gas properties accounted for under the successful efforts method of accounting, whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. An impairment loss is indicated if the sum of the expected future cash flows is less than the carrying amount of the assets. In this circumstance, the Partnership recognizes an impairment loss for the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset.

Use of estimates in the preparation of financial statements - Preparation of the accompanying financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

7

248

Net income (loss) per limited partnership interest - The net income (loss) per limited partnership interest is calculated by using the number of outstanding limited partnership interests.

Income taxes - A Federal income tax provision has not been included in the financial statements as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

Statements of cash flows - For purposes of reporting cash flows, cash includes depository accounts held by banks.

General and administrative expenses - General and administrative expenses are allocated in part to the Partnership by the managing general partner. Allocated expenses are determined by the managing general partner based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Reclassifications - Certain reclassifications may have been made to the 1999 and 1998 financial statements to conform to the 2000 financial statement presentations.

Environmental - The Partnership is subject to extensive federal, state and local environmental laws and regulations. These laws, which are constantly changing, regulate the discharge of materials into the environment and may require the Partnership to remove or mitigate the environmental effects of the disposal or release of petroleum or chemical substances at various sites. Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Liabilities for expenditures of a noncapital nature are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated. Such liabilities are generally undiscounted unless the timing of cash payments for the liability or component are fixed or reliably determinable. No such liabilities have been accrued as of December 31, 2000.

Revenue recognition - The Partnership uses the entitlements method of accounting for oil, natural gas liquids ("NGLs") and natural gas revenues.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

NOTE 3. IMPAIRMENT OF LONG-LIVED ASSETS

In accordance with SFAS 121, the Partnership reviews its proved oil and gas properties for impairment whenever events and circumstances indicate a decline in the recoverability of the carrying value of the Partnership's oil and gas properties. The Partnership has estimated the expected future cash flows of its oil and gas properties as of December 31, 2000, 1999 and 1998, based on proved reserves, and compared such estimated future cash flows to the respective carrying amount of the oil and gas properties to determine if the carrying amounts were likely to be recoverable. For those proved oil and gas properties for which the carrying amount exceeded the estimated future cash flows, an impairment was determined to exist; therefore, the Partnership adjusted the carrying amount of those oil and gas properties to their fair value as determined by discounting their expected future cash flows at a discount rate commensurate with the risks involved

8

249

in the industry. As a result, the Partnership recognized a non-cash impairment provision of \$30,131 related to its proved oil and gas properties during 1998.

NOTE 4. INCOME TAXES

The financial statement basis of the Partnership's net assets and liabilities was \$172,373 greater than the tax basis at December 31, 2000.

The following is a reconciliation of net income (loss) per statements of operations with the net income per Federal income tax returns for the years ended December 31:

	2000 -----	1999 -----	1998 -----
Net income (loss) per statements of operations	\$ 140,560	\$ 6,232	\$ (96,589)
Depletion and depreciation provisions for tax reporting purposes less than amounts for financial reporting purposes	41,011	44,867	91,653
Impairment of oil and gas properties for financial reporting purposes	-	-	30,131
Other, net	(482)	(178)	454
	-----	-----	-----
Net income per Federal income tax returns	\$181,089 =====	\$ 50,921 =====	\$ 25,649 =====

NOTE 5. OIL AND GAS PRODUCING ACTIVITIES

The following is a summary of the costs incurred, whether capitalized or expensed, related to the Partnership's oil and gas producing activities for the years ended December 31:

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	2000 -----	1999 -----	1998 -----
Development costs	\$ 7,183 =====	\$ 4,254 =====	\$ 8,322 =====

Capitalized oil and gas properties consist of the following:

	2000 -----	1999 -----
Proved properties:		
Property acquisition costs	\$ 210,548	\$ 210,548
Completed wells and equipment	5,134,748	5,127,565
	-----	-----
Accumulated depletion	5,345,296 (4,821,914)	5,338,113 (4,776,074)
	-----	-----
Net oil and gas properties	\$ 523,382 =====	\$ 562,039 =====

9

250

NOTE 6. RELATED PARTY TRANSACTIONS

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

	2000 -----	1999 -----	1998 -----
Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$ 75,129	\$ 61,684	\$ 82,817
Reimbursement of general and administrative expenses	\$ 11,615	\$ 6,142	\$ 6,273

Pioneer USA, EMPL and the Partnership are parties to the Partnership agreement. EMPL is a limited partnership in which Pioneer USA owns 80% and the remaining portion is owned by former affiliates.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The costs and revenues of the Partnership are allocated as follows:

	General partners -----	Limited partners -----
Revenues:		
Proceeds from property dispositions prior to cost recovery	10%	90%
All other Partnership revenues	25%	75%
Costs and expenses:		
Lease acquisition costs, drilling and completion costs and all other costs	10%	90%
Operating costs, direct costs and general and administrative expenses	25%	75%

NOTE 7. OIL AND GAS INFORMATION (UNAUDITED)

The following table presents information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities during the years then ended. All of the Partnership's reserves are proved developed and located within the United States. The Partnership's reserves are based on an evaluation prepared by Williamson Petroleum Consultants, Inc., an independent petroleum consultant, using criteria established by the Securities and Exchange Commission.

10

251

	Oil and NGLs (bbls) -----	Gas (mcf) -----
Net proved reserves at January 1, 1998	203,263	321,961
Revisions	(93,478)	(131,045)
Production	(16,033)	(22,439)
	-----	-----
Net proved reserves at December 31, 1998	93,752	168,477
Revisions	118,281	224,790
Production	(13,232)	(19,167)
	-----	-----
Net proved reserves at December 31, 1999	198,801	374,100
Revisions	18,015	(61,237)
Production	(13,921)	(15,864)
	-----	-----
Net proved reserves at December 31, 2000	202,895 =====	296,999 =====

As of December 31, 2000, the estimated present value of future net revenues of proved reserves, calculated using December 31, 2000 prices of \$26.64 per

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

barrel of oil, \$14.08 per barrel of NGLs and \$7.91 per mcf of gas, discounted at 10% was approximately \$1,416,000 and undiscounted was \$2,636,000.

Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves. The Partnership emphasizes that reserve estimates are inherently imprecise and, accordingly, the estimates are expected to change as future information becomes available.

Disclosures about Oil & Gas Producing Activities

Standardized Measure of Discounted Future Net Cash Flows

The standardized measure of discounted future net cash flows is computed by applying year-end prices of oil and gas (with consideration of price changes only to the extent provided by contractual arrangements) to the estimated future production of proved oil and gas reserves less estimated future expenditures (based on year-end costs) to be incurred in developing and producing the proved reserves, discounted using a rate of 10% per year to reflect the estimated timing of the future cash flows. A Federal income tax provision has not been calculated as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

Discounted future cash flow estimates like those shown below are not intended to represent estimates of the fair value of oil and gas properties. Estimates of fair value should also consider anticipated future oil and gas prices, interest rates, changes in development and production costs and risks associated with future production. Because of these and other considerations, any estimate of fair value is necessarily subjective and imprecise.

	For the years ended December 31,		
	2000	1999	1998
	(in thousands)		
Oil and gas producing activities:			
Future cash inflows	\$ 6,624	\$ 4,915	\$ 1,020
Future production costs	(3,988)	(3,116)	(849)
	2,636	1,799	171
10% annual discount factor	(1,220)	(799)	(47)

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	-----	-----	-----
Standardized measure of discounted future net cash flows	\$ 1,416	\$ 1,000	\$ 124
	=====	=====	=====

For the years ended December 31,

	-----	-----	-----
	2000	1999	1998
	-----	-----	-----
	(in thousands)		
Oil and Gas Producing Activities:			
Oil and gas sales, net of production costs	\$ (197)	\$ (64)	\$ (35)
Net changes in prices and production costs	530	471	(544)
Revisions of previous quantity estimates	45	781	(94)
Accretion of discount	100	12	76
Changes in production rates, timing and other	(62)	(324)	(40)
	-----	-----	-----
Change in present value of future net revenues	416	876	(637)
	-----	-----	-----
Balance, beginning of year	1,000	124	761
	-----	-----	-----
Balance, end of year	\$ 1,416	\$ 1,000	\$ 124
	=====	=====	=====

NOTE 8. MAJOR CUSTOMERS

The following table reflects the major customers of the Partnership's oil and gas sales (a major customer is defined as a customer whose sales exceed 10% of total sales) during the years ended December 31:

	-----	-----	-----
	2000	1999	1998
	-----	-----	-----
Plains Marketing, L.P.	56%	48%	-
LG&E Natural Marketing, Inc.	13%	17%	19%
NGTS LLC	11%	14%	-
Western Gas Processing	2%	4%	13%
Genesis Crude Oil, L.P.	4%	1%	43%

At December 31, 2000, the amounts receivable from Plains Marketing, L.P., LG&E Natural Marketing, Inc. and NGTS LLC were \$26,794, \$10,707 and \$4,029,

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

respectively, which are included in the caption "Accounts receivable - oil and gas sales" in the accompanying Balance Sheet.

Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on the ability of the Partnership to sell its oil, NGLs and gas production.

12

253

NOTE 9. PARTNERSHIP AGREEMENT

The following is a brief summary of the more significant provisions of the limited partnership agreement:

General partners - The general partners of the Partnership are Pioneer USA and EMPL. Pioneer USA, the managing general partner, has the power and authority to manage, control and administer all Partnership affairs. As managing general partner and operator of the Partnership's properties, all production expenses are incurred by Pioneer USA and billed to the Partnership. The majority of the Partnership's oil and gas revenues are received directly by the Partnership, however, a portion of the oil and gas revenue is initially received by Pioneer USA prior to being paid to the Partnership.

Limited partner liability - The maximum amount of liability of any limited partner is the total contributions of such partner plus his share of any undistributed profits.

Initial capital contributions - The limited partners entered into subscription agreements for aggregate capital contributions of \$5,765,000. During 1983, the Partnership received a total of \$675,000 from its limited partnership in response to an assessment by the managing general partner. The general partners are required to contribute amounts equal to 10% of Partnership expenditures for lease acquisition, drilling and completion and 25% of direct, general and administrative and operating expenses.

13

254

PARKER & PARSLEY 81-II, LTD.
(A TEXAS LIMITED PARTNERSHIP)

THIS REPORT CONTAINS FORWARD LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. ACCORDINGLY, NO ASSURANCES CAN BE GIVEN THAT THE ACTUAL EVENTS AND RESULTS WILL NOT BE MATERIALLY DIFFERENT THAN THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of operations

2000 compared to 1999

The Partnership's oil and gas revenues increased 89% to \$387,180 for 2000 as compared to \$204,717 in 1999. The increase in revenues resulted from higher

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

average prices received and a slight increase in production. In 2000, 8,885 barrels of oil, 5,036 barrels of natural gas liquids ("NGLs") and 15,864 mcf of gas were sold, or 16,565 barrel of oil equivalents ("BOEs"). In 1999, 6,860 barrels of oil, 6,372 barrels of NGLs and 19,167 mcf of gas were sold, or 16,427 BOEs. Due to the decline characteristics of the Partnership's oil and gas properties, management expects a certain amount of decline in production in the future until the Partnership's economically recoverable reserves are fully depleted.

The average price received per barrel of oil increased \$12.59, or 76%, from \$16.67 in 1999 to \$29.26 in 2000. The average price received per barrel of NGLs increased \$6.89, or 79%, from \$8.70 in 1999 to \$15.59 in 2000. The average price received per mcf of gas increased 69% from \$1.82 in 1999 to \$3.07 in 2000. The market price for oil and gas has been extremely volatile in the past decade, and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received in 2000.

Gain on disposition of assets of \$240 was recognized during 1999 from equipment credits received on one fully depleted well.

Total costs and expenses increased in 2000 to \$249,395 as compared to \$200,120 in 1999, an increase of \$49,275, or 25%. The increase was primarily due to increases in production costs and general and administrative expenses ("G&A"), offset by a decline in depletion.

Production costs were \$189,764 in 2000 and \$140,847 in 1999, resulting in a \$48,917 increase, or 35%. The increase was primarily due to additional well maintenance costs incurred to stimulate well production and higher production taxes associated with higher oil and gas prices.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 40% from \$9,864 in 1999 to \$13,791 in 2000, primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$11,615 in 2000 and \$6,142 in 1999 for G&A incurred on behalf of the Partnership. The remaining G&A was paid directly by the Partnership. The managing general partner determines the allocated expenses based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Depletion was \$45,840 in 2000 as compared to \$49,409 in 1999, representing a decrease of \$3,569, or 7%. This decrease was primarily due to an 18,828 barrels of oil increase in proved reserves during 2000 as a result of higher commodity prices, offset by an increase in oil production of 2,025 barrels for the period ended December 31, 2000 compared to the same period in 1999.

255

1999 compared to 1998

The Partnership's 1999 oil and gas revenues decreased 2% to \$204,717 from \$209,110 in 1998. The decrease in revenues resulted from a decline in production, offset by higher average prices received. In 1999, 6,860 barrels of oil, 6,372 barrels of NGLs and 19,167 mcf of gas were sold, or 16,427 BOEs. In

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

1998, 9,451 barrels of oil, 6,582 barrels of NGLs and 22,439 mcf of gas were sold, or 19,773 BOEs.

The average price received per barrel of oil increased \$3.51, or 27%, from \$13.16 in 1998 to \$16.67 in 1999. The average price received per barrel of NGLs increased \$1.97, or 29%, from \$6.73 in 1998 to \$8.70 in 1999. The average price received per mcf of gas increased slightly from \$1.80 in 1998 to \$1.82 in 1999.

Gain on disposition of assets of \$240 was recognized during 1999 from equipment credits received on one fully depleted well.

Total costs and expenses decreased in 1999 to \$200,120 as compared to \$307,424 in 1998, a decrease of \$107,304, or 35%. The decrease was primarily due to declines in depletion, production costs and the impairment of oil and gas properties, offset by an increase in G&A.

Production costs were \$140,847 in 1999 and \$173,960 in 1998, resulting in a \$33,113 decrease, or 19%. The decrease was due to declines in well maintenance costs, ad valorem taxes and production taxes.

During this period, G&A increased 25% from \$7,867 in 1998 to \$9,864 in 1999 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$6,142 in 1999 and \$6,273 in 1998 for G&A incurred on behalf of the Partnership.

In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the managing general partner reviews the Partnership's oil and gas properties for impairment whenever events or circumstances indicate a decline in the recoverability of the carrying value of the Partnership's assets may have occurred. As a result of the review and evaluation of its long-lived assets for impairment, the Partnership recognized a non-cash charge of \$30,131 related to its oil and gas properties during 1998.

Depletion was \$49,409 in 1999 compared to \$95,466 in 1998, representing a decrease of \$46,057, or 48%. This decrease was the result of a combination of factors that included an increase in proved reserves of 59,807 barrels of oil during 1999 as a result of higher commodity prices, a decline in oil production of 2,591 barrels for the period ended December 31, 1999 compared to the same period in 1998 and a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 1998.

Petroleum Industry

The petroleum industry has been characterized by volatile oil, NGL and natural gas commodity prices and relatively stable supplier costs during the three years ended December 31, 2000. During 1998, weather patterns, regional economic recessions and political matters combined to cause worldwide oil supplies to exceed demand resulting in a substantial decline in oil prices. Also during 1998, but to a lesser extent, market prices for natural gas declined. During 1999 and 2000, the Organization of Petroleum Exporting Countries ("OPEC") and certain other crude oil exporting nations announced reductions in their planned export volumes. Those announcements, together with the enactment of the announced reductions in export volumes, had a positive impact on world oil prices, as have overall natural gas supply and demand fundamentals on North American natural gas prices. Although the favorable commodity price environment and stable field service cost environment is expected to continue during 2001, there is no assurance that commodity prices will not return to a less favorable level or that field service costs will not escalate in the future, both of which could negatively impact the Partnership's future results of operations and cash distributions.

256

Liquidity and capital resources

Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$93,061 during the year ended December 31, 2000 from 1999. This increase was due to increases in oil and gas sales receipts of \$183,843, offset by increases in production costs paid of \$48,917, G&A expenses paid of \$3,927 and working capital of \$37,938. The increase in oil and gas receipts resulted from the increase in commodity prices during 2000 which contributed an additional \$65,846 to oil and gas receipts and \$117,997 resulted from an increase in production during 2000. The increase in production costs was primarily due to increased production taxes associated with higher oil and gas prices and well maintenance costs incurred to stimulate well production. The increase in G&A was primarily due to higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues.

Net Cash Used in Investing Activities

The Partnership's principal investing activities during 2000 and 1999 included expenditures related to upgrades of equipment on various oil and gas properties.

Proceeds from asset dispositions of \$690 were received during 1999 for the sale of equipment on active properties.

Net Cash Used in Financing Activities

In 2000, cash distributions to the partners were \$141,760, of which \$38,944 was distributed to the general partners and \$102,816 to the limited partners. In 1999, cash distributions to the partners were \$36,945, of which \$9,080 was distributed to the general partners and \$27,865 to the limited partners.

257

PARKER & PARSLEY 81-II, LTD.

SELECTED FINANCIAL DATA

The following selected financial data for the Partnership should be read in connection with Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements included in the attached supplemental information.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	Six months ended June 30,		Years ended December 31		
	2001	2000	2000	1999	1998
Oil and gas sales	\$ 199,000	\$ 174,048	\$ 387,180	\$ 204,717	\$ 209,110
Impairment of oil and gas properties	\$ --	\$ --	\$ --	\$ --	\$ 30,131
Gain on litigation settlement, net	\$ --	\$ --	\$ --	\$ --	\$ --
Net income (loss)	\$ 71,543	\$ 43,098	\$ 140,560	\$ 6,232	\$ (96,589)
Allocation of net income (loss):					
General partners	\$ 20,740	\$ 14,797	\$ 41,791	\$ 8,423	\$ (5,308)
Limited partners	\$ 50,803	\$ 28,301	\$ 98,769	\$ (2,191)	\$ (91,281)
Limited partners' net income (loss) per limited partnership interest	\$ 44.06	\$ 24.55	\$ 85.66	\$ (1.90)	\$ (79.17)
Limited partners' cash distributions per limited partnership interest	\$ 38.41	\$ 27.92	\$ 89.17	\$ 24.17	\$ 29.68
As of period ended:					
Total assets	\$ 629,524	\$ 622,202	\$ 617,579	\$ 620,107	\$ 647,798

(a) Including litigation settlement per limited partnership interest of \$2.85 in 1996.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

SUPPLEMENTAL INFORMATION

OF

PARKER & PARSLEY 82-I, LTD., A TEXAS LIMITED PARTNERSHIP

TO

PROXY STATEMENT/PROSPECTUS DATED , 2001

THE DATE OF THIS SUPPLEMENT IS , 2001

This document contains important information specific to Parker & Parsley 82-I, Ltd. and supplements the proxy statement/prospectus dated , 2001, of Pioneer Natural Resources Company and Pioneer Natural Resources USA, Inc., by which Pioneer USA is soliciting proxies to be voted at a special meeting of limited partners of the partnership. The purpose of the special meeting is for you to vote upon the merger of the partnership with and into Pioneer USA that, if completed, will result in your receiving common stock of Pioneer Natural Resources Company for your partnership interests.

This document contains the following information concerning Parker & Parsley 82-I, Ltd.:

- o A table containing:
 - the aggregate initial investment by the limited partners
 - the aggregate historical limited partner distributions through July 31, 2001
 - the merger value attributable to partnership interests of limited partners, excluding Pioneer USA
 - the merger value per \$1,000 limited partner investment
 - the merger value per \$1,000 limited partner investment as a multiple of distributions for the past four quarterly distributions including the distribution in July 2001
 - the book value per \$1,000 limited partner investment as of June 30, 2001 and as of December 31, 2000
 - the going concern value per \$1,000 limited partner investment
 - the liquidation value per \$1,000 limited partner investment
 - the ordinary tax loss per \$1,000 limited partner investment in year of initial investment
- o Information about:
 - the legal opinion for the limited partners
 - the term of the partnership

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

- o The partnership's quarterly report on Form 10-Q, including management's discussion and analysis of financial condition and results of operations, for the six months ended June 30, 2001
- o The partnership's annual report on Form 10-K, including management's discussion and analysis of financial condition and results of operations, for the year ended December 31, 2000
- o Selected historical financial data for the partnership for the six months ended June 30, 2001 and 2000 and the five years ended December 31, 2000

- 1-

259

PARKER & PARSLEY 82-I, LTD.

SUPPLEMENTAL INFORMATION TABLE

Aggregate Initial Investment by the Limited Partners (a)	\$11,
Aggregate Historical Limited Partner Distributions through July 31, 2001 (a)	\$11,
Merger Value Attributable to Partnership Interests of Limited Partners, Excluding Pioneer USA (a), (b)	\$
Merger Value per \$1,000 Limited Partner Investment (b), (c)	\$ 83
Merger Value per \$1,000 Limited Partner Investment as a Multiple of Distributions for the past four quarterly distributions including the distribution in July 2001 (b), (c)	2
Book Value per \$1,000 Limited Partner Investment:	
-- as of June 30, 2001 (c)	\$ 28
-- as of December 31, 2000 (c)	\$ 23
Going Concern Value per \$1,000 Limited Partner Investment (c), (d)	\$ 75
Liquidation Value per \$1,000 Limited Partner Investment (c), (e)	\$ 80
Ordinary Tax Loss per \$1,000 Limited Partner Investment in Year of Initial Investment (c), (f)	\$

(a) Stated in thousands.

(b) The merger value for the partnership is equal to the sum of the present

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

value of estimated future net revenues from the partnership's estimated oil and gas reserves and its net working capital, in each case as of March 31, 2001, less its pro rata share, based on its reserve value, of the estimated expenses and fees of the mergers of all of the partnerships and less the cash distribution on July 13, 2001, by the partnership to its partners.

- (c) Interests in some partnerships were sold in units at prices other than \$1,000. We have presented this information based on a \$1,000 initial investment for ease of use and comparison among partnerships. You should not assume that the amount shown per \$1,000 investment is the same as the value or amount attributable to a single unit investment.
- (d) The going concern value for the partnership is based upon: (1) the sum of (A) the estimated net cash flow from the sale of the partnership's reserves during a 10-year operating period and (B) the estimated residual value from the sale of the partnership's remaining reserves at the end of the operating period, in each case using the same pricing and discount rate as in the merger value calculation, less (2) (A) partnership level general and administrative expenses, and (B) the cash distribution on July 13, 2001 by the partnership to its partners.
- (e) The liquidation value for the partnership is based upon the sale of the partnership's reserves at the reserve value, less, liquidation expenses which are estimated to be the sum of (A) the partnership's pro rata share of the merger expenses and fees described in footnote (b) above and (B) 3% of the partnership's reserve value, and (2) the cash distribution on July 13, 2001 by the partnership to its partners. The liquidation expenses represent estimated costs to retain an investment banker or broker to sell the assets of the partnership and the legal and other closing costs associated with such transaction, including the wind-down costs of the partnership.
- (f) Your ability to use your distributive share of the partnership's loss to offset your other income may have been subject to certain limitations at your level as a partner, and you may therefore wish to consult your tax advisor to determine the additional value, if any, actually realized by you in your particular circumstances.

INFORMATION ABOUT THE LEGAL OPINION FOR THE LIMITED PARTNERS

The partnership agreement for the partnership requires that special legal counsel render an opinion on behalf of the limited partners to Pioneer USA that (1) neither the grant nor the exercise of the right to approve the merger of the partnership by its limited partners will adversely affect the federal income tax classification of the partnership or any of its limited partners; and (2) neither the grant nor exercise of such right will result in the loss of any limited partner's limited liability. In addition, the counsel designated to render the opinion must be counsel other than counsel to Pioneer USA or the partnership. Both the designated counsel and the legal opinion must be approved by the limited partners. Pioneer USA has retained _____ of Dallas, Texas for the purpose of rendering this legal opinion on behalf of the limited partners to Pioneer USA. The merger proposals include an approval of that counsel and the form of its opinion. A copy of the opinion is attached as an exhibit to the merger proposals.

INFORMATION ABOUT THE TERM OF THE PARTNERSHIP

The term of the partnership shall continue until terminated in accordance with the applicable provisions of its partnership agreement.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 2001

Commission File No. 2-75530A

PARKER & PARSLEY 82-I, LTD.
(Exact name of Registrant as specified in its charter)

Texas

75-1825545

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification Number)

5205 N. O'Connor Blvd., Suite 1400, Irving, Texas

75039

(Address of principal executive offices)

(Zip code)

Registrant's Telephone Number, including area code : (972) 444-9001

Not applicable
(Former name, former address and former fiscal year,
if changed since last report)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes / x / No / /

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

TABLE OF CONTENTS

		Page
Part I. Financial Information		
Item 1.	Financial Statements	
	Balance Sheets as of June 30, 2001 and December 31, 2000.....	3
	Statements of Operations for the three and six months ended June 30, 2001 and 2000.....	4
	Statement of Partners' Capital for the six months ended June 30, 2001.....	5
	Statements of Cash Flows for the six months months ended June 30, 2001 and 2000.....	6
	Notes to Financial Statements.....	7
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations.....	7
Part II. Other Information		
Item 6.	Exhibits and Reports on Form 8-K.....	11
	Signatures.....	12

2

262

PARKER & PARSLEY 82-I, LTD.
(A Texas Limited Partnership)

Part I. Financial Information

Item 1. Financial Statements

BALANCE SHEETS

	June 30, 2001	December 31, 2000
	-----	-----
	(Unaudited)	
ASSETS		
Current assets:		
Cash	\$ 171,115	\$ 57,728
Accounts receivable - oil and gas sales	87,313	109,719

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Total current assets	258,428	167,447
Oil and gas properties - at cost, based on the successful efforts accounting method	9,901,101	9,901,101
Accumulated depletion	(9,626,361)	(9,613,644)
Net oil and gas properties	274,740	287,457
	\$ 533,168	\$ 454,904
	=====	=====
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable - affiliate	\$ 19,146	\$ 13,712
Partners' capital:		
General partners	181,450	161,365
Limited partners (4,891 interests)	332,572	279,827
	514,022	441,192
	\$ 533,168	\$ 454,904
	=====	=====

The financial information included as of June 30, 2001 has been prepared by the managing general partner without audit by independent public accountants.

The accompanying notes are an integral part of these financial statements.

3

263

PARKER & PARSLEY 82-I, LTD.
(A Texas Limited Partnership)

STATEMENTS OF OPERATIONS
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2001	2000	2001	2000
	-----	-----	-----	-----
Revenues:				
Oil and gas	\$ 205,010	\$ 177,445	\$ 421,846	\$ 349,532
Interest	1,178	1,350	2,407	2,323
	-----	-----	-----	-----
	206,188	178,795	424,253	351,855
	-----	-----	-----	-----
Costs and expenses:				
Oil and gas production	99,464	98,002	197,450	183,025
General and administrative	6,272	5,969	14,448	11,332
Depletion	6,849	7,055	12,717	16,112

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	-----	-----	-----	-----
	112,585	111,026	224,615	210,469
	-----	-----	-----	-----
Net income	\$ 93,603	\$ 67,769	\$ 199,638	\$ 141,386
	=====	=====	=====	=====
Allocation of net income:				
General partners	\$ 24,428	\$ 18,000	\$ 51,562	\$ 37,763
	=====	=====	=====	=====
Limited partners	\$ 69,175	\$ 49,769	\$ 148,076	\$ 103,623
	=====	=====	=====	=====
Net income per limited partnership interest	\$ 14.15	\$ 10.18	\$ 30.28	\$ 21.19
	=====	=====	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

The accompanying notes are an integral part of these financial statements.

4

264

PARKER & PARSLEY 82-I, LTD.
(A Texas Limited Partnership)

STATEMENT OF PARTNERS' CAPITAL
(Unaudited)

	General partners	Limited partners	Total
	-----	-----	-----
Balance at January 1, 2001	\$ 161,365	\$ 279,827	\$ 441,192
Distributions	(31,477)	(95,331)	(126,808)
Net income	51,562	148,076	199,638
	-----	-----	-----
Balance at June 30, 2001	\$ 181,450	\$ 332,572	\$ 514,022
	=====	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

The accompanying notes are an integral part of these financial statements.

5

265

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

PARKER & PARSLEY 82-I, LTD.
(A Texas Limited Partnership)

STATEMENTS OF CASH FLOWS
(Unaudited)

	Six months ended June 30,	
	2001	2000
	-----	-----
Cash flows from operating activities:		
Net income	\$ 199,638	\$ 141,386
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion	12,717	16,112
Changes in assets and liabilities:		
Accounts receivable	22,406	(28,544)
Accounts payable	5,434	8,360
	-----	-----
Net cash provided by operating activities	240,195	137,314
	-----	-----
Cash flows used in investing activities:		
Additions to oil and gas properties	-	(1,493)
Cash flows used in financing activities:		
Cash distributions to partners	(126,808)	(136,929)
	-----	-----
Net increase (decrease) in cash	113,387	(1,108)
Cash at beginning of period	57,728	61,558
	-----	-----
Cash at end of period	\$ 171,115	\$ 60,450
	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

The accompanying notes are an integral part of these financial statements.

6

266

PARKER & PARSLEY 82-I, LTD.
(A Texas Limited Partnership)

NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Unaudited)

Note 1. Organization and nature of operations

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Parker & Parsley 82-I, Ltd. (the "Partnership") is a limited partnership organized in 1982 under the laws of the State of Texas.

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

Note 2. Basis of presentation

In the opinion of management, the unaudited financial statements of the Partnership as of June 30, 2001 and for the three and six months ended June 30, 2001 and 2000 include all adjustments and accruals consisting only of normal recurring accrual adjustments which are necessary for a fair presentation of the results for the interim period. These interim results are not necessarily indicative of results for a full year. Certain reclassifications may have been made to the June 30, 2000 financial statements to conform to the June 30, 2001 financial statement presentations.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in this Form 10-Q pursuant to the rules and regulations of the Securities and Exchange Commission. The financial statements should be read in conjunction with the financial statements and the notes thereto contained in the Partnership's Report on Form 10-K for the year ended December 31, 2000, as filed with the Securities and Exchange Commission, a copy of which is available upon request by writing to Rich Dealy, Vice President and Chief Accounting Officer, 5205 North O'Connor Boulevard, Suite 1400, Irving, Texas 75039-3746.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (1)

Results of Operations

Six months ended June 30, 2001 compared with six months ended June 30, 2000

Revenues:

The Partnership's oil and gas revenues increased 21% to \$421,846 for the six months ended June 30, 2001 as compared to \$349,532 for the same period in 2000. The increase in revenues resulted from higher average prices received, offset by a slight decrease in production. For the six months ended June 30, 2001, 9,044 barrels of oil, 2,344 barrels of natural gas liquids ("NGLs") and 27,831 mcf of

7

267

gas were sold, or 16,027 barrel of oil equivalents ("BOEs"). For the six months ended June 30, 2000, 8,863 barrels of oil, 3,292 barrels of NGLs and 23,257 mcf of gas were sold, or 16,031 BOEs.

The average price received per barrel of oil increased \$.21, or 1%, from \$27.45 for the six months ended June 30, 2000 to \$27.66 for the same period in 2001. The average price received per barrel of NGLs increased \$3.42, or 26%, from \$13.16 for the six months ended June 30, 2000 to \$16.58 for the same period in 2001. The average price received per mcf of gas increased 76% from \$2.71 during the six months ended June 30, 2000 to \$4.77 for the same period in 2001. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

average prices lower or higher than that received during the six months ended June 30, 2001.

Costs and Expenses:

Total costs and expenses increased to \$224,615 for the six months ended June 30, 2001 as compared to \$210,469 for the same period in 2000, an increase of \$14,146, or 7%. This increase was attributable to increases in production costs and general and administrative expenses ("G&A"), offset by a decline in depletion.

Production costs were \$197,450 for the six months ended June 30, 2001 and \$183,025 for the same period in 2000 resulting in a \$14,425 increase, or 8%. This increase was due to additional well maintenance costs incurred to stimulate well production and higher production taxes associated with higher oil and gas prices.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 27% from \$11,332 for the six months ended June 30, 2000 to \$14,448 for the same period in 2001 primarily due to a higher allocation of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues and an increase in audit and tax fees.

Depletion was \$12,717 for the six months ended June 30, 2001 as compared to \$16,112 for the same period in 2000, a decrease of \$3,395, or 21%. This decrease was primarily due to positive revisions to proved reserves on two significant wells during the period ended June 30, 2001.

Three months ended June 30, 2001 compared with three months ended June 30, 2000

Revenues:

The Partnership's oil and gas revenues increased 16% to \$205,010 for the three months ended June 30, 2001 as compared to \$177,445 for the same period in 2000. The increase in revenues resulted from higher average prices received for gas and NGLs and an increase in production, offset by lower average prices received for oil. For the three months ended June 30, 2001, 4,582 barrels of oil, 1,488 barrels of NGLs and 14,557 mcf of gas were sold, or 8,496 BOEs. For the three months ended June 30, 2000, 4,430 barrels of oil, 1,482 barrels of NGLs and 11,022 mcf of gas were sold, or 7,749 BOEs.

The average price received per barrel of oil decreased \$.35, or 1%, from \$27.67 for the three months ended June 30, 2000 to \$27.32 for the same period in 2001. The average price received per barrel of NGLs increased \$1.05, or 8%, from \$13.75 during the three months ended June 30, 2000 to \$14.80 for the same period in 2001. The average price received per mcf of gas increased 27% from \$3.13 during the three months ended June 30, 2000 to \$3.97 for the same period in 2001.

Costs and Expenses:

Total costs and expenses increased to \$112,585 for the three months ended June 30, 2001 as compared to \$111,026 for the same period in 2000, an increase of \$1,559, or 1%. This increase was due to increases in production costs and G&A, offset by a decline in depletion.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Production costs were \$99,464 for the three months ended June 30, 2001 and \$98,002 for the same period in 2000 resulting in a \$1,462 increase, or 1%. This increase was due to higher production taxes associated with higher gas and NGL prices and additional well maintenance costs incurred to stimulate well production.

During this period, G&A increased 5% from \$5,969 for the three months ended June 30, 2000 to \$6,272 for the same period in 2001 primarily due to a higher allocation of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues.

Depletion was \$6,849 for the three months ended June 30, 2001 as compared to \$7,055 for the same period in 2000, a decrease of \$206, or 3%. This decrease was primarily due to positive revisions to proved reserves on two significant wells during the period ended June 30, 2000.

Liquidity and Capital Resources

Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$102,881 during the six months ended June 30, 2001 from the same period ended June 30, 2000. This increase was due to an increase of \$72,398 in oil and gas sales receipts and a reduction of \$48,024 in working capital, offset by increases in production costs of \$14,425 and G&A expenses of \$3,116. The increase in oil and gas receipts resulted from the increase in commodity prices during 2001 which contributed an additional \$61,286 to oil and gas receipts and \$11,112 resulting from an increase in production during 2001 as compared to the same period in 2000. The increase in production costs was primarily due to additional well maintenance costs incurred to stimulate well production and increased production taxes associated with higher oil and gas prices. The increase in G&A was primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues and an increase in audit and tax fees.

Net Cash Used in Investing Activities

The Partnership's principle investing activities during the six months ended June 30, 2000 were related to the upgrades of oil and gas equipment on active properties.

Net Cash Used in Financing Activities

For the six months ended June 30, 2001, cash distributions to the partners were \$126,808, of which \$31,477 was distributed to the general partners and \$95,331 to the limited partners. For the same period ended June 30, 2000, cash distributions to the partners were \$136,929, of which \$34,201 was distributed to the general partners and \$102,728 to the limited partners.

For the three months ended June 30, 2001, no distributions were made by the partnership to its partners. Subsequent to June 30, 2001 the cash distribution that otherwise would have been mailed to partners in late June was made to holders of record as of July 9, 2001 and was mailed on July 13, 2001. For further information, see "Proposal to acquire partnerships" below.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Proposal to acquire partnerships

On June 29, 2001, Pioneer Natural Resources Company ("Pioneer") filed with the Securities and Exchange Commission Amendment No. 1 to the Form S-4 Registration Statement (File No. 333-59094) (the "preliminary proxy statement/prospectus"), which proposes an agreement and plan of merger among Pioneer, Pioneer Natural Resources USA, Inc. ("Pioneer USA"), a wholly-owned subsidiary of Pioneer, and 46 Parker & Parsley limited partnerships. Each partnership that approves the agreement and plan of merger and the other related merger proposals will merge with and into Pioneer USA upon the closing of the transactions described in the preliminary proxy statement/prospectus, and the partnership interests of each such partnership will be converted into the right to receive Pioneer common stock. The Partnership is one of the 46 Parker & Parsley limited partnerships that will be asked to approve the agreement and plan of merger. The preliminary proxy statement/prospectus is non-binding and is subject to, among other things, consideration of offers from third parties to purchase any partnership or its assets and the majority approval of the limited partnership interests in each partnership.

Pioneer USA will solicit proxies from limited partners to approve the mergers only when the proxy statement/prospectus is final and declared effective. No solicitation will be made using preliminary materials. Nonetheless, copies of the preliminary proxy statement/prospectus may be obtained without charge upon request from Pioneer Natural Resources Company, 5205 North O'Connor Blvd., Suite 1400, Irving, Texas 75039, Attention: Investor Relations.

The limited partners are urged to read the proxy statement/prospectus of Pioneer filed with the Securities and Exchange Commission, when it is finalized, because it contains important information about the proposed mergers, including information about the direct and indirect interests of Pioneer USA and Pioneer in the mergers. The limited partners may also obtain the preliminary and (when filed) final proxy statement/prospectus and other relevant documents relating to the proposed mergers free through the internet web site that the Securities and Exchange Commission maintains at www.sec.gov.

- (1) "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" contains forward looking statements that involve risks and uncertainties. Accordingly, no assurances can be given that the actual events and results will not be materially different than the anticipated results described in the forward looking statements.

10

270

Part II. Other Information

Item 6. Exhibits and Reports on Form 8-K

- (a) Exhibits - none
- (b) Reports on Form 8-K - none

11

271

PARKER & PARSLEY 82-I, LTD.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

(A Texas Limited Partnership)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PARKER & PARSLEY 82-I, LTD.

By: Pioneer Natural Resources USA, Inc.
Managing General Partner

Dated: August 6, 2001

By: /s/ Rich Dealy

Rich Dealy, Vice President and
Chief Accounting Officer

12

272

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000

COMMISSION FILE NO. 2-75530A

PARKER & PARSLEY 82-I, LTD.
(Exact name of Registrant as specified in its charter)

TEXAS

75-1825545

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification Number)

1400 WILLIAMS SQUARE WEST, 5205 N. O'CONNOR BLVD., IRVING, TEXAS

75039

(Address of principal executive offices)

(Zip code)

Registrant's Telephone Number, including area code: (972) 444-9001

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Securities registered pursuant to Section 12(b) of the Act: NONE
Securities registered pursuant to Section 12(g) of the Act:
LIMITED PARTNERSHIP INTERESTS (\$2,000 PER UNIT)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES / X / NO / /

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. / X /

No market currently exists for the limited partnership interests of the Registrant. Based on the original purchase price, the aggregate market value of limited partnership interests owned by non-affiliates of the Registrant is \$8,515,000.

As of March 8, 2001, the number of outstanding limited partnership interests was 4,891.

The following documents are incorporated by reference into the indicated parts of this Annual Report on Form 10-K: None

PARTS I AND II OF THIS ANNUAL REPORT ON FORM 10-K (THE "REPORT") CONTAIN FORWARD LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. ACCORDINGLY, NO ASSURANCES CAN BE GIVEN THAT THE ACTUAL EVENTS AND RESULTS WILL NOT BE MATERIALLY DIFFERENT THAN THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS. SEE "ITEM 1. BUSINESS" FOR A DESCRIPTION OF VARIOUS FACTORS THAT COULD MATERIALLY AFFECT THE ABILITY OF THE PARTNERSHIP TO ACHIEVE THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS.

273

PART I

ITEM 1. BUSINESS

Parker & Parsley 82-I, Ltd. (the "Partnership") is a limited partnership organized in 1982 under the laws of the State of Texas. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA") and its co-general partner is P&P Employees 82-I, Ltd. ("EMPL"), a Texas limited partnership whose general partner is Pioneer USA. Pioneer USA is a wholly-owned subsidiary of Pioneer Natural Resources Company ("Pioneer"). As of March 8, 2001, the Partnership had 4,891 limited partnership interests outstanding.

The Partnership does not have any employees of its own. Pioneer USA employs 701 persons, many of whom dedicated a part of their time to the conduct of the Partnership's business during the period for which this Report is filed. Pioneer USA supplies all management functions.

The Partnership engages in oil and gas development and production and is not involved in any industry segment other than oil and gas. The Partnership's production is geographically concentrated in West Texas.

The principal markets during 2000 for the oil produced by the Partnership were refineries and oil transmission companies that have facilities near the Partnership's oil producing properties. During 2000, Pioneer USA marketed the

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Partnership's gas to a variety of purchasers. Of the Partnership's total oil and gas revenues for 2000, approximately 68% and 13% were attributable to sales made to Plains Marketing, L.P. and GPM Gas Corporation, respectively. Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on its ability to sell its oil, natural gas liquids ("NGLs") and gas production.

The Partnership's revenues, profitability, cash flow and future rate of growth are highly dependent on the prevailing prices of oil and gas, which are affected by numerous factors beyond the Partnership's control. Oil and gas prices historically have been very volatile. A substantial or extended decline in the prices of oil or gas could have a material adverse effect on the Partnership's revenues, profitability and cash flow and could, under certain circumstances, result in a reduction in the carrying value of the Partnership's oil and gas properties.

Oil and gas production operations are subject to various types of regulations by local, state and federal agencies. The Partnership's operations are also subject to state conservation laws and regulations, including the establishment of maximum rates of production from wells and the regulation of spacing, plugging and abandonment of wells. Each state generally imposes a production or severance tax with respect to production and sale of oil and gas within their respective jurisdictions. Noncompliance with the laws and regulations may subject the Partnership to penalties, damages or other liabilities and compliance may increase the cost of the Partnership's operations.

2

274

The oil and gas business is also subject to environmental hazards such as oil spills, gas leaks and ruptures and discharges of toxic substances or gases that could expose the Partnership to substantial liability due to pollution and other environmental damages. Although the Partnership believes that its business operations do not impair environmental quality and that its costs of complying with any applicable environmental regulations are not currently significant, the Partnership cannot predict what, if any, effect these environmental regulations may have on its current or future operations.

Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves.

No material part of the Partnership's business is seasonal and the Partnership conducts no foreign operations.

ITEM 2. PROPERTIES

The Partnership's properties consist of leasehold interests in properties on which oil and gas wells are located. Such property interests are often subject to landowner royalties, overriding royalties and other oil and gas leasehold interests.

Fractional working interests in developmental and exploratory oil and gas prospects located in Texas and New Mexico were acquired by the Partnership, resulting in the Partnership's participation in the drilling of 34 oil and gas wells. There were six dry holes from previous periods, two wells plugged and abandoned and nine wells sold. At December 31, 2000, 17 wells were producing.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

For information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities for the years then ended, see Note 7 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" below. Such reserves have been evaluated by Williamson Petroleum Consultants, Inc., an independent petroleum consultant.

ITEM 3. LEGAL PROCEEDINGS

The Partnership from time to time is a party to various legal proceedings incidental to its business involving claims in oil and gas leases or interests, other claims for damages in amounts not in excess of 10% of its current assets and other matters, none of which Pioneer USA believes to be material to the Partnership.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of the partners during the fourth quarter of 2000.

3

275

PART II

ITEM 5. MARKET FOR LIMITED PARTNERSHIP INTERESTS AND LIMITED PARTNERSHIP DISTRIBUTIONS

At March 8, 2001, the Partnership had 4,891 outstanding limited partnership interests held of record by 600 subscribers. There is no established public trading market for the limited partnership interests. Under the limited partnership agreement, Pioneer USA has made certain commitments to purchase partnership interests at a computed value.

Revenues which, in the sole judgement of the managing general partner, are not required to meet the Partnership's obligations are distributed to the partners at least quarterly in accordance with the limited partnership agreement. During the years ended December 31, 2000 and 1999, distributions of \$229,765 and \$50,502, respectively, were made to the limited partners.

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth selected financial data for the years ended December 31:

	2000	1999	1998	1997	1996
	-----	-----	-----	-----	-----
Operating results:					

Oil and gas sales	\$ 763,858	\$ 441,997	\$ 392,883	\$ 608,207	\$ 710
	=====	=====	=====	=====	=====
Gain on litigation settlement, net	\$ --	\$ --	\$ --	\$ --	\$ 43
	=====	=====	=====	=====	=====
Impairment of oil and gas properties	\$ --	\$ --	\$ 294,610	\$ 165,201	\$ 2

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Net income (loss)	\$ 337,729	\$ 17,320	\$ (563,993)	\$ (60,847)	\$ 312
Allocation of net income (loss):					
General partners	\$ 88,128	\$ 18,135	\$ (49,472)	\$ 31,736	\$ 92
Limited partners	\$ 249,601	\$ (815)	\$ (514,521)	\$ (92,583)	\$ 219
Limited partners' net income (loss) per limited partnership interest	\$ 51.03	\$ (.17)	\$ (105.20)	\$ (18.93)	\$ 4
Limited partners' cash distributions per limited partnership interest	\$ 46.98	\$ 10.33	\$ 19.57	\$ 47.31	\$ 5
At year end:					
Identifiable assets	\$ 454,904	\$ 425,107	\$ 474,528	\$ 1,158,135	\$1,526

(a) Including litigation settlement per limited partnership interest of \$6.96 in 1996.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of operations

2000 compared to 1999

The Partnership's oil and gas revenues increased 73% to \$763,858 for 2000 as compared to \$441,997 in 1999. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 2000, 17,639 barrels of oil, 6,519 barrels of natural gas liquids ("NGLs") and 45,981 mcf of gas were sold, or 31,822 barrel of oil equivalents ("BOEs"). In 1999, 17,472 barrels of oil, 6,414 barrels of NGLs and 48,380 mcf of gas were sold, or 31,949 BOEs. Due to the decline characteristics of the Partnership's oil and gas properties, management expects a certain amount of decline in production in the future until the Partnership's economically recoverable reserves are fully depleted.

The average price received per barrel of oil increased \$12.78, or 77%, from \$16.61 in 1999 to \$29.39 in 2000. The average price received per barrel of NGLs increased \$5.48, or 61%, from \$8.96 in 1999 to \$14.44 in 2000. The average price received per mcf of gas increased 69% from \$1.95 in 1999 to \$3.29 in 2000. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received in 2000.

Total costs and expenses increased in 2000 to \$431,421 as compared to \$427,526 in 1999, an increase of \$3,895, or 1%. The increase was due to increases in production costs and general and administrative expenses ("G&A"), offset by a decline in depletion.

Production costs were \$378,872 in 2000 and \$313,158 in 1999, resulting in an increase of \$65,714, or 21%. The increase was primarily due to additional well maintenance costs incurred to stimulate well production and higher production taxes associated with higher oil and gas prices.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 39% from \$18,932 in 1999 to \$26,409 in 2000 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$22,916 in 2000 and \$13,260 in 1999 for G&A incurred on behalf of the Partnership. The remaining G&A was paid directly by the Partnership. The managing general partner determines the allocated expenses based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Depletion was \$26,140 in 2000 as compared to \$95,436 in 1999, representing a decrease of \$69,296, or 73%. This decrease was primarily due to a 86,555 barrels of oil increase in proved reserves during 2000 as a result of higher commodity prices.

1999 compared to 1998

The Partnership's 1999 oil and gas revenues increased 13% to \$441,997 from \$392,883 in 1998. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 1999, 17,472 barrels of oil, 6,414 barrels of NGLs and 48,380 mcf of gas were sold, or 31,949 BOEs. In 1998, 19,150 barrels of oil, 6,748 barrels of NGLs and 48,971 mcf of gas were sold, or 34,060 BOEs.

5

277

The average price received per barrel of oil increased \$3.29, or 25%, from \$13.32 in 1998 to \$16.61 in 1999. The average price received per barrel of NGLs increased \$1.76, or 24%, from \$7.20 in 1998 to \$8.96 in 1999. The average price received per mcf of gas increased 7% from \$1.82 in 1998 to \$1.95 in 1999.

A gain on disposition of assets of \$199 was recognized during 1998 from post closing adjustments received from the sale of eight oil and gas wells during 1997.

Total costs and expenses decreased in 1999 to \$427,526 as compared to \$961,319 in 1998, a decrease of \$533,793, or 56%. The decrease was primarily due to declines in the impairment of oil and gas properties, depletion and production costs, offset by an increase in G&A expenses.

Production costs were \$313,158 in 1999 and \$336,406 in 1998, resulting in a \$23,248 decrease, or 7%. The decrease was due to declines in well maintenance costs and ad valorem taxes.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

During this period, G&A increased 30% from \$14,542 in 1998 to \$18,932 in 1999 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$13,260 in 1999 and \$11,786 in 1998 for G&A incurred on behalf of the Partnership.

In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the managing general partner reviews the Partnership's oil and gas properties for impairment whenever events or circumstances indicate a decline in the recoverability of the carrying value of the Partnership's assets may have occurred. As a result of the review and evaluation of its long-lived assets for impairment, the Partnership recognized a non-cash charge of \$294,610 related to its oil and gas properties during 1998.

Depletion was \$95,436 in 1999 compared to \$315,761 in 1998, representing a decrease of \$220,325, or 70%. This decrease was the result of an increase in proved reserves of 168,752 barrels of oil during 1999 as a result of higher commodity prices and a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 1998.

Petroleum industry

The petroleum industry has been characterized by volatile oil, NGL and natural gas commodity prices and relatively stable supplier costs during the three years ended December 31, 2000. During 1998, weather patterns, regional economic recessions and political matters combined to cause worldwide oil supplies to exceed demand resulting in a substantial decline in oil prices. Also during 1998, but to a lesser extent, market prices for natural gas declined. During 1999 and 2000, the Organization of Petroleum Exporting Countries ("OPEC") and certain other crude oil exporting nations announced reductions in their planned export volumes. Those announcements, together with the enactment of the announced reductions in export volumes, had a positive impact

6

278

on world oil prices, as have overall natural gas supply and demand fundamentals on North American natural gas prices. Although the favorable commodity price environment and stable field service cost environment is expected to continue during 2001, there is no assurance that commodity prices will not return to a less favorable level or that field service costs will not escalate in the future, both of which could negatively impact the Partnership's future results of operations and cash distributions.

Liquidity and capital resources

Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$227,133 during the year ended December 31, 2000 from 1999. This increase was due to an increase in oil and gas sales receipts of \$324,304, offset by increases in production costs paid of \$65,714, G&A expenses paid of \$7,477 and working capital of \$23,980. The increase in oil and gas receipts resulted from the increase in commodity prices during 2000 which contributed an additional \$325,772 to oil and gas receipts, offset by \$1,468 resulting from the decline in production during 2000. The increase in production costs was primarily due to increased production taxes associated with higher oil and gas prices and well maintenance costs incurred to stimulate well production. The increase in G&A was primarily due to higher

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues.

Net Cash Provided by (Used in) Investing Activities

The Partnership's principle investing activities during 2000 and 1999 were related to the upgrades of oil and gas equipment on various oil and gas properties.

Proceeds from asset dispositions of \$704 in 1999 were from equipment credits received on active properties.

Net Cash Used in Financing Activities

In 2000, cash distributions to the partners were \$308,330, of which \$78,565 was distributed to the general partners and \$229,765 to the limited partners. In 1999, cash distributions to the partners were \$67,767, of which \$17,265 was distributed to the general partners and \$50,502 to the limited partners.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO FINANCIAL STATEMENTS

	Page

Financial Statements of Parker & Parsley 82-I, Ltd:	
Independent Auditors' Report.....	9
Balance Sheets as of December 31, 2000 and 1999.....	10
Statements of Operations for the Years Ended December 31,	
2000, 1999 and 1998.....	11
Statements of Partners' Capital for the Years Ended	
December 31, 2000, 1999 and 1998.....	12
Statements of Cash Flows for the Years Ended December 31,	
2000, 1999 and 1998.....	13
Notes to Financial Statements.....	14

INDEPENDENT AUDITORS' REPORT

The Partners
Parker & Parsley 82-I, Ltd.
(A Texas Limited Partnership):

We have audited the balance sheets of Parker & Parsley 82-I, Ltd. as of December 31, 2000 and 1999, and the related statements of operations, partners' capital and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parker & Parsley 82-I, Ltd. as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Dallas, Texas
March 9, 2001

9

281

PARKER & PARSLEY 82-I, LTD.
(A Texas Limited Partnership)

BALANCE SHEETS
December 31

	2000 -----	1999 -----
ASSETS -----		
Current assets:		
Cash	\$ 57,728	\$ 61,558
Accounts receivable - oil and gas sales	109,719	61,533
	-----	-----
Total current assets	167,447	123,091
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	9,901,101	9,889,520
Accumulated depletion	(9,613,644)	(9,587,504)
	-----	-----
Net oil and gas properties	287,457	302,016
	-----	-----
	\$ 454,904	\$ 425,107

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	=====	=====
LIABILITIES AND PARTNERS' CAPITAL		

Current liabilities:		
Accounts payable - affiliate	\$ 13,712	\$ 13,314
Partners' capital:		
General partners	161,365	151,802
Limited partners (4,891 interests)	279,827	259,991
	-----	-----
	441,192	411,793
	-----	-----
	\$ 454,904	\$ 425,107
	=====	=====

The accompanying notes are an integral part of these financial statements.

10

282

PARKER & PARSLEY 82-I, LTD.
(A Texas Limited Partnership)

STATEMENTS OF OPERATIONS
For the years ended December 31

	2000	1999	1998
	-----	-----	-----
Revenues:			
Oil and gas	\$ 763,858	\$ 441,997	\$ 392,883
Interest	5,292	2,849	4,244
Gain on disposition of assets	--	--	199
	-----	-----	-----
	769,150	444,846	397,326
	-----	-----	-----
Costs and expenses:			
Oil and gas production	378,872	313,158	336,406
General and administrative	26,409	18,932	14,542
Impairment of oil and gas properties	--	--	294,610
Depletion	26,140	95,436	315,761
	-----	-----	-----
	431,421	427,526	961,319
	-----	-----	-----
Net income (loss)	\$ 337,729	\$ 17,320	\$ (563,993)
	=====	=====	=====

Allocation of net income (loss):

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

General partners	\$ 88,128 =====	\$ 18,135 =====	\$ (49,472) =====
Limited partners	\$ 249,601 =====	\$ (815) =====	\$ (514,521) =====
Net income (loss) per limited partnership interest	\$ 51.03 =====	\$ (.17) =====	\$ (105.20) =====

The accompanying notes are an integral part of these financial statements.

11

283

PARKER & PARSLEY 82-I, LTD.
(A Texas Limited Partnership)

STATEMENTS OF PARTNERS' CAPITAL

	General partners -----	Limited partners -----	Total -----
Partners' capital at January 1, 1998	\$ 221,119	\$ 921,541	\$ 1,142,660
Distributions	(20,715)	(95,712)	(116,427)
Net loss	(49,472) -----	(514,521) -----	(563,993) -----
Partners' capital at December 31, 1998	150,932	311,308	462,240
Distributions	(17,265)	(50,502)	(67,767)
Net income (loss)	18,135 -----	(815) -----	17,320 -----
Partners' capital at December 31, 1999	151,802	259,991	411,793
Distributions	(78,565)	(229,765)	(308,330)
Net income	88,128 -----	249,601 -----	337,729 -----
Partners' capital at December 31, 2000	\$ 161,365 =====	\$ 279,827 =====	\$ 441,192 =====

The accompanying notes are an integral part of these financial statements.

12

284

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

PARKER & PARSLEY 82-I, LTD.
(A Texas Limited Partnership)

STATEMENTS OF CASH FLOWS
For the years ended December 31

	2000 -----	1999 -----	1998 -----
Cash flows from operating activities:			
Net income (loss)	\$ 337,729	\$ 17,320	\$ (563,993)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Impairment of oil and gas properties	--	--	294,610
Depletion	26,140	95,436	315,761
Gain on disposition of assets	--	--	(199)
Changes in assets and liabilities:			
Accounts receivable	(48,186)	(24,834)	26,999
Accounts payable	398	1,026	(3,187)
	-----	-----	-----
Net cash provided by operating activities	316,081	88,948	69,991
	-----	-----	-----
Cash flows from investing activities:			
Additions to oil and gas properties	(11,581)	(4,754)	(6,820)
Proceeds from asset dispositions	--	704	14,397
	-----	-----	-----
Net cash provided by (used in) investing activities	(11,581)	(4,050)	7,577
	-----	-----	-----
Cash flows used in financing activities:			
Cash distributions to partners	(308,330)	(67,767)	(116,427)
	-----	-----	-----
Net increase (decrease) in cash	(3,830)	17,131	(38,859)
Cash at beginning of year	61,558	44,427	83,286
	-----	-----	-----
Cash at end of year	\$ 57,728 =====	\$ 61,558 =====	\$ 44,427 =====

The accompanying notes are an integral part of these financial statements.

PARKER & PARSLEY 82-I, LTD.
(A Texas Limited Partnership)

NOTES TO FINANCIAL STATEMENTS
December 31, 2000, 1999 and 1998

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS

Parker & Parsley 82-I, Ltd. (the "Partnership") is a limited partnership organized in 1982 under the laws of the State of Texas. The Partnership's general partners are Pioneer Natural Resources USA, Inc. ("Pioneer USA") and P&P Employees 82-I, Ltd. ("EMPL"). The Partnership's managing general partner is Pioneer USA.

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Oil and gas properties - The Partnership utilizes the successful efforts method of accounting for its oil and gas properties and equipment. Under this method, all costs associated with productive wells and nonproductive development wells are capitalized while nonproductive exploration costs are expensed. Capitalized costs relating to proved properties are depleted using the unit-of-production method on a property-by-property basis based on proved oil (dominant mineral) reserves as evaluated by independent petroleum consultants. The carrying amounts of properties sold or otherwise disposed of and the related allowances for depletion are eliminated from the accounts and any gain or loss is included in results of operations.

Impairment of long-lived assets - In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the Partnership reviews its long-lived assets to be held and used on an individual property basis, including oil and gas properties accounted for under the successful efforts method of accounting, whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. An impairment loss is indicated if the sum of the expected future cash flows is less than the carrying amount of the assets. In this circumstance, the Partnership recognizes an impairment loss for the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset.

Use of estimates in the preparation of financial statements - Preparation of the accompanying financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

14

286

Net income (loss) per limited partnership interest - The net income (loss) per limited partnership interest is calculated by using the number of outstanding limited partnership interests.

Income taxes - A Federal income tax provision has not been included in the financial statements as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

Statements of cash flows - For purposes of reporting cash flows, cash includes depository accounts held by banks.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

General and administrative expenses - General and administrative expenses are allocated in part to the Partnership by the managing general partner. Allocated expenses are determined by the managing general partner based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Reclassifications - Certain reclassifications may have been made to the 1999 and 1998 financial statements to conform to the 2000 financial statement presentations.

Environmental - The Partnership is subject to extensive federal, state and local environmental laws and regulations. These laws, which are constantly changing, regulate the discharge of materials into the environment and may require the Partnership to remove or mitigate the environmental effects of the disposal or release of petroleum or chemical substances at various sites. Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Liabilities for expenditures of a noncapital nature are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated. Such liabilities are generally undiscounted unless the timing of cash payments for the liability or component are fixed or reliably determinable. No such liabilities have been accrued as of December 31, 2000.

Revenue recognition - The Partnership uses the entitlements method of accounting for oil, natural gas liquids ("NGLs") and natural gas revenues.

NOTE 3. IMPAIRMENT OF LONG-LIVED ASSETS

In accordance with SFAS 121, the Partnership reviews its proved oil and gas properties for impairment whenever events and circumstances indicate a decline in the recoverability of the carrying value of the Partnership's oil and gas properties. The Partnership has estimated the expected future cash flows of its oil and gas properties as of December 31, 2000, 1999 and 1998, based on proved reserves, and compared such estimated future cash flows to the respective carrying amount of the oil and gas properties to determine if the carrying amounts were likely to be recoverable. For those proved oil and gas properties for which the carrying amount exceeded the estimated future cash flows, an impairment was determined to exist; therefore, the Partnership adjusted the carrying amount of those oil and gas properties to their fair value as determined by discounting their expected future cash flows at a discount rate commensurate with the risks involved in the industry. As a result, the Partnership recognized a non-cash impairment provision of \$294,610 related to its proved oil and gas properties during 1998.

15

287

NOTE 4. INCOME TAXES

The financial statement basis of the Partnership's net assets and liabilities was \$663,714 less than the tax basis at December 31, 2000.

The following is a reconciliation of net income (loss) per statements of operations with the net income per Federal income tax returns for the years ended December 31:

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	2000 -----	1999 -----	1998 -----
Net income (loss) per statements of operations	\$ 337,729	\$ 17,320	\$ (563,993)
Depletion and depreciation provisions for tax reporting purposes less than amounts for financial reporting purposes	21,746	92,542	312,201
Impairment of oil and gas properties for financial reporting purposes	--	--	294,610
Loss on disposition of assets	--	--	(116)
Other, net	(637)	77	786
	-----	-----	-----
Net income per Federal income tax returns	\$ 358,838 =====	\$ 109,939 =====	\$ 43,488 =====

NOTE 5. OIL AND GAS PRODUCING ACTIVITIES

The following is a summary of the costs incurred, whether capitalized or expensed, related to the Partnership's oil and gas producing activities for the years ended December 31:

	2000 -----	1999 -----	1998 -----
Development costs	\$ 11,581 =====	\$ 4,754 =====	\$6,820 =====

Capitalized oil and gas properties consist of the following:

	2000 -----	1999 -----
Proved properties:		
Property acquisition costs	\$ 360,899	\$ 360,899
Completed wells and equipment	9,540,202	9,528,621
	-----	-----
Accumulated depletion	9,901,101 (9,613,644)	9,889,520 (9,587,504)
	-----	-----
Net oil and gas properties	\$ 287,457 =====	\$ 302,016 =====

NOTE 6. RELATED PARTY TRANSACTIONS

Pursuant to the limited partnership agreement, the Partnership had the following related

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

288

party transactions with the managing general partner during the years ended December 31:

	2000 -----	1999 -----	1998 -----
Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$162,023	\$156,380	\$150,391
Reimbursement of general and administrative expenses	\$ 22,916	\$ 13,260	\$ 11,786

Pioneer USA, EMPL and the Partnership are parties to the Partnership agreement. EMPL is a limited partnership in which Pioneer USA owns 77.5% and the remaining portion is owned by former affiliates. In addition, Pioneer USA owned 634 limited partner interests at January 1, 2001.

The costs and revenues of the Partnership are allocated as follows:

	General partners -----	Limited partners -----
Revenues:		
Proceeds from property dispositions prior to cost recovery	10%	90%
All other Partnership revenues	25%	75%
Costs and expenses:		
Lease acquisition costs, drilling and completion costs	10%	90%
Operating costs, direct costs and general and administrative expenses	25%	75%

NOTE 7. OIL AND GAS INFORMATION (UNAUDITED)

The following table presents information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities during the years then ended. All of the Partnership's reserves are proved developed and located within the United States. The Partnership's reserves are based on an evaluation prepared by Williamson Petroleum Consultants, Inc., an independent petroleum consultant, using criteria established by the Securities and Exchange Commission.

	Oil and NGLs (bbls) -----	Gas (mcf) -----
Net proved reserves at January 1, 1998	321,477	448,047
Revisions	(230,755)	(305,609)
Production	(25,898)	(48,971)

Net proved reserves at December 31, 1998	64,824	93,467
Revisions	280,613	443,568
Production	(23,886)	(48,380)
	-----	-----
Net proved reserves at December 31, 1999	321,551	488,655
Revisions	60,464	362,471
Production	(24,158)	(45,981)
	-----	-----
Net proved reserves at December 31, 2000	357,857	805,145
	=====	=====

As of December 31, 2000, the estimated present value of future net revenues of proved reserves, calculated using December 31, 2000 prices of \$26.55 per barrel of oil, \$13.69 per barrel of NGLs and \$8.68 per mcf of gas, discounted at 10% was approximately \$3,226,000 and undiscounted was \$6,208,000.

Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves. The Partnership emphasizes that reserve estimates are inherently imprecise and, accordingly, the estimates are expected to change as future information becomes available.

Disclosures about Oil & Gas Producing Activities

Standardized Measure of Discounted Future Net Cash Flows

The standardized measure of discounted future net cash flows is computed by applying year-end prices of oil and gas (with consideration of price changes only to the extent provided by contractual arrangements) to the estimated future production of proved oil and gas reserves less estimated future expenditures (based on year-end costs) to be incurred in developing and producing the proved reserves, discounted using a rate of 10% per year to reflect the estimated timing of the future cash flows. A Federal income tax provision has not been calculated as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

Discounted future cash flow estimates like those shown below are not intended to represent estimates of the fair value of oil and gas properties. Estimates of fair value should also consider anticipated future oil and gas prices, interest rates, changes in development and production costs and risks associated with future production. Because of these and other considerations, any estimate of fair value is necessarily subjective and imprecise.

For the years ended December 31,		
2000	1999	1998
-----	-----	-----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

(in thousands)

Oil and gas producing activities:
 Future cash inflows \$ 15,230 \$ 8,078 \$ 7

18

290

Future production costs	(9,022)	(5,386)	(6)
10% annual discount factor	6,208 (2,982)	2,692 (1,056)	(
Standardized measure of discounted future net cash flows	\$ 3,226	\$ 1,636	\$

For the years ended December 31,

2000 1999 1998

(in thousands)

Oil and Gas Producing Activities:			
Oil and gas sales, net of production costs	\$ (385)	\$ (128)	\$ (56)
Net changes in prices and production costs	1,448	378	(898)
Revisions of previous quantity estimates	927	2,018	(164)
Accretion of discount	164	6	118
Changes in production rates, timing and other	(564)	(704)	(113)
Change in present value of future net revenues	1,590	1,570	(1,113)
Balance, beginning of year	1,636	66	1,179
Balance, end of year	\$ 3,226	\$ 1,636	\$ 66

NOTE 8. MAJOR CUSTOMERS

The following table reflects the major customers of the Partnership's oil and gas sales (a major customer is defined as a customer whose sales exceed 10% of total sales) during the years ended December 31:

	2000	1999	1998
Plains Marketing, L.P.	68%	66%	--

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Genesis Crude Oil, L.P.	--	--	65%
GPM Gas Corporation	13%	14%	13%
Western Gas Resources, Inc.	1%	2%	10%

At December 31, 2000, the amounts receivable from Plains Marketing, L.P. and GPM Gas Corporation were \$54,651 and \$30,037, respectively, which are included in the caption "Accounts receivable - oil and gas sales" in the accompanying Balance Sheet.

Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on the ability of the Partnership to sell its oil, NGLs and gas production.

NOTE 9. PARTNERSHIP AGREEMENT

The following is a brief summary of the more significant provisions of the limited partnership agreement:

General partners - The general partners of the Partnership are Pioneer USA and EMPL.

19

291

Pioneer USA, the managing general partner, has the power and authority to manage, control and administer all Partnership affairs. As managing general partner and operator of the Partnership's properties, all production expenses are incurred by Pioneer USA and billed to the Partnership. The majority of the Partnership's oil and gas revenues are received directly by the Partnership, however, a portion of the oil and gas revenue is initially received by Pioneer USA prior to being paid to the Partnership.

Limited partner liability - The maximum amount of liability of any limited partner is the total contributions of such partner plus his share of any undistributed profits.

Initial capital contributions - The limited partners entered into subscription agreements for aggregate capital contributions of \$9,782,000. During 1985, the Partnership received a total of \$1,372,500 from its limited partners in response to an assessment by the managing general partner. Additionally, \$650,000 was contributed by the managing general partner for limited partnership interests on unpaid assessments of which \$500,000 was paid in 1985 and \$150,000 in 1986. The general partners are required to contribute amounts equal to 10% of Partnership expenditures for lease acquisition, drilling and completion and 25% of direct, general and administrative and operating expenses.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

20

292

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE PARTNERSHIP

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The Partnership does not have any officers or directors. Under the limited partnership agreement, the Partnership's managing general partner, Pioneer USA, is granted the exclusive right and full authority to manage, control and administer the Partnership's business.

Set forth below are the names, ages and positions of the directors and executive officers of Pioneer USA. Directors of Pioneer USA are elected to serve until the next annual meeting of stockholders or until their successors are elected and qualified.

Name ----	Age at December 31, 2000 ----	Position -----
Scott D. Sheffield	48	President
Timothy L. Dove	44	Executive Vice President, Chief Financial Officer and Director
Dennis E. Fagerstone	51	Executive Vice President and Director
Mark L. Withrow	53	Executive Vice President, General Counsel and Director
Danny Kellum	46	Executive Vice President - Domestic Operations and Director
Rich Dealy	34	Vice President and Chief Accounting Officer

Scott D. Sheffield. Mr. Sheffield is a graduate of The University of Texas with a B.S. in Petroleum Engineering. Since August 1997, he has served as President, Chief Executive Officer and a director of Pioneer and President of Pioneer USA. Mr. Sheffield assumed the position of Chairman of the Board of Pioneer in August 1999. He served as a director of Pioneer USA from August 1997 until his resignation from the board in June 1999. Mr. Sheffield was the President and a director of Parker & Parsley Petroleum Company ("Parker & Parsley") from May 1990 until August 1997 and was the Chairman of the Board and Chief Executive Officer of Parker & Parsley from October 1990 until August 1997. He was the sole director of Parker & Parsley from May 1990 until October 1990. Mr. Sheffield joined Parker & Parsley Development Company ("PPDC"), a predecessor of Parker & Parsley, as a petroleum engineer in 1979. He served as Vice President - Engineering of PPDC from September 1981 until April 1985 when he was elected President and a director. In March 1989, Mr. Sheffield was elected Chairman of the Board and Chief Executive Officer of PPDC. Before joining PPDC's predecessor, Mr. Sheffield was employed as a production and reservoir engineer for Amoco Production Company.

Timothy L. Dove. Mr. Dove earned a B.S. in Mechanical Engineering from Massachusetts

Institute of Technology in 1979 and received his M.B.A. in 1981 from the University of Chicago. He became Executive Vice President - Business Development

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

of Pioneer and Pioneer USA in August 1997 and was also appointed a director of Pioneer USA in August 1997. Mr. Dove assumed the position of Chief Financial Officer of Pioneer and Pioneer USA effective February 1, 2000. Mr. Dove joined Parker & Parsley in May 1994 as Vice President - International and was promoted to Senior Vice President - Business Development in October 1996, in which position he served until August 1997. Prior to joining Parker & Parsley, Mr. Dove was employed with Diamond Shamrock Corp., and its successor, Maxus Energy Corp, in various capacities in international exploration and production, marketing, refining and marketing and planning and development.

Dennis E. Fagerstone. Mr. Fagerstone, a graduate of the Colorado School of Mines with a B.S. in Petroleum Engineering, became an Executive Vice President of Pioneer and Pioneer USA in August 1997. He was also appointed a director of Pioneer USA in August 1997. He served as Executive Vice President and Chief Operating Officer of MESA Inc. ("Mesa") from March 1, 1997 until August 1997. From October 1996 to February 1997, Mr. Fagerstone served as Senior Vice President and Chief Operating Officer of Mesa and from May 1991 to October 1996, he served as Vice President - Exploration and Production of Mesa. From June 1988 to May 1991, Mr. Fagerstone served as Vice President - Operations of Mesa.

Mark L. Withrow. Mr. Withrow, a graduate of Abilene Christian University with a B.S. in Accounting and Texas Tech University with a Juris Doctorate degree, became Executive Vice President, General Counsel and Secretary of Pioneer and Pioneer USA in August 1997. He was also appointed a director of Pioneer USA in August 1997. Mr. Withrow was Vice President - General Counsel of Parker & Parsley from January 1991, when he joined Parker & Parsley, to January 1995, when he was appointed Senior Vice President - General Counsel. He was Parker & Parsley's Secretary from August 1992 until August 1997. Prior to joining Parker & Parsley, Mr. Withrow was the managing partner of the law firm of Turpin, Smith, Dyer, Saxe & MacDonald, Midland, Texas.

Danny Kellum. Mr. Kellum, who received a Bachelor of Science degree in Petroleum Engineering from Texas Tech University in 1979, was elected Executive Vice President - Domestic Operations of Pioneer and Pioneer USA on May 18, 2000 and Director of Pioneer USA on February 1, 2000. From January 2000 until May 2000, Mr. Kellum served as Vice President - Domestic Operations of Pioneer and Pioneer USA. Mr. Kellum served as Vice President Permian Division of Pioneer and Pioneer USA from April 1998 until December 1999. From 1989 until 1994 he served as Spraberry District Manager and as Vice President of the Spraberry and Permian Division for Parker & Parsley until August of 1997. Mr. Kellum joined Parker & Parsley as an operations engineer in 1981 after a brief career with Mobil Oil Corporation.

Rich Dealy. Mr. Dealy is a graduate of Eastern New Mexico University with a B.B.A. in Accounting and Finance and is a Certified Public Accountant. He became Vice President and Chief Accounting Officer of Pioneer and Pioneer USA in February 1998. Mr. Dealy served as Controller of Pioneer USA from August 1997 to February 1998. He served as Controller of Parker & Parsley from August 1995 to August 1997. Mr. Dealy joined Parker & Parsley as an Accounting Manager in July, 1992. He was previously employed with KPMG Peat Marwick as an Audit Senior, in charge of Parker & Parsley's audit.

ITEM 11. EXECUTIVE COMPENSATION

The Partnership does not have any directors or officers. Management of the Partnership is performed by Pioneer USA, the managing general partner. Under the Partnership agreement, Pioneer USA pays 8% of the Partnership's acquisition,

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

drilling and completion costs and 20% of its operating and general and administrative expenses. In return, Pioneer USA is allocated 20% of the Partnership's revenues.

EMPL is a co-general partner of the Partnership. Under this arrangement, EMPL pays 2% of the Partnership's acquisition, drilling and completion costs and 5% of its operating and general and administrative expenses. In return, EMPL is allocated 5% of the Partnership's revenues. EMPL does not receive any fees or reimbursements from the Partnership.

The Partnership does not directly pay any salaries of the executive officers of Pioneer USA, but does pay a portion of Pioneer USA's general and administrative expenses of which these salaries are a part.

See Notes 6 and 9 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" for information regarding fees and reimbursements paid to the managing general partner by the Partnership.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

(a) Beneficial owners of more than five percent

The Partnership is not aware of any person who beneficially owns 5% or more of the outstanding limited partnership interests of the Partnership. Pioneer USA and EMPL respectively own 80% and 20% of the general partners' interests in the Partnership. Pioneer USA owned 634 limited partner interests at January 1, 2001.

(b) Security ownership of management

The Partnership does not have any officers or directors. The managing general partner of the Partnership, Pioneer USA, has the exclusive right and full authority to manage, control and administer the Partnership's business. Under the limited partnership agreement, limited partners holding a majority of the outstanding limited partnership interests have the right to take certain actions, including the removal of the managing general partner or any other general partner. The Partnership is not aware of any current arrangement or activity which may lead to such removal. The Partnership is not aware of any officer or director of Pioneer USA who beneficially owns limited partnership interests in the Partnership.

23

295

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Transactions with the managing general partner

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

	2000	1999	1998
	-----	-----	-----
Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$162,023	\$156,380	\$150,391

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Reimbursement of general and administrative expenses	\$ 22,916	\$ 13,260	\$ 11,786
------------------------------------------------------	-----------	-----------	-----------

Under the limited partnership agreement, the general partners, Pioneer USA and EMPL, together pay 10% of the Partnership's acquisition, drilling and completion costs and 25% of its operating and general and administrative expenses. In return, they are allocated 25% of the Partnership's revenues. Twenty percent of the general partners' share of costs and revenues is allocated to EMPL and the remainder is allocated to Pioneer USA. Certain former affiliates of Pioneer USA are limited partners of EMPL. Also, see Notes 6 and 9 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" regarding the Partnership's participation with the managing general partner in oil and gas activities of the Partnership.

24

296

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) 1. Financial statements

The following are filed as part of this Report:

Independent Auditors' Report

Balance sheets as of December 31, 2000 and 1999

Statements of operations for the years ended December 31, 2000, 1999 and 1998

Statements of partners' capital for the years ended December 31, 2000, 1999 and 1998

Statements of cash flows for the years ended December 31, 2000, 1999 and 1998

Notes to financial statements

2. Financial statement schedules

All financial statement schedules have been omitted since the required information is in the financial statements or notes thereto, or is not applicable nor required.

(b) Reports on Form 8-K

None.

(c) Exhibits

The exhibits listed on the accompanying index to exhibits are filed or incorporated by reference as part of this Report.

25

297

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

S I G N A T U R E S

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

PARKER & PARSLEY 82-I, LTD.

Dated: March 23, 2001

By: Pioneer Natural Resources USA, Inc.
Managing General Partner

By: /s/ Scott D. Sheffield

Scott D. Sheffield, President

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

/s/ Scott D. Sheffield ----- Scott D. Sheffield	President of Pioneer USA	March 23, 2001
/s/ Timothy L. Dove ----- Timothy L. Dove	Executive Vice President, Chief Financial Officer and Director of Pioneer USA	March 23, 2001
/s/ Dennis E. Fagerstone ----- Dennis E. Fagerstone	Executive Vice President and Director of Pioneer USA	March 23, 2001
/s/ Mark L. Withrow ----- Mark L. Withrow	Executive Vice President, General Counsel and Director of Pioneer USA	March 23, 2001
/s/ Danny Kellum ----- Danny Kellum	Executive Vice President - Domestic Operations and Director of Pioneer USA	March 23, 2001
/s/ Rich Dealy ----- Rich Dealy	Vice President and Chief Accounting Officer of Pioneer USA	March 23, 2001

PARKER & PARSLEY 82-I, LTD.

INDEX TO EXHIBITS

The following documents are incorporated by reference in response to

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Item 14(c):

Exhibit No. -----	Description -----	Page ----
3.1	Agreement of Limited Partnership of Parker & Parsley 82-I, Ltd. incorporated by reference to Exhibit 4(e) of Partnership's Registration Statement on Form S-1 (Registration No. 2-75503A), as amended on February 4, 1982, the effective date thereof (hereinafter called, the Partnership's Registration Statement)	-
3.2	Amended and Restated Certificate of Limited Partnership of Parker & Parsley 82-I, Ltd. incorporated by reference to Exhibit 3.2 of the Partnership's Annual Report on Form 10-K for the year ended December 31, 1983	-
4.1	Form of Subscription Agreement and Power of Attorney incorporated by reference to Exhibit 4(b) of the Partnership's Registration Statement	-
4.2	Specimen Certificate of Limited Partnership Interest incorporated by reference to Exhibit 4(d) of the Partnership's Registration Statement	-

27

299

PARKER & PARSLEY 82-I, LTD.

SELECTED FINANCIAL DATA

The following selected financial data for the Partnership should be read in connection with Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements included in the attached supplemental information.

	Six months ended June 30,		Years ended Decem		
	2001 -----	2000 -----	2000 -----	1999 -----	1998 -----
Operating results:					
Oil and gas sales	\$ 421,846 =====	\$ 349,532 =====	\$ 763,858 =====	\$ 441,997 =====	\$ 392,88 =====
Gain on litigation settlement, net	\$ -- =====	\$ -- =====	\$ -- =====	\$ -- =====	\$ -- =====

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Impairment of oil and gas properties	\$ --	\$ --	\$ --	\$ --	\$ 294,61
Net income (loss)	\$ 199,638	\$ 141,386	\$ 337,729	\$ 17,320	\$ (563,99
Allocation of net income (loss):					
General partners	\$ 51,562	\$ 37,763	\$ 88,128	\$ 18,135	\$ (49,47
Limited partners	\$ 148,076	\$ 103,623	\$ 249,601	\$ (815)	\$ (514,52
Limited partners' net income (loss) per limited partnership interest	\$ 30.28	\$ 21.19	\$ 51.03	\$ (.17)	\$ (105.2
Limited partners' cash distributions per limited partnership interest	\$ 19.49	\$ 21.00	\$ 46.98	\$ 10.33	\$ 19.5
As of period ended:					
Total assets	\$ 533,168	\$ 437,924	\$ 454,904	\$ 425,107	\$ 474,52

(a) Including litigation settlement per limited partnership interest of \$6.96 in 1996.

300

PIONEER NATURAL RESOURCES COMPANY
PIONEER NATURAL RESOURCES USA, INC.
5205 NORTH O'CONNOR BLVD., SUITE 1400
IRVING, TEXAS 75039

SUPPLEMENTAL INFORMATION

OF

PARKER & PARSLEY 82-II, LTD., A TEXAS LIMITED PARTNERSHIP

TO

PROXY STATEMENT/PROSPECTUS DATED , 2001

THE DATE OF THIS SUPPLEMENT IS , 2001

This document contains important information specific to Parker & Parsley

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

82-II, Ltd. and supplements the proxy statement/prospectus dated _____, 2001, of Pioneer Natural Resources Company and Pioneer Natural Resources USA, Inc., by which Pioneer USA is soliciting proxies to be voted at a special meeting of limited partners of the partnership. The purpose of the special meeting is for you to vote upon the merger of the partnership with and into Pioneer USA that, if completed, will result in your receiving common stock of Pioneer Natural Resources Company for your partnership interests.

This document contains the following information concerning Parker & Parsley 82-II, Ltd.:

- o A table containing:
 - the aggregate initial investment by the limited partners
 - the aggregate historical limited partner distributions through July 31, 2001
 - the merger value attributable to partnership interests of limited partners, excluding Pioneer USA
 - the merger value per \$1,000 limited partner investment
 - the merger value per \$1,000 limited partner investment as a multiple of distributions for the past four quarterly distributions including the distribution in July 2001
 - the book value per \$1,000 limited partner investment as of June 30, 2001 and as of December 31, 2000
 - the going concern value per \$1,000 limited partner investment
 - the liquidation value per \$1,000 limited partner investment
 - the ordinary tax loss per \$1,000 limited partner investment in year of initial investment
- o Information about:
 - the legal opinion for the limited partners
 - the term of the partnership
- o The partnership's quarterly report on Form 10-Q, including management's discussion and analysis of financial condition and results of operations, for the six months ended June 30, 2001
- o The partnership's annual report on Form 10-K, including management's discussion and analysis of financial condition and results of operations, for the year ended December 31, 2000
- o Selected historical financial data for the partnership for the six months ended June 30, 2001 and 2000 and the five years ended December 31, 2000

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

-1-

301

PARKER & PARSLEY 82-II, LTD.

SUPPLEMENTAL INFORMATION TABLE

Aggregate Initial Investment by the Limited Partners (a)	\$
Aggregate Historical Limited Partner Distributions through July 31, 2001 (a)	\$
Merger Value Attributable to Partnership Interests of Limited Partners, Excluding Pioneer USA (a), (b)	\$
Merger Value per \$1,000 Limited Partner Investment (b), (c)	\$
Merger Value per \$1,000 Limited Partner Investment as a Multiple of Distributions for the past four quarterly distributions including the distribution in July 2001 (b), (c)	
Book Value per \$1,000 Limited Partner Investment:	
-- as of June 30, 2001 (c)	\$
-- as of December 31, 2000 (c)	\$
Going Concern Value per \$1,000 Limited Partner Investment (c), (d)	\$
Liquidation Value per \$1,000 Limited Partner Investment (c), (e)	\$
Ordinary Tax Loss per \$1,000 Limited Partner Investment in Year of Initial Investment (c), (f)	\$

(a) Stated in thousands.

(b) The merger value for the partnership is equal to the sum of the present value of estimated future net revenues from the partnership's estimated oil and gas reserves and its net working capital, in each case as of March 31, 2001, less its pro rata share, based on its reserve value, of the estimated expenses and fees of the mergers of all of the partnerships and less the cash distribution on July 13, 2001, by the partnership to its partners.

(c) Interests in some partnerships were sold in units at prices other than \$1,000. We have presented this information based on a \$1,000 initial investment for ease of use and comparison among partnerships. You should not assume that the amount shown per \$1,000 investment is the same as the value or amount attributable to a single unit investment.

(d) The going concern value for the partnership is based upon: (1) the sum of (A) the estimated net cash flow from the sale of the partnership's reserves during a 10-year operating period and (B) the estimated residual value from the sale of the partnership's remaining reserves at the end of the operating period, in each case using the same pricing and discount rate as

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

in the merger value calculation, less (2) (A) partnership level general and administrative expenses, and (B) the cash distribution on July 13, 2001 by the partnership to its partners.

- (e) The liquidation value for the partnership is based upon the sale of the partnership's reserves at the reserve value, less (1) liquidation expenses which are estimated to be the sum of (A) the partnership's pro rata share of the merger expenses and fees described in footnote (b) above and (B) 3% of the partnership's reserve value, and (2) the cash distribution on July 13, 2001 by the partnership to its partners. The liquidation expenses represent estimated costs to retain an investment banker or broker to sell the assets of the partnership and the legal and other closing costs associated with such transaction, including the wind-down costs of the partnership.
- (f) Your ability to use your distributive share of the partnership's loss to offset your other income may have been subject to certain limitations at your level as a partner, and you may therefore wish to consult your tax advisor to determine the additional value, if any, actually realized by you in your particular circumstances.

INFORMATION ABOUT THE LEGAL OPINION FOR THE LIMITED PARTNERS

The partnership agreement for the partnership requires that special legal counsel render an opinion on behalf of the limited partners to Pioneer USA that (1) neither the grant nor the exercise of the right to approve the merger of the partnership by its limited partners will adversely affect the federal income tax classification of the partnership or any of its limited partners; and (2) neither the grant nor exercise of such right will result in the loss of any limited partner's limited liability. In addition, the counsel designated to render the opinion must be counsel other than counsel to Pioneer USA or the partnership. Both the designated counsel and the legal opinion must be approved by the limited partners. Pioneer USA has retained _____ of Dallas, Texas for the purpose of rendering this legal opinion on behalf of the limited partners to Pioneer USA. The merger proposals include an approval of that counsel and the form of its opinion. A copy of the opinion is attached as an exhibit to the merger proposals.

INFORMATION ABOUT THE TERM OF THE PARTNERSHIP

The term of the partnership shall continue until terminated in accordance with the applicable provisions of its partnership agreement.

-2-

302

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

For the quarterly period ended June 30, 2001

Commission File No. 2-75530B

PARKER & PARSLEY 82-II, LTD.
(Exact name of Registrant as specified in its charter)

Texas	75-1867115
-----	-----
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
5205 N. O'Connor Blvd., Suite 1400, Irving, Texas	75039
-----	-----
(Address of principal executive offices)	(Zip code)

Registrant's Telephone Number, including area code : (972) 444-9001

Not applicable
(Former name, former address and former fiscal year,
if changed since last report)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes / x / No / /

303

PARKER & PARSLEY 82-II, LTD.

TABLE OF CONTENTS

	Page
Part I. Financial Information	
Item 1. Financial Statements	
Balance Sheets as of June 30, 2001 and December 31, 2000.....	3
Statements of Operations for the three and six months ended June 30, 2001 and 2000.....	4

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	Statement of Partners' Capital for the six months ended June 30, 2001.....	5
	Statements of Cash Flows for the six months ended June 30, 2001 and 2000.....	6
	Notes to Financial Statements.....	7
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations.....	7
Part II. Other Information		
Item 6.	Exhibits and Reports on Form 8-K.....	11
	Signatures.....	12

2

304

PARKER & PARSLEY 82-II, LTD.
(A Texas Limited Partnership)

Part I. Financial Information

Item 1. Financial Statements

BALANCE SHEETS

	June 30, 2001	December 31, 2000
	-----	-----
	(Unaudited)	
ASSETS		
Current assets:		
Cash	\$ 155,816	\$ 77,911
Accounts receivable - oil and gas sales	91,508	107,778
	-----	-----
Total current assets	247,324	185,689
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	8,307,568	8,305,901
Accumulated depletion	(7,553,587)	(7,531,290)
	-----	-----
Net oil and gas properties	753,981	774,611
	-----	-----
	\$ 1,001,305	\$ 960,300
	=====	=====
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable - affiliate	\$ 17,621	\$ 12,662

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Partners' capital:		
General partners	134,008	121,968
Limited partners (6,126 interests)	849,676	825,670
	-----	-----
	983,684	947,638
	-----	-----
	\$ 1,001,305	\$ 960,300
	=====	=====

The financial information included as of June 30, 2001 has been prepared by the managing general partner without audit by independent public accountants.

The accompanying notes are an integral part of these financial statements.

3

305

PARKER & PARSLEY 82-II, LTD.
(A Texas Limited Partnership)

STATEMENTS OF OPERATIONS
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2001	2000	2001	2000
	-----	-----	-----	-----
Revenues:				
Oil and gas	\$ 172,463	\$ 169,196	\$ 384,143	\$ 334,606
Interest	1,159	1,676	2,558	2,939
	-----	-----	-----	-----
	173,622	170,872	386,701	337,545
	-----	-----	-----	-----
Costs and expenses:				
Oil and gas production	79,225	72,440	184,165	147,258
General and administrative	5,282	5,668	13,211	10,827
Depletion	11,536	9,028	22,297	21,203
	-----	-----	-----	-----
	96,043	87,136	219,673	179,288
	-----	-----	-----	-----
Net income	\$ 77,579	\$ 83,736	\$ 167,028	\$ 158,257
	=====	=====	=====	=====
Allocation of net income:				
General partners	\$ 21,125	\$ 22,288	\$ 44,846	\$ 42,745
	=====	=====	=====	=====
Limited partners	\$ 56,454	\$ 61,448	\$ 122,182	\$ 115,512
	=====	=====	=====	=====
Net income per limited partnership interest	\$ 9.21	\$ 10.03	\$ 19.94	\$ 18.86
	=====	=====	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

The accompanying notes are an integral part of these financial statements.

4

306

PARKER & PARSLEY 82-II, LTD.
(A Texas Limited Partnership)

STATEMENT OF PARTNERS' CAPITAL
(Unaudited)

	General partners -----	Limited partners -----	Total -----
Balance at January 1, 2001	\$ 121,968	\$ 825,670	\$ 947,638
Distributions	(32,806)	(98,176)	(130,982)
Net income	44,846	122,182	167,028
	-----	-----	-----
Balance at June 30, 2001	\$ 134,008 =====	\$ 849,676 =====	\$ 983,684 =====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

The accompanying notes are an integral part of these financial statements.

5

307

PARKER & PARSLEY 82-II, LTD.
(A Texas Limited Partnership)

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

STATEMENTS OF CASH FLOWS
(Unaudited)

	Six months ended June 30,	
	2001	2000
Cash flows from operating activities:		
Net income	\$ 167,028	\$ 158,257
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion	22,297	21,203
Changes in assets and liabilities:		
Accounts receivable	16,270	(8,639)
Accounts payable	4,959	5,136
Net cash provided by operating activities	210,554	175,957
Cash flows used in investing activities:		
Additions to oil and gas properties	(1,667)	(1,538)
Cash flows used in financing activities:		
Cash distributions to partners	(130,982)	(180,435)
Net increase (decrease) in cash	77,905	(6,016)
Cash at beginning of period	77,911	91,672
Cash at end of period	\$ 155,816	\$ 85,656

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

The accompanying notes are an integral part of these financial statements.

6

308

PARKER & PARSLEY 82-II, LTD.
(A Texas Limited Partnership)

NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Unaudited)

Note 1. Organization and nature of operations

Parker & Parsley 82-II, Ltd. (the "Partnership") is a limited partnership organized in 1982 under the laws of the State of Texas.

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Note 2. Basis of presentation

In the opinion of management, the unaudited financial statements of the Partnership as of June 30, 2001 and for the three and six months ended June 30, 2001 and 2000 include all adjustments and accruals consisting only of normal recurring accrual adjustments which are necessary for a fair presentation of the results for the interim period. However, these interim results are not necessarily indicative of results for a full year. Certain reclassifications may have been made to the June 30, 2000 financial statements to conform to the June 30, 2001 financial statement presentations.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in this Form 10-Q pursuant to the rules and regulations of the Securities and Exchange Commission. The financial statements should be read in conjunction with the financial statements and the notes thereto contained in the Partnership's Report on Form 10-K for the year ended December 31, 2000, as filed with the Securities and Exchange Commission, a copy of which is available upon request by writing to Rich Dealy, Vice President and Chief Accounting Officer, 5205 North O'Connor Boulevard, Suite 1400, Irving, Texas 75039-3746.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (1)

Results of Operations

Six months ended June 30, 2001 compared with six months ended June 30, 2000

Revenues:

The Partnership's oil and gas revenues increased 15% to \$384,143 for the six months ended June 30, 2001 as compared to \$334,606 for the same period in 2000. The increase in revenues resulted from higher average prices received, offset by a decline in production. For the six months ended June 30, 2001, 7,984 barrels

7

309

of oil, 2,949 barrels of natural gas liquids ("NGLs") and 22,031 mcf of gas were sold, or 14,605 barrel of oil equivalentents ("BOEs"). For the six months ended June 30, 2000, 8,628 barrels of oil, 3,976 barrels of NGLs and 18,498 mcf of gas were sold, or 15,687 BOEs.

The average price received per barrel of oil increased \$.28, or 1%, from \$27.51 for the six months ended June 30, 2000 to \$27.79 for the same period in 2001. The average price received per barrel of NGLs increased \$3.52, or 26% from \$13.63 during the six months ended June 30, 2000 to \$17.15 for the same period in 2001. The average price received per mcf of gas increased 118% from \$2.33 during the six months ended June 30, 2000 to \$5.07 for the same period in 2001. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received during the six months ended June 30, 2001.

Costs and Expenses:

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Total costs and expenses increased to \$219,673 for the six months ended June 30, 2001 as compared to \$179,288 for the same period in 2000, an increase of \$40,385, or 23%. This increase was due to increases in production costs, general and administrative expenses ("G&A") and depletion.

Production costs were \$184,165 for the six months ended June 30, 2001 and \$147,258 for the same period in 2000 resulting in a \$36,907 increase, or 25%. This increase was primarily due to additional well maintenance costs incurred to stimulate well production and higher production taxes associated with increased oil and gas revenues.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 22% from \$10,827 for the six months ended June 30, 2000 to \$13,211 for the same period in 2001, primarily due to a higher allocation of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues and an increase in audit and tax fees.

Depletion was \$22,297 for the six months ended June 30, 2001 as compared to \$21,203 for the same period in 2000, an increase of \$1,094, or 5%. This increase was primarily due to a reduction in proved reserves during the period ended June 30, 2001 due to lower commodity prices, offset by a decline in oil production of 644 barrels for the six months ended June 30, 2001 as compared to the same period in 2000.

Three months ended June 30, 2001 compared with three months ended June 30, 2000

Revenues:

The Partnership's oil and gas revenues increased 2% to \$172,463 for the three months ended June 30, 2001, as compared to \$169,196 for the same period in 2000. The increase in revenues resulted from higher average prices received for gas and NGLs, offset by lower average prices received for oil and a decrease in production. For the three months ended June 30, 2001, 3,738 barrels of oil, 1,577 barrels of NGLs and 10,439 mcf of gas were sold, or 7,055 BOEs. For the

8

310

three months ended June 30, 2000, 4,189 barrels of oil, 1,932 barrels of NGLs and 9,347 mcf of gas were sold, or 7,679 BOEs.

The average price received per barrel of oil decreased \$.34, or 1%, from \$27.76 for the three months ended June 30, 2000 to \$27.42 for the three months ended June 30, 2001. The average price received per barrel of NGLs increased \$.95, or 7%, from \$14.12 during the three months ended June 30, 2000 to \$15.07 for the three months ended June 30, 2001. The average price received per mcf of gas increased 62% to \$4.43 during the three months ended June 30, 2001 from \$2.74 during the same period in 2000.

Costs and Expenses:

Total costs and expenses increased to \$96,043 for the three months ended June 30, 2001 as compared to \$87,136 for the same period in 2000, an increase of \$8,907, or 10%. This increase was due to increases in production costs and depletion, offset by a decline in G&A.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Production costs were \$79,225 for the three months ended June 30, 2001 and \$72,440 for the same period in 2000 resulting in a \$6,785 increase, or 9%. The increase was primarily due to additional well maintenance costs incurred to stimulate well production.

During this period, G&A decreased 7% from \$5,668 for the three months ended June 30, 2000 to \$5,282 for the same period in 2001 due to a decrease in audit and tax fees.

Depletion was \$11,536 for the three months ended June 30, 2001 as compared to \$9,028 for the same period in 2000, an increase of \$2,508, or 28%. This increase was primarily due to a decline in proved reserves during the period ended June 30, 2001 due to lower commodity prices, offset by a decline in oil production of 451 barrels for the three months ended June 30, 2001 as compared to the same period in 2000.

Liquidity and Capital Resources

Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$34,597 during the six months ended June 30, 2001 from the same period in 2000. This increase was due to an increase of \$49,156 in oil and gas sales receipts and a reduction of \$24,732 in working capital, offset by increases in production costs of \$36,907 and G&A expenses of \$2,384. The increase in oil and gas receipts resulted from the increase in commodity prices during 2001 which contributed an additional \$66,765 to oil and gas receipts, offset by \$17,609 resulting from the decline in production during 2001 as compared to the same period in 2000. The increase in production costs was primarily due to additional well maintenance costs incurred to stimulate well production and increased production taxes associated with higher oil and gas prices. The increase in G&A was primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues and an increase in audit and tax fees.

Net Cash Used in Investing Activities

The Partnership's investing activities during the six months ended June 30, 2001 and 2000 were related to the upgrades of oil and gas equipment on active properties.

Net Cash Used in Financing Activities

For the six months ended June 30, 2001, cash distributions to the partners were \$130,982, of which \$32,806 was distributed to the general partners and \$98,176 to the limited partners. For the same period ended June 30, 2000, cash distributions to the partners were \$180,435, of which \$45,080 was distributed to the general partners and \$135,355 to the limited partners.

For the three months ended June 30, 2001, no distributions were made by the partnership to its partners. Subsequent to June 30, 2001 the cash distribution that otherwise would have been mailed to partners in late June was made to holders of record as of July 9, 2001 and was mailed on July 13, 2001. For further information, see "Proposal to acquire partnerships" below.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Proposal to acquire partnerships

On June 29, 2001, Pioneer Natural Resources Company ("Pioneer") filed with the Securities and Exchange Commission Amendment No. 1 to the Form S-4 Registration Statement (File No. 333-59094) (the "preliminary proxy statement/prospectus"), which proposes an agreement and plan of merger among Pioneer, Pioneer Natural Resources USA, Inc. ("Pioneer USA"), a wholly-owned subsidiary of Pioneer, and 46 Parker & Parsley limited partnerships. Each partnership that approves the agreement and plan of merger and the other related merger proposals will merge with and into Pioneer USA upon the closing of the transactions described in the preliminary proxy statement/prospectus, and the partnership interests of each such partnership will be converted into the right to receive Pioneer common stock. The Partnership is one of the 46 Parker & Parsley limited partnerships that will be asked to approve the agreement and plan of merger. The preliminary proxy statement/prospectus is non-binding and is subject to, among other things, consideration of offers from third parties to purchase any partnership or its assets and the majority approval of the limited partnership interests in each partnership.

Pioneer USA will solicit proxies from limited partners to approve the mergers only when the proxy statement/prospectus is final and declared effective. No solicitation will be made using preliminary materials. Nonetheless, copies of the preliminary proxy statement/prospectus may be obtained without charge upon request from Pioneer Natural Resources Company, 5205 North O'Connor Blvd., Suite 1400, Irving, Texas 75039, Attention: Investor Relations.

The limited partners are urged to read the proxy statement/prospectus of Pioneer filed with the Securities and Exchange Commission, when it is finalized, because it contains important information about the proposed mergers, including information about the direct and indirect interests of Pioneer USA and Pioneer in the mergers. The limited partners may also obtain the preliminary and (when filed) final proxy statement/prospectus and other relevant documents relating to the proposed mergers free through the internet web site that the Securities and Exchange Commission maintains at www.sec.gov.

10

312

- (1) "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" contains forward looking statements that involve risks and uncertainties. Accordingly, no assurances can be given that the actual events and results will not be materially different than the anticipated results described in the forward looking statements.

Part II. Other Information

Item 6. Exhibits and Reports on Form 8-K

- (a) Exhibits - none
- (b) Reports on Form 8-K - none

11

313

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

PARKER & PARSLEY 82-II, LTD.
(A Texas Limited Partnership)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PARKER & PARSLEY 82-II, LTD.

By: Pioneer Natural Resources USA, Inc.,
Managing General Partner

Dated: August 7, 2001

By: /s/ Rich Dealy

Rich Dealy, Vice President and
Chief Accounting Officer

12

314

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000

COMMISSION FILE NO. 2-75530B

PARKER & PARSLEY 82-II, LTD.
(Exact name of Registrant as specified in its charter)

TEXAS

(State or other jurisdiction of
incorporation or organization)

75-1867115

(I.R.S. Employer
Identification Number)

1400 WILLIAMS SQUARE WEST, 5205 N. O'CONNOR BLVD., IRVING, TEXAS

75039

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

(Address of principal executive offices)

(Zip code)

Registrant's Telephone Number, including area code: (972) 444-9001

Securities registered pursuant to Section 12(b) of the Act: NONE
Securities registered pursuant to Section 12(g) of the Act:
LIMITED PARTNERSHIP INTERESTS (\$2,000 PER UNIT)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES / X / NO / /

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. / X /

No market currently exists for the limited partnership interests of the Registrant. Based on the original purchase price, the aggregate market value of limited partnership interests owned by non-affiliates of the Registrant is \$11,800,000.

As of March 8, 2001, the number of outstanding limited partnership interests was 6,126.

The following documents are incorporated by reference into the indicated parts of this Annual Report on Form 10-K: None

Parts I and II of this annual report on Form 10-K (the "Report") contain forward looking statements that involve risks and uncertainties. Accordingly, no assurances can be given that the actual events and results will not be materially different than the anticipated results described in the forward looking statements. See "Item 1. Business" for a description of various factors that could materially affect the ability of the Partnership to achieve the anticipated results described in the forward looking statements.

315

PART I

ITEM 1. BUSINESS

Parker & Parsley 82-II, Ltd. (the "Partnership") is a limited partnership organized in 1982 under the laws of the State of Texas. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA") and its co-general partner is P&P Employees 82-II, Ltd. ("EMPL"), a Texas limited partnership whose general partner is Pioneer USA. Pioneer USA is a wholly-owned subsidiary of Pioneer Natural Resources Company ("Pioneer"). As of March 8, 2001, the Partnership had 6,126 limited partnership interests outstanding.

The Partnership does not have any employees of its own. Pioneer USA employs 701 persons, many of whom dedicated a part of their time to the conduct of the Partnership's business during the period for which this Report is filed. Pioneer USA supplies all management functions.

The Partnership engages in oil and gas development and production and is not

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

involved in any industry segment other than oil and gas. The Partnership's production is geographically concentrated in West Texas.

The principal markets during 2000 for the oil produced by the Partnership were refineries and oil transmission companies that have facilities near the Partnership's oil producing properties. During 2000, Pioneer USA marketed the Partnership's gas to a variety of purchasers, none of which accounted for 10% or more of the Partnership's oil and gas revenues. Of the Partnership's total oil and gas revenues for 2000, approximately 70% was attributable to sales made to Plains Marketing, L.P. Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on its ability to sell its oil, natural gas liquids ("NGLs") and gas production.

The Partnership's revenues, profitability, cash flow and future rate of growth are highly dependent on the prevailing prices of oil and gas, which are affected by numerous factors beyond the Partnership's control. Oil and gas prices historically have been very volatile. A substantial or extended decline in the prices of oil or gas could have a material adverse effect on the Partnership's revenues, profitability and cash flow and could, under certain circumstances, result in a reduction in the carrying value of the Partnership's oil and gas properties.

Oil and gas production operations are subject to various types of regulations by local, state and federal agencies. The Partnership's operations are also subject to state conservation laws and regulations, including the establishment of maximum rates of production from wells and the regulation of spacing, plugging and abandonment of wells. Each state generally imposes a production or severance tax with respect to production and sale of oil and gas within their respective jurisdictions. Noncompliance with the laws and regulations may subject the Partnership to penalties, damages or other liabilities and compliance may increase the cost of the Partnership's operations. The oil and gas business is also subject to environmental hazards such as oil spills, gas leaks and

2

316

ruptures and discharges of toxic substances or gases that could expose the Partnership to substantial liability due to pollution and other environmental damages. Although the Partnership believes that its business operations do not impair environmental quality and that its costs of complying with any applicable environmental regulations are not currently significant, the Partnership cannot predict what, if any, effect these environmental regulations may have on its current or future operations.

Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves.

No material part of the Partnership's business is seasonal and the Partnership conducts no foreign operations.

ITEM 2. PROPERTIES

The Partnership's properties consist of leasehold interests in properties on which oil and gas wells are located. Such property interests are often subject to landowner royalties, overriding royalties and other oil and gas leasehold interests.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Fractional working interests in developmental and exploratory oil and gas prospects located in Texas and New Mexico were acquired by the Partnership, resulting in the Partnership's participation in the drilling of 52 oil and gas wells. At December 31, 2000, the Partnership had 16 producing oil and gas wells. Two wells were plugged and abandoned, five wells were dry holes and 29 wells have been sold.

For information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998, and changes in such quantities for the years then ended, see Note 7 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" below. Such reserves have been evaluated by Williamson Petroleum Consultants, Inc., an independent petroleum consultant.

ITEM 3. LEGAL PROCEEDINGS

The Partnership from time to time is a party to various legal proceedings incidental to its business involving claims in oil and gas leases or interests, other claims for damages in amounts not in excess of 10% of its current assets and other matters, none of which Pioneer USA believes to be material to the Partnership.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of the partners during the fourth quarter of 2000.

3

317

PART II

ITEM 5. MARKET FOR LIMITED PARTNERSHIP INTERESTS AND LIMITED PARTNERSHIP DISTRIBUTIONS

At March 8, 2001, the Partnership had 6,126 outstanding limited partnership interests held of record by 772 subscribers. There is no established public trading market for the limited partnership interests. Under the limited partnership agreement, Pioneer USA has made certain commitments to purchase partnership interests at a computed value.

Revenues which, in the sole judgement of the general partners, are not required to meet the Partnership's obligations are distributed to the partners at least quarterly in accordance with the limited partnership agreement. During the years ended December 31, 2000 and 1999, distributions of \$270,025 and \$93,647, respectively, were made to the limited partners.

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth selected financial data for the years ended December 31:

	2000	1999	1998	1997	1996
	-----	-----	-----	-----	-----
Operating results:					

Oil and gas sales	\$ 730,936	\$ 477,533	\$ 379,887	\$ 598,339	\$ 700,000
	=====	=====	=====	=====	=====

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Gain on litigation settlement, net	\$ --	\$ --	\$ --	\$ --	\$
Impairment of oil and gas properties	\$ --	\$ --	\$ 65,229	\$ 310,732	\$
Net income (loss)	\$ 350,536	\$ 120,353	\$ (131,488)	\$ (93,386)	\$ 3
Allocation of net income (loss):					
General partner	\$ 94,215	\$ 38,680	\$ 2,863	\$ 30,221	\$
Limited partners	\$ 256,321	\$ 81,673	\$ (134,351)	\$ (123,607)	\$ 2
Limited partners' net income (loss) per limited partnership interest	\$ 41.84	\$ 13.33	\$ (21.93)	\$ (20.18)	\$
Limited partners' cash distributions per limited partnership interest	\$ 44.08	\$ 15.29	\$ (46.67)	\$ 43.00	\$
At year end:					
Identifiable assets	\$ 960,300	\$ 971,351	\$ 971,390	\$1,456,326	\$1,8

(a) Including litigation settlement per limited partnership interest of \$6.02 in 1996.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of operations

2000 compared to 1999

The Partnership's oil and gas revenues increased 53% to \$730,936 for 2000 as compared to \$477,533 in 1999. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 2000, 17,293 barrels of oil, 7,629 barrels of natural gas liquids ("NGLs") and 35,900 mcf of gas were sold, or 30,905 barrel of oil equivalents ("BOEs"). In 1999, 17,967 barrels of oil, 9,587 barrels of NGLs and 42,858 mcf of gas were sold, or 34,697 BOEs. Due to the decline characteristics of the Partnership's oil and gas properties, management expects a certain amount of decline in production in the future until the Partnership's economically recoverable reserves are fully depleted.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The average price received per barrel of oil increased \$12.39, or 73%, from \$17.08 in 1999 to \$29.47 in 2000. The average price received per barrel of NGLs increased \$5.21, or 53%, from \$9.80 in 1999 to \$15.01 in 2000. The average price received per mcf of gas increased 66% from \$1.79 in 1999 to \$2.98 in 2000. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received in 2000.

Total costs and expenses increased in 2000 to \$387,226 as compared to \$361,025 in 1999, an increase of \$26,201, or 7%. This increase was due to increases in production costs and general and administrative expenses ("G&A"), offset by a decline in depletion.

Production costs were \$316,735 in 2000 and \$280,719 in 1999, resulting in an increase of \$36,016, or 13%. The increase was primarily due to higher production taxes associated with higher oil and gas prices and additional well maintenance costs incurred to stimulate well production.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 28%, from \$19,626 in 1999 to \$25,120 in 2000 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$21,928 in 2000 and \$14,326 in 1999 for G&A incurred on behalf of the Partnership. The remaining G&A was paid directly by the Partnership. The managing general partner determines the allocated expenses based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Depletion was \$45,371 in 2000 as compared to \$60,680 in 1999, a decrease of \$15,309, or 25%. This decrease was primarily due to a 21,082 barrels of oil increase in proved reserves during 2000 as a result of higher commodity prices.

1999 compared to 1998

The Partnership's 1999 oil and gas revenues increased 26% to \$477,533 from \$379,887 in 1998. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 1999, 17,967 barrels of oil, 9,587 barrels of NGLs and 42,858 mcf of gas were sold, or 34,697 BOEs. In 1998, 19,042 barrels of oil, 8,812 barrels of NGLs and 41,862 mcf of gas were sold, or

34,831 BOEs.

The average price received per barrel of oil increased \$3.94, or 30%, from \$13.14 in 1998 to \$17.08 in 1999. The average price received per barrel of NGLs increased \$2.87, or 41%, from \$6.93 in 1998 to \$9.80 in 1999. The average price received per mcf of gas increased 9% from \$1.64 in 1998 to \$1.79 in 1999.

A gain on disposition of assets of \$1,281 was recognized during 1998 from post closing adjustments received from the sale of six oil and gas wells and an overriding royalty interest in one well during 1997.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Total costs and expenses decreased in 1999 to \$361,025 as compared to \$523,894 in 1998, a decrease of \$162,869, or 31%. The decrease was primarily due to declines in depletion and the impairment of oil and gas properties, offset by increases in production costs and G&A expenses.

Production costs were \$280,719 in 1999 and \$274,382 in 1998, resulting in an increase of \$6,337, or 2%. The increase was primarily due to additional well maintenance costs incurred to stimulate well production and an increase in production taxes due to increased oil and gas revenues, offset by a decline in ad valorem taxes.

During this period, G&A increased 45% from \$13,493 in 1998 to \$19,626 in 1999 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$14,326 in 1999 and \$11,397 in 1998 for G&A incurred on behalf of the Partnership.

In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the managing general partner reviews the Partnership's oil and gas properties for impairment whenever events or circumstances indicate a decline in the recoverability of the carrying value of the Partnership's assets may have occurred. As a result of the review and evaluation of its long-lived assets for impairment, the Partnership recognized a non-cash charge of \$65,229 related to its oil and gas properties during 1998.

Depletion was \$60,680 in 1999 compared to \$170,790 in 1998, a decrease of \$110,110, or 64%. This decrease was the result of an increase in proved reserves of 182,544 barrels of oil during 1999 as a result of higher commodity prices and a reduction in the Partnership's net depletable basis in accordance with SFAS 121 during the fourth quarter of 1998.

Petroleum industry

The petroleum industry has been characterized by volatile oil, NGL and natural gas commodity prices and relatively stable supplier costs during the three years ended December 31, 2000. During 1998, weather patterns, regional economic recessions and political matters combined to cause worldwide oil supplies to exceed demand resulting in a substantial decline in oil prices. Also during 1998, but to a lesser extent, market prices for natural gas declined. During 1999 and 2000, the Organization

of Petroleum Exporting Countries ("OPEC") and certain other crude oil exporting nations announced reductions in their planned export volumes. Those announcements, together with the enactment of the announced reductions in export volumes, had a positive impact on world oil prices, as have overall natural gas supply and demand fundamentals on North American natural gas prices. Although the favorable commodity price environment and stable field service cost environment is expected to continue during 2001, there is no assurance that commodity prices will not return to a less favorable level or that field service costs will not escalate in the future, both of which could negatively impact the Partnership's future results of operations and cash distributions.

Liquidity and capital resources

Net Cash Provided by Operating Activities

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Net cash provided by operating activities increased \$202,645 during the year ended December 31, 2000 from 1999. This increase was due to an increase in oil and gas sales receipts of \$256,384, offset by increases in production costs paid of \$36,016, G&A expenses paid of \$5,494 and working capital of \$12,229. The increase in oil and gas receipts resulted from the increase in commodity prices during 2000 which contributed an additional \$326,338 to oil and gas receipts, offset by \$69,954 resulting from the decline in production during 2000. The increase in production costs was primarily due to increased production taxes associated with higher oil and gas prices and well maintenance costs incurred to stimulate well production. The increase in G&A was primarily due to higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues.

Net Cash Provided by (Used in) Investing Activities

The Partnership's principal investing activities during 2000 and 1999 included expenditures related to equipment upgrades on several oil and gas properties.

Proceeds from asset dispositions of \$422 in 1999 were from equipment credits received on active properties. During 1998, proceeds from disposition of assets of \$153,683 were primarily from the sale of six oil and gas wells during 1997.

Net Cash Used in Financing Activities

In 2000, cash distributions to the partners were \$361,123, of which \$91,098 was distributed to the general partners and \$270,025 to the limited partners. In 1999, cash distributions to the partners were \$124,365, of which \$30,718 was distributed to the general partners and \$93,647 to the limited partners.

7

321

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO FINANCIAL STATEMENTS

	Page

Financial Statements of Parker & Parsley 82-II, Ltd:	
Independent Auditors' Report.....	9
Balance Sheets as of December 31, 2000 and 1999.....	10
Statements of Operations for the Years Ended December 31, 2000, 1999 and 1998.....	11
Statements of Partners' Capital for the Years Ended December 31, 2000, 1999 and 1998.....	12
Statements of Cash Flows for the Years Ended December 31, 2000, 1999 and 1998.....	13
Notes to Financial Statements.....	14

8

322

INDEPENDENT AUDITORS' REPORT

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The Partners
Parker & Parsley 82-II, Ltd.
(A Texas Limited Partnership):

We have audited the balance sheets of Parker & Parsley 82-II, Ltd. as of December 31, 2000 and 1999, and the related statements of operations, partners' capital and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parker & Parsley 82-II, Ltd. as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Dallas, Texas
March 9, 2001

9

323

PARKER & PARSLEY 82-II, LTD.
(A Texas Limited Partnership)

BALANCE SHEETS December 31

	2000	1999
	-----	-----
ASSETS		

Current assets:		
Cash	\$ 77,911	\$ 91,672
Accounts receivable - oil and gas sales	107,778	68,374
	-----	-----
Total current assets	185,689	160,046
	-----	-----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Oil and gas properties - at cost, based on the successful efforts accounting method	8,305,901	8,297,224
Accumulated depletion	(7,531,290)	(7,485,919)
	-----	-----
Net oil and gas properties	774,611	811,305
	-----	-----
	\$ 960,300	\$ 971,351
	=====	=====

LIABILITIES AND PARTNERS' CAPITAL

Current liabilities:		
Accounts payable - affiliate	\$ 12,662	\$ 13,126
Partners' capital:		
General partners	121,968	118,851
Limited partners (6,126 interests)	825,670	839,374
	-----	-----
	947,638	958,225
	-----	-----
	\$ 960,300	\$ 971,351
	=====	=====

The accompanying notes are an integral part of these financial statements.

10

324

PARKER & PARSLEY 82-II, LTD.
(A Texas Limited Partnership)

STATEMENTS OF OPERATIONS
For the years ended December 31

	2000	1999	1998
	-----	-----	-----
Revenues:			
Oil and gas	\$ 730,936	\$ 477,533	\$ 379,887
Interest	6,826	3,845	11,238
Gain on disposition of assets	--	--	1,281
	-----	-----	-----
	737,762	481,378	392,406
	-----	-----	-----
Costs and expenses:			
Oil and gas production	316,735	280,719	274,382
General and administrative	25,120	19,626	13,493
Impairment of oil and gas properties	--	--	65,229

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Depletion	45,371	60,680	170,790
	-----	-----	-----
	387,226	361,025	523,894
	-----	-----	-----
Net income (loss)	\$ 350,536	\$ 120,353	\$ (131,488)
	=====	=====	=====
Allocation of net income (loss):			
General partners	\$ 94,215	\$ 38,680	\$ 2,863
	=====	=====	=====
Limited partners	\$ 256,321	\$ 81,673	\$ (134,351)
	=====	=====	=====
Net income (loss) per limited partnership interest	\$ 41.84	\$ 13.33	\$ (21.93)
	=====	=====	=====

The accompanying notes are an integral part of these financial statements.

11

325

PARKER & PARSLEY 82-II, LTD.
(A Texas Limited Partnership)

STATEMENTS OF PARTNERS' CAPITAL

	General partners	Limited partners	Total
	-----	-----	-----
Partners' capital at January 1, 1998	\$ 167,998	\$ 1,271,605	\$ 1,439,603
Distributions	(59,972)	(285,906)	(345,878)
Net income (loss)	2,863	(134,351)	(131,488)
	-----	-----	-----
Partners' capital at December 31, 1998	110,889	851,348	962,237
Distributions	(30,718)	(93,647)	(124,365)
Net income	38,680	81,673	120,353
	-----	-----	-----
Partners' capital at December 31, 1999	118,851	839,374	958,225
Distributions	(91,098)	(270,025)	(361,123)
Net income	94,215	256,321	350,536
	-----	-----	-----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Partners' capital at December 31, 2000	\$ 121,968	\$ 825,670	\$ 947,638
	=====	=====	=====

The accompanying notes are an integral part of these financial statements.

12

326

PARKER & PARSLEY 82-II, LTD.
(A Texas Limited Partnership)

STATEMENTS OF CASH FLOWS
For the years ended December 31

	2000	1999	1998
	-----	-----	-----
Cash flows from operating activities:			
Net income (loss)	\$ 350,536	\$ 120,353	\$ (131,488)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Impairment of oil and gas properties	--	--	65,229
Depletion	45,371	60,680	170,790
Gain on disposition of assets	--	--	(1,281)
Changes in assets and liabilities:			
Accounts receivable	(39,404)	(31,612)	23,310
Accounts payable	(464)	3,973	(7,570)
	-----	-----	-----
Net cash provided by operating activities	356,039	153,394	118,990
	-----	-----	-----
Cash flows from investing activities:			
Additions to oil and gas properties	(8,677)	(2,053)	(13,600)
Proceeds from asset dispositions	--	422	153,683
	-----	-----	-----
Net cash provided by (used in) investing activities	(8,677)	(1,631)	140,083
	-----	-----	-----
Cash flows used in financing activities:			
Cash distributions to partners	(361,123)	(124,365)	(345,878)
	-----	-----	-----
Net increase (decrease) in cash	(13,761)	27,398	(86,805)
Cash at beginning of year	91,672	64,274	151,079
	-----	-----	-----
Cash at end of year	\$ 77,911	\$ 91,672	\$ 64,274
	=====	=====	=====

The accompanying notes are an integral part of these financial statements.

PARKER & PARSLEY 82-II, LTD.
(A Texas Limited Partnership)

NOTES TO FINANCIAL STATEMENTS
December 31, 2000, 1999 and 1998

NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS

Parker & Parsley 82-II, Ltd. (the "Partnership") is a limited partnership organized in 1982 under the laws of the State of Texas. The Partnership's general partners are Pioneer Natural Resources USA, Inc. ("Pioneer USA") and P&P Employees 82-II, Ltd. ("EMPL"). The Partnership's managing general partner is Pioneer USA.

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Oil and gas properties - The Partnership utilizes the successful efforts method of accounting for its oil and gas properties and equipment. Under this method, all costs associated with productive wells and nonproductive development wells are capitalized while nonproductive exploration costs are expensed. Capitalized costs relating to proved properties are depleted using the unit-of-production method on a property-by-property basis based on proved oil (dominant mineral) reserves as evaluated by independent petroleum consultants. The carrying amounts of properties sold or otherwise disposed of and the related allowances for depletion are eliminated from the accounts and any gain or loss is included in results of operations.

Impairment of long-lived assets - In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the Partnership reviews its long-lived assets to be held and used on an individual property basis, including oil and gas properties accounted for under the successful efforts method of accounting, whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. An impairment loss is indicated if the sum of the expected future cash flows is less than the carrying amount of the assets. In this circumstance, the Partnership recognizes an impairment loss for the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset.

Use of estimates in the preparation of financial statements - Preparation of the accompanying financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Net income (loss) per limited partnership interest - The net income (loss) per limited partnership interest is calculated by using the number of outstanding limited partnership interests.

Income taxes - A Federal income tax provision has not been included in the financial statements as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

Statements of cash flows - For purposes of reporting cash flows, cash includes depository accounts held by banks.

General and administrative expenses - General and administrative expenses are allocated in part to the Partnership by the managing general partner. Allocated expenses are determined by the managing general partner based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Reclassifications - Certain reclassifications may have been made to the 1999 and 1998 financial statements to conform to the 2000 financial statement presentations.

Environmental - The Partnership is subject to extensive federal, state and local environmental laws and regulations. These laws, which are constantly changing, regulate the discharge of materials into the environment and may require the Partnership to remove or mitigate the environmental effects of the disposal or release of petroleum or chemical substances at various sites. Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Liabilities for expenditures of a noncapital nature are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated. Such liabilities are generally undiscounted unless the timing of cash payments for the liability or component are fixed or reliably determinable. No such liabilities have been accrued as of December 31, 2000.

Revenue recognition - The Partnership uses the entitlements method of accounting for oil, natural gas liquids ("NGLs") and natural gas revenues.

NOTE 3. IMPAIRMENT OF LONG-LIVED ASSETS

In accordance with SFAS 121, the Partnership reviews its proved oil and gas properties for impairment whenever events and circumstances indicate a decline in the recoverability of the carrying value of the Partnership's oil and gas properties. The Partnership has estimated the expected future cash flows of its oil and gas properties as of December 31, 2000, 1999 and 1998, based on proved reserves, and compared such estimated future cash flows to the respective carrying amount of the oil and gas properties to determine if the carrying amounts were likely to be recoverable. For those proved oil and gas properties for which the carrying amount exceeded the estimated future cash flows, an impairment was determined to exist; therefore, the Partnership adjusted the carrying amount of those oil and gas properties to their fair value as determined by discounting their expected future cash flows at a discount rate commensurate with the risks involved in the industry. As a result, the

Partnership recognized a non-cash impairment provision of \$65,229 related to its proved oil and gas properties during 1998.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

NOTE 4. INCOME TAXES

The financial statement basis of the Partnership's net assets and liabilities was \$425,788 less than the tax basis at December 31, 2000.

The following is a reconciliation of net income (loss) per statements of operations with the net income per Federal income tax returns for the years ended December 31:

	2000	1999	1998
	-----	-----	-----
Net income (loss) per statements of operations	\$ 350,536	\$ 120,353	\$ (131,488)
Depletion and depreciation provisions for tax reporting purposes less than amounts for financial reporting purposes	39,685	55,288	163,319
Impairment of oil and gas properties for financial reporting purposes	--	--	65,229
Other, net	(932)	209	217
	-----	-----	-----
Net income per Federal income tax returns	\$ 389,289	\$ 175,850	\$ 97,277
	=====	=====	=====

NOTE 5. OIL AND GAS PRODUCING ACTIVITIES

The following is a summary of the costs incurred, whether capitalized or expensed, related to the Partnership's oil and gas producing activities for the years ended December 31:

	2000	1999	1998
	-----	-----	-----
Development costs	\$ 8,677	\$ 2,053	\$13,600
	=====	=====	=====

Capitalized oil and gas properties consist of the following:

	2000	1999
	-----	-----
Proved properties:		
Property acquisition costs	\$ 415,980	\$ 415,980
Completed wells and equipment	7,889,921	7,881,244
	-----	-----
Accumulated depletion	8,305,901	8,297,224
	(7,531,290)	(7,485,919)
	-----	-----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Net oil and gas properties	\$ 774,611	\$ 811,305
	=====	=====

16

330

NOTE 6. RELATED PARTY TRANSACTIONS

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

	2000 -----	1999 -----	1998 -----
Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$143,855	\$139,170	\$133,844
Reimbursement of general and administrative expenses	\$ 21,928	\$ 14,326	\$ 11,397

Pioneer USA, EMPL and the Partnership are parties to the Partnership agreement. EMPL is a limited partnership in which Pioneer USA owns 83% and the remaining portion is owned by former affiliates. In addition, Pioneer USA owned 226 limited partner interests at January 1, 2001.

The costs and revenues of the Partnership are allocated as follows:

	General partners -----	Limited partners -----
Revenues:		
Proceeds from property dispositions prior to cost recovery	10%	90%
All other Partnership revenues	25%	75%
Costs and expenses:		
Lease acquisition costs, drilling and completion costs	10%	90%
Operating costs, direct costs and general and administrative expenses	25%	75%

NOTE 7. OIL AND GAS INFORMATION (UNAUDITED)

The following table presents information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities during the years then ended. All of the Partnership's reserves are proved developed and located within the United States. The Partnership's reserves are based on an evaluation prepared by Williamson Petroleum Consultants, Inc., an independent petroleum consultant, using criteria established by the Securities and Exchange Commission.

17

	Oil and NGLs (bbls)	Gas (mcf)
	-----	-----
Net proved reserves at January 1, 1998	376,355	512,848
Revisions	(163,438)	(164,998)
Production	(27,854)	(41,862)
	-----	-----
Net proved reserves at December 31, 1998	185,063	305,988
Revisions	288,622	425,997
Production	(27,554)	(42,858)
	-----	-----
Net proved reserves at December 31, 1999	446,131	689,127
Revisions	(13,008)	(29,574)
Production	(24,922)	(35,900)
	-----	-----
Net proved reserves at December 31, 2000	408,201	623,653
	=====	=====

As of December 31, 2000, the estimated present value of future net revenues of proved reserves, calculated using December 31, 2000 prices of \$26.58 per barrel of oil, \$13.60 per barrel of NGLs and \$8.05 per mcf of gas, discounted at 10% was approximately \$3,222,000 and undiscounted was \$6,505,000.

Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves. The Partnership emphasizes that reserve estimates are inherently imprecise and, accordingly, the estimates are expected to change as future information becomes available.

Disclosures about Oil & Gas Producing Activities

Standardized Measure of Discounted Future Net Cash Flows

The standardized measure of discounted future net cash flows is computed by applying year-end prices of oil and gas (with consideration of price changes only to the extent provided by contractual arrangements) to the estimated future production of proved oil and gas reserves less estimated future expenditures (based on year-end costs) to be incurred in developing and producing the proved reserves, discounted using a rate of 10% per year to reflect the estimated timing of the future cash flows. A Federal income tax provision has not been calculated as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

Discounted future cash flow estimates like those shown below are not intended to represent estimates of the fair value of oil and gas properties. Estimates of fair value should also consider anticipated future oil and gas prices, interest rates, changes in development and production costs and risks associated with future production. Because of these and other considerations, any estimate of fair value is necessarily subjective and imprecise.

	For the years ended December 31,		
	2000	1999	1998
	(in thousands)		
Oil and gas producing activities:			
Future cash inflows	\$ 14,233	\$ 11,083	\$ 2,024
Future production costs	(7,728)	(6,439)	(1,464)
	6,505	4,644	560
10% annual discount factor	(3,283)	(2,235)	(228)
Standardized measure of discounted future net cash flows	\$ 3,222	\$ 2,409	\$ 332

	For the years ended December 31,		
	2000	1999	1998
	(in thousands)		
Oil and Gas Producing Activities:			
Oil and gas sales, net of production costs	\$ (414)	\$ (197)	\$ (106)
Net changes in prices and production costs	1,300	807	(871)
Revisions of previous quantity estimates	(118)	1,768	(241)
Accretion of discount	240	33	147
Changes in production rates, timing and other	(195)	(334)	(72)
Change in present value of future net revenues	813	2,077	(1,143)
Balance, beginning of year	2,409	332	1,475
Balance, end of year	\$ 3,222	\$ 2,409	\$ 332

NOTE 8. MAJOR CUSTOMERS

The following table reflects the major customers of the Partnership's oil and gas sales (a major customer is defined as a customer whose sales exceed 10% of total sales) during the years ended December 31:

2000	1999	1998
-----	-----	-----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Plains Marketing, L.P.	70%	65%	-
Genesis Crude Oil, L.P.	-	-	66%
Western Gas Resources, Inc.	2%	5%	21%

At December 31, 2000, the amount receivable from Plains Marketing, L.P. was \$56,201 which is included in the caption "Accounts receivable - oil and gas sales" in the accompanying Balance Sheet.

Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on the ability of the Partnership to sell its oil, NGLs and gas production.

NOTE 9. PARTNERSHIP AGREEMENT

The following is a brief summary of the more significant provisions of the limited partnership agreement:

General partners - The general partners of the Partnership are Pioneer USA and EMPL. Pioneer USA, the managing general partner, has the power and authority to manage, control

19

333

and administer all Partnership affairs. As managing general partner and operator of the Partnership's properties, all production expenses are incurred by Pioneer USA and billed to the Partnership. The majority of the Partnership's oil and gas revenues are received directly by the Partnership, however, a portion of the oil and gas revenue is initially received by Pioneer USA prior to being paid to the Partnership.

Limited partner liability - The maximum amount of liability of any limited partner is the total contributions of such partner plus his share of any undistributed profits.

Initial capital contributions - The limited partners entered into subscription agreements for aggregate capital contributions of \$12,252,000. The general partners are required to contribute amounts equal to 10% of Partnership expenditures for lease acquisition, drilling and completion and 25% of direct, general and administrative and operating expenses.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

20

334

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE PARTNERSHIP

The Partnership does not have any officers or directors. Under the limited partnership agreement, the Partnership's managing general partner, Pioneer USA, is granted the exclusive right and full authority to manage, control and administer the Partnership's business.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Set forth below are the names, ages and positions of the directors and executive officers of Pioneer USA. Directors of Pioneer USA are elected to serve until the next annual meeting of stockholders or until their successors are elected and qualified.

Name ----	Age at December 31, 2000 ----	Position -----
Scott D. Sheffield	48	President
Timothy L. Dove	44	Executive Vice President, Chief Financial Officer and Director
Dennis E. Fagerstone	51	Executive Vice President and Director
Mark L. Withrow	53	Executive Vice President, General Counsel and Director
Danny Kellum	46	Executive Vice President - Domestic Operations and Director
Rich Dealy	34	Vice President and Chief Accounting Officer

Scott D. Sheffield. Mr. Sheffield is a graduate of The University of Texas with a B.S. in Petroleum Engineering. Since August 1997, he has served as President, Chief Executive Officer and a director of Pioneer and President of Pioneer USA. Mr. Sheffield assumed the position of Chairman of the Board of Pioneer in August 1999. He served as a director of Pioneer USA from August 1997 until his resignation from the board in June 1999. Mr. Sheffield was the President and a director of Parker & Parsley Petroleum Company ("Parker & Parsley") from May 1990 until August 1997 and was the Chairman of the Board and Chief Executive Officer of Parker & Parsley from October 1990 until August 1997. He was the sole director of Parker & Parsley from May 1990 until October 1990. Mr. Sheffield joined Parker & Parsley Development Company ("PPDC"), a predecessor of Parker & Parsley, as a petroleum engineer in 1979. He served as Vice President - Engineering of PPDC from September 1981 until April 1985 when he was elected President and a director. In March 1989, Mr. Sheffield was elected Chairman of the Board and Chief Executive Officer of PPDC. Before joining PPDC's predecessor, Mr. Sheffield was employed as a production and reservoir engineer for Amoco Production Company.

Timothy L. Dove. Mr. Dove earned a B.S. in Mechanical Engineering from Massachusetts Institute of Technology in 1979 and received his M.B.A. in 1981 from the University of Chicago. He became Executive Vice President - Business Development of Pioneer and Pioneer USA in August 1997 and was also appointed a director of Pioneer USA in August 1997. Mr. Dove assumed the position of Chief Financial Officer of Pioneer and Pioneer USA effective February 1, 2000. Mr. Dove joined Parker & Parsley in May 1994 as Vice President - International and was promoted to Senior Vice President - Business Development in October 1996, in which position he served until August 1997. Prior to joining Parker & Parsley, Mr. Dove was employed with Diamond Shamrock Corp., and its successor, Maxus Energy Corp, in various capacities in international exploration and production,

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

marketing, refining and marketing and planning and development.

Dennis E. Fagerstone. Mr. Fagerstone, a graduate of the Colorado School of Mines with a B.S. in Petroleum Engineering, became an Executive Vice President of Pioneer and Pioneer USA in August 1997. He was also appointed a director of Pioneer USA in August 1997. He served as Executive Vice President and Chief Operating Officer of MESA Inc. ("Mesa") from March 1, 1997 until August 1997. From October 1996 to February 1997, Mr. Fagerstone served as Senior Vice President and Chief Operating Officer of Mesa and from May 1991 to October 1996, he served as Vice President - Exploration and Production of Mesa. From June 1988 to May 1991, Mr. Fagerstone served as Vice President - Operations of Mesa.

Mark L. Withrow. Mr. Withrow, a graduate of Abilene Christian University with a B. S. in Accounting and Texas Tech University with a Juris Doctorate degree, became Executive Vice President, General Counsel and Secretary of Pioneer and Pioneer USA in August 1997. He was also appointed a director of Pioneer USA in August 1997. Mr. Withrow was Vice President - General Counsel of Parker & Parsley from January 1991, when he joined Parker & Parsley, to January 1995, when he was appointed Senior Vice President - General Counsel. He was Parker & Parsley's Secretary from August 1992 until August 1997. Prior to joining Parker & Parsley, Mr. Withrow was the managing partner of the law firm of Turpin, Smith, Dyer, Saxe & MacDonald, Midland, Texas.

Danny Kellum. Mr. Kellum, who received a Bachelor of Science degree in Petroleum Engineering from Texas Tech University in 1979, was elected Executive Vice President - Domestic Operations of Pioneer and Pioneer USA on May 18, 2000 and Director of Pioneer USA on February 1, 2000. From January 2000 until May 2000, Mr. Kellum served as Vice President - Domestic Operations of Pioneer and Pioneer USA. Mr. Kellum served as Vice President Permian Division of Pioneer and Pioneer USA from April 1998 until December 1999. From 1989 until 1994 he served as Spraberry District Manager and as Vice President of the Spraberry and Permian Division for Parker & Parsley until August of 1997. Mr. Kellum joined Parker & Parsley as an operations engineer in 1981 after a brief career with Mobil Oil Corporation.

Rich Dealy. Mr. Dealy is a graduate of Eastern New Mexico University with a B.B.A. in Accounting and Finance and is a Certified Public Accountant. He became Vice President and Chief Accounting Officer of Pioneer and Pioneer USA in February 1998. Mr. Dealy served as Controller of Pioneer USA from August 1997 to February 1998. He served as Controller of Parker & Parsley from August 1995 to August 1997. Mr. Dealy joined Parker & Parsley as an Accounting Manager in July, 1992. He was previously employed with KPMG Peat Marwick as an Audit Senior, in charge of Parker & Parsley's audit.

22

336

ITEM 11. EXECUTIVE COMPENSATION

The Partnership does not have any directors or officers. Management of the Partnership is performed by Pioneer USA, the managing general partner. Under the Partnership agreement, Pioneer USA pays 8% of the Partnership's acquisition, drilling and completion costs and 20% of its operating and general and administrative expenses. In return, Pioneer USA is allocated 20% of the Partnership's revenues.

EMPL is a co-general partner of the Partnership. Under this arrangement, EMPL pays 2% of the Partnership's acquisition, drilling and completion costs and 5% of its operating and general and administrative expenses. In return, EMPL is allocated 5% of the Partnership's revenues. EMPL does not receive any fees or

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

reimbursements from the Partnership.

The Partnership does not directly pay any salaries of the executive officers of Pioneer USA, but does pay a portion of Pioneer USA's general and administrative expenses of which these salaries are a part.

See Notes 6 and 9 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" for information regarding fees and reimbursements paid to the managing general partner by the Partnership.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

(a) Beneficial owners of more than five percent

The Partnership is not aware of any person who beneficially owns 5% or more of the outstanding limited partnership interests of the Partnership. Pioneer USA and EMPL respectively own 80% and 20% of the general partners' interests in the Partnership. Pioneer USA owned 226 limited partner interests at January 1, 2001.

(b) Security ownership of management

The Partnership does not have any officers or directors. The managing general partner of the Partnership, Pioneer USA, has the exclusive right and full authority to manage, control and administer the Partnership's business. Under the limited partnership agreement, limited partners holding a majority of the outstanding limited partnership interests have the right to take certain actions, including the removal of the managing general partner or any other general partner. The Partnership is not aware of any current arrangement or activity which may lead to such removal. The Partnership is not aware of any officer or director of Pioneer USA who beneficially owns limited partnership interests in the Partnership.

23

337

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Transactions with the managing general partner

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the general partners during the years ended December 31:

	2000	1999	1998
	-----	-----	-----
Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$ 143,855	\$ 139,170	\$133,844
Reimbursement of general and administrative expenses	\$ 21,928	\$ 14,326	\$ 11,397

Under the limited partnership agreement, the general partners, Pioneer USA and EMPL, together pay 10% of the Partnership's acquisition, drilling and completion costs and 25% of its operating and general and administrative expenses. In return, they are allocated 25% of the Partnership's revenues. Twenty percent of the general partner's share of costs and revenues is allocated to EMPL and the

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

remainder is allocated to Pioneer USA. Certain former affiliates of the managing general partner are limited partners of EMPL. Also, see Notes 6 and 9 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data", regarding the Partnership's participation with the managing general partner in oil and gas activities of the Partnership.

24

338

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) 1. Financial statements

The following are filed as part of this Report:

Independent Auditors' Report

Balance sheets as of December 31, 2000 and 1999

Statements of operations for the years ended December 31, 2000, 1999 and 1998

Statements of partners' capital for the years ended December 31, 2000, 1999 and 1998

Statements of cash flows for the years ended December 31, 2000, 1999 and 1998

Notes to financial statements

2. Financial statement schedules

All financial statement schedules have been omitted since the required information is in the financial statements or notes thereto, or is not applicable nor required.

(b) Reports on Form 8-K

None.

(c) Exhibits

The exhibits listed on the accompanying index to exhibits are filed or incorporated by reference as part of this Report.

25

339

S I G N A T U R E S

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

PARKER & PARSLEY 82-II, LTD.

Dated: March 23, 2001

By: Pioneer Natural Resources USA, Inc.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Managing General Partner

By: /s/ Scott D. Sheffield

Scott D. Sheffield, President

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

/s/ Scott D. Sheffield ----- Scott D. Sheffield	President of Pioneer USA	March 23, 2001
/s/ Timothy L. Dove ----- Timothy L. Dove	Executive Vice President, Chief Financial Officer and Director of Pioneer USA	March 23, 2001
/s/ Dennis E. Fagerstone ----- Dennis E. Fagerstone	Executive Vice President and Director of Pioneer USA	March 23, 2001
/s/ Mark L. Withrow ----- Mark L. Withrow	Executive Vice President, General Counsel and Director of Pioneer USA	March 23, 2001
/s/ Danny Kellum ----- Danny Kellum	Executive Vice President - Domestic Operations and Director of Pioneer USA	March 23, 2001
/s/ Rich Dealy ----- Rich Dealy	Vice President and Chief Accounting Officer of Pioneer USA	March 23, 2001

26

340

PARKER & PARSLEY 82-II, LTD.

INDEX TO EXHIBITS

The following documents are incorporated by reference in response to Item 14(c):

Exhibit No. -----	Description -----	Page -----
3.1	Agreement of Limited Partnership of Parker & Parsley 82-II, Ltd. incorporated	-

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

by reference to Exhibit 4(e) of Partnership's Registration Statement on Form S-1 (Registration No. 2-75503B), as amended on February 4, 1982, the effective date thereof (hereinafter called, the Partnership's Registration Statement)

3.2	Amended and Restated Certificate of Limited Partnership of Parker & Parsley 82-II, Ltd. incorporated by reference to Exhibit 3.2 of the Partnership's Annual Report on Form 10-K for the year ended December 31, 1983	-
4.1	Form of Subscription Agreement and Power of Attorney incorporated by reference to Exhibit 4(b) of the Partnership's Registration Statement	-
4.2	Specimen Certificate of Limited Partnership Interest incorporated by reference to Exhibit 4(d) of the Partnership's Registration Statement	-

27

341

PARKER & PARSLEY 82-II, LTD.

SELECTED FINANCIAL DATA

The following selected financial data for the Partnership should be read in connection with Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements included in the attached supplemental information.

	Six months ended June 30,		Years ended Decem		
	2001	2000	2000	1999	1998
Operating results:					
Oil and gas sales	\$ 384,143	\$ 334,606	\$ 730,936	\$ 477,533	\$ 379,88
Gain on litigation settlement, net	\$ --	\$ --	\$ --	\$ --	\$ --
Impairment of oil and gas properties	\$ --	\$ --	\$ --	\$ --	\$ 65,22
Net income (loss)	\$ 167,028	\$ 158,257	\$ 350,536	\$ 120,353	\$ (131,48

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Allocation of net income (loss):					
General partners	\$ 44,846	\$ 42,745	\$ 94,215	\$ 38,680	\$ 2,86
	=====	=====	=====	=====	=====
Limited partners	\$ 122,182	\$ 115,512	\$ 256,321	\$ 81,673	\$ (134,35
	=====	=====	=====	=====	=====
Limited partners' net income (loss) per limited partnership interest	\$ 19.94	\$ 18.86	\$ 41.84	\$ 13.33	\$ (21.9
	=====	=====	=====	=====	=====
Limited partners' cash distributions per limited partnership interest	\$ 16.03	\$ 22.10	\$ 44.08	\$ 15.29	\$ (46.6
	=====	=====	=====	=====	=====
As of period ended:					
Total assets	\$1,001,305	\$ 954,309	\$ 960,300	\$ 971,351	\$ 971,39
	=====	=====	=====	=====	=====

(a) Including litigation settlement per limited partnership interest of \$6.02 in 1996.

342

PIONEER NATURAL RESOURCES COMPANY
PIONEER NATURAL RESOURCES USA, INC.
5205 NORTH O'CONNOR BLVD., SUITE 1400
IRVING, TEXAS 75039

SUPPLEMENTAL INFORMATION

OF

PARKER & PARSLEY 82-III, LTD., A TEXAS LIMITED PARTNERSHIP

TO

PROXY STATEMENT/PROSPECTUS DATED , 2001

THE DATE OF THIS SUPPLEMENT IS , 2001

This document contains important information specific to Parker & Parsley 82-III, Ltd. and supplements the proxy statement/prospectus dated , 2001, of Pioneer Natural Resources Company and Pioneer Natural Resources USA, Inc., by which Pioneer USA is soliciting proxies to be voted at a special meeting of limited partners of the partnership. The purpose of the special meeting is for you to vote upon the merger of the partnership with and into Pioneer USA that, if completed, will result in your receiving common stock of Pioneer Natural Resources Company for your partnership interests.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

This document contains the following information concerning Parker & Parsley 82-III, Ltd.:

- o A table containing:
 - the aggregate initial investment by the limited partners
 - the aggregate historical limited partner distributions through July 31, 2001
 - the merger value attributable to partnership interests of limited partners, excluding Pioneer USA
 - the merger value per \$1,000 limited partner investment
 - the merger value per \$1,000 limited partner investment as a multiple of distributions for the past four quarterly distributions including the distribution in July 2001
 - the book value per \$1,000 limited partner investment as of June 30, 2001 and as of December 31, 2000
 - the going concern value per \$1,000 limited partner investment
 - the liquidation value per \$1,000 limited partner investment
 - the ordinary tax loss per \$1,000 limited partner investment in year of initial investment
- o Information about:
 - the legal opinion for the limited partners
 - the term of the partnership
- o The partnership's financial statements, including management's discussion and analysis of financial condition and results of operations, for the six months ended June 30, 2001
- o The partnership's financial statements, including management's discussion and analysis of financial condition and results of operations, for the year ended December 31, 2000
- o Selected historical financial data for the partnership for the six months ended June 30, 2001 and 2000 and the five years ended December 31, 2000

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

SUPPLEMENTAL INFORMATION TABLE

Aggregate Initial Investment by the Limited Partners (a)	\$
Aggregate Historical Limited Partner Distributions through July 31, 2001 (a)	\$
Merger Value Attributable to Partnership Interests of Limited Partners, Excluding Pioneer USA (a), (b)	\$
Merger Value per \$1,000 Limited Partner Investment (b), (c)	\$
Merger Value per \$1,000 Limited Partner Investment as a Multiple of Distributions for the past four quarterly distributions including the distribution in July 2001 (b), (c)	
Book Value per \$1,000 Limited Partner Investment:	
-- as of June 30, 2001 (c)	\$
-- as of December 31, 2000 (c)	\$
Going Concern Value per \$1,000 Limited Partner Investment (c), (d)	\$
Liquidation Value per \$1,000 Limited Partner Investment (c), (e)	\$
Ordinary Tax Loss per \$1,000 Limited Partner Investment in Year of Initial Investment (c), (f)	\$

- (a) Stated in thousands.
- (b) The merger value for the partnership is equal to the sum of the present value of estimated future net revenues from the partnership's estimated oil and gas reserves and its net working capital, in each case as of March 31, 2001, less its pro rata share, based on its reserve value, of the estimated expenses and fees of the mergers of all of the partnerships and less the cash distribution on July 13, 2001, by the partnership to its partners.
- (c) Interests in some partnerships were sold in units at prices other than \$1,000. We have presented this information based on a \$1,000 initial investment for ease of use and comparison among partnerships. You should not assume that the amount shown per \$1,000 investment is the same as the value or amount attributable to a single unit investment.
- (d) The going concern value for the partnership is based upon: (1) the sum of (A) the estimated net cash flow from the sale of the partnership's reserves during a 10-year operating period and (B) the estimated residual value from the sale of the partnership's remaining reserves at the end of the operating period, in each case using the same pricing and discount rate as in the merger value calculation, less (2) (A) partnership level general and administrative expenses, and (B) the cash distribution on July 13, 2001 by the partnership to its partners.
- (e) The liquidation value for the partnership is based upon the sale of the partnership's reserves at the reserve value, less (1) liquidation expenses

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

which are estimated to be the sum of (A) the partnership's pro rata share of the merger expenses and fees described in footnote (b) above and (B) 3% of the partnership's reserve value, and (2) the cash distribution on July 13, 2001 by the partnership to its partners. The liquidation expenses represent the estimated costs to retain an investment banker or broker to sell the assets of the partnership and the legal and other closing costs associated with such transaction, including the wind-down costs of the partnership.

- (f) Your ability to use your distributive share of the partnership's loss to offset your other income may have been subject to certain limitations at your level as a partner, and you may therefore wish to consult your tax advisor to determine the additional value, if any, actually realized by you in your particular circumstances.

INFORMATION ABOUT THE LEGAL OPINION FOR THE LIMITED PARTNERS

The partnership agreement for the partnership requires that special legal counsel render an opinion on behalf of the limited partners to Pioneer USA that (1) neither the grant nor the exercise of the right to approve the merger of the partnership by its limited partners will adversely affect the federal income tax classification of the partnership or any of its limited partners; and (2) neither the grant nor exercise of such right will result in the loss of any limited partner's limited liability. In addition, the counsel designated to render the opinion must be counsel other than counsel to Pioneer USA or the partnership. Both the designated counsel and the legal opinion must be approved by the limited partners. Pioneer USA has retained _____ of Dallas, Texas for the purpose of rendering this legal opinion on behalf of the limited partners to Pioneer USA. The merger proposals include an approval of that counsel and the form of its opinion. A copy of the opinion is attached as an exhibit to the merger proposals.

INFORMATION ABOUT THE TERM OF THE PARTNERSHIP

The term of the partnership shall continue until terminated in accordance with the applicable provisions of its partnership agreement.

-2-

344

PARKER & PARSLEY 82-III, LTD.

(A Texas Limited Partnership)

FINANCIAL STATEMENTS

June 30, 2001 and December 31, 2000

(Unaudited)

345

PARKER & PARSLEY 82-III, LTD.

(A Texas Limited Partnership)

BALANCE SHEETS

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	June 30, 2001	December 31, 2000
	----- (Unaudited)	-----
ASSETS		
Current assets:		
Cash	\$ 115,914	\$ 46,188
Accounts receivable - oil and gas sales	52,221	69,903
	-----	-----
Total current assets	168,135	116,091
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	5,970,397	5,970,397
Accumulated depletion	(5,645,635)	(5,634,468)
	-----	-----
Net oil and gas properties	324,762	335,929
	-----	-----
	\$ 492,897	\$ 452,020
	=====	=====
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable - affiliate	\$ 13,954	\$ 9,780
Partners' capital:		
General partners	68,552	57,956
Limited partners (3,441 interests)	410,391	384,284
	-----	-----
	478,943	442,240
	-----	-----
	\$ 492,897	\$ 452,020
	=====	=====

The financial information included as of June 30, 2001 has been prepared by the managing general partner without audit by independent public accountants.

The accompanying notes are an integral part of these financial statements.

PARKER & PARSLEY 82-III, LTD.
(A Texas Limited Partnership)

STATEMENTS OF OPERATIONS
(Unaudited)

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	Three months ended June 30,		Six months ended June 30,	
	2001	2000	2001	2000
Revenues:				
Oil and gas	\$ 130,711	\$ 126,967	\$ 271,996	\$ 263,297
Interest	766	1,091	1,659	1,896
	-----	-----	-----	-----
	131,477	128,058	273,655	265,193
	-----	-----	-----	-----
Costs and expenses:				
Oil and gas production	59,272	56,857	122,071	108,862
General and administrative	3,923	4,126	9,433	8,308
Depletion	5,323	5,572	11,167	11,991
	-----	-----	-----	-----
	68,518	66,555	142,671	129,161
	-----	-----	-----	-----
Net income	\$ 62,959	\$ 61,503	\$ 130,984	\$ 136,032
	=====	=====	=====	=====
Allocation of net income:				
General partners	\$ 16,538	\$ 16,212	\$ 34,166	\$ 35,807
	=====	=====	=====	=====
Limited partners	\$ 46,421	\$ 45,291	\$ 96,818	\$ 100,225
	=====	=====	=====	=====
Net income per limited partnership interest	\$ 13.49	\$ 13.17	\$ 28.14	\$ 29.13
	=====	=====	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

The accompanying notes are an integral part of these financial statements.

PARKER & PARSLEY 82-III, LTD.
(A Texas Limited Partnership)

STATEMENT OF PARTNERS' CAPITAL
(Unaudited)

General partners	Limited partners	Total
-----	-----	-----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Balance at January 1, 2001	\$ 57,956	\$ 384,284	\$ 442,240
Distributions	(23,570)	(70,711)	(94,281)
Net income	34,166	96,818	130,984
	-----	-----	-----
Balance at June 30, 2001	\$ 68,552	\$ 410,391	\$ 478,943
	=====	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

The accompanying notes are an integral part of these financial statements.

4

348

PARKER & PARSLEY 82-III, LTD.
(A Texas Limited Partnership)

STATEMENTS OF CASH FLOWS
(Unaudited)

	Six months ended June 30,	
	2001	2000
	-----	-----
Cash flows from operating activities:		
Net income	\$ 130,984	\$ 136,032
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion	11,167	11,991
Changes in assets and liabilities:		
Accounts receivable	17,682	(13,930)
Accounts payable	4,174	2,771
	-----	-----
Net cash provided by operating activities	164,007	136,864
	-----	-----
Cash flows used in investing activities:		
Additions to oil and gas properties	-	(2,799)

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Cash flows used in financing activities:		
Cash distributions to partners	(94,281)	(138,779)
	-----	-----
Net increase (decrease) in cash	69,726	(4,714)
Cash at beginning of period	46,188	53,335
	-----	-----
Cash at end of period	\$ 115,914	\$ 48,621
	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

The accompanying notes are an integral part of these financial statements.

5

349

PARKER & PARSLEY 82-III, LTD.
(A Texas Limited Partnership)

NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Unaudited)

Note 1. Organization and nature of operations

Parker & Parsley 82-III, Ltd. (the "Partnership") is a limited partnership organized in 1982 under the laws of the State of Texas.

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

Note 2. Basis of presentation

In the opinion of management, the unaudited financial statements of the Partnership as of June 30, 2001 and for the three and six months ended June 30, 2001 and 2000 include all adjustments and accruals consisting only of normal recurring accrual adjustments which are necessary for a fair presentation of the results for the interim period. These interim results are not necessarily indicative of results for a full year. Certain reclassifications may have been made to the June 30, 2000 financial statements to conform to the June 30, 2001 financial statement presentations.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in these interim financial statements. The financial statements should be read in conjunction with the financial statements and the notes thereto contained in the Partnership's report for the year ended December 31, 2000, a copy of which is available upon request by writing to Rich Dealy, Vice President and Chief Accounting Officer, 5205 North O'Connor Boulevard, Suite 1400, Irving, Texas 75039-3746.

Management's Discussion and Analysis of Financial Condition and
Results of Operations (1)

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Results of Operations

Six months ended June 30, 2001 compared with six months ended June 30, 2000

Revenues:

The Partnership's oil and gas revenues increased 3% to \$271,996 for the six months ended June 30, 2001 as compared to \$263,297 for the same period in 2000. The increase in revenues resulted from higher average prices received, offset by a decline in production. For the six months ended June 30, 2001, 6,884 barrels

6

350

of oil, 1,723 barrels of natural gas liquids ("NGLs") and 12,402 mcf of gas were sold, or 10,674 barrel of oil equivalents ("BOEs"). For the six months ended June 30, 2000, 7,134 barrels of oil, 3,410 barrels of NGLs and 11,409 mcf of gas were sold, or 12,446 BOEs.

The average price received per barrel of oil increased slightly from \$27.90 for the six months ended June 30, 2000 to \$27.93 for the same period in 2001. The average price received per barrel of NGLs increased \$2.72, or 22%, from \$12.30 during the six months ended June 30, 2000 to \$15.02 for the same period in 2001. The average price received per mcf of gas increased 123% from \$1.95 during the six months ended June 30, 2000 to \$4.34 in the same period in 2001. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received during the six months ended June 30, 2001.

Costs and Expenses:

Total costs and expenses increased to \$142,671 for the six months ended June 30, 2001 as compared to \$129,161 for the same period in 2000, an increase of \$13,510, or 10%. This increase was due to increases in production costs and general and administrative expenses ("G&A"), offset by a decline in depletion.

Production costs were \$122,071 for the six months ended June 30, 2001 and \$108,862 for the same period in 2000, resulting in a \$13,209 increase, or 12%. The increase was due to additional well maintenance costs incurred to stimulate well production and higher production taxes due to higher oil and gas prices.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 14% from \$8,308 for the six months ended June 30, 2000 to \$9,433 for the same period in 2001, primarily due to a higher allocation of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues and an increase in audit and tax fees.

Depletion was \$11,167 for the six months ended June 30, 2001 as compared to \$11,991 for the same period in 2000, a decrease of \$824, or 7%. This decrease was due to a decline in oil production of 250 barrels for the six months ended June 30, 2001 as compared to the same period in 2000.

Three months ended June 30, 2001 compared with three months ended June 30, 2000

Revenues:

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The Partnership's oil and gas revenues increased 3% to \$130,711 for the three months ended June 30, 2001 as compared to \$126,967 for the same period in 2000. The increase in revenues resulted from higher average prices received for gas and NGLs, offset by a decrease in production and lower average prices received for oil. For the three months ended June 30, 2001, 3,306 barrels of oil, 1,102

7

351

barrels of NGLs and 7,207 mcf of gas were sold, or 5,609 BOEs. For the three months ended June 30, 2000, 3,396 barrels of oil, 1,533 barrels of NGLs and 5,105 mcf of gas were sold, or 5,780 BOEs.

The average price received per barrel of oil decreased \$.96, or 3%, from \$28.19 for the three months ended June 30, 2000 to \$27.23 for the three months ended June 30, 2001. The average price received per barrel of NGLs increased \$1.55, or 12%, from \$12.41 during the three months ended June 30, 2000 to \$13.96 for the same period in 2001. The average price received per mcf of gas increased 47% to \$3.52 during the three months ended June 30, 2001 from \$2.39 during the same period in 2000.

Costs and Expenses:

Total costs and expenses increased to \$68,518 for the three months ended June 30, 2001 as compared to \$66,555 for the same period in 2000, an increase of \$1,963, or 3%. This increase was due to higher production costs, offset by declines in depletion and G&A.

Production costs were \$59,272 for the three months ended June 30, 2001 and \$56,857 for the same period in 2000 resulting in a \$2,415 increase, or 4%. The increase was due to additional well maintenance costs incurred to stimulate well production and higher production taxes due to higher gas and NGL prices.

During this period, G&A decreased 5% from \$4,126 for the three months ended June 30, 2000 to \$3,923 for the same period in 2001, primarily due to less audit and tax expenses.

Depletion was \$5,323 for the three months ended June 30, 2001 as compared to \$5,572 for the same period in 2000, a decrease of \$249, or 4%. This decrease was attributable to a decline in oil production of 90 for the three months ended June 30, 2001 as compared to the three months ended June 30, 2000.

Liquidity and Capital Resources

Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$27,143 during the six months ended June 30, 2001 from the same period ended June 30, 2000. This increase was due to an increase in oil and gas sales receipts of \$8,462 and a reduction in working capital of \$33,015, offset by increases in production costs of \$13,209 and G&A expenses of \$1,125. The increase in oil and gas receipts resulted from the increase in commodity prices during 2001 which contributed an additional \$36,705 to oil and gas receipts, offset by \$28,243 resulting from the decline in production during 2001 as compared to the same period in 2000. The increase in production costs was primarily due to additional well maintenance costs incurred to stimulate well production and increased production taxes associated with higher oil and gas prices. The increase in G&A was primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas

revenues and an increase in audit and tax fees.

8

352

Net Cash Used in Investing Activities

The Partnership's principal investing activities during the six months ended June 30, 2000 were related to upgrades of oil and gas equipment on active properties.

Net Cash Used in Financing Activities

For the six months ended June 30, 2001, cash distributions to the partners were \$94,281, of which \$23,570 was distributed to the general partners and \$70,711 to the limited partners. For the same period ended June 30, 2000, cash distributions to the partners were \$138,779, of which \$33,539 was distributed to the general partners and \$105,240 to the limited partners.

For the three months ended June 30, 2001, no distributions were made by the partnership to its partners. Subsequent to June 30, 2001 the cash distribution that otherwise would have been mailed to partners in late June was made to holders of record as of July 9, 2001 and was mailed on July 13, 2001. For further information, see "Proposal to acquire partnerships" below.

Proposal to acquire partnerships

On June 29, 2001, Pioneer Natural Resources Company ("Pioneer") filed with the Securities and Exchange Commission Amendment No. 1 to the Form S-4 Registration Statement (File No. 333- 59094) (the "preliminary proxy statement/prospectus"), which proposes an agreement and plan of merger among Pioneer, Pioneer Natural Resources USA, Inc. ("Pioneer USA"), a wholly-owned subsidiary of Pioneer, and 46 Parker & Parsley limited partnerships. Each partnership that approves the agreement and plan of merger and the other related merger proposals will merge with and into Pioneer USA upon the closing of the transactions described in the preliminary proxy statement/prospectus, and the partnership interests of each such partnership will be converted into the right to receive Pioneer common stock. The Partnership is one of the 46 Parker & Parsley limited partnerships that will be asked to approve the agreement and plan of merger. The preliminary proxy statement/prospectus is non-binding and is subject to, among other things, consideration of offers from third parties to purchase any partnership or its assets and the majority approval of the limited partnership interests in each partnership.

Pioneer USA will solicit proxies from limited partners to approve the mergers only when the proxy statement/prospectus is final and declared effective. No solicitation will be made using preliminary materials. Nonetheless, copies of the preliminary proxy statement/prospectus may be obtained without charge upon request from Pioneer Natural Resources Company, 5205 North O'Connor Blvd., Suite 1400, Irving, Texas 75039, Attention: Investor Relations.

The limited partners are urged to read the proxy statement/prospectus of Pioneer filed with the Securities and Exchange Commission, when it is finalized, because it contains important information about the proposed mergers, including information about the direct and indirect interests of Pioneer USA and Pioneer in the mergers. The limited partners may also obtain the preliminary and (when filed) final proxy statement/prospectus and other relevant documents relating to

the proposed mergers free through the internet web site that the Securities and Exchange Commission maintains at www.sec.gov.

9

353

- (1) "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" contains forward looking statements that involve risks and uncertainties. Accordingly, no assurances can be given that the actual events and results will not be materially different than the anticipated results described in the forward looking statements.

10

354

PARKER & PARSLEY 82-III, LTD.
(A Texas Limited Partnership)

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT

December 31, 2000 and 1999

355

INDEPENDENT AUDITORS' REPORT

The Partners
Parker & Parsley 82-III, Ltd.
(A Texas Limited Partnership):

We have audited the balance sheets of Parker & Parsley 82-III, Ltd. as of December 31, 2000 and 1999, and the related statements of operations, partners' capital and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parker & Parsley 82-III, Ltd. as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Dallas, Texas
March 9, 2001

2

356

PARKER & PARSLEY 82-III, LTD.
(A Texas Limited Partnership)

BALANCE SHEETS
December 31

	2000 -----	1999 -----
ASSETS		
Current assets:		
Cash	\$ 46,188	\$ 53,335
Accounts receivable - oil and gas sales	69,903	47,611
	-----	-----
Total current assets	116,091	100,946
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	5,970,397	5,967,913
Accumulated depletion	(5,634,468)	(5,611,986)
Net oil and gas properties	335,929	355,927
	-----	-----
	\$ 452,020	\$ 456,873
	=====	=====

LIABILITIES AND PARTNERS' CAPITAL

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Current liabilities:		
Accounts payable - affiliate	\$ 9,780	\$ 11,302
Partners' capital:		
General partners	57,956	54,214
Limited partners (3,441 interests)	384,284	391,357
	-----	-----
	442,240	445,571
	\$ 452,020	\$ 456,873
	=====	=====

The accompanying notes are an integral part of these financial statements.

3

357

PARKER & PARSLEY 82-III, LTD.
(A Texas Limited Partnership)

STATEMENTS OF OPERATIONS
For the years ended December 31

	2000	1999	1998
	-----	-----	-----
Revenues:			
Oil and gas	\$ 562,399	\$ 340,246	\$ 253,873
Interest	4,310	2,124	3,120
Gain on disposition of assets	-	1,922	634
	-----	-----	-----
	566,709	344,292	257,627
	-----	-----	-----
Costs and expenses:			
Oil and gas production	222,803	198,571	202,485
General and administrative	19,194	14,161	9,538
Impairment of oil and gas properties	-	-	277,671
Depletion	22,482	46,605	252,951
	-----	-----	-----
	264,479	259,337	742,645
	-----	-----	-----
Net income (loss)	\$ 302,230	\$ 84,955	\$ (485,018)
	=====	=====	=====

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Allocation of net income (loss):			
General partners	\$ 78,705	\$ 27,431	\$ (41,756)
	=====	=====	=====
Limited partners	\$ 223,525	\$ 57,524	\$ (443,262)
	=====	=====	=====
Net income (loss) per limited partnership interest	\$ 64.96	\$ 16.72	\$ (128.82)
	=====	=====	=====

The accompanying notes are an integral part of these financial statements.

4

358

PARKER & PARSLEY 82-III, LTD.
(A Texas Limited Partnership)

STATEMENTS OF PARTNERS' CAPITAL

	General partners	Limited partners	Total
	-----	-----	-----
Partners' capital at January 1, 1998	\$ 106,887	\$ 9 13,918	\$ 1,020,805
Distributions	(16,245)	(70,235)	(86,480)
Net loss	(41,756)	(443,262)	(485,018)
	-----	-----	-----
Partners' capital at December 31, 1998	48,886	400,421	449,307
Distributions	(22,103)	(66,588)	(88,691)
Net income	27,431	57,524	84,955
	-----	-----	-----
Partners' capital at December 31, 1999	54,214	391,357	445,571
Distributions	(74,963)	(230,598)	(305,561)
Net income	78,705	223,525	302,230

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Partners' capital at December 31, 2000	\$ 57,956	\$ 384,284	\$ 442,240
	=====	=====	=====

The accompanying notes are an integral part of these financial statements.

5

359

PARKER & PARSLEY 82-III, LTD.
(A Texas Limited Partnership)

STATEMENTS OF CASH FLOWS
For the years ended December 31

	2000	1999	1998
	-----	-----	-----
Cash flows from operating activities:			
Net income (loss)	\$ 302,230	\$ 84,955	\$ (485,018)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Gain on disposition of assets	-	(1,922)	(634)
Impairment of oil and gas properties	-	-	277,671
Depletion	22,482	46,605	252,951
Changes in assets and liabilities:			
Accounts receivable	(22,292)	(24,579)	19,893
Accounts payable	(1,522)	5,081	(6,865)
	-----	-----	-----
Net cash provided by operating activities	300,898	110,140	57,998
	-----	-----	-----
Cash flows from investing activities:			
Additions to oil and gas properties	(2,484)	(1,281)	(4,114)
Proceeds from disposition of assets	-	2,415	23,382
	-----	-----	-----
Net cash provided by (used in) investing activities	(2,484)	1,134	19,268
	-----	-----	-----
Cash flows used in financing activities:			
Cash distributions to partners	(305,561)	(88,691)	(86,480)
	-----	-----	-----
Net increase (decrease) in cash	(7,147)	22,583	(9,214)
Cash at beginning of year	53,335	30,752	39,966
	-----	-----	-----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Cash at end of year	\$ 46,188	\$ 53,335	\$ 30,752
	=====	=====	=====

The accompanying notes are an integral part of these financial statements.

6

360

PARKER & PARSLEY 82-III, LTD.
(A Texas Limited Partnership)

NOTES TO FINANCIAL STATEMENTS
December 31, 2000, 1999 and 1998

NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS

Parker & Parsley 82-III, Ltd. (the "Partnership") is a Texas limited partnership organized in 1982 under the laws of the State of Texas. The Partnership's general partners are Pioneer Natural Resources USA, Inc. ("Pioneer USA") and P&P Employees 82-III, Ltd. ("EMPL"). The Partnership's managing general partner is Pioneer USA.

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Oil and gas properties - The Partnership utilizes the successful efforts method of accounting for its oil and gas properties and equipment. Under this method, all costs associated with productive wells and nonproductive development wells are capitalized while nonproductive exploration costs are expensed. Capitalized costs relating to proved properties are depleted using the unit-of-production method on a property-by-property basis based on proved oil (dominant mineral) reserves as evaluated by independent petroleum consultants. The carrying amounts of properties sold or otherwise disposed of and the related allowances for depletion are eliminated from the accounts and any gain or loss is included in results of operations.

Impairment of long-lived assets - In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the Partnership reviews its long-lived assets to be held and used on an individual property basis, including oil and gas properties accounted for under the successful efforts method of accounting, whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. An impairment loss is indicated if the sum of the expected future cash flows is less than the carrying amount of the assets. In this circumstance, the Partnership recognizes an impairment loss for the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset.

Use of estimates in the preparation of financial statements - Preparation

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

of the accompanying financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

7

361

Net income (loss) per limited partnership interest - The net income (loss) per limited partnership interest is calculated by using the number of outstanding limited partnership interests.

Income taxes - A Federal income tax provision has not been included in the financial statements as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

Statements of cash flows - For purposes of reporting cash flows, cash includes depository accounts held by banks.

General and administrative expenses - General and administrative expenses are allocated in part to the Partnership by the managing general partner. Allocated expenses are determined by the managing general partner based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Reclassifications - Certain reclassifications may have been made to the 1999 and 1998 financial statements to conform to the 2000 financial statement presentations.

Environmental - The Partnership is subject to extensive federal, state and local environmental laws and regulations. These laws, which are constantly changing, regulate the discharge of materials into the environment and may require the Partnership to remove or mitigate the environmental effects of the disposal or release of petroleum or chemical substances at various sites. Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Liabilities for expenditures of a noncapital nature are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated. Such liabilities are generally undiscounted unless the timing of cash payments for the liability or component are fixed or reliably determinable. No such liabilities have been accrued as of December 31, 2000.

Revenue recognition - The Partnership uses the entitlements method of accounting for oil, natural gas liquids ("NGLs") and natural gas revenues.

NOTE 3. IMPAIRMENT OF LONG-LIVED ASSETS

In accordance with SFAS 121, the Partnership reviews its proved oil and gas properties for impairment whenever events and circumstances indicate a decline in the recoverability of the carrying value of the Partnership's oil and gas properties. The Partnership has estimated the expected future cash flows of its oil and gas properties as of December 31, 2000, 1999 and 1998, based on proved reserves, and compared such estimated future cash flows to the respective carrying amount of the oil and gas properties to determine if the carrying amounts were likely to be recoverable. For those proved oil and gas properties for which the carrying amount exceeded the estimated future cash flows, an impairment was determined to exist; therefore, the Partnership adjusted the

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

carrying amount of those oil and gas properties to their fair value as determined by discounting their expected future cash flows at a discount rate commensurate with the risks involved

8

362

in the industry. As a result, the Partnership recognized a non-cash impairment provision of \$277,671 related to its proved oil and gas properties during 1998.

NOTE 4. INCOME TAXES

The financial statement basis of the Partnership's net assets and liabilities was \$410,896 less than the tax basis at December 31, 2000.

The following is a reconciliation of net income (loss) per statements of operations with the net income per Federal income tax returns for the years ended December 31:

	2000	1999	1998
Net income (loss) per statements of operations	\$ 302,230	\$ 84,955	\$ (485,018)
Depletion and depreciation provisions for tax reporting purposes less than amounts for financial reporting purposes	18,732	42,255	245,110
Impairment of oil and gas properties for financial reporting purposes	-	-	277,671
Other, net	(570)	(1,597)	787
	\$ 320,392	\$ 125,613	\$ 38,550
	=====	=====	=====

NOTE 5. OIL AND GAS PRODUCING ACTIVITIES

The following is a summary of the costs incurred, whether capitalized or expensed, related to the Partnership's oil and gas producing activities for the years ended December 31:

	2000	1999	1998
Development costs	\$ 2,484	\$ 1,281	\$ 4,114
	=====	=====	=====

Capitalized oil and gas properties consist of the following:

	2000	1999
--	------	------

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Proved properties:		
Property acquisition costs	\$ 348,798	\$ 348,798
Completed wells and equipment	5,621,599	5,619,115
	-----	-----
	5,970,397	5,967,913
Accumulated depletion	(5,634,468)	(5,611,986)
	-----	-----
Net oil and gas properties	\$ 335,929	\$ 355,927
	=====	=====

9

363

NOTE 6. RELATED PARTY TRANSACTIONS

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

	2000	1999	1998
	-----	-----	-----
Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$105,725	\$102,247	\$ 97,602
Reimbursement of general and administrative expenses	\$16,872	\$10,207	\$ 7,802

Pioneer USA, EMPL and the Partnership are parties to the Partnership agreement. EMPL is a limited partnership in which Pioneer USA owns 81% and the remaining portion is owned by former affiliates. Pioneer USA owned 205.34 limited partner interests at January 1, 2001.

The costs and revenues of the Partnership are allocated as follows:

	General partners	Limited partners
	-----	-----
Revenues:		
Proceeds from property dispositions prior to cost recovery	10%	90%
All other Partnership revenues	25%	75%
Costs and expenses:		
Lease acquisition costs, drilling and completion costs	10%	90%
Operating costs, direct costs and general and		

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

administrative expenses

25%

75%

NOTE 7. OIL AND GAS INFORMATION (UNAUDITED)

The following table presents information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities during the years then ended. All of the Partnership's reserves are proved developed and located within the United States. The Partnership's reserves are based on an evaluation prepared by Williamson Petroleum Consultants, Inc., an independent petroleum consultant, using criteria established by the Securities and Exchange Commission.

10

364

	Oil and NGLs (bbls)	Gas (mcf)
	-----	-----
Net proved reserves at January 1, 1998	290,644	256,851
Revisions	(204,881)	
Production	(19,540)	(17,680)
	-----	-----
Net proved reserves at December 31, 1998	66,223	74,429
Revisions		243,433
312,763		
Production	(20,801)	(23,061)
	-----	-----
Net proved reserves at December 31, 1999	288,855	364,131
Revisions	42,883	(44,362)
Production	(20,646)	(21,480)
	-----	-----
Net proved reserves at December 31, 2000	311,092	298,289
	=====	=====

As of December 31, 2000, the estimated present value of future net revenues of proved reserves, calculated using December 31, 2000 prices of \$26.64 per barrel of oil, \$13.66 per barrel of NGLs and \$7.61 per mcf of gas, discounted at 10% was approximately \$2,053,000 and undiscounted was \$3,888,000.

Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves. The Partnership emphasizes that reserve estimates are inherently imprecise and, accordingly, the estimates are expected to change as future information becomes available.

Disclosures about Oil & Gas Producing Activities

Standardized Measure of Discounted Future Net Cash Flows

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The standardized measure of discounted future net cash flows is computed by applying year-end prices of oil and gas (with consideration of price changes only to the extent provided by contractual arrangements) to the estimated future production of proved oil and gas reserves less estimated future expenditures (based on year-end costs) to be incurred in developing and producing the proved reserves, discounted using a rate of 10% per year to reflect the estimated timing of the future cash flows. A Federal income tax provision has not been calculated as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

Discounted future cash flow estimates like those shown below are not intended to represent estimates of the fair value of oil and gas properties. Estimates of fair value should also consider anticipated future oil and gas prices, interest rates, changes in development and production costs and risks associated with future production. Because of these and other considerations, any estimate of fair value is necessarily subjective and imprecise.

11

365

	For the years ended December 31,		
	2000	1999	1998
	-----	-----	-----
	(in thousands)		
Oil and gas producing activities:			
Future cash inflows	\$ 9,373	\$ 7,135	\$ 709
Future production costs	(5,485)	(4,540)	(606)
	-----	-----	-----
	3,888	2,595	103
10% annual discount factor	(1,835)	(1,113)	(26)
	-----	-----	-----
Standardized measure of discounted future net cash flows	\$ 2,053	\$ 1,482	\$ 77
	=====	=====	=====

	For the years ended December 31,		
	2000	1999	1998
	-----	-----	-----
	(in thousands)		

Oil and Gas Producing Activities:

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Oil and gas sales, net of production costs	\$ (340)	\$ (141)	\$ (51)
Net changes in prices and production costs	711	355	(718)
Revisions of previous quantity estimates	219	1,650	(182)
Accretion of discount	148	8	102
Changes in production rates, timing and other	(167)	(467)	(96)
Change in present value of future net revenues	571	1,405	(945)
Balance, beginning of year	1,482	77	1,022
	-----	-----	-----
Balance, end of year	\$ 2,053	\$ 1,482	\$ 77
	=====	=====	=====

NOTE 8. MAJOR CUSTOMERS

The following table reflects the major customers of the Partnership's oil and gas sales (a major customer is defined as a customer whose sales exceed 10% of total sales) during the years ended December 31:

	2000	1999	1998
	-----	-----	-----
Plains Marketing, L.P.	60%	56%	-
TEPPCO Crude Oil LLC	14%	15%	-
Genesis Crude Oil, L.P.	-	-	77%

At December 31, 2000, the amounts receivable from Plains Marketing, L.P. and TEPPCO Crude Oil LLC were \$31,458 and \$4,158, respectively, which are included in the caption "Accounts receivable - oil and gas sales" in the accompanying Balance Sheet.

Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on the ability of the Partnership to sell its oil, NGLs and gas production.

NOTE 9. PARTNERSHIP AGREEMENT

The following is a brief summary of the more significant provisions of the limited partnership agreement:

General partners - The general partners of the Partnership are Pioneer USA and EMPL. Pioneer USA, the managing general partner, has the power and authority to manage, control and administer all Partnership affairs. As managing general partner and operator of the Partnership's properties, all production expenses are incurred by Pioneer USA and billed to the Partnership. The majority of the Partnership's oil and gas revenues are received directly

by the Partnership, however, a portion of the oil and gas revenue is initially received by Pioneer USA prior to being paid to the

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Partnership.

Limited partner liability - The maximum amount of liability of any limited partner is the total contributions of such partner plus his share of any undistributed profits.

Initial capital contributions - The limited partners entered into subscription agreements for aggregate capital contributions of \$6,882,000. The general partners are required to contribute amounts equal to 10% of Partnership expenditures for lease acquisition, drilling and completion and 25% of direct, general and administrative and operating expenses.

13

367

PARKER & PARSLEY 82-III, LTD.
(A TEXAS LIMITED PARTNERSHIP)

THIS REPORT CONTAINS FORWARD LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. ACCORDINGLY, NO ASSURANCES CAN BE GIVEN THAT THE ACTUAL EVENTS AND RESULTS WILL NOT BE MATERIALLY DIFFERENT THAN THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of operations

2000 compared to 1999

The Partnership's oil and gas revenues increased 65% to \$562,399 for 2000 as compared to \$340,246 in 1999. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 2000, 14,019 barrels of oil, 6,627 barrels of natural gas liquids ("NGLs") and 21,480 mcf of gas were sold, or 24,226 barrel of oil equivalents ("BOEs"). In 1999, 14,043 barrels of oil, 6,758 barrels of NGLs and 23,061 mcf of gas were sold, or 24,645 BOEs. Due to the decline characteristics of the Partnership's oil and gas properties, management expects a certain amount of decline in production in the future until the Partnership's economically recoverable reserves are fully depleted.

The average price received per barrel of oil increased \$12.54, or 73%, from \$17.13 in 1999 to \$29.67 in 2000. The average price received per barrel of NGLs increased \$4.73, or 52%, from \$9.13 in 1999 to \$13.86 in 2000. The average price received per mcf of gas increased 54% from \$1.65 in 1999 to \$2.54 in 2000. The market price for oil and gas has been extremely volatile in the past decade, and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received in 2000.

A gain on disposition of assets of \$1,922 was recognized during 1999 from equipment credits received on one fully depleted well.

Total costs and expenses increased in 2000 to \$264,479 as compared to \$259,337 in 1999, an increase of \$5,142, or 2%. The increase was primarily due to increases in production costs and general and administrative expenses ("G&A"), offset by a decline in depletion.

Production costs were \$222,803 in 2000 and \$198,571 in 1999, resulting in a

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

\$24,232 increase, or 12%. The increase was primarily due to higher production taxes associated with higher oil and gas prices and additional well maintenance costs incurred to stimulate well production.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 36% from \$14,161 in 1999 to \$19,194 in 2000, primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$16,872 in 2000 and \$10,207 in 1999 for G&A incurred on behalf of the Partnership. The remaining G&A was paid directly by the Partnership. The managing general partner determines the allocated expenses based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Depletion was \$22,482 in 2000 as compared to \$46,605 in 1999, representing a decrease of \$24,123, or 52%. This decrease primarily due to a 36,746 barrels of oil increase in proved reserves during 2000 as a result of higher commodity prices.

368

1999 compared to 1998

The Partnership's 1999 oil and gas revenues increased 34% to \$340,246 from \$253,873 in 1998. The increase in revenues resulted from higher average prices received and an increase in production. In 1999, 14,043 barrels of oil, 6,758 barrels of NGLs and 23,061 mcf of gas were sold, or 24,645 BOEs. In 1998, 14,727 barrels of oil, 4,813 barrels of NGLs and 17,680 mcf of gas were sold, or 22,487 BOEs.

The average price received per barrel of oil increased \$3.82, or 29%, from \$13.31 in 1998 to \$17.13 in 1999. The average price received per barrel of NGLs increased \$2.71, or 42%, from \$6.42 in 1998 to \$9.13 in 1999. The average price received per mcf of gas increased 8% from \$1.53 in 1998 to \$1.65 in 1999.

A gain on disposition of assets of \$1,922 and \$634 was recognized during 1999 and 1998 from salvage value received on various asset dispositions.

Total costs and expenses decreased in 1999 to \$259,337 as compared to \$742,645 in 1998, a decrease of \$483,308, or 65%. The decrease was primarily due to declines in the impairment of oil and gas properties, depletion and production costs, offset by an increase in G&A.

Production costs were \$198,571 in 1999 and \$202,485 in 1998, resulting in a \$3,914 decrease, or 2%. The decrease was due to declines in workover costs and ad valorem taxes, offset by an increase in production taxes due to increase oil and gas sales.

During this period, G&A increased 48% from \$9,538 in 1998 to \$14,161 in 1999 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$10,207 in 1999 and \$7,802 in 1998 for G&A incurred on behalf of the Partnership.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the managing general partner reviews the Partnership's oil and gas properties for impairment whenever events or circumstances indicate a decline in the recoverability of the carrying value of the Partnership's assets may have occurred. As a result of the review and evaluation of its long-lived assets for impairment, the Partnership recognized a non-cash charge of \$277,671 related to its oil and gas properties during 1998.

Depletion was \$46,605 in 1999 compared to \$252,951 in 1998, representing a decrease of \$206,346, or 82%. This decrease was the result of an increase in proved reserves of 164,606 barrels of oil during 2000 as a result of higher commodity prices and a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 1998.

Petroleum industry

The petroleum industry has been characterized by volatile oil, NGL and natural gas commodity prices and relatively stable supplier costs during the three years ended December 31, 2000. During 1998, weather patterns, regional economic recessions and political matters combined to cause worldwide oil supplies to exceed demand resulting in a substantial decline in oil prices. Also during 1998, but to a lesser extent, market prices for natural gas declined. During 1999 and 2000, the Organization of Petroleum Exporting Countries ("OPEC") and certain other crude oil exporting nations announced reductions in their planned export volumes. Those announcements, together with the enactment of the announced reductions in export volumes, had a positive impact on world oil prices, as have overall natural gas supply and demand fundamentals on North American natural gas prices. Although the favorable commodity price environment and stable field service cost environment is expected to continue during 2001, there is no assurance that commodity prices will not return to a less favorable level or that field service costs will not escalate in the future, both of which could negatively impact the Partnership's future results of operations and cash distributions.

369

Liquidity and capital resources

Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$190,758 during the year ended December 31, 2000 from 1999. This increase was due to an increase in oil and gas sales receipts of \$224,339, offset by increases in production costs paid of \$24,233, G&A expenses paid of \$5,032 and working capital of \$4,316. The increase in oil and gas receipts resulted from the increase in commodity prices during 2000 which contributed an additional \$230,886 to oil and gas receipts, offset by \$6,547 resulting from the decline in production during 2000. The increase in production costs was primarily due to increased production taxes associated with higher oil and gas prices and additional well maintenance costs incurred to stimulate well production. The increase in G&A was primarily due to higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues.

Net Cash Provided by (Used in) Investing Activities

The Partnership's principal investing activities during 2000 and 1999 included expenditures related to upgrades of equipment on various oil and gas properties.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Proceeds from disposition of assets of \$2,415 were recognized during 1999 from salvage value received on disposition of equipment primarily on one oil and gas well.

Net Cash Used in Financing Activities

In 2000, cash distributions to the partners were \$305,561, of which \$74,963 was distributed to the general partners and \$230,598 to the limited partners. In 1999, cash distributions to the partners were \$88,691, of which \$22,103 was distributed to the general partners and \$66,588 to the limited partners.

370

PARKER & PARSLEY 82-III, LTD.

SELECTED FINANCIAL DATA

The following selected financial data for the Partnership should be read in connection with Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements included in the attached supplemental information.

	Six months ended June 30,		Years ended December 31,		
	2001	2000	2000	1999	1998
Operating results:					
Oil and gas sales	\$ 271,996	\$ 263,297	\$ 562,399	\$ 340,246	\$ 253,873
Impairment of oil and gas properties	\$ --	\$ --	\$ --	\$ --	\$ 277,671
Gain on litigation settlement, net	\$ --	\$ --	\$ --	\$ --	\$ --
Net income (loss)	\$ 130,984	\$ 136,032	\$ 302,230	\$ 84,955	\$ (485,018)
Allocation of net					

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

income (loss):					
General partners	\$ 34,166	\$ 35,807	\$ 78,705	\$ 27,431	\$ (41,756)
	=====	=====	=====	=====	=====
Limited partners	\$ 96,818	\$ 100,225	\$ 223,525	\$ 57,524	\$ (443,262)
	=====	=====	=====	=====	=====
Limited partners' net income (loss) per limited partnership interest	\$ 28.14	\$ 29.13	\$ 64.96	\$ 16.72	\$ (128.82)
	=====	=====	=====	=====	=====
Limited partners' cash distributions per limited partnership interest	\$ 20.55	\$ 30.58	\$ 67.01	\$ 19.35	\$ 20.41
	=====	=====	=====	=====	=====
As of period ended:					
Total assets	\$ 492,897	\$ 456,897	\$ 452,020	\$ 456,873	\$ 455,528
	=====	=====	=====	=====	=====

(a) Including litigation settlement per limited partnership interest of \$10.65 in 1996.

371

PIONEER NATURAL RESOURCES COMPANY
PIONEER NATURAL RESOURCES USA, INC.
5205 NORTH O'CONNOR BLVD., SUITE 1400
IRVING, TEXAS 75039

SUPPLEMENTAL INFORMATION

OF

PARKER & PARSLEY 83-A, LTD., A TEXAS LIMITED PARTNERSHIP

TO

PROXY STATEMENT/PROSPECTUS DATED , 2001

THE DATE OF THIS SUPPLEMENT IS , 2001

This document contains important information specific to Parker & Parsley 83-A, Ltd. and supplements the proxy statement/prospectus dated , 2001, of Pioneer Natural Resources Company and Pioneer Natural Resources USA, Inc., by which Pioneer USA is soliciting proxies to be voted at a special meeting of limited partners of the partnership. The purpose of the special meeting is for you to vote upon the merger of the partnership with and into Pioneer USA that, if completed, will result in your receiving common stock of Pioneer Natural Resources Company for your partnership interests.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

This document contains the following information concerning Parker & Parsley 83-A, Ltd.:

- o A table containing:
 - the aggregate initial investment by the limited partners
 - the aggregate historical limited partner distributions through July 31, 2001
 - the merger value attributable to partnership interests of limited partners, excluding Pioneer USA
 - the merger value per \$1,000 limited partner investment
 - the merger value per \$1,000 limited partner investment as a multiple of distributions for the past four quarterly distributions including the distribution in July 2001
 - the book value per \$1,000 limited partner investment as of June 30, 2001 and as of December 31, 2000
 - the going concern value per \$1,000 limited partner investment
 - the liquidation value per \$1,000 limited partner investment
 - the ordinary tax loss per \$1,000 limited partner investment in year of initial investment
- o Information about:
 - the legal opinion for the limited partners
 - the term of the partnership
- o The partnership's quarterly report on Form 10-Q, including management's discussion and analysis of financial condition and results of operations, for the six months ended June 30, 2001
- o The partnership's annual report on Form 10-K, including management's discussion and analysis of financial condition and results of operations, for the year ended December 31, 2000
- o Selected historical financial data for the partnership for the six months ended June 30, 2001 and 2000 and the five years ended December 31, 2000

-1-

372

PARKER & PARSLEY 83-A, LTD.
SUPPLEMENTAL INFORMATION TABLE

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Aggregate Initial Investment by the Limited Partners (a)	\$
Aggregate Historical Limited Partner Distributions through July 31, 2001 (a)	\$
Merger Value Attributable to Partnership Interests of Limited Partners, Excluding Pioneer USA (a), (b)	\$
Merger Value per \$1,000 Limited Partner Investment (b), (c)	\$
Merger Value per \$1,000 Limited Partner Investment as a Multiple of Distributions for the past four quarterly distributions including the distribution in July 2001 (b), (c)	
Book Value per \$1,000 Limited Partner Investment:	
-- as of June 30, 2001 (c)	\$
-- as of December 31, 2000 (c)	\$
Going Concern Value per \$1,000 Limited Partner Investment (c), (d)	\$
Liquidation Value per \$1,000 Limited Partner Investment (c), (e)	\$
Ordinary Tax Loss per \$1,000 Limited Partner Investment in Year of Initial Investment (c), (f)	\$

(a) Stated in thousands.

(b) The merger value for the partnership is equal to the sum of the present value of estimated future net revenues from the partnership's estimated oil and gas reserves and its net working capital, in each case as of March 31, 2001, less its pro rata share, based on its reserve value, of the estimated expenses and fees of the mergers of all of the partnerships and less the cash distribution on July 13, 2001, by the partnership to its partners.

(c) Interests in some partnerships were sold in units at prices other than \$1,000. We have presented this information based on a \$1,000 initial investment for ease of use and comparison among partnerships. You should not assume that the amount shown per \$1,000 investment is the same as the value or amount attributable to a single unit investment.

(d) The going concern value for the partnership is based upon: (1) the sum of (A) the estimated net cash flow from the sale of the partnership's reserves during a 10-year operating period and (B) the estimated residual value from the sale of the partnership's remaining reserves at the end of the operating period, in each case using the same pricing and discount rate as in the merger value calculation, less (2) (A) partnership level general and administrative expenses, and (B) the cash distribution on July 13, 2001 by the partnership to its partners.

(e) The liquidation value for the partnership is based upon the sale of the partnership's reserves at the reserve value, less (1) liquidation expenses which are estimated to be the sum of (A) the partnership's pro rata share of the merger expenses and fees described in footnote (b) above and (B) 3% of the partnership's reserve value, and (2) the cash distribution on July 13, 2001 by the partnership to its partners. The liquidation expenses

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

represent the estimated costs to retain an investment banker or broker to sell the assets of the partnership and the legal and other closing costs associated with such transaction, including the wind-down costs of the partnership.

- (f) Your ability to use your distributive share of the partnership's loss to offset your other income may have been subject to certain limitations at your level as a partner, and you may therefore wish to consult your tax advisor to determine the additional value, if any, actually realized by you in your particular circumstances.

INFORMATION ABOUT THE LEGAL OPINION FOR THE LIMITED PARTNERS

The partnership agreement for the partnership requires that special legal counsel render an opinion on behalf of the limited partners to Pioneer USA that (1) neither the grant nor the exercise of the right to approve the merger of the partnership by its limited partners will adversely affect the federal income tax classification of the partnership or any of its limited partners; and (2) neither the grant nor exercise of such right will result in the loss of any limited partner's limited liability. In addition, the counsel designated to render the opinion must be counsel other than counsel to Pioneer USA or the partnership. Both the designated counsel and the legal opinion must be approved by the limited partners. Pioneer USA has retained _____ of Dallas, Texas for the purpose of rendering this legal opinion on behalf of the limited partners to Pioneer USA. The merger proposals include an approval of that counsel and the form of its opinion. A copy of the opinion is attached as an exhibit to the merger proposals.

INFORMATION ABOUT THE TERM OF THE PARTNERSHIP

The term of the partnership shall continue until terminated in accordance with the applicable provisions of its partnership agreement.

-2-

373

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 2001

Commission File No. 2-81398A

PARKER & PARSLEY 83-A, LTD.
(Exact name of Registrant as specified in its charter)

Texas

75-1891384

(State or other jurisdiction of

(I.R.S. Employer

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

incorporation or organization)

Identification Number)

5205 N. O'Connor Blvd., Suite 1400, Irving, Texas

75039

(Address of principal executive offices)

(Zip code)

Registrant's Telephone Number, including area code : (972) 444-9001

Not applicable

(Former name, former address and former fiscal year,
if changed since last report)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes / x / No / /

374

PARKER & PARSLEY 83-A, LTD.

TABLE OF CONTENTS

	Page
Part I. Financial Information	
Item 1. Financial Statements	
Balance Sheets as of June 30, 2001 and December 31, 2000.....	3
Statements of Operations for the three and six months ended June 30, 2001 and 2000.....	4
Statement of Partners' Capital for the six months ended June 30, 2001.....	5
Statements of Cash Flows for the six months ended June 30, 2001 and 2000.....	6
Notes to Financial Statements.....	7
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.....	7

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Part II. Other Information

Item 6.	Exhibits and Reports on Form 8-K.....	11
	Signatures.....	12

2

375

PARKER & PARSLEY 83-A, LTD.
(A Texas Limited Partnership)

Part I. Financial Information

Item 1.	Financial Statements
---------	----------------------

BALANCE SHEETS

	June 30, 2001	December 31, 2000
	----- (Unaudited)	-----
ASSETS		
Current assets:		
Cash	\$ 392,584	\$ 169,055
Accounts receivable - oil and gas sales	229,511	279,239
	-----	-----
Total current assets	622,095	448,294
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	16,902,945	16,901,194
Accumulated depletion	(15,665,442)	(15,622,262)
	-----	-----
Net oil and gas properties	1,237,503	1,278,932
	-----	-----
	\$ 1,859,598	\$ 1,727,226
	=====	=====
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable - affiliate	\$ 43,464	\$ 33,783
Partners' capital:		
General partners	236,728	200,131
Limited partners (19,505 interests)	1,579,406	1,493,312
	-----	-----
	1,816,134	1,693,443
	-----	-----
	\$ 1,859,598	\$ 1,727,226
	=====	=====

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The financial information included as of June 30, 2001 has been prepared by the managing general partner without audit by independent public accountants.

The accompanying notes are an integral part of these financial statements.

3

376

PARKER & PARSLEY 83-A, LTD.
(A Texas Limited Partnership)

STATEMENTS OF OPERATIONS
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2001	2000	2001	2000
Revenues:				
Oil and gas	\$ 471,330	\$ 447,770	\$ 979,098	\$ 864,836
Interest	2,904	2,956	6,256	5,424
	-----	-----	-----	-----
	474,234	450,726	985,354	870,260
	-----	-----	-----	-----
Costs and expenses:				
Oil and gas production	239,495	226,945	471,641	443,276
General and administrative	14,392	14,886	33,115	27,789
Depletion	22,631	18,632	43,180	40,238
	-----	-----	-----	-----
	276,518	260,463	547,936	511,303
	-----	-----	-----	-----
Net income	\$ 197,716	\$ 190,263	\$ 437,418	\$ 358,957
	=====	=====	=====	=====
Allocation of net income:				
General partners	\$ 52,896	\$ 50,724	\$ 116,436	\$ 96,236
	=====	=====	=====	=====
Limited partners	\$ 144,820	\$ 139,539	\$ 320,982	\$ 262,721
	=====	=====	=====	=====
Net income per limited partnership interest	\$ 7.43	\$ 7.15	\$ 16.46	\$ 13.47
	=====	=====	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

The accompanying notes are an integral part of these financial statements.

PARKER & PARSLEY 83-A, LTD.
(A Texas Limited Partnership)

STATEMENT OF PARTNERS' CAPITAL
(Unaudited)

	General partners -----	Limited partners -----	Total -----
Balance at January 1, 2001	\$ 200,131	\$1,493,312	\$1,693,443
Distributions	(79,839)	(234,888)	(314,727)
Net income	116,436	320,982	437,418
	-----	-----	-----
Balance at June 30, 2001	\$ 236,728 =====	\$1,579,406 =====	\$1,816,134 =====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

The accompanying notes are an integral part of these financial statements.

PARKER & PARSLEY 83-A, LTD.
(A Texas Limited Partnership)

STATEMENTS OF CASH FLOWS
(Unaudited)

Six months ended June 30,	
-----	-----
2001	2000

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Cash flows from operating activities:		
Net income	\$ 437,418	\$ 358,957
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion	43,180	40,238
Changes in assets and liabilities:		
Accounts receivable	49,728	(33,517)
Accounts payable	9,681	16,525
	-----	-----
Net cash provided by operating activities	540,007	382,203
	-----	-----
Cash flows used in investing activities:		
Additions to oil and gas properties	(1,751)	(7,921)
Cash flows used in financing activities:		
Cash distributions to partners	(314,727)	(373,589)
	-----	-----
Net increase in cash	223,529	693
Cash at beginning of period	169,055	143,823
	-----	-----
Cash at end of period	\$ 392,584	\$ 144,516
	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

The accompanying notes are an integral part of these financial statements.

6

379

PARKER & PARSLEY 83-A, LTD.
(A Texas Limited Partnership)

NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Unaudited)

Note 1. Organization and nature of operations

Parker & Parsley 83-A, Ltd. (the "Partnership") is a limited partnership organized in 1983 under the laws of the State of Texas.

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

Note 2. Basis of presentation

In the opinion of management, the unaudited financial statements of the Partnership as of June 30, 2001 and for the three and six months ended June 30, 2001 and 2000 include all adjustments and accruals consisting only of normal recurring accrual adjustments which are necessary for a fair presentation of the

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

results for the interim period. However, these interim results are not necessarily indicative of results for a full year. Certain reclassifications may have been made to the June 30, 2000 financial statements to conform to the June 30, 2001 financial statement presentations.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in this Form 10-Q pursuant to the rules and regulations of the Securities and Exchange Commission. The financial statements should be read in conjunction with the financial statements and the notes thereto contained in the Partnership's Report on Form 10-K for the year ended December 31, 2000, as filed with the Securities and Exchange Commission, a copy of which is available upon request by writing to Rich Dealy, Vice President and Chief Accounting Officer, 5205 North O'Connor Boulevard, Suite 1400, Irving, Texas 75039-3746.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (1)

Results of Operations

Six months ended June 30, 2001 compared with six months ended June 30, 2000

Revenues:

The Partnership's oil and gas revenues increased 13% to \$979,098 for the six months ended June 30, 2001 as compared to \$864,836 for the same period in 2000. The increase in revenues resulted from higher average prices received, offset by a decrease in production. For the six months ended June 30, 2001, 20,863 barrels

7

380

of oil, 8,678 barrels of natural gas liquids ("NGLs") and 52,495 mcf of gas were sold, or 38,290 barrel of oil equivalents ("BOEs"). For the six months ended June 30, 2000, 21,455 barrels of oil, 11,696 barrels of NGLs and 46,838 mcf of gas were sold, or 40,957 BOEs.

The average price received per barrel of oil increased slightly from \$27.55 for the six months ended June 30, 2000 to \$27.56 for the same period in 2001. The average price received per barrel of NGLs increased \$2.36, or 17%, from \$14.30 during the six months ended June 30, 2000 to \$16.66 for the same period in 2001. The average price received per mcf of gas increased 118% from \$2.27 during the six months ended June 30, 2000 to \$4.95 for the same period in 2001. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received during the six months ended June 30, 2001.

Costs and Expenses:

Total costs and expenses increased to \$547,936 for the six months ended June 30, 2001 as compared to \$511,303 for the same period in 2000, an increase of \$36,633, or 7%. This increase was due to higher production costs, general and administrative expenses ("G&A") and depletion.

Production costs were \$471,641 for the six months ended June 30, 2001 and \$443,276 for the same period in 2000 resulting in a \$28,365 increase, or 6%. The

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

increase was the primarily due to additional well maintenance costs incurred to stimulate well production and higher production taxes associated with higher oil and gas prices, offset by a decline in workover expenses.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 19% from \$27,789 for the six months ended June 30, 2000 to \$33,115 for the same period in 2001, primarily due to a higher allocation of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues and an increase in audit and tax fees.

Depletion was \$43,180 for the six months ended June 30, 2001 as compared to \$40,238 for the same period in 2000, an increase of \$2,942, or 7%. This increase was primarily due to a decline in proved reserves during the period ended June 30, 2001 due to lower commodity prices, offset by a decrease in oil production of 592 barrels for the six months ended June 30, 2001 as compared to the same period in 2000.

Three months ended June 30, 2001 compared with three months ended June 30, 2000

Revenues:

The Partnership's oil and gas revenues increased 5% to \$471,330 for the three months ended June 30, 2001 as compared to \$447,770 for the same period in 2000. The increase in revenues resulted from higher average prices received for gas and NGLs, offset by a decrease in production and lower average prices received for oil. For the three months ended June 30, 2001, 10,695 barrels of oil, 5,002 barrels of NGLs and 26,788 mcf of gas were sold, or 20,162 BOEs. For the three

8

381

months ended June 30, 2000, 10,617 barrels of oil, 6,110 barrels of NGLs and 23,850 mcf of gas were sold, or 20,702 BOEs.

The average price received per barrel of oil decreased \$.58, or 2%, from \$27.66 for the three months ended June 30, 2000 to \$27.08 for the same period in 2001. The average price received per barrel of NGLs increased \$.48, or 3%, from \$14.40 during the three months ended June 30, 2000 to \$14.88 for the same period in 2001. The average price received per mcf of gas increased 44% to \$4.00 for the three months ended June 30, 2001 from \$2.77 for the same period in 2000.

Costs and Expenses:

Total costs and expenses increased to \$276,518 for the three months ended June 30, 2001 as compared to \$260,463 for the same period in 2000, an increase of \$16,055, or 6%. This increase was due to higher production costs and depletion, offset by a decline in G&A.

Production costs were \$239,495 for the three months ended June 30, 2001 and \$226,945 for the same period in 2000 resulting in a \$12,550 increase, or 6%. This increase was primarily due to additional well maintenance expense incurred to stimulate well production, offset by a decline in workover expenses.

During this period, G&A decreased 3% from \$14,886 for the three months ended June 30, 2000 to \$14,392 for the same period in 2001, primarily due to lower audit and tax expenses.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Depletion was \$22,631 for the three months ended June 30, 2001 as compared to \$18,632 for the same period in 2000, an increase of \$3,999, or 21%. This increase was primarily due to a decline in proved reserves during the period ended June 30, 2001 due to lower commodity prices and an increase in oil production of 78 barrels for the six months ended June 30, 2001 as compared to the same period in 2000.

Liquidity and Capital Resources

Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$157,804 during the six months ended June 30, 2001 from the same period in 2000. This increase was due to an increase of \$115,094 in oil and gas sales receipts and a reduction of \$76,401 in working capital, offset by increases in production costs of \$28,365 and G&A expenses of \$5,326. The increase in oil and gas receipts resulted from the increase in commodity prices during 2001 which contributed an additional \$152,860 to oil and gas receipts, offset by \$37,766 resulting from the decline in production during 2001 as compared to the same period in 2000. The increase in production costs was primarily due to additional well maintenance costs incurred to stimulate well production and increased production taxes associated with higher oil and gas prices, offset by a decline in workover expenses. The increase in G&A was primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues and an increase in audit and tax fees.

9

382

Net Cash Used in Investing Activities

The Partnership's investment activities during the six months ended June 30, 2001 and 2000 were related to expenditures for equipment upgrades on active oil and gas properties.

Net Cash Used in Financing Activities

For the six months ended June 30, 2001, cash distributions to the partners were \$314,727, of which \$79,839 was distributed to the general partners and \$234,888 to the limited partners. For the six months ended June 30, 2000, cash distributions to the partners were \$373,589, of which \$90,377 was distributed to the general partners and \$283,212 to the limited partners.

For the three months ended June 30, 2001, no distributions were made by the partnership to its partners. Subsequent to June 30, 2001 the cash distribution that otherwise would have been mailed to partners in late June was made to holders of record as of July 9, 2001 and was mailed on July 13, 2001. For further information, see "Proposal to acquire partnerships" below.

Proposal to acquire partnerships

On June 29, 2001, Pioneer Natural Resources Company ("Pioneer") filed with the Securities and Exchange Commission Amendment No. 1 to the Form S-4 Registration Statement (File No. 333- 59094) (the "preliminary proxy statement/prospectus"), which proposes an agreement and plan of merger among Pioneer, Pioneer Natural Resources USA, Inc. ("Pioneer USA"), a wholly-owned subsidiary of Pioneer, and 46 Parker & Parsley limited partnerships. Each partnership that approves the agreement and plan of merger and the other related merger proposals will merge

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

with and into Pioneer USA upon the closing of the transactions described in the preliminary proxy statement/prospectus, and the partnership interests of each such partnership will be converted into the right to receive Pioneer common stock. The Partnership is one of the 46 Parker & Parsley limited partnerships that will be asked to approve the agreement and plan of merger. The preliminary proxy statement/prospectus is non-binding and is subject to, among other things, consideration of offers from third parties to purchase any partnership or its assets and the majority approval of the limited partnership interests in each partnership.

Pioneer USA will solicit proxies from limited partners to approve the mergers only when the proxy statement/prospectus is final and declared effective. No solicitation will be made using preliminary materials. Nonetheless, copies of the preliminary proxy statement/prospectus may be obtained without charge upon request from Pioneer Natural Resources Company, 5205 North O'Connor Blvd., Suite 1400, Irving, Texas 75039, Attention: Investor Relations.

The limited partners are urged to read the proxy statement/prospectus of Pioneer filed with the Securities and Exchange Commission, when it is finalized, because it contains important information about the proposed mergers, including information about the direct and indirect interests of Pioneer USA and Pioneer in the mergers. The limited partners may also obtain the preliminary and (when filed) final proxy statement/prospectus and other relevant documents relating to the proposed mergers free through the internet web site that the Securities and Exchange Commission maintains at www.sec.gov.

10

383

- (1) "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" contains forward looking statements that involve risks and uncertainties. Accordingly, no assurances can be given that the actual events and results will not be materially different than the anticipated results described in the forward looking statements.

Part II. Other Information

Item 6. Exhibits and Reports on Form 8-K

- (a) Exhibits - none
- (b) Reports on Form 8-K - none

11

384

PARKER & PARSLEY 83-A, LTD.
(A Texas Limited Partnership)

SIGNATURES

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PARKER & PARSLEY 83-A, LTD.

By: Pioneer Natural Resources USA, Inc.
Managing General Partner

Dated: August 8, 2001

By: /s/ Rich Dealy

Rich Dealy, Vice President and
Chief Accounting Officer

12

385

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000

COMMISSION FILE NO. 2-81398A

PARKER & PARSLEY 83-A, LTD.
(Exact name of Registrant as specified in its charter)

TEXAS

(State or other jurisdiction of
incorporation or organization)

75-1891

(I.R.S. Em
Identification

1400 WILLIAMS SQUARE WEST, 5205 N. O'CONNOR BLVD., IRVING, TEXAS

75039

(Address of principal executive offices)

(Zip code)

Registrant's Telephone Number, including area code : (972) 444-9001

Securities registered pursuant to Section 12(b) of
the Act: NONE Securities registered pursuant to
Section 12(g) of the Act:
LIMITED PARTNERSHIP INTERESTS (\$1,000 PER UNIT)

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES /X/ NO / /

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. /X/

No market currently exists for the limited partnership interests of the Registrant. Based on the original purchase price, the aggregate market value of limited partnership interests owned by non-affiliates of the Registrant is \$18,829,000.

As of March 8, 2001, the number of outstanding limited partnership interests was 19,505.

The following documents are incorporated by reference into the indicated parts of this Annual Report on Form 10-K: None

PARTS I AND II OF THIS ANNUAL REPORT ON FORM 10-K (THE "REPORT") CONTAIN FORWARD LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. ACCORDINGLY, NO ASSURANCES CAN BE GIVEN THAT THE ACTUAL EVENTS AND RESULTS WILL NOT BE MATERIALLY DIFFERENT THAN THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS. SEE "ITEM 1. BUSINESS" FOR A DESCRIPTION OF VARIOUS FACTORS THAT COULD MATERIALLY AFFECT THE ABILITY OF THE PARTNERSHIP TO ACHIEVE THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS.

386

PART I

ITEM 1. BUSINESS

Parker & Parsley 83-A, Ltd. (the "Partnership") is a limited partnership organized in 1983 under the laws of the State of Texas. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA") and its co-general partner is P&P Employees 83-A, Ltd. ("EMPL"), a Texas limited partnership whose general partner is Pioneer USA. Pioneer USA is a wholly-owned subsidiary of Pioneer Natural Resources Company ("Pioneer"). As of March 8, 2001, the Partnership had 19,505 limited partnership interests outstanding.

The Partnership does not have any employees of its own. Pioneer USA employs 701 persons, many of whom dedicated a part of their time to the conduct of the Partnership's business during the period for which this Report is filed. Pioneer USA is responsible for all management functions.

The Partnership engages in oil and gas development and production and is not involved in any industry segment other than oil and gas. The Partnership's production is geographically concentrated in West Texas.

The principal markets during 2000 for the oil produced by the Partnership were refineries and oil transmission companies that have facilities near the Partnership's oil producing properties. During 2000, Pioneer USA marketed the Partnership's gas to a variety of purchasers, none of which accounted for 10% or

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

more of the Partnership's oil and gas revenues. Of the Partnership's total oil and gas revenues for 2000, approximately 53% was attributable to sales made to Plains Marketing, L.P. Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on its ability to sell its oil, natural gas liquids ("NGLs") and gas production.

The Partnership's revenues, profitability, cash flow and future rate of growth are highly dependent on the prevailing prices of oil and gas, which are affected by numerous factors beyond the Partnership's control. Oil and gas prices historically have been very volatile. A substantial or extended decline in the prices of oil or gas could have a material adverse effect on the Partnership's revenues, profitability and cash flow and could, under certain circumstances, result in a reduction in the carrying value of the Partnership's oil and gas properties.

Oil and gas production operations are subject to various types of regulations by local, state and federal agencies. The Partnership's operations are also subject to state conservation laws and regulations, including the establishment of maximum rates of production from wells and the regulation of spacing, plugging and abandonment of wells. Each state generally imposes a production or severance tax with respect to production and sale of oil and gas within their respective jurisdictions. Noncompliance with the laws and regulations may subject the Partnership to penalties, damages or other liabilities and compliance may increase the cost of the Partnership's operations. The oil and gas business is also subject to environmental hazards such as oil spills, gas leaks and ruptures and discharges of toxic substances or gases that could expose the Partnership to substantial liability due to pollution and other environmental damages. Although the Partnership believes that

2

387

its business operations do not impair environmental quality and that its costs of complying with any applicable environmental regulations are not currently significant, the Partnership cannot predict what, if any, effect these environmental regulations may have on its current or future operations.

Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves.

No material part of the Partnership's business is seasonal and the Partnership conducts no foreign operations.

ITEM 2. PROPERTIES

The Partnership's properties consist of leasehold interests in properties on which oil and gas wells are located. Such property interests are often subject to landowner royalties, overriding royalties and other oil and gas leasehold interests.

Fractional working interests in developmental oil and gas prospects located primarily in the Spraberry Trend Area of West Texas were acquired by the Partnership, resulting in the Partnership's participation in the drilling of 69 oil and gas wells. Two wells were dry holes from previous periods, 22 wells have been sold and three wells have been plugged and abandoned due to unprofitable

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

operations. At December 31, 2000, 42 wells were producing.

For information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998, and changes in such quantities for the years then ended, see Note 7 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" below. Such reserves have been evaluated by Williamson Petroleum Consultants, Inc., an independent petroleum consultant.

ITEM 3. LEGAL PROCEEDINGS

The Partnership from time to time is a party to various legal proceedings incidental to its business involving claims in oil and gas leases or interests, other claims for damages in amounts not in excess of 10% of its current assets and other matters, none of which Pioneer USA believes to be material to the Partnership.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of the partners during the fourth quarter of 2000.

3

388

PART II

ITEM 5. MARKET FOR LIMITED PARTNERSHIP INTERESTS AND LIMITED PARTNERSHIP DISTRIBUTIONS

At March 8, 2001, the Partnership had 19,505 outstanding limited partnership interests held of record by 1,273 subscribers. There is no established public trading market for the limited partnership interests. Under the limited partnership agreement, Pioneer USA has made certain commitments to purchase partnership interests at a computed value.

Revenues which, in the sole judgement of the managing general partner, are not required to meet the Partnership's obligations are distributed to the partners at least quarterly in accordance with the limited partnership agreement. During the years ended December 31, 2000 and 1999, distributions of \$659,311 and \$181,573, respectively, were made to the limited partners.

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth selected financial data for the years ended December 31:

	2000	1999	1998	1997
	-----	-----	-----	-----
Operating results:				

Oil and gas sales	\$ 1,929,701	\$ 1,176,562	\$ 910,252	\$ 1,402,306
	=====	=====	=====	=====

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Impairment of oil and gas properties	\$ --	\$ --	\$ 430,351	\$ 1,194,023
Gain on litigation settlement, net	\$ --	\$ --	\$ --	\$ --
Net income (loss)	\$ 929,165	\$ 229,546	\$ (784,583)	\$ (811,642)
Allocation of net income (loss):				
General partners	\$ 246,105	\$ 82,467	\$ (52,520)	\$ (1,662)
Limited partners	\$ 683,060	\$ 147,079	\$ (732,063)	\$ (809,980)
Limited partners' net income (loss) per limited partnership interest	\$ 35.02	\$ 7.54	\$ (37.53)	\$ (41.53)
Limited partners' cash distributions per limited partnership interest	\$ 33.80	\$ 9.31	\$ 20.73	\$ 24.50
At year end:				
Identifiable assets	\$ 1,727,226	\$ 1,684,906	\$ 1,691,709	\$ 3,015,116

(a) Including litigation settlement per limited partnership interest of \$34.33 in 1996.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of operations

2000 compared to 1999

The Partnership's oil and gas revenues increased 64% to \$1,929,701 for 2000 as compared to \$1,176,562 in 1999. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 2000, 43,334 barrels of oil, 23,345 barrels of natural gas liquids ("NGLs") and 94,612 mcf of gas were sold, or 82,448 barrel of oil equivalent ("BOEs"). In 1999, 43,654 barrels of oil, 25,584 barrels of NGLs and 109,716 mcf of gas were sold, or 87,524 BOEs. Due to the decline characteristics of the Partnership's oil and gas properties, management expects a certain amount of decline in production in the

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

future until the Partnership's economically recoverable reserves are fully depleted.

The average price received per barrel of oil increased \$12.58, or 74%, from \$16.96 in 1999 to \$29.54 in 2000. The average price received per barrel of NGLs increased \$6.16, or 65%, from \$9.42 in 1999 to \$15.58 in 2000. The average price received per mcf of gas increased 70% from \$1.78 in 1999 to \$3.02 in 2000. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received in 2000.

A gain on disposition of assets of \$1,801 recognized during 1999 was related to equipment credits received on one fully depleted well.

Total costs and expenses increased in 2000 to \$1,014,313 as compared to \$955,718 in 1999, an increase of \$58,595, or 6%. The increase was primarily due to increases in production costs and general and administrative expenses ("G&A"), offset by a decline in depletion.

Production costs were \$867,551 in 2000 and \$756,020 in 1999, resulting in a \$111,531 increase, or 15%. The increase was primarily due to higher production taxes associated with higher oil and gas prices and additional workover and well maintenance costs incurred to stimulate well production.

G&A's components are independent accounting and engineering fees, computer services, postage and managing general partner personnel costs. During this period, G&A increased 39% from \$47,303 in 1999 to \$65,724 in 2000 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$57,891 in 2000 and \$35,297 in 1999 for G&A incurred on behalf of the Partnership. The remaining G&A was paid directly by the Partnership. The managing general partner determines the allocated expenses based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

5

390

Depletion was \$81,038 in 2000 as compared to \$152,395 in 1999. This represented a decrease of \$71,357, or 47%. The decrease was primarily due to a 129,265 barrels of oil increase in proved reserves during 2000 as a result of higher commodity prices.

1999 compared to 1998

The Partnership's 1999 oil and gas revenues increased 29% to \$1,176,562 from \$910,252 in 1998. The increase in revenues resulted from higher average prices received and an increase in production from 1998 to 1999. In 1999, 43,654 barrels of oil, 25,584 barrels of NGLs and 109,716 mcf of gas were sold, or 87,524 BOEs. In 1998, 46,586 barrels of oil, 21,026 barrels of NGLs and 95,156 mcf of gas were sold, or 83,471 BOEs.

The average price received per barrel of oil increased \$3.62, or 27%, from \$13.34 in 1998 to \$16.96 in 1999. The average price received per barrel of NGLs increased \$2.93, or 45%, from \$6.49 in 1998 to \$9.42 in 1999. The average price

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

received per mcf of gas increased 11% from \$1.60 in 1998 to \$1.78 in 1999.

A gain on disposition of assets of \$1,801 recognized during 1999 was related to equipment credits received on one fully depleted well while the \$3,702 gain recognized during 1998 was from final closing adjustments from the sale during 1997 of 16 oil and gas wells.

Total costs and expenses decreased in 1999 to \$955,718 as compared to \$1,715,723 in 1998, a decrease of \$760,005, or 44%. The decrease was primarily due to declines in the impairment of oil and gas properties and depletion, offset by increases in production costs and G&A expenses.

Production costs were \$756,020 in 1999 and \$731,005 in 1998, resulting in a \$25,015 increase, or 3%. The increase was attributable to additional well maintenance costs incurred to stimulate well production and production taxes due to increased oil and gas revenues, offset by a decline in ad valorem taxes.

During this period, G&A increased 43% from \$33,000 in 1998 to \$47,303 in 1999 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$35,297 in 1999 and \$27,308 in 1998 for G&A incurred on behalf of the Partnership.

In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the managing general partner reviews the Partnership's oil and gas properties for impairment whenever events or circumstances indicate a decline in the recoverability of the carrying value of the Partnership's assets may have occurred. As a result of the review and evaluation of its long-lived assets for impairment, the Partnership recognized a non-cash charge of \$430,351 related to its oil and gas properties during 1998.

Depletion was \$152,395 in 1999 compared to \$521,367 in 1998. This represented a decrease of \$368,972, or 71%. The decrease was the result of an increase in proved reserves of 416,430 barrels of oil during 1999 as a result of higher commodity prices and a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 1998.

Petroleum industry

The petroleum industry has been characterized by volatile oil, NGL and natural gas commodity prices and relatively stable supplier costs during the three years ended December 31, 2000. During 1998, weather patterns, regional economic recessions and political matters combined to cause worldwide oil supplies to exceed demand resulting in a substantial decline in oil prices. Also during 1998, but to a lesser extent, market prices for natural gas declined. During 1999 and 2000, the Organization of Petroleum Exporting Countries ("OPEC") and certain other crude oil exporting nations announced reductions in their planned export volumes. Those announcements, together with the enactment of the announced reductions in export volumes, had a positive impact on world oil prices, as have overall natural gas supply and demand fundamentals on North American natural gas prices. Although the favorable commodity price environment and stable field service cost environment is expected to continue during 2001, there is no assurance that commodity prices will not return to a less favorable level or that field service costs will not escalate in the future, both of which could negatively impact the Partnership's future results of operations and cash

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

distributions.

Liquidity and capital resources

Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$620,642 during the year ended December 31, 2000 from 1999. This increase was due to an increase in oil and gas sales receipts of \$760,015, offset by increases in production costs paid of \$111,531, G&A expenses paid of \$18,421 and working capital of \$9,421. The increase in oil and gas receipts resulted from the increase in commodity prices during 2000 which contributed an additional \$849,987 to oil and gas receipts, offset by \$89,973 resulting from the decline in production during 2000. The increase in production costs was primarily due to increased production taxes associated with higher oil and gas prices and additional workover and well maintenance costs incurred to stimulate well production. The increase in G&A was primarily due to higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues.

Net Cash Provided by (Used in) Investing Activities

The Partnership's investing activities during 2000 and 1999 included expenditures related to equipment upgrades on various oil and gas properties.

Proceeds from asset dispositions in 1999 of \$2,611 were from equipment credits received on active wells.

Net Cash Used in Financing Activities

In 2000, cash distributions to the partners were \$887,776, of which \$228,465 was distributed to the general partners and \$659,311 to the limited partners. In 1999, cash distributions to the partners were \$245,794, of which \$64,221 was distributed to the general partners and \$181,573 to the limited partners.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO FINANCIAL STATEMENTS

Financial Statements of Parker & Parsley 83-A, Ltd:

- Independent Auditors' Report.....
- Balance Sheets as of December 31, 2000 and 1999.....
- Statements of Operations for the Years Ended December 31, 2000, 1999 and 1998.....
- Statements of Partners' Capital for the Years Ended December 31, 2000, 1999 and 1998.....
- Statements of Cash Flows for the Years Ended December 31, 2000, 1999 and 1998.....
- Notes to Financial Statements.....

INDEPENDENT AUDITORS' REPORT

The Partners
Parker & Parsley 83-A, Ltd.
(A Texas Limited Partnership):

We have audited the balance sheets of Parker & Parsley 83-A, Ltd. as of December 31, 2000 and 1999, and the related statements of operations, partners' capital and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parker & Parsley 83-A, Ltd. as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Dallas, Texas
March 9, 2001

PARKER & PARSLEY 83-A, LTD.
(A Texas Limited Partnership)

BALANCE SHEETS
December 31

2000	1999
-----	-----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

ASSETS

Current assets:

Cash	\$ 169,055	\$ 143,823
Accounts receivable - oil and gas sales	279,239	189,995

Total current assets	448,294	333,818
----------------------	---------	---------

Oil and gas properties - at cost, based on the
successful efforts accounting method
Accumulated depletion

16,901,194	16,892,307
(15,622,262)	(15,541,219)

Net oil and gas properties	1,278,932	1,351,088
----------------------------	-----------	-----------

\$ 1,727,226	\$ 1,684,906
=====	=====

LIABILITIES AND PARTNERS' CAPITAL

Current liabilities:

Accounts payable - affiliate	\$ 33,783	\$ 32,852
------------------------------	-----------	-----------

Partners' capital:

General partners	200,131	182,491
Limited partners (19,505 interests)	1,493,312	1,469,563

1,693,443	1,652,054
-----------	-----------

\$ 1,727,226	\$ 1,684,906
=====	=====

The accompanying notes are an integral part of these financial statements.

PARKER & PARSLEY 83-A, LTD.
(A Texas Limited Partnership)

STATEMENTS OF OPERATIONS
For the years ended December 31

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	2000 -----	1999 -----	1998 -----
Revenues:			
Oil and gas	\$ 1,929,701	\$ 1,176,562	\$ 9,100,000
Interest	13,777	6,901	1,000
Gain on disposition of assets	-	1,801	-
	-----	-----	-----
	1,943,478	1,185,264	9,101,000
	-----	-----	-----
Costs and expenses:			
Oil and gas production	867,551	756,020	7,000,000
General and administrative	65,724	47,303	1,000
Impairment of oil and gas properties	-	-	4,000
Depletion	81,038	152,395	5,000
	-----	-----	-----
	1,014,313	955,718	1,700,000
	-----	-----	-----
Net income (loss)	\$ 929,165	\$ 229,546	\$ (700,000)
	=====	=====	=====
Allocation of net income (loss):			
General partners	\$ 246,105	\$ 82,467	\$ (1,000)
	=====	=====	=====
Limited partners	\$ 683,060	\$ 147,079	\$ (699,000)
	=====	=====	=====
Net income (loss) per limited partnership interest	\$ 35.02	\$ 7.54	\$ (7.00)
	=====	=====	=====

The accompanying notes are an integral part of these financial statements.

PARKER & PARSLEY 83-A, LTD.
(A Texas Limited Partnership)

STATEMENTS OF PARTNERS' CAPITAL

General partners	Limited partners	Total
-----	-----	-----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Partners' capital at January 1, 1998	\$ 336,024	\$ 2,640,444	\$ 2,976,468
Distributions	(119,259)	(404,324)	(523,583)
Net loss	(52,520)	(732,063)	(784,583)
	-----	-----	-----
Partners' capital at December 31, 1998	164,245	1,504,057	1,668,302
Distributions	(64,221)	(181,573)	(245,794)
Net income	82,467	147,079	229,546
	-----	-----	-----
Partners' capital at December 31, 1999	182,491	1,469,563	1,652,054
Distributions	(228,465)	(659,311)	(887,776)
Net income	246,105	683,060	929,165
	-----	-----	-----
Partners' capital at December 31, 2000	\$ 200,131	\$ 1,493,312	\$ 1,693,443
	=====	=====	=====

The accompanying notes are an integral part of these financial statements.

12

397

PARKER & PARSLEY 83-A, LTD.
(A Texas Limited Partnership)

STATEMENTS OF CASH FLOWS
For the years ended December 31

	2000	1999	1998
	-----	-----	-----
Cash flows from operating activities:			
Net income (loss)	\$ 929,165	\$ 229,546	\$ (784,583)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Impairment of oil and gas properties	-	-	430,300
Depletion	81,038	152,395	521,300
Gain on disposition of assets	-	(1,801)	(3,700)
Changes in assets and liabilities:			
Accounts receivable	(89,244)	(88,337)	39,900
Accounts payable	931	9,445	(15,200)
	-----	-----	-----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Net cash provided by operating activities	921,890	301,248	188,1
	-----	-----	-----
Cash flows from investing activities:			
Additions to oil and gas properties	(8,882)	(8,942)	(14,9
Proceeds from asset dispositions	-	2,611	271,8
	-----	-----	-----
Net cash provided by (used in) investing activities	(8,882)	(6,331)	256,8
	-----	-----	-----
Cash flows used in financing activities:			
Cash distributions to partners	(887,776)	(245,794)	(523,5
	-----	-----	-----
Net increase (decrease) in cash	25,232	49,123	(78,5
Cash at beginning of year	143,823	94,700	173,2
	-----	-----	-----
Cash at end of year	\$ 169,055	\$ 143,823	\$ 94,7
	=====	=====	=====

The accompanying notes are an integral part of these financial statements.

13

398

PARKER & PARSLEY 83-A, LTD.
(A Texas Limited Partnership)

NOTES TO FINANCIAL STATEMENTS
December 31, 2000, 1999 and 1998

NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS

Parker & Parsley 83-A, Ltd. (the "Partnership") is a limited partnership organized in 1983 under the laws of the State of Texas. The Partnership's general partners are Pioneer Natural Resources USA, Inc. ("Pioneer USA") and P&P Employees 83-A, Ltd. ("EMPL"). The Partnership's managing general partner is Pioneer USA.

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Oil and gas properties - The Partnership utilizes the successful efforts method of accounting for its oil and gas properties and equipment. Under this

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

method, all costs associated with productive wells and nonproductive development wells are capitalized while nonproductive exploration costs are expensed. Capitalized costs relating to proved properties are depleted using the unit-of-production method on a property-by-property basis based on proved oil (dominant mineral) reserves as evaluated by independent petroleum consultants. The carrying amounts of properties sold or otherwise disposed of and the related allowances for depletion are eliminated from the accounts and any gain or loss is included in results of operations.

Impairment of long-lived assets - In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the Partnership reviews its long-lived assets to be held and used on an individual property basis, including oil and gas properties accounted for under the successful efforts method of accounting, whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. An impairment loss is indicated if the sum of the expected future cash flows is less than the carrying amount of the assets. In this circumstance, the Partnership recognizes an impairment loss for the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset.

Use of estimates in the preparation of financial statements - Preparation of the accompanying financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

14

399

Net income (loss) per limited partnership interest - The net income (loss) per limited partnership interest is calculated by using the number of outstanding limited partnership interests.

Income taxes - A Federal income tax provision has not been included in the financial statements as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

Statements of cash flows - For purposes of reporting cash flows, cash includes depository accounts held by banks.

General and administrative expenses - General and administrative expenses are allocated in part to the Partnership by the managing general partner. Allocated expenses are determined by the managing general partner based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Reclassifications - Certain reclassifications may have been made to the 1999 and 1998 financial statements to conform to the 2000 financial statement presentations.

Environmental - The Partnership is subject to extensive federal, state and local environmental laws and regulations. These laws, which are constantly changing, regulate the discharge of materials into the environment and may require the Partnership to remove or mitigate the environmental effects of the

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

disposal or release of petroleum or chemical substances at various sites. Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Liabilities for expenditures of a noncapital nature are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated. Such liabilities are generally undiscounted unless the timing of cash payments for the liability or component are fixed or reliably determinable. No such liabilities have been accrued as of December 31, 2000.

Revenue recognition - The Partnership uses the entitlements method of accounting for oil, natural gas liquids ("NGLs") and natural gas revenues.

NOTE 3. IMPAIRMENT OF LONG-LIVED ASSETS

In accordance with SFAS 121, the Partnership reviews its proved oil and gas properties for impairment whenever events and circumstances indicate a decline in the recoverability of the carrying value of the Partnership's oil and gas properties. The Partnership has estimated the expected future cash flows of its oil and gas properties as of December 31, 2000, 1999 and 1998, based on proved reserves, and compared such estimated future cash flows to the respective carrying amount of the oil and gas properties to determine if the carrying amounts were likely to be recoverable. For those proved oil and gas properties for which the carrying amount exceeded the estimated future cash flows, an impairment was determined to exist; therefore, the Partnership adjusted the carrying amount of those oil and gas properties to their fair value as determined by discounting their expected future cash flows at a discount rate commensurate with the risks involved in the industry. As a result, the Partnership recognized a non-cash impairment provision of

15

400

\$430,351 related to its proved oil and gas properties during 1998.

NOTE 4. INCOME TAXES

The financial statement basis of the Partnership's net assets and liabilities was \$1,081,971 less than the tax basis at December 31, 2000.

The following is a reconciliation of net income (loss) per statements of operations with the net income per Federal income tax returns for the years ended December 31:

	2000	1999	1998
	-----	-----	-----
Net income (loss) per statements of operations	\$ 929,165	\$ 229,546	\$ (784,5
Depletion and depreciation provisions for tax reporting purposes less than amounts for financial reporting purposes	72,648	144,177	510,6
Impairment of oil and gas properties for financial reporting purposes	-	-	430,3
Other, net	(2,243)	(235)	8
	-----	-----	-----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Net income per Federal income tax returns	\$ 999,570 =====	\$ 373,488 =====	\$ 157,2 =====
-------------------------------------------	---------------------	---------------------	-------------------

NOTE 5. OIL AND GAS PRODUCING ACTIVITIES

The following is a summary of the costs incurred, whether capitalized or expensed, related to the Partnership's oil and gas producing activities for the years ended December 31:

	2000 -----	1999 -----	1998 -----
Development costs	\$ 8,882 =====	\$ 8,942 =====	\$14,943 =====

Capitalized oil and gas properties consist of the following:

	2000 -----	1999 -----
Proved properties:		
Property acquisition costs	\$ 1,000,072	\$ 1,000,072
Completed wells and equipment	15,901,122	15,892,235
	-----	-----
Accumulated depletion	16,901,194 (15,622,262)	16,892,307 (15,541,219)
	-----	-----
Net oil and gas properties	\$ 1,278,932 =====	\$ 1,351,088 =====

16

401

NOTE 6. RELATED PARTY TRANSACTIONS

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

	2000 -----	1999 -----	1998 -----
Payment of lease operating and supervision			

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

charges in accordance with standard industry operating agreements	\$ 407,783	\$ 397,884	\$ 370,984
Reimbursement of general and administrative expenses	\$ 57,891	\$ 35,297	\$ 27,308

Pioneer USA, EMPL and the Partnership are parties to the partnership agreement. EMPL is a limited partnership in which Pioneer USA owns 79% and the remaining portion is owned by former affiliates. In addition, Pioneer USA owned 676 limited partner interests at January 1, 2001.

The costs and revenues of the Partnership are allocated as follows:

	General partners -----	Limited partners -----
Revenues:		
Proceeds from property dispositions prior to cost recovery	10%	90%
All other Partnership revenues	25%	75%
Costs and expenses:		
Lease acquisition costs, drilling and completion costs	10%	90%
Operating costs, direct costs and general and administrative expenses	25%	75%
Incremental direct expenses	-	100%

Incremental direct expenses are direct expenses which would not be incurred except for the requirements of the securities regulatory authorities. Such expenses totaled \$7,833, \$12,006 and \$5,692 in 2000, 1999 and 1998, respectively.

NOTE 7. OIL AND GAS INFORMATION (UNAUDITED)

The following table presents information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities during the years then ended. All of the Partnership's reserves are proved developed and located within the United States. The Partnership's reserves are based on an evaluation prepared by Williamson Petroleum Consultants, Inc., an independent petroleum consultant, using criteria established by the Securities and Exchange Commission.

	Oil and NGLs (bbls) -----	Gas (mcf) -----
Net proved reserves at January 1, 1998	765,491	1,179,867
Revisions	(361,806)	(528,746)
Production	(67,612)	(95,156)
	-----	-----
Net proved reserves at December 31, 1998	336,073	555,965

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Revisions	714,690	1,245,944
Production	(69,238)	(109,716)
	-----	-----
Net proved reserves at December 31, 1999	981,525	1,692,193
Revisions	124,418	(56,128)
Production	(66,679)	(94,612)
	-----	-----
Net proved reserves at December 31, 2000	1,039,264	1,541,453
	=====	=====

As of December 31, 2000, the estimated present value of future net revenues of proved reserves, calculated using December 31, 2000 prices of \$26.61 per barrel

17

402

of oil, \$13.13 per barrel of NGLs and \$7.87 per mcf of gas, discounted at 10% was approximately \$7,532,000 and undiscounted was \$14,892,000.

Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves. The Partnership emphasizes that reserve estimates are inherently imprecise and, accordingly, the estimates are expected to change as future information becomes available.

Disclosures about Oil & Gas Producing Activities

Standardized Measure of Discounted Future Net Cash Flows

The standardized measure of discounted future net cash flows is computed by applying year-end prices of oil and gas (with consideration of price changes only to the extent provided by contractual arrangements) to the estimated future production of proved oil and gas reserves less estimated future expenditures (based on year-end costs) to be incurred in developing and producing the proved reserves, discounted using a rate of 10% per year to reflect the estimated timing of the future cash flows. A Federal income tax provision has not been calculated as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

Discounted future cash flow estimates like those shown below are not intended to represent estimates of the fair value of oil and gas properties. Estimates of fair value should also consider anticipated future oil and gas prices, interest rates, changes in development and production costs and risks associated with future production. Because of these and other considerations, any estimate of fair value is necessarily subjective and imprecise.

For the years ended Decem	
2000	1999
-----	-----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

(in thousands)

Oil and gas producing activities:		
Future cash inflows	\$ 34,721	\$ 24,100
Future production costs	(19,829)	(14,511)
	-----	-----
	14,892	9,589
10% annual discount factor	(7,360)	(4,422)
	-----	-----
Standardized measure of discounted future net cash flows	\$ 7,532	\$ 5,167
	=====	=====

18

403

	For the years ended December 31		
	2000	1999	1998
	(in thousands)		
Oil and Gas Producing Activities:			
Oil and gas sales, net of production costs	\$ (1,062)	\$ (421)	\$ (1,062)
Net changes in prices and production costs	2,717	1,751	2,717
Revisions of previous quantity estimates	713	4,985	713
Accretion of discount	517	51	517
Changes in production rates, timing and other	(520)	(1,711)	(520)
	-----	-----	-----
Change in present value of future net revenues	2,365	4,655	2,365
	-----	-----	-----
Balance, beginning of year	5,167	512	512
	-----	-----	-----
Balance, end of year	\$ 7,532	\$ 5,167	\$ 5,167
	=====	=====	=====

NOTE 8. MAJOR CUSTOMERS

The following table reflects the major customers of the Partnership's oil and gas sales (a major customer is defined as a customer whose sales exceed 10% of total sales) during the years ended December 31:

2000	1999	1998
-----	-----	-----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Plains Marketing, L.P.	53%	52%	-
Genesis Crude Oil, L.P.	-	-	64%
Western Gas Resources, Inc.	3%	5%	17%

At December 31, 2000, the amount receivable from Plains Marketing, L.P. was \$100,032 which is included in the caption "Accounts receivable - oil and gas sales" in the accompanying Balance Sheet.

Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on the ability of the Partnership to sell its oil, NGLs and gas production.

NOTE 9. PARTNERSHIP AGREEMENT

The following is a brief summary of the more significant provisions of the limited partnership agreement:

General partners - The general partners of the Partnership are Pioneer USA and EMPL. Pioneer USA, the managing general partner, has the power and authority to manage, control and administer all Partnership affairs. As managing general partner and operator of the Partnership's properties, all production expenses are incurred by Pioneer USA and billed to the Partnership. The majority of the Partnership's oil and gas revenues are received directly by the Partnership, however, a portion of the oil and gas revenue is initially received by Pioneer USA prior to being paid to the Partnership.

Limited partner liability - The maximum amount of liability of any limited partner is the total contributions of such partner plus his share of any undistributed profits.

Initial capital contributions - The limited partners entered into subscription agreements for aggregate capital contributions of \$19,505,000. The general partners are required to contribute amounts equal to 10% of Partnership expenditures for lease acquisition, drilling and

19

404

completion and 25% of direct, general and administrative and operating expenses.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

20

405

PART III

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE PARTNERSHIP

The Partnership does not have any officers or directors. Under the limited partnership agreement, the Partnership's managing general partner, Pioneer USA, is granted the exclusive right and full authority to manage, control and administer the Partnership's business.

Set forth below are the names, ages and positions of the directors and executive officers of Pioneer USA. Directors of Pioneer USA are elected to serve until the next annual meeting of stockholders or until their successors are elected and qualified.

Name -----	Age at December 31, 2000 -----	Position -----
Scott D. Sheffield	48	President
Timothy L. Dove	44	Executive Vice President, Chief Financial Officer and Director
Dennis E. Fagerstone	51	Executive Vice President and Director
Mark L. Withrow	53	Executive Vice President, General Counsel and Director
Danny Kellum	46	Executive Vice President - Director of Operations and Director
Rich Dealy	34	Vice President and Chief Accounting Officer

Scott D. Sheffield. Mr. Sheffield is a graduate of The University of Texas with a B.S. in Petroleum Engineering. Since August 1997, he has served as President, Chief Executive Officer and a director of Pioneer and President of Pioneer USA. Mr. Sheffield assumed the position of Chairman of the Board of Pioneer in August 1999. He served as a director of Pioneer USA from August 1997 until his resignation from the board in June 1999. Mr. Sheffield was the President and a director of Parker & Parsley Petroleum Company ("Parker & Parsley") from May 1990 until August 1997 and was the Chairman of the Board and Chief Executive Officer of Parker & Parsley from October 1990 until August 1997. He was the sole director of Parker & Parsley from May 1990 until October 1990. Mr. Sheffield joined Parker & Parsley Development Company ("PPDC"), a predecessor of Parker & Parsley, as a petroleum engineer in 1979. He served as Vice President - Engineering of PPDC from September 1981 until April 1985 when he was elected President and a director. In March 1989, Mr. Sheffield was elected Chairman of the Board and Chief Executive Officer of PPDC. Before joining PPDC's predecessor, Mr. Sheffield was employed as a production and reservoir engineer for Amoco Production Company.

Timothy L. Dove. Mr. Dove earned a B.S. in Mechanical Engineering from Massachusetts

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Institute of Technology in 1979 and received his M.B.A. in 1981 from the University of Chicago. He became Executive Vice President - Business Development of Pioneer and Pioneer USA in August 1997 and was also appointed a director of Pioneer USA in August 1997. Mr. Dove assumed the position of Chief Financial Officer of Pioneer and Pioneer USA effective February 1, 2000. Mr. Dove joined Parker & Parsley in May 1994 as Vice President - International and was promoted to Senior Vice President - Business Development in October 1996, in which position he served until August 1997. Prior to joining Parker & Parsley, Mr. Dove was employed with Diamond Shamrock Corp., and its successor, Maxus Energy Corp, in various capacities in international exploration and production, marketing, refining and marketing and planning and development.

Dennis E. Fagerstone. Mr. Fagerstone, a graduate of the Colorado School of Mines with a B.S. in Petroleum Engineering, became an Executive Vice President of Pioneer and Pioneer USA in August 1997. He was also appointed a director of Pioneer USA in August 1997. He served as Executive Vice President and Chief Operating Officer of MESA Inc. ("Mesa") from March 1, 1997 until August 1997. From October 1996 to February 1997, Mr. Fagerstone served as Senior Vice President and Chief Operating Officer of Mesa and from May 1991 to October 1996, he served as Vice President - Exploration and Production of Mesa. From June 1988 to May 1991, Mr. Fagerstone served as Vice President - Operations of Mesa.

Mark L. Withrow. Mr. Withrow, a graduate of Abilene Christian University with a B. S. in Accounting and Texas Tech University with a Juris Doctorate degree, became Executive Vice President, General Counsel and Secretary of Pioneer and Pioneer USA in August 1997. He was also appointed a director of Pioneer USA in August 1997. Mr. Withrow was Vice President - General Counsel of Parker & Parsley from January 1991, when he joined Parker & Parsley, to January 1995, when he was appointed Senior Vice President - General Counsel. He was Parker & Parsley's Secretary from August 1992 until August 1997. Prior to joining Parker & Parsley, Mr. Withrow was the managing partner of the law firm of Turpin, Smith, Dyer, Saxe & MacDonald, Midland, Texas.

Danny Kellum. Mr. Kellum, who received a Bachelor of Science degree in Petroleum Engineering from Texas Tech University in 1979, was elected Executive Vice President - Domestic Operations of Pioneer and Pioneer USA on May 18, 2000 and Director of Pioneer USA on February 1, 2000. From January 2000 until May 2000, Mr. Kellum served as Vice President - Domestic Operations of Pioneer and Pioneer USA. Mr. Kellum served as Vice President Permian Division of Pioneer and Pioneer USA from April 1998 until December 1999. From 1989 until 1994 he served as Spraberry District Manager and as Vice President of the Spraberry and Permian Division for Parker & Parsley until August of 1997. Mr. Kellum joined Parker & Parsley as an operations engineer in 1981 after a brief career with Mobil Oil Corporation.

Rich Dealy. Mr. Dealy is a graduate of Eastern New Mexico University with a B.B.A. in Accounting and Finance and is a Certified Public Accountant. He became Vice President and Chief Accounting Officer of Pioneer and Pioneer USA in February 1998. Mr. Dealy served as Controller of Pioneer USA from August 1997 to February 1998. He served as Controller of Parker & Parsley from August 1995 to August 1997. Mr. Dealy joined Parker & Parsley as an Accounting Manager in July, 1992. He was previously employed with KPMG Peat Marwick as an Audit Senior, in charge of Parker & Parsley's audit.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

ITEM 11. EXECUTIVE COMPENSATION

The Partnership does not have any directors or officers. Management of the Partnership is performed by Pioneer USA, the managing general partner. Under the partnership agreement, Pioneer USA pays 8% of the Partnership's acquisition, drilling and completion costs and 20% of its operating and general and administrative expenses. In return, Pioneer USA is allocated 20% of the Partnership's revenues.

EMPL is a co-general partner of the Partnership. Under this arrangement, EMPL pays 2% of the Partnership's acquisition, drilling and completion costs and 5% of its operating and general and administrative expenses. In return, EMPL is allocated 5% of the Partnership's revenues. EMPL does not receive any fees or reimbursements from the Partnership.

The Partnership does not directly pay any salaries of the executive officers of Pioneer USA, but does pay a portion of Pioneer USA's general and administrative expenses of which these salaries are a part.

See Notes 6 and 9 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" for information regarding fees and reimbursements paid to the managing general partner by the Partnership.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

(a) Beneficial owners of more than five percent

The Partnership is not aware of any person who beneficially owns 5% or more of the outstanding limited partnership interests of the Partnership. Pioneer USA and EMPL respectively own 80% and 20% of the general partners' interests in the Partnership. Pioneer USA owned 676 limited partner interests at January 1, 2001.

(b) Security ownership of management

The Partnership does not have any officers or directors. The managing general partner of the Partnership, Pioneer USA, has the exclusive right and full authority to manage, control and administer the Partnership's business. Under the limited partnership agreement, limited partners holding a majority of the outstanding limited partnership interests have the right to take certain actions, including the removal of the managing general partner or any other general partner. The Partnership is not aware of any current arrangement or activity which may lead to such removal. The Partnership is not aware of any officer or director of Pioneer USA who beneficially owns limited partnership interests in the Partnership.

23

408

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Transactions with the managing general partner

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

2000

1999

1998

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$407,783	\$397,884	\$370,984
Reimbursement of general and administrative expenses	\$ 57,891	\$ 35,297	\$ 27,308

Under the limited partnership agreement, the general partners, Pioneer USA and EMPL, together pay 10% of the Partnership's acquisition, drilling and completion costs and 25% of its operating and general and administrative expenses. In return, they are allocated 25% of the Partnership's revenues. Twenty percent of the general partners' share of costs and revenues is allocated to EMPL and the remainder is allocated to Pioneer USA. Certain former affiliates of Pioneer USA are limited partners of EMPL. Also, see Notes 6 and 9 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data", regarding the Partnership's participation with the managing general partner in oil and gas activities of the Partnership.

24

409

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) 1. Financial statements

The following are filed as part of this Report:

Independent Auditors' Report

Balance sheets as of December 31, 2000 and 1999

Statements of operations for the years ended December 31, 2000, 1999 and 1998

Statements of partners' capital for the years ended December 31, 2000, 1999 and 1998

Statements of cash flows for the years ended December 31, 2000, 1999 and 1998

Notes to financial statements

2. Financial statement schedules

All financial statement schedules have been omitted since the required information is in the financial statements or notes thereto, or is not applicable nor required.

(b) Reports on Form 8-K

None.

(c) Exhibits

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The exhibits listed on the accompanying index to exhibits are filed or incorporated by reference as part of this Report.

S I G N A T U R E S

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

PARKER & PARSLEY 83-A, LTD.

Dated: March 23, 2001

By: Pioneer Natural Resources USA, Inc.
Managing General Partner

By: /s/ Scott D. Sheffield

Scott D. Sheffield, President

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

/s/ Scott D. Sheffield

Scott D. Sheffield

President of Pioneer USA

Ma

/s/ Timothy L. Dove

Timothy L. Dove

Executive Vice President, Chief
Financial Officer and Director of
Pioneer USA

Ma

/s/ Dennis E. Fagerstone

Dennis E. Fagerstone

Executive Vice President and
Director of Pioneer USA

Ma

/s/ Mark L. Withrow

Mark L. Withrow

Executive Vice President, General
Counsel and Director of Pioneer USA

Ma

/s/ Danny Kellum

Danny Kellum

Executive Vice President - Domestic
Operations and Director of Pioneer
USA

Ma

/s/ Rich Dealy

Rich Dealy

Vice President and Chief Accounting
Officer of Pioneer USA

Ma

PARKER & PARSLEY 83-A, LTD.

INDEX TO EXHIBITS

The following documents are incorporated by reference in response to Item 14(c):

Exhibit No. -----	Description -----	Page -----
3.1	Agreement of Limited Partnership of Parker & Parsley 83-A, Ltd. incorporated by reference to Exhibit 4(e) of Partnership's Registration Statement on Form S-1 (Registration No. 2-81398A), as amended on April 26, 1983, the effective date thereof (hereinafter called, the Partnership's Registration Statement)	-
3.2	Amended and Restated Certificate of Limited Partnership of Parker & Parsley 83-A, Ltd. incorporated by reference to Exhibit 3.2 of the Partnership's Annual Report on Form 10-K for the period from July 1, 1983 (date of organization) through December 31, 1983	-
4.1	Form of Subscription Agreement and Power of Attorney incorporated by reference to Exhibit 4(b) of the Partnership's Registration Statement	-
4.2	Specimen Certificate of Limited Partnership Interest incorporated by reference to Exhibit 4(d) of the Partnership's Registration Statement	-

PARKER & PARSLEY 83-A, LTD.

SELECTED FINANCIAL DATA

The following selected financial data for the Partnership should be read in connection with Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements included in the attached supplemental information.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	Six months ended June 30,		Years ended Decem		
	2001	2000	2000	1999	1998
Operating results:					
Oil and gas sales	\$ 979,098	\$ 864,836	\$1,929,701	\$1,176,562	\$ 910,25
Impairment of oil and gas properties	\$ --	\$ --	\$ --	\$ --	\$ 430,35
Gain on litigation settlement, net	\$ --	\$ --	\$ --	\$ --	\$ --
Net income (loss)	\$ 437,418	\$ 358,957	\$ 929,165	\$ 229,546	\$ (784,58
Allocation of net income (loss):					
General partners	\$ 116,436	\$ 96,236	\$ 246,105	\$ 82,467	\$ (52,52
Limited partners	\$ 320,982	\$ 262,721	\$ 683,060	\$ 147,079	\$ (732,06
Limited partners' net income (loss) per limited partnership interest	\$ 16.46	\$ 13.47	\$ 35.02	\$ 7.54	\$ (37.5
Limited partners' cash distributions per limited partnership interest	\$ 12.04	\$ 14.52	\$ 33.80	\$ 9.31	\$ 20.7
As of period ended:					
Total assets	\$ 1,859,598	\$1,686,799	\$1,727,226	\$1,684,906	\$1,691,70

(a) Including litigation settlement per limited partnership interest of \$34.33 in 1996.

413

PIONEER NATURAL RESOURCES COMPANY
PIONEER NATURAL RESOURCES USA, INC.
5205 NORTH O'CONNOR BLVD., SUITE 1400
IRVING, TEXAS 75039

SUPPLEMENTAL INFORMATION

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

OF

PARKER & PARSLEY 83-B, LTD., A TEXAS LIMITED PARTNERSHIP

TO

PROXY STATEMENT/PROSPECTUS DATED , 2001

THE DATE OF THIS SUPPLEMENT IS , 2001

This document contains important information specific to Parker & Parsley 83-B, Ltd. and supplements the proxy statement/prospectus dated , 2001, of Pioneer Natural Resources Company and Pioneer Natural Resources USA, Inc., by which Pioneer USA is soliciting proxies to be voted at a special meeting of limited partners of the partnership. The purpose of the special meeting is for you to vote upon the merger of the partnership with and into Pioneer USA that, if completed, will result in your receiving common stock of Pioneer Natural Resources Company for your partnership interests.

This document contains the following information concerning Parker & Parsley 83-B, Ltd.:

- o A table containing:
 - the aggregate initial investment by the limited partners
 - the aggregate historical limited partner distributions through July 31, 2001
 - the merger value attributable to partnership interests of limited partners, excluding Pioneer USA
 - the merger value per \$1,000 limited partner investment
 - the merger value per \$1,000 limited partner investment as a multiple of distributions for the past four quarterly distributions including the distribution in July 2001
 - the book value per \$1,000 limited partner investment as of June 30, 2001 and as of December 31, 2000
 - the going concern value per \$1,000 limited partner investment
 - the liquidation value per \$1,000 limited partner investment
 - the ordinary tax loss per \$1,000 limited partner investment in year of initial investment
- o Information about:
 - the legal opinion for the limited partners
 - the term of the partnership
- o The partnership's quarterly report on Form 10-Q, including

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

management's discussion and analysis of financial condition and results of operations, for the six months ended June 30, 2001

- o The partnership's annual report on Form 10-K, including management's discussion and analysis of financial condition and results of operations, for the year ended December 31, 2000

- o Selected historical financial data for the partnership for the six months ended June 30, 2001 and 2000 and the five years ended December 31, 2000

-1-

414

PARKER & PARSLEY 83-B, LTD.

SUPPLEMENTAL INFORMATION TABLE

Aggregate Initial Investment by the Limited Partners (a)	\$
Aggregate Historical Limited Partner Distributions through July 31, 2001 (a)	\$
Merger Value Attributable to Partnership Interests of Limited Partners, Excluding Pioneer USA (a), (b)	\$
Merger Value per \$1,000 Limited Partner Investment (b), (c)	\$
Merger Value per \$1,000 Limited Partner Investment as a Multiple of Distributions for the past four quarterly distributions including the distribution in July 2001 (b), (c)	
Book Value per \$1,000 Limited Partner Investment:	
-- as of June 30, 2001 (c)	\$
-- as of December 31, 2000 (c)	\$
Going Concern Value per \$1,000 Limited Partner Investment (c), (d)	\$
Liquidation Value per \$1,000 Limited Partner Investment (c), (e)	\$
Ordinary Tax Loss per \$1,000 Limited Partner Investment in Year of Initial Investment (c), (f)	\$

(a) Stated in thousands.

(b) The merger value for the partnership is equal to the sum of the present value of estimated future net revenues from the partnership's estimated oil and gas reserves and its net working capital, in each case as of March 31, 2001, less its pro rata share, based on its reserve value, of the estimated expenses and fees of the mergers of all of the partnerships and less the cash distribution on July 13, 2001, by the partnership to its partners.

(c) Interests in some partnerships were sold in units at prices other than

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

\$1,000. We have presented this information based on a \$1,000 initial investment for ease of use and comparison among partnerships. You should not assume that the amount shown per \$1,000 investment is the same as the value or amount attributable to a single unit investment.

- (d) The going concern value for the partnership is based upon: (1) the sum of (A) the estimated net cash flow from the sale of the partnership's reserves during a 10-year operating period and (B) the estimated residual value from the sale of the partnership's remaining reserves at the end of the operating period, in each case using the same pricing and discount rate as in the merger value calculation, less (2) (A) partnership level general and administrative expenses, and (B) the cash distribution on July 13, 2001 by the partnership to its partners.
- (e) The liquidation value for the partnership is based upon the sale of the partnership's reserves at the reserve value, less (1) liquidation expenses which are estimated to be the sum of (A) the partnership's pro rata share of the merger expenses and fees described in footnote (b) above and (B) 3% of the partnership's reserve value, and (2) the cash distribution on July 13, 2001 by the partnership to its partners. The liquidation expenses represent the estimated costs to retain an investment banker or broker to sell the assets of the partnership and the legal and other closing costs associated with such transaction, including the wind-down costs of the partnership.
- (f) Your ability to use your distributive share of the partnership's loss to offset your other income may have been subject to certain limitations at your level as a partner, and you may therefore wish to consult your tax advisor to determine the additional value, if any, actually realized by you in your particular circumstances.

INFORMATION ABOUT THE LEGAL OPINION FOR THE LIMITED PARTNERS

The partnership agreement for the partnership requires that special legal counsel render an opinion on behalf of the limited partners to Pioneer USA that (1) neither the grant nor the exercise of the right to approve the merger of the partnership by its limited partners will adversely affect the federal income tax classification of the partnership or any of its limited partners; and (2) neither the grant nor exercise of such right will result in the loss of any limited partner's limited liability. In addition, the counsel designated to render the opinion must be counsel other than counsel to Pioneer USA or the partnership. Both the designated counsel and the legal opinion must be approved by the limited partners. Pioneer USA has retained _____ of Dallas, Texas for the purpose of rendering this legal opinion on behalf of the limited partners to Pioneer USA. The merger proposals include an approval of that counsel and the form of its opinion. A copy of the opinion is attached as an exhibit to the merger proposals.

INFORMATION ABOUT THE TERM OF THE PARTNERSHIP

The term of the partnership shall continue until terminated in accordance with the applicable provisions of its partnership agreement.

-2-

415

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 2001

Commission File No. 2-81398B

PARKER & PARSLEY 83-B, LTD.
(Exact name of Registrant as specified in its charter)

Texas	75-1907245
-----	-----
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
5205 N. O'Connor Blvd., Suite 1400, Irving, Texas	75039
-----	-----
(Address of principal executive offices)	(Zip code)
Registrant's Telephone Number, including area code : (972) 444-9001	

Not applicable
(Former name, former address and former fiscal year,
if changed since last report)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes / x / No / /

416

PARKER & PARSLEY 83-B, LTD.

TABLE OF CONTENTS

Page

Part I. Financial Information

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Item 1.	Financial Statements	
	Balance Sheets as of June 30, 2001 and December 31, 2000.....	3
	Statements of Operations for the three and six months ended June 30, 2001 and 2000.....	4
	Statement of Partners' Capital for the six months ended June 30, 2001.....	5
	Statements of Cash Flows for the six months ended June 30, 2001 and 2000.....	6
	Notes to Financial Statements.....	7
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations.....	7
Part II. Other Information		
Item 6.	Exhibits and Reports on Form 8-K.....	11
	Signatures.....	12

2

417

PARKER & PARSLEY 83-B, LTD.
(A Texas Limited Partnership)

Part I. Financial Information

Item 1. Financial Statements

BALANCE SHEETS

	June 30, 2001	December 31, 2000
	----- (Unaudited)	-----
ASSETS		
Current assets:		
Cash	\$ 491,644	\$ 224,865
Accounts receivable - oil and gas sales	246,453	369,349
	-----	-----
Total current assets	738,097	594,214
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	18,964,252	18,957,070

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Accumulated depletion	(17,300,181)	(17,248,214)
	-----	-----
Net oil and gas properties	1,664,071	1,708,856
	-----	-----
	\$ 2,402,168	\$ 2,303,070
	=====	=====

LIABILITIES AND PARTNERS' CAPITAL

Current liabilities:

Accounts payable - affiliate	\$ 56,318	\$ 39,862
------------------------------	-----------	-----------

Partners' capital:

General partners	341,357	316,574
Limited partners (23,370 interests)	2,004,493	1,946,634
	-----	-----
	2,345,850	2,263,208
	-----	-----
	\$ 2,402,168	\$ 2,303,070
	=====	=====

The financial information included as of June 30, 2001 has been prepared by the managing general partner without audit by independent public accountants.

The accompanying notes are an integral part of these financial statements.

3

418

PARKER & PARSLEY 83-B, LTD.
(A Texas Limited Partnership)

STATEMENTS OF OPERATIONS
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2001	2000	2001	2000
	-----	-----	-----	-----
Revenues:				
Oil and gas	\$ 519,120	\$ 545,418	\$1,086,570	\$1,095,887
Interest	3,685	5,180	7,940	9,089
Gain on disposition of assets	10,923	1,428	10,923	5,351
	-----	-----	-----	-----
	533,728	552,026	1,105,433	1,110,327
	-----	-----	-----	-----
Costs and expenses:				
Oil and gas production	306,551	247,177	584,983	480,127
General and administrative	15,891	17,899	36,427	34,788
Depletion	27,493	22,471	51,967	52,331

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	-----	-----	-----	-----
	349,935	287,547	673,377	567,246
	-----	-----	-----	-----
Net income	\$ 183,793	\$ 264,479	\$ 432,056	\$ 543,081
	=====	=====	=====	=====
Allocation of net income:				
General partners	\$ 48,513	\$ 69,659	\$ 114,788	\$ 143,294
	=====	=====	=====	=====
Limited partners	\$ 135,280	\$ 194,820	\$ 317,268	\$ 399,787
	=====	=====	=====	=====
Net income per limited partnership interest	\$ 5.79	\$ 8.34	\$ 13.58	\$ 17.11
	=====	=====	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

The accompanying notes are an integral part of these financial statements.

4

419

PARKER & PARSLEY 83-B, LTD.
(A Texas Limited Partnership)

STATEMENT OF PARTNERS' CAPITAL
(Unaudited)

	General partners	Limited partners	Total
	-----	-----	-----
Balance at January 1, 2001	\$ 316,574	\$1,946,634	\$2,263,208
Distributions	(90,005)	(259,409)	(349,414)
Net income	114,788	317,268	432,056
	-----	-----	-----
Balance at June 30, 2001	\$ 341,357	\$2,004,493	\$2,345,850
	=====	=====	=====

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

The accompanying notes are an integral part of these financial statements.

5

420

PARKER & PARSLEY 83-B, LTD.
(A Texas Limited Partnership)

STATEMENTS OF CASH FLOWS
(Unaudited)

	Six months ended June 30,	
	2001	2000
	-----	-----
Cash flows from operating activities:		
Net income	\$ 432,056	\$ 543,081
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion	51,967	52,331
Gain on disposition of assets	(10,923)	(5,351)
Changes in assets and liabilities:		
Accounts receivable	122,896	(21,372)
Accounts payable	16,456	21,923
	-----	-----
Net cash provided by operating activities	612,452	590,612
	-----	-----
Cash flows from investing activities:		
Additions to oil and gas properties	(7,182)	(5,122)
Proceeds from asset disposition	10,923	5,358
	-----	-----
Net cash provided by investing activities	3,741	236
	-----	-----
Cash flows used in financing activities:		
Cash distributions to partners	(349,414)	(574,504)
	-----	-----
Net increase in cash	266,779	16,344
Cash at beginning of period	224,865	244,091
	-----	-----
Cash at end of period	\$ 491,644	\$ 260,435
	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

The accompanying notes are an integral part of these financial statements.

6

PARKER & PARSLEY 83-B, LTD.
(A Texas Limited Partnership)

NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Unaudited)

Note 1. Organization and nature of organization

Parker & Parsley 83-B, Ltd. (the "Partnership") is a limited partnership organized in 1983 under the laws of the State of Texas.

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

Note 2. Basis of presentation

In the opinion of management, the unaudited financial statements of the Partnership as of June 30, 2001 and for the three and six months ended June 30, 2001 and 2000 include all adjustments and accruals consisting only of normal recurring accrual adjustments which are necessary for a fair presentation of the results for the interim period. These interim results are not necessarily indicative of results for a full year. Certain reclassifications may have been made to the June 30, 2000 financial statements to conform to the June 30, 2001 financial statement presentations.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in this Form 10-Q pursuant to the rules and regulations of the Securities and Exchange Commission. The financial statements should be read in conjunction with the financial statements and the notes thereto contained in the Partnership's Report on Form 10-K for the year ended December 31, 2000, as filed with the Securities and Exchange Commission, a copy of which is available upon request by writing to Rich Dealy, Vice President and Chief Accounting Officer, 5205 North O'Connor Boulevard, Suite 1400, Irving, Texas 75039-3746.

Item 2. Management's Discussion and Analysis of Financial Condition
and Results of Operations (1)

Results of Operations

Six months ended June 30, 2001 compared with six months ended June 30, 2000

Revenues:

The Partnership's oil and gas revenues decreased 1% to \$1,086,570 for the six months ended June 30, 2001 as compared to \$1,095,887 for the same period in 2000. The decrease in revenues resulted from a decline in production and lower average prices received for oil, offset by higher average prices received for gas and NGLs. For the six months ended June 30, 2001, 23,078 barrels of oil,

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

10,759 barrels of natural gas liquids ("NGLs") and 56,204 mcf of gas were sold, or 43,204 barrel of oil equivalents ("BOEs"). For the six months ended June 30, 2000, 25,927 barrels of oil, 16,013 barrels of NGLs and 70,252 mcf of gas were sold, or 53,649 BOEs.

The average price received per barrel of oil decreased \$.15, or 1%, from \$27.78 for the six months ended June 30, 2000 to \$27.63 for the same period in 2001. The average price received per barrel of NGLs increased \$2.54, or 18%, from \$14.10 during the six months ended June 30, 2000 to \$16.64 for the same period in 2001. The average price received per mcf of gas increased 125% from \$2.13 during the six months ended June 30, 2000 to \$4.80 for the same period in 2001. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received during the six months ended June 30, 2001.

A gain on disposition of assets of \$10,923 was recognized during the six months ended June 30, 2001 from salvage income received on a well that was plugged and abandoned in the prior year. A gain of \$5,351 was recognized during the same period ended June 30, 2000 from equipment credits received on a fully depleted well.

Costs and Expenses:

Total costs and expenses increased to \$673,377 for the six months ended June 30, 2001 as compared to \$567,246 for the same period in 2000, an increase of \$106,131, or 19%. This increase resulted from higher production costs and general and administrative expenses ("G&A"), offset by a decline in depletion.

Production costs were \$584,983 for the six months ended June 30, 2001 and \$480,127 for the same period in 2000 resulting in a \$104,856 increase, or 22%. The increase was primarily due to additional workover and well maintenance costs incurred to stimulate production.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 5% from \$34,788 for the six months ended June 30, 2000 to \$36,427 for the same period in 2001, primarily due to increased audit and tax fees.

Depletion was \$51,967 for the six months ended June 30, 2001 as compared to \$52,331 for the same period in 2000, a decrease of \$364, or 1%. This decrease was primarily due to a reduction in the Partnership's net depletable basis from charges taken in accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121") during the fourth quarter of 2000 and a decline in oil production of 2,849 barrels for the six months ended June 30, 2001 as compared to the same period in 2000.

that will be asked to approve the agreement and plan of merger. The preliminary proxy statement/prospectus is non-binding and is subject to, among other things, consideration of offers from third parties to purchase any partnership or its assets and the majority approval of the limited partnership interests in each partnership.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Pioneer USA will solicit proxies from limited partners to approve the mergers only when the proxy statement/prospectus is final and declared effective. No solicitation will be made using preliminary materials. Nonetheless, copies of the preliminary proxy statement/prospectus may be obtained without charge upon request from Pioneer Natural Resources Company, 5205 North O'Connor Blvd., Suite 1400, Irving, Texas 75039, Attention: Investor Relations.

The limited partners are urged to read the proxy statement/prospectus of Pioneer filed with the Securities and Exchange Commission, when it is finalized, because it contains important information about the proposed mergers, including information about the direct and indirect interests of Pioneer USA and Pioneer in the mergers. The limited partners may also obtain the preliminary and (when filed) final proxy statement/prospectus and other relevant documents relating to the proposed mergers free through the internet web site that the Securities and Exchange Commission maintains at www.sec.gov.

- (1) "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" contains forward looking statements that involve risks and uncertainties. Accordingly, no assurances can be given that the actual events and results will not be materially different than the anticipated results described in the forward looking statements.

Part II. Other Information

Item 6. Exhibits and Reports on Form 8-K

- (a) Exhibits - none
- (b) Reports on Form 8-K - none

11

424

PARKER & PARSLEY 83-B, LTD.
(A Texas Limited Partnership)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PARKER & PARSLEY 83-B, LTD.

By: Pioneer Natural Resources USA, Inc.,
Managing General Partner

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Dated: August 7, 2001

By: /s/ Rich Dealy

Rich Dealy, Vice President and
Chief Accounting Officer

12

425

Three months ended June 30, 2001 compared with three months ended June 30, 2000

Revenues:

The Partnership's oil and gas revenues decreased 5% to \$519,120 for the three months ended June 30, 2001 as compared to \$545,418 for the same period in 2000. The decrease in revenues resulted from a decline in production and lower average prices received for oil, offset by higher average prices received for gas and NGLs. For the three months ended June 30, 2001, 12,473 barrels of oil, 5,587 barrels of NGLs and 26,602 mcf of gas were sold, or 22,494 BOEs. For the three months ended June 30, 2000, 12,194 barrels of oil, 7,964 barrels of NGLs and 34,873 mcf of gas were sold, or 25,970 BOEs.

The average price received per barrel of oil decreased \$.92, or 3%, from \$27.91 for the three months ended June 30, 2000 to \$26.99 for the three months ended June 30, 2001. The average price received per barrel of NGLs increased slightly from \$14.72 during the three months ended June 30, 2000 to \$14.76 for the same period in 2001. The average price received per mcf of gas increased 49% from \$2.52 during the three months ended June 30, 2000 to \$3.76 for the same period in 2001.

A gain on disposition of assets of \$10,923 was recognized during the three months ended June 30, 2001 from salvage income received on a well that was plugged and abandoned in the prior year. A gain of \$1,428 was recognized during the same period ended June 30, 2000 from equipment credits received on a fully depleted well.

Costs and Expenses:

Total costs and expenses increased to \$349,935 for the three months ended June 30, 2001 as compared to \$287,547 for the same period in 2000, an increase of \$62,388, or 22%. This increase was due to higher production costs and depletion, offset by a decline in G&A.

Production costs were \$306,551 for the three months ended June 30, 2001 and \$247,177 for the same period in 2000 resulting in a \$59,374 increase, or 24%. This increase was primarily due to additional workover and well maintenance costs incurred to stimulate production.

During this period, G&A decreased 11% from \$17,899 for the three months ended June 30, 2000 to \$15,891 for the same period in 2001, primarily due to decreased audit and tax fees.

Depletion was \$27,493 for the three months ended June 30, 2001 as compared to \$22,471 for the same period in 2000, an increase of \$5,022, or 22%. This increase was primarily due to a reduction in proved reserves for the period ended June 30, 2000 due to lower commodity prices and an increase in oil production of 279 barrels for the three months ended June 30, 2001 compared to

the same period in 2000.

9

426

Liquidity and Capital Resources

Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$21,840 during the six months ended June 30, 2001 from the same period in 2000. This increase was due to a reduction of \$138,801 in working capital, offset by increases in production costs of \$104,856 and G&A expenses of \$1,639 and a decline of \$10,466 in oil and gas sales receipts. The decrease in oil and gas receipts resulted from a decline of \$233,580 in production during 2001 as compared to the same period in 2000 and a decline in oil prices of \$3,664, offset by an increase in gas and NGL prices of \$226,778 during 2001. The increase in production costs was primarily due to additional workover and well maintenance costs incurred to stimulate well production. The increase in G&A was primarily due to increased audit and tax fees.

Net Cash Provided by Investing Activities

The Partnership's investing activities during the six months ended June 30, 2001 and 2000 were for expenditures related to oil and gas equipment upgrades on active properties.

Proceeds from asset disposition of \$10,923 and \$5,358 were received during the six months ended June 30, 2001 and 2000, respectively. The proceeds received during the period in 2001 were due to salvage income received on a well plugged and abandoned in the prior year. The proceeds received during the period in 2000 were for equipment credits on active properties.

Net Cash Used in Financing Activities

For the six months ended June 30, 2001, cash distributions to the partners were \$349,414, of which \$90,005 was distributed to the general partners and \$259,409 to the limited partners. For the same period ended June 30, 2000, cash distributions to the partners were \$574,504, of which \$144,738 was distributed to the general partners and \$429,766 to the limited partners.

For the three months ended June 30, 2001, no distributions were made by the partnership to its partners. Subsequent to June 30, 2001 the cash distribution that otherwise would have been mailed to partners in late June was made to holders of record as of July 9, 2001 and was mailed on July 13, 2001. For further information, see "Proposal to acquire partnerships" below.

Proposal to acquire partnerships

On June 29, 2001, Pioneer Natural Resources Company ("Pioneer") filed with the Securities and Exchange Commission Amendment No. 1 to the Form S-4 Registration Statement (File No. 333-59094) (the "preliminary proxy statement/prospectus"), which proposes an agreement and plan of merger among Pioneer, Pioneer Natural Resources USA, Inc. ("Pioneer USA"), a wholly-owned subsidiary of Pioneer, and 46 Parker & Parsley limited partnerships. Each partnership that approves the agreement and plan of merger and the other related merger proposals will merge with and into Pioneer USA upon the closing of the transactions described in the preliminary proxy statement/prospectus, and the partnership interests of each

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

such partnership will be converted into the right to receive Pioneer common stock. The Partnership is one of the 46 Parker & Parsley limited partnerships

10

427

that will be asked to approve the agreement and plan of merger. The preliminary proxy statement/prospectus is non-binding and is subject to, among other things, consideration of offers from third parties to purchase any partnership or its assets and the majority approval of the limited partnership interests in each partnership.

Pioneer USA will solicit proxies from limited partners to approve the mergers only when the proxy statement/prospectus is final and declared effective. No solicitation will be made using preliminary materials. Nonetheless, copies of the preliminary proxy statement/prospectus may be obtained without charge upon request from Pioneer Natural Resources Company, 5205 North O'Connor Blvd., Suite 1400, Irving, Texas 75039, Attention: Investor Relations.

The limited partners are urged to read the proxy statement/prospectus of Pioneer filed with the Securities and Exchange Commission, when it is finalized, because it contains important information about the proposed mergers, including information about the direct and indirect interests of Pioneer USA and Pioneer in the mergers. The limited partners may also obtain the preliminary and (when filed) final proxy statement/prospectus and other relevant documents relating to the proposed mergers free through the internet web site that the Securities and Exchange Commission maintains at www.sec.gov.

- (1) "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" contains forward looking statements that involve risks and uncertainties. Accordingly, no assurances can be given that the actual events and results will not be materially different than the anticipated results described in the forward looking statements.

Part II. Other Information

Item 6. Exhibits and Reports on Form 8-K

- (a) Exhibits - none
- (b) Reports on Form 8-K - none

11

428

PARKER & PARSLEY 83-B, LTD.
(A Texas Limited Partnership)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PARKER & PARSLEY 83-B, LTD.

By: Pioneer Natural Resources USA, Inc.,
Managing General Partner

Dated: August 7, 2001

By: /s/ Rich Dealy

Rich Dealy, Vice President and
Chief Accounting Officer

12

429

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000

COMMISSION FILE NO. 2-81398B

PARKER & PARSLEY 83-B, LTD.
(Exact name of Registrant as specified in its charter)

TEXAS

(State or other jurisdiction of
incorporation or organization)

1400 WILLIAMS SQUARE WEST, 5205 N. O'CONNOR BLVD., IRVING, TEXAS

(Address of principal executive offices)

75-19072

(I.R.S. Emp
Identification

75039

(Zip code)

Registrant's Telephone Number, including area code : (972) 444-9001

Securities registered pursuant to Section 12(b) of
the Act: NONE Securities registered pursuant to
Section 12(g) of the Act:
LIMITED PARTNERSHIP INTERESTS (\$1,000 PER UNIT)

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES /X/ NO / /

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. /X/

No market currently exists for the limited partnership interests of the Registrant. Based on the original purchase price, the aggregate market value of limited partnership interests owned by non-affiliates of the Registrant is \$22,493,000.

As of March 8, 2001, the number of outstanding limited partnership interests was 23,370.

The following documents are incorporated by reference into the indicated parts of this Annual Report on Form 10-K: None

PARTS I AND II OF THIS ANNUAL REPORT ON FORM 10-K (THE "REPORT") CONTAIN FORWARD LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. ACCORDINGLY, NO ASSURANCES CAN BE GIVEN THAT THE ACTUAL EVENTS AND RESULTS WILL NOT BE MATERIALLY DIFFERENT THAN THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS. SEE "ITEM 1. BUSINESS" FOR A DESCRIPTION OF VARIOUS FACTORS THAT COULD MATERIALLY AFFECT THE ABILITY OF THE PARTNERSHIP TO ACHIEVE THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS.

430

PART I

ITEM 1. BUSINESS

Parker & Parsley 83-B, Ltd. (the "Partnership") is a limited partnership organized in 1983 under the laws of the State of Texas. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA") and its co-general partner is P&P Employees 83-B, Ltd. ("EMPL"), a Texas limited partnership whose general partner is Pioneer USA. Pioneer USA is a wholly-owned subsidiary of Pioneer Natural Resources Company ("Pioneer"). As of March 8, 2001, the Partnership had 23,370 limited partnership interests outstanding.

The Partnership does not have any employees of its own. Pioneer USA employs 701 persons, many of whom dedicated a part of their time to the conduct of the Partnership's business during the period for which this Report is filed. Pioneer USA is responsible for all management functions.

The Partnership engages in oil and gas development and production and is not involved in any industry segment other than oil and gas. The Partnership's production is geographically concentrated in West Texas.

The principal markets during 2000 for the oil produced by the Partnership were refineries and oil transmission companies that have facilities near the Partnership's oil producing properties. During 2000, Pioneer USA marketed the

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Partnership's gas to a variety of purchasers, none of which accounted for 10% or more of the Partnership's oil and gas revenues. Of the Partnership's total oil and gas revenues for 2000, approximately 46%, 13% and 10% were attributable to sales made to Plains Marketing, L.P., TEPPCO Crude Oil LLC and Phillips Petroleum Company, respectively. Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on its ability to sell its oil, natural gas liquids ("NGLs") and gas production.

The Partnership's revenues, profitability, cash flow and future rate of growth are highly dependent on the prevailing prices of oil and gas, which are affected by numerous factors beyond the Partnership's control. Oil and gas prices historically have been very volatile. A substantial or extended decline in the prices of oil or gas could have a material adverse effect on the Partnership's revenues, profitability and cash flow and could, under certain circumstances, result in a reduction in the carrying value of the Partnership's oil and gas properties.

Oil and gas production operations are subject to various types of regulations by local, state and federal agencies. The Partnership's operations are also subject to state conservation laws and regulations, including the establishment of maximum rates of production from wells and the regulation of spacing, plugging and abandonment of wells. Each state generally imposes a production or severance tax with respect to production and sale of oil and gas within their respective jurisdictions. Noncompliance with the laws and regulations may subject the Partnership to penalties, damages or other liabilities and compliance may increase the cost of the Partnership's operations. The oil and gas business is also subject to environmental hazards such as oil spills, gas leaks and ruptures and discharges of toxic substances or gases that could expose the Partnership to substantial liability due to pollution and other environmental damages. Although the Partnership believes that

2

431

its business operations do not impair environmental quality and that its costs of complying with any applicable environmental regulations are not currently significant, the Partnership cannot predict what, if any, effect these environmental regulations may have on its current or future operations.

Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves.

No material part of the Partnership's business is seasonal and the Partnership conducts no foreign operations.

ITEM 2. PROPERTIES

The Partnership's properties consist of leasehold interests in properties on which oil and gas wells are located. Such property interests are often subject to landowner royalties, overriding royalties and other oil and gas leasehold interests.

Fractional working interests in developmental oil and gas prospects located primarily in Texas were acquired by the Partnership, resulting in the Partnership's participation in the drilling of 59 productive oil and gas wells.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

At December 31, 2000, the Partnership had 41 producing wells. Thirteen wells have been plugged and abandoned due to unprofitable operations and five wells were sold.

For information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998, and changes in such quantities for the years then ended, see Note 7 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" below. Such reserves have been evaluated by Williamson Petroleum Consultants, Inc., an independent petroleum consultant.

ITEM 3. LEGAL PROCEEDINGS

The Partnership from time to time is a party to various legal proceedings incidental to its business involving claims in oil and gas leases or interests, other claims for damages in amounts not in excess of 10% of its current assets and other matters, none of which Pioneer USA believes to be material to the Partnership.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of the partners during the fourth quarter of 2000.

3

432

PART II

ITEM 5. MARKET FOR LIMITED PARTNERSHIP INTERESTS AND LIMITED PARTNERSHIP DISTRIBUTIONS

At March 8, 2001, the Partnership had 23,370 outstanding limited partnership interests held of record by 1,379 subscribers. There is no established public trading market for the limited partnership interests. Under the limited partnership agreement, Pioneer USA has made certain commitments to purchase partnership interests at a computed value.

Revenues which, in the sole judgement of the managing general partner, are not required to meet the Partnership's obligations are distributed to the partners at least quarterly in accordance with the limited partnership agreement. During the years ended December 31, 2000 and 1999, distributions of \$942,688 and \$325,903, respectively, were made to the limited partners.

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth selected financial data for the years ended December 31:

	2000	1999	1998	1997
	-----	-----	-----	-----
Operating results:				

Oil and gas sales	\$ 2,376,791	\$ 1,548,013	\$ 1,267,241	\$ 1,924,748

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Gain on litigation settlement, net	\$ -	\$ -	\$ -	\$ -
Impairment of oil and gas properties	\$ 84,697	\$ 152,505	\$ 362,325	\$ 1,171,409
Net income (loss)	\$ 1,174,971	\$ 292,874	\$ (871,809)	\$ (754,107)
Allocation of net income (loss):				
General partners	\$ 325,015	\$ 125,187	\$ (46,980)	\$ 56,351
Limited partners	\$ 849,956	\$ 167,687	\$ (824,829)	\$ (810,458)
Limited partners' net income (loss) per limited partnership interest	\$ 36.37	\$ 7.18	\$ (35.29)	\$ (34.68)
Limited partners' cash distributions per limited partnership interest	\$ 40.34	\$ 13.95	\$ 11.49	\$ 32.48
At year end:				
Identifiable assets	\$ 2,303,070	\$ 2,391,541	\$ 2,529,136	\$ 3,774,504

(a) Including litigation settlement per limited partnership interest of \$46.83 in 1996.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of operations

2000 compared to 1999

The Partnership's oil and gas revenues increased 54% to \$2,376,791 for 2000 as compared to \$1,548,013 in 1999. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 2000, 51,895

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

barrels of oil, 29,919 barrels of natural gas liquids ("NGLs") and 132,106 mcf of gas were sold, or 103,832 barrel of oil equivalents ("BOEs"). In 1999, 54,446 barrels of oil, 35,000 barrels of NGLs and 157,842 mcf of gas were sold, or 115,753 BOEs. Due to the decline characteristics of the Partnership's oil and gas properties, management expects a certain amount of decline in production in the future until the Partnership's economically recoverable reserves are fully depleted.

The average price received per barrel of oil increased \$12.51, or 73%, from \$17.18 in 1999 to \$29.69 in 2000. The average price received per barrel of NGLs increased \$5.47, or 55%, from \$10.00 in 1999 to \$15.47 in 2000. The average price received per mcf of gas increased 70% from \$1.66 in 1999 to \$2.83 in 2000. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received in 2000.

A gain on disposition of assets of \$7,482 during 2000 was due to salvage income received on one well plugged and abandoned during the current year. A gain of \$3,375 during 1999 was recognized from equipment credits received on one fully depleted well.

Total costs and expenses decreased in 2000 to \$1,230,645 as compared to \$1,270,634 in 1999, a decrease of \$39,989, or 3%. The decrease was primarily due to declines in depletion and the impairment of oil and gas properties, offset by increases in production costs and general and administrative expenses ("G&A").

Production costs were \$947,439 in 2000 and \$879,335 in 1999, resulting in a \$68,104 increase, or 8%. The increase was primarily due to higher production taxes associated with higher oil and gas prices.

G&A's components are independent accounting and engineering fees, and managing general partner personnel and operating costs. During this period, G&A increased 35% from \$58,993 in 1999 to \$79,646 in 2000 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$71,304 in 2000 and \$46,440 in 1999 for G&A incurred on behalf of the Partnership. The remaining G&A was paid directly by the Partnership. The managing general partner determines the allocated expenses based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the managing general partner reviews the Partnership's oil and gas properties for impairment whenever events or circumstances indicate a decline in the recoverability of the carrying value of the Partnership's assets may have occurred. As a result of the review and evaluation of its long-lived assets for impairment, the Partnership recognized non-cash charges of \$84,697 and \$152,505 related to its oil and gas properties during 2000 and 1999, respectively.

Depletion was \$106,841 in 2000 as compared to \$179,801 in 1999, representing a

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

decrease of \$72,960, or 41%. This decrease was primarily due to a 115,324 barrels of oil increase in proved reserves during 2000 as a result of higher commodity prices and a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 1999.

Abandoned property costs of \$12,022 during 2000 was related to the plugging and abandonment of one well during the current year.

1999 compared to 1998

The Partnership's 1999 oil and gas revenues increased 22% to \$1,548,013 from \$1,267,241 in 1998. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 1999, 54,446 barrels of oil, 35,000 barrels of NGLs and 157,842 mcf of gas were sold, or 115,753 BOEs. In 1998, 62,162 barrels of oil, 31,533 barrels of NGLs and 147,495 mcf of gas were sold, or 118,278 BOEs.

The average price received per barrel of oil increased \$3.88, or 29%, from \$13.30 in 1998 to \$17.18 in 1999. The average price received per barrel of NGLs increased \$3.21, or 47%, from \$6.79 in 1998 to \$10.00 in 1999. The average price received per mcf of gas increased 8% from \$1.54 in 1998 to \$1.66 in 1999.

A gain on disposition of assets of \$3,375 during 1999 was recognized from equipment credits received on one fully depleted well. During 1998, a gain on disposition of assets of \$157 was recognized from post closing adjustments received from the sale of two oil and gas wells and an overriding royalty interest on one well during 1997.

Total costs and expenses decreased in 1999 to \$1,270,634 as compared to \$2,152,425 in 1998, a decrease of \$881,791, or 41%. The decrease was primarily due to declines in depletion, the impairment of oil and gas properties and production costs, offset by an increase in G&A.

Production costs were \$879,335 in 1999 and \$978,080 in 1998, resulting in a \$98,745 decrease, or 10%. The decrease was due to declines in well maintenance costs and ad valorem taxes, offset by an increase in production taxes due to an increase in oil and gas revenues.

During this period, G&A increased 36% from \$43,488 in 1998 to \$58,993 in 1999 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$46,440 in 1999 and \$38,017 in 1998 for G&A incurred on behalf of the Partnership.

The Partnership recognized non-cash SFAS 121 charges of \$152,505 and \$362,325 related to its oil and gas properties during 1999 and 1998, respectively.

Depletion was \$179,801 in 1999 compared to \$768,532 in 1998. This represented a decrease of \$588,731, or 77%. This decrease was the result of a combination of factors that included an increase in proved reserves of 430,250 barrels of oil during 1999 as a result of higher commodity prices, a reduction in the Partnership's net depletable basis from charges taken in accordance with

SFAS 121 during the fourth quarter of 1998 and a decline in oil production of 7,716 barrels for the period ended December 31, 1999 compared to the same period

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

in 1998.

Petroleum industry

The petroleum industry has been characterized by volatile oil, NGL and natural gas commodity prices and relatively stable supplier costs during the three years ended December 31, 2000. During 1998, weather patterns, regional economic recessions and political matters combined to cause worldwide oil supplies to exceed demand resulting in a substantial decline in oil prices. Also during 1998, but to a lesser extent, market prices for natural gas declined. During 1999 and 2000, the Organization of Petroleum Exporting Countries ("OPEC") and certain other crude oil exporting nations announced reductions in their planned export volumes. Those announcements, together with the enactment of the announced reductions in export volumes, had a positive impact on world oil prices, as have overall natural gas supply and demand fundamentals on North American natural gas prices. Although the favorable commodity price environment and stable field service cost environment is expected to continue during 2001, there is no assurance that commodity prices will not return to a less favorable level or that field service costs will not escalate in the future, both of which could negatively impact the Partnership's future results of operations and cash distributions.

Liquidity and capital resources

Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$733,136 during the year ended December 31, 2000 from 1999. This increase was due to an increase in oil and gas sales receipts of \$838,001, offset by increases in production costs paid of \$68,104, G&A expenses paid of \$20,653, \$12,022 in abandoned property costs paid and working capital of \$4,086. The increase in oil and gas receipts resulted from the increase in commodity prices during 2000 which contributed an additional \$1,065,062 to oil and gas receipts, offset by \$227,061 resulting from the decline in production during 2000. The increase in production costs was primarily due to increased production taxes associated with higher oil and gas prices. The increase in G&A was primarily due to higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues.

Net Cash Used in Investing Activities

The Partnership's investing activities during 2000 and 1999 were for expenditures related to oil and gas equipment upgrades on active properties.

Proceeds from asset dispositions of \$7,482 recognized during 2000 were related to salvage income received on one well plugged and abandoned during the current year. Proceeds of \$3,845 recognized during 1999 were primarily from equipment credits received on one fully depleted well.

Net Cash Used in Financing Activities

In 2000, cash distributions to the partners were \$1,260,369, of which \$317,681 was distributed to the general partners and \$942,688 to the limited partners. In 1999, cash distributions to the partners were \$438,977, of which \$113,074 was distributed to the general partners and \$325,903 to the limited partners.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO FINANCIAL STATEMENTS

Financial Statements of Parker & Parsley 83-B, Ltd:

Independent Auditors' Report.....
Balance Sheets as of December 31, 2000 and 1999.....
Statements of Operations for the Years Ended December 31,
2000, 1999 and 1998.....
Statements of Partners' Capital for the Years Ended
December 31, 2000, 1999 and 1998.....
Statements of Cash Flows for the Years Ended December 31,
2000, 1999 and 1998.....
Notes to Financial Statements.....

INDEPENDENT AUDITORS' REPORT

The Partners
Parker & Parsley 83-B, Ltd.
(A Texas Limited Partnership):

We have audited the balance sheets of Parker & Parsley 83-B, Ltd. as of December 31, 2000 and 1999, and the related statements of operations, partners' capital and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parker & Parsley 83-B, Ltd. as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Ernst & Young LLP

Dallas, Texas
March 9, 2001

9

438

PARKER & PARSLEY 83-B, LTD.
(A Texas Limited Partnership)

BALANCE SHEETS
December 31

	2000	1999
	-----	-----
ASSETS		

Current assets:		
Cash	\$ 224,865	\$ 244,091
Accounts receivable - oil and gas sales	369,349	263,774
	-----	-----
Total current assets	594,214	507,865
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	18,957,070	19,500,569
Accumulated depletion	(17,248,214)	(17,616,893)
	-----	-----
Net oil and gas properties	1,708,856	1,883,676
	-----	-----
	\$ 2,303,070	\$ 2,391,541
	=====	=====
LIABILITIES AND PARTNERS' CAPITAL		

Current liabilities:		
Accounts payable - affiliate	\$ 39,862	\$ 42,935
Partners' capital:		
General partners	316,574	309,240
Limited partners (23,370 interests)	1,946,634	2,039,366
	-----	-----
	2,263,208	2,348,606
	-----	-----
	\$ 2,303,070	\$ 2,391,541

=====

The accompanying notes are an integral part of these financial statements.

10

439

PARKER & PARSLEY 83-B, LTD.
(A Texas Limited Partnership)

STATEMENTS OF OPERATIONS
For the years ended December 31

	2000	1999	1998
	-----	-----	-----
Revenues:			
Oil and gas	\$ 2,376,791	\$ 1,548,013	\$ 1,200,000
Interest	21,343	12,120	-
Gain on disposition of assets	7,482	3,375	-
	-----	-----	-----
	2,405,616	1,563,508	1,200,000
	-----	-----	-----
Costs and expenses:			
Oil and gas production	947,439	879,335	900,000
General and administrative	79,646	58,993	-
Impairment of oil and gas properties	84,697	152,505	300,000
Depletion	106,841	179,801	700,000
Abandoned property	12,022	-	-
	-----	-----	-----
	1,230,645	1,270,634	2,100,000
	-----	-----	-----
Net income (loss)	\$ 1,174,971	\$ 292,874	\$ (800,000)
	=====	=====	=====
Allocation of net income (loss):			
General partners	\$ 325,015	\$ 125,187	\$ (100,000)
	=====	=====	=====
Limited partners	\$ 849,956	\$ 167,687	\$ (700,000)
	=====	=====	=====
Net income (loss) per limited partnership interest	\$ 36.37	\$ 7.18	\$ (7.00)
	=====	=====	=====

The accompanying notes are an integral part of these financial statements.

11

440

PARKER & PARSLEY 83-B, LTD.
(A Texas Limited Partnership)

STATEMENTS OF PARTNERS' CAPITAL

	General partners	Limited partners	Total
	-----	-----	-----
Partners' capital at January 1, 1998	\$ 435,525	\$ 3,290,919	\$ 3,726,444
Distributions	(91,418)	(268,508)	(359,926)
Net loss	(46,980)	(824,829)	(871,809)
	-----	-----	-----
Partners' capital at December 31, 1998	297,127	2,197,582	2,494,709
Distributions	(113,074)	(325,903)	(438,977)
Net income	125,187	167,687	292,874
	-----	-----	-----
Partners' capital at December 31, 1999	309,240	2,039,366	2,348,606
Distributions	(317,681)	(942,688)	(1,260,369)
Net income	325,015	849,956	1,174,971
	-----	-----	-----
Partners' capital at December 31, 2000	\$ 316,574	\$ 1,946,634	\$ 2,263,208
	=====	=====	=====

The accompanying notes are an integral part of these financial statements.

12

441

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

PARKER & PARSLEY 83-B, LTD.
(A Texas Limited Partnership)

STATEMENTS OF CASH FLOWS
For the years ended December 31

	2000	1999	
	-----	-----	-----
Cash flows from operating activities:			
Net income (loss)	\$ 1,174,971	\$ 292,874	\$
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Impairment of oil and gas properties	84,697	152,505	
Depletion	106,841	179,801	
Gain on disposition of assets	(7,482)	(3,375)	
Changes in assets and liabilities:			
Accounts receivable	(105,575)	(113,070)	
Accounts payable	(3,073)	8,508	
	-----	-----	-----
Net cash provided by operating activities	1,250,379	517,243	
	-----	-----	-----
Cash flows from investing activities:			
Additions to oil and gas properties	(16,718)	(11,719)	
Proceeds from disposition of assets	7,482	3,845	
	-----	-----	-----
Net cash used in investing activities	(9,236)	(7,874)	
	-----	-----	-----
Cash flows used in financing activities:			
Cash distributions to partners	(1,260,369)	(438,977)	
	-----	-----	-----
Net increase (decrease) in cash	(19,226)	70,392	
Cash at beginning of year	244,091	173,699	
	-----	-----	-----
Cash at end of year	\$ 224,865	\$ 244,091	\$
	=====	=====	=====

The accompanying notes are an integral part of these financial statements.

PARKER & PARSLEY 83-B, LTD.
(A Texas Limited Partnership)

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

NOTES TO FINANCIAL STATEMENTS
December 31, 2000, 1999 and 1998

NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS

Parker & Parsley 83-B, Ltd. (the "Partnership") is a limited partnership organized in 1983 under the laws of the State of Texas. The Partnership's general partners are Pioneer Natural Resources USA, Inc. ("Pioneer USA") and P&P Employees 83-B, Ltd. ("EMPL"). The Partnership's managing general partner is Pioneer USA.

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Oil and gas properties - The Partnership utilizes the successful efforts method of accounting for its oil and gas properties and equipment. Under this method, all costs associated with productive wells and nonproductive development wells are capitalized while nonproductive exploration costs are expensed. Capitalized costs relating to proved properties are depleted using the unit-of-production method on a property-by-property basis based on proved oil (dominant mineral) reserves as evaluated by independent petroleum consultants. The carrying amounts of properties sold or otherwise disposed of and the related allowances for depletion are eliminated from the accounts and any gain or loss is included in results of operations.

Impairment of long-lived assets - In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the Partnership reviews its long-lived assets to be held and used on an individual property basis, including oil and gas properties accounted for under the successful efforts method of accounting, whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. An impairment loss is indicated if the sum of the expected future cash flows is less than the carrying amount of the assets. In this circumstance, the Partnership recognizes an impairment loss for the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset.

Use of estimates in the preparation of financial statements - Preparation of the accompanying financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Net income (loss) per limited partnership interest - The net income (loss) per limited

partnership interest is calculated by using the number of outstanding limited partnership interests.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Income taxes - A Federal income tax provision has not been included in the financial statements as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

Statements of cash flows - For purposes of reporting cash flows, cash includes depository accounts held by banks.

General and administrative expenses - General and administrative expenses are allocated in part to the Partnership by the managing general partner. Allocated expenses are determined by the managing general partner based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Reclassifications - Certain reclassifications may have been made to the 1999 and 1998 financial statements to conform to the 2000 financial statement presentations.

Environmental - The Partnership is subject to extensive federal, state and local environmental laws and regulations. These laws, which are constantly changing, regulate the discharge of materials into the environment and may require the Partnership to remove or mitigate the environmental effects of the disposal or release of petroleum or chemical substances at various sites. Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Liabilities for expenditures of a noncapital nature are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated. Such liabilities are generally undiscounted unless the timing of cash payments for the liability or component are fixed or reliably determinable. No such liabilities have been accrued as of December 31, 2000.

Revenue recognition - The Partnership uses the entitlements method of accounting for oil, natural gas liquids ("NGLs") and natural gas revenues.

NOTE 3. IMPAIRMENT OF LONG-LIVED ASSETS

In accordance with SFAS 121, the Partnership reviews its proved oil and gas properties for impairment whenever events and circumstances indicate a decline in the recoverability of the carrying value of the Partnership's oil and gas properties. The Partnership has estimated the expected future cash flows of its oil and gas properties as of December 31, 2000, 1999 and 1998, based on proved reserves, and compared such estimated future cash flows to the respective carrying amount of the oil and gas properties to determine if the carrying amounts were likely to be recoverable. For those proved oil and gas properties for which the carrying amount exceeded the estimated future cash flows, an impairment was determined to exist; therefore, the Partnership adjusted the carrying amount of those oil and gas properties to their fair value as determined by discounting their expected future cash flows at a discount rate commensurate with the risks involved in the industry. As a result, the Partnership recognized non-cash impairment provisions of \$84,697, \$152,505 and \$362,325 related to its proved oil and gas properties during 2000, 1999 and 1998,

respectively.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

NOTE 4. INCOME TAXES

The financial statement basis of the Partnership's net assets and liabilities was \$1,137,401 less than the tax basis at December 31, 2000.

The following is a reconciliation of net income (loss) per statements of operations with the net income per Federal income tax returns for the years ended December 31:

	2000	1999	
	-----	-----	-----
Net income (loss) per statements of operations	\$ 1,174,971	\$ 292,874	\$
Depletion and depreciation provisions for tax reporting purposes less than amounts for financial reporting purposes	90,760	163,887	
Impairment of oil and gas properties for financial reporting purposes	84,697	152,505	
Salvage income	-	-	
Other, net	(7,657)	(1,145)	
	-----	-----	-----
Net income per Federal income tax returns	\$ 1,342,771	\$ 608,121	\$
	=====	=====	=====

NOTE 5. OIL AND GAS PRODUCING ACTIVITIES

The following is a summary of the costs incurred, whether capitalized or expensed, related to the Partnership's oil and gas producing activities for the years ended December 31:

	2000	1999	1998
	-----	-----	-----
Development costs	\$ 16,718	\$ 11,719	\$ 27,705
	=====	=====	=====

Capitalized oil and gas properties consist of the following:

	2000	1999
	-----	-----
Proved properties:		
Property acquisition costs	\$ 911,105	\$ 946,730
Completed wells and equipment	18,045,965	18,553,839
	-----	-----
Accumulated depletion	18,957,070 (17,248,214)	19,500,569 (17,616,893)

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	-----	-----
Net oil and gas properties	\$ 1,708,856	\$ 1,883,676
	=====	=====

16

445

NOTE 6. RELATED PARTY TRANSACTIONS

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

	2000	1999	1998
	-----	-----	-----
Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$ 426,573	\$ 424,831	\$ 426,899
Reimbursement of general and administrative expenses	\$ 71,304	\$ 46,440	\$ 38,017

Pioneer USA, EMPL and the Partnership are parties to the partnership agreement. EMPL is a limited partnership in which Pioneer USA owns 79% and the remaining portion is owned by former affiliates. In addition, Pioneer USA owned 877 limited partner interests at January 1, 2001.

The costs and revenues of the Partnership are allocated as follows:

	General partners	Limited partners
	-----	-----
Revenues:		
Proceeds from property dispositions prior to cost recovery	10%	90%
All other Partnership revenues	25%	75%
Costs and expenses:		
Lease acquisition costs, drilling and completion costs	10%	90%
Operating costs, direct costs and general and administrative expenses	25%	75%
Incremental direct expenses	-	100%

Incremental direct expenses are direct expenses which would not be incurred except for the requirements of the securities regulatory authorities and totaled \$8,342, \$12,553 and \$5,471 in 2000, 1999 and 1998, respectively.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

NOTE 7. OIL AND GAS INFORMATION (UNAUDITED)

The following table presents information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities during the years then ended. All of the Partnership's reserves are proved developed and located within the United States. The Partnership's reserves are based on an evaluation prepared by Williamson Petroleum Consultants, Inc., an independent petroleum consultant, using criteria established by the Securities and Exchange Commission.

17

446

	Oil and NGLs (bbls)	Gas (mcf)
	-----	-----
Net proved reserves at January 1, 1998	1,215,076	1,717,779
Revisions	(498,218)	(464,099)
Production	(93,695)	(147,495)
	-----	-----
Net proved reserves at December 31, 1998	623,163	1,106,185
Revisions	738,384	1,321,692
Production	(89,446)	(157,842)
	-----	-----
Net proved reserves at December 31, 1999	1,272,101	2,270,035
Revisions	82,614	(66,662)
Production	(81,814)	(132,106)
	-----	-----
Net proved reserves at December 31, 2000	1,272,901	2,071,267
	=====	=====

As of December 31, 2000, the estimated present value of future net revenues of proved reserves, calculated using December 31, 2000 prices of \$26.64 per barrel of oil, \$13.32 per barrel of NGLs and \$7.73 per mcf of gas, discounted at 10% was approximately \$9,555,000 and undiscounted was \$18,817,000.

Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves. The Partnership emphasizes that reserve estimates are inherently imprecise and, accordingly, the estimates are expected to change as future information becomes available.

Disclosures about Oil & Gas Producing Activities

Standardized Measure of Discounted Future Net Cash Flows

The standardized measure of discounted future net cash flows is computed by applying year-end prices of oil and gas (with consideration of price changes

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

only to the extent provided by contractual arrangements) to the estimated future production of proved oil and gas reserves less estimated future expenditures (based on year-end costs) to be incurred in developing and producing the proved reserves, discounted using a rate of 10% per year to reflect the estimated timing of the future cash flows. A Federal income tax provision has not been calculated as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

Discounted future cash flow estimates like those shown below are not intended to represent estimates of the fair value of oil and gas properties. Estimates of fair value should also consider anticipated future oil and gas prices, interest rates, changes in development and production costs and risks associated with future production. Because of these and other considerations, any estimate of fair value is necessarily subjective and imprecise.

18

447

	For the years ended Dec	
	2000	1999
	(in thousands)	
Oil and gas producing activities:		
Future cash inflows	\$ 43,776	\$ 31,312
Future production costs	(24,959)	(18,234)
	-----	-----
	18,817	13,078
10% annual discount factor	(9,262)	(6,181)
	-----	-----
Standardized measure of discounted future net cash flows	\$ 9,555	\$ 6,897
	=====	=====

	For the years ended December 31,		
	2000	1999	1998
	(in thousands)		
Oil and Gas Producing Activities:			
Oil and gas sales, net of production costs	\$ (1,429)	\$ (669)	\$ (289)
Net changes in prices and production costs	3,342	3,109	(3,208)
Revisions of previous quantity estimates	439	5,091	(627)
Accretion of discount	690	110	489
Changes in production rates, timing and other	(384)	(1,847)	(147)
	-----	-----	-----
Change in present value of future net revenues	2,658	5,794	(3,782)
	-----	-----	-----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Balance, beginning of year	6,897	1,103	4,885
	-----	-----	-----
Balance, end of year	\$ 9,555	\$ 6,897	\$ 1,103
	=====	=====	=====

NOTE 8. MAJOR CUSTOMERS

The following table reflects the major customers of the Partnership's oil and gas sales (a major customer is defined as a customer whose sales exceed 10% of total sales) during the years ended December 31:

	2000	1999	1998
	-----	-----	-----
Plains Marketing, L.P.	46%	42%	-
TEPPCO Crude Oil LLC	13%	14%	-
Phillips Petroleum Company	10%	3%	3%
Genesis Crude Oil, L.P.	-	-	60%
Western Gas Resources, Inc.	4%	8%	29%

At December 31, 2000, the amounts receivable from Plains Marketing, L.P., TEPPCO Crude Oil LLC Inc. and Phillips Petroleum Company were \$112,877, \$29,666 and \$22,742, respectively, which are included in the caption "Accounts receivable - oil and gas sales" in the accompanying Balance Sheet.

Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on the ability of the Partnership to sell its oil, NGLs and gas production.

19

448

NOTE 9. PARTNERSHIP AGREEMENT

The following is a brief summary of the more significant provisions of the limited partnership agreement:

General partners - The general partners of the Partnership are Pioneer USA and EMPL. Pioneer USA, the managing general partner, has the power and authority to manage, control and administer all Partnership affairs. As managing general partner and operator of the Partnership's properties, all production expenses are incurred by Pioneer USA and billed to the Partnership. The majority of the Partnership's oil and gas revenues are received directly by the Partnership, however, a portion of the oil and gas revenue is initially received by Pioneer USA prior to being paid to the Partnership.

Limited partner liability - The maximum amount of liability of any limited partner is the total contributions of such partner plus his share of any undistributed profits.

Initial capital contributions - The limited partners entered into

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

subscription agreements for aggregate capital contributions of \$23,370,000. The general partners are required to contribute amounts equal to 10% of Partnership expenditures for lease acquisition, drilling and completion and 25% of direct, general and administrative and operating expenses.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

20

449

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE PARTNERSHIP

The Partnership does not have any officers or directors. Under the limited partnership agreement, the Partnership's managing general partner, Pioneer USA, is granted the exclusive right and full authority to manage, control and administer the Partnership's business.

Set forth below are the names, ages and positions of the directors and executive officers of Pioneer USA. Directors of Pioneer USA are elected to serve until the next annual meeting of stockholders or until their successors are elected and qualified.

Name ----	Age at December 31, 2000 ----	Position -----
Scott D. Sheffield	48	President
Timothy L. Dove	45	Executive Vice President, Chief Financial Officer and Director
Dennis E. Fagerstone	51	Executive Vice President and Director
Mark L. Withrow	53	Executive Vice President, General Counsel and Director
Danny Kellum	46	Executive Vice President - Domestic Operations and Director
Rich Dealy	34	Vice President and Chief Accounting Officer

Scott D. Sheffield. Mr. Sheffield is a graduate of The University of Texas with a B.S. in Petroleum Engineering. Since August 1997, he has served as President, Chief Executive Officer and a director of Pioneer and President of Pioneer USA. Mr. Sheffield assumed the position of Chairman of the Board of Pioneer in August 1999. He served as a director of Pioneer USA from August 1997 until his resignation from the board in June 1999. Mr. Sheffield was the

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

President and a director of Parker & Parsley Petroleum Company ("Parker & Parsley") from May 1990 until August 1997 and was the Chairman of the Board and Chief Executive Officer of Parker & Parsley from October 1990 until August 1997. He was the sole director of Parker & Parsley from May 1990 until October 1990. Mr. Sheffield joined Parker & Parsley Development Company ("PPDC"), a predecessor of Parker & Parsley, as a petroleum engineer in 1979. He served as Vice President - Engineering of PPDC from September 1981 until April 1985 when he was elected President and a director. In March 1989, Mr. Sheffield was elected Chairman of the Board and Chief Executive Officer of PPDC. Before joining PPDC's predecessor, Mr. Sheffield was employed as a production and reservoir engineer for Amoco Production Company.

21

450

Timothy L. Dove. Mr. Dove earned a B.S. in Mechanical Engineering from Massachusetts Institute of Technology in 1979 and received his M.B.A. in 1981 from the University of Chicago. He became Executive Vice President - Business Development of Pioneer and Pioneer USA in August 1997 and was also appointed a director of Pioneer USA in August 1997. Mr. Dove assumed the position of Chief Financial Officer of Pioneer and Pioneer USA effective February 1, 2000. Mr. Dove joined Parker & Parsley in May 1994 as Vice President - International and was promoted to Senior Vice President - Business Development in October 1996, in which position he served until August 1997. Prior to joining Parker & Parsley, Mr. Dove was employed with Diamond Shamrock Corp., and its successor, Maxus Energy Corp, in various capacities in international exploration and production, marketing, refining and marketing and planning and development.

Dennis E. Fagerstone. Mr. Fagerstone, a graduate of the Colorado School of Mines with a B.S. in Petroleum Engineering, became an Executive Vice President of Pioneer and Pioneer USA in August 1997. He was also appointed a director of Pioneer USA in August 1997. He served as Executive Vice President and Chief Operating Officer of MESA Inc. ("Mesa") from March 1, 1997 until August 1997. From October 1996 to February 1997, Mr. Fagerstone served as Senior Vice President and Chief Operating Officer of Mesa and from May 1991 to October 1996, he served as Vice President - Exploration and Production of Mesa. From June 1988 to May 1991, Mr. Fagerstone served as Vice President - Operations of Mesa.

Mark L. Withrow. Mr. Withrow, a graduate of Abilene Christian University with a B. S. in Accounting and Texas Tech University with a Juris Doctorate degree, became Executive Vice President, General Counsel and Secretary of Pioneer and Pioneer USA in August 1997. He was also appointed a director of Pioneer USA in August 1997. Mr. Withrow was Vice President - General Counsel of Parker & Parsley from January 1991, when he joined Parker & Parsley, to January 1995, when he was appointed Senior Vice President - General Counsel. He was Parker & Parsley's Secretary from August 1992 until August 1997. Prior to joining Parker & Parsley, Mr. Withrow was the managing partner of the law firm of Turpin, Smith, Dyer, Saxe & MacDonald, Midland, Texas.

Danny Kellum. Mr. Kellum, who received a Bachelor of Science degree in Petroleum Engineering from Texas Tech University in 1979, was elected Executive Vice President - Domestic Operations of Pioneer and Pioneer USA on May 18, 2000 and Director of Pioneer USA on February 1, 2000. From January 2000 until May 2000, Mr. Kellum served as Vice President - Domestic Operations of Pioneer and Pioneer USA. Mr. Kellum served as Vice President Permian Division of Pioneer and Pioneer USA from April 1998 until December 1999. From 1989 until 1994 he served as Spraberry District Manager and as Vice President of the Spraberry and Permian Division for Parker & Parsley until August of 1997. Mr. Kellum joined Parker &

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Parsley as an operations engineer in 1981 after a brief career with Mobil Oil Corporation.

Rich Dealy. Mr. Dealy is a graduate of Eastern New Mexico University with a B.B.A. in Accounting and Finance and is a Certified Public Accountant. He became Vice President and Chief Accounting Officer of Pioneer and Pioneer USA in February 1998. Mr. Dealy served as Controller of Pioneer USA from August 1997 to February 1998. He served as Controller of Parker & Parsley from August 1995 to August 1997. Mr. Dealy joined Parker & Parsley as an Accounting Manager in July, 1992. He was previously employed with KPMG Peat Marwick as an Audit Senior, in charge of Parker & Parsley's audit.

22

451

ITEM 11. EXECUTIVE COMPENSATION

The Partnership does not have any directors or officers. Management of the Partnership is performed by Pioneer USA, the managing general partner. Under the partnership agreement, Pioneer USA pays 8% of the Program's acquisition, drilling and completion costs and 20% of its operating and general and administrative expenses. In return, Pioneer USA is allocated 20% of the Program's revenues.

EMPL is a co-general partner of the Partnership. Under this arrangement, EMPL pays 2% of the Program's acquisition, drilling and completion costs and 5% of its operating and general and administrative expenses. In return, EMPL is allocated 5% of the Program's revenues. EMPL does not receive any fees or reimbursements from the Partnership.

The Partnership does not directly pay any salaries of the executive officers of Pioneer USA, but does pay a portion of Pioneer USA's general and administrative expenses of which these salaries are a part.

See Notes 6 and 9 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" for information regarding fees and reimbursements paid to the managing general partner by the Partnership.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

(a) Beneficial owners of more than five percent

The Partnership is not aware of any person who beneficially owns 5% or more of the outstanding limited partnership interests of the Partnership. Pioneer USA and EMPL respectively own 80% and 20% of the general partners' interests in the Partnership. Pioneer USA owned 877 limited partner interests at January 1, 2001.

(b) Security ownership of management

The Partnership does not have any officers or directors. The managing general partner of the Partnership, Pioneer USA, has the exclusive right and full authority to manage, control and administer the Partnership's business. Under the limited partnership agreement, limited partners holding a majority of the outstanding limited partnership interests have the right to take certain actions, including the removal of the managing general partner or any other general partner. The Partnership is not aware of any current arrangement or activity which may lead to such removal. The Partnership is not aware of any officer or director of Pioneer USA who beneficially owns limited partnership interests in the Partnership.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Transactions with the managing general partner

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

	2000 -----	1999 -----	1998 -----
Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$ 426,573	\$ 424,831	\$ 426,899
Reimbursement of general and administrative expenses	\$ 71,304	\$ 46,440	\$ 38,017

Under the limited partnership agreement, the general partners, Pioneer USA and EMPL, together pay 10% of the Partnership's acquisition, drilling and completion costs and 25% of its operating and general and administrative expenses. In return, they are allocated 25% of the Partnership's revenues. Twenty percent of the general partners' share of costs and revenues is allocated to EMPL and the remainder is allocated to Pioneer USA. Certain former affiliates of Pioneer USA are limited partners of EMPL. Also, see Notes 6 and 9 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data", regarding the Partnership's participation with the managing general partner in oil and gas activities of the Partnership.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) 1. Financial statements

The following are filed as part of this Report:

Independent Auditors' Report

Balance sheets as of December 31, 2000 and 1999

Statements of operations for the years ended December 31, 2000, 1999 and 1998

Statements of partners' capital for the years ended December 31, 2000, 1999 and 1998

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Statements of cash flows for the years ended December 31, 2000, 1999 and 1998

Notes to financial statements

2. Financial statement schedules

All financial statement schedules have been omitted since the required information is in the financial statements or notes thereto, or is not applicable nor required.

(b) Reports on Form 8-K

None.

(c) Exhibits

The exhibits listed on the accompanying index to exhibits are filed or incorporated by reference as part of this Report.

S I G N A T U R E S

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

PARKER & PARSLEY 83-B, LTD.

Dated: March 29, 2001

By: Pioneer Natural Resources USA, Inc.
Managing General Partner

By: /s/ Scott D. Sheffield
Scott D. Sheffield, President

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

/s/ Scott D. Sheffield
Scott D. Sheffield

President of Pioneer USA

/s/ Timothy L. Dove
Timothy L. Dove

Executive Vice President, Chief Financial Officer and Director of Pioneer USA

/s/ Dennis E. Fagerstone

Executive Vice President and Director of Pioneer USA

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Dennis E. Fagerstone

/s/ Mark L. Withrow

Mark L. Withrow

Executive Vice President, General
Counsel and Director of Pioneer USA

/s/ Danny Kellum

Danny Kellum

Executive Vice President - Domestic
Operations and Director of Pioneer
USA

/s/ Rich Dealy

Rich Dealy

Vice President and Chief Accounting
Officer of Pioneer USA

26

455

PARKER & PARSLEY 83-B, LTD.

INDEX TO EXHIBITS

The following documents are incorporated by reference in response to
Item 14(c):

Exhibit No. -----	Description -----	Page ----
3.1	Agreement of Limited Partnership of Parker & Parsley 83-B, Ltd. incorporated by reference to Exhibit 4(e) of Partnership's Registration Statement on Form S-1 (Registration No. 2-81398B), as amended on April 26, 1983, the effective date thereof (hereinafter called, the Partnership's Registration Statement)	-
3.2	Amended and Restated Certificate of Limited Partnership of Parker & Parsley 83-B, Ltd. incorporated by reference to Exhibit 3.2 of the Partnership's Annual Report on Form 10-K for the period from July 1, 1983 (date of organization) through December 31, 1983	-
4.1	Form of Subscription Agreement and Power of Attorney incorporated by reference to Exhibit 4(b) of the Partnership's Registration Statement	-
4.2	Specimen Certificate of Limited Partnership Interest incorporated by reference to Exhibit 4(d) of the Partnership's Registration Statement	-

456

PARKER & PARSLEY 83-B, LTD.

SELECTED FINANCIAL DATA

The following selected financial data for the Partnership should be read in connection with Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements included in the attached supplemental information.

	Six months ended June 30,		Years ended Decemb		
	2001	2000	2000	1999	1998
Operating results:					
Oil and gas sales	\$1,086,570	\$1,095,887	\$2,376,791	\$1,548,013	\$1,267,241
Gain on litigation settlement, net	\$ --	\$ --	\$ --	\$ --	\$ --
Impairment of oil and gas properties	\$ --	\$ --	\$ 84,697	\$ 152,505	\$ 362,325
Net income (loss)	\$ 432,056	\$ 543,081	\$1,174,971	\$ 292,874	\$ (871,809)
Allocation of net income (loss):					
General partners	\$ 114,788	\$ 143,294	\$ 325,015	\$ 125,187	\$ (46,980)
Limited partners	\$ 317,268	\$ 399,787	\$ 849,956	\$ 167,687	\$ (824,829)
Limited partners' net income (loss) per limited partnership interest	\$ 13.58	\$ 17.11	\$ 36.37	\$ 7.18	\$ (35.29)
Limited partners' cash distributions per limited partnership interest	\$ 11.10	\$ 18.39	\$ 40.34	\$ 13.95	\$ 11.49

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	=====	=====	=====	=====	=====
As of period ended:					
Total assets	\$2,402,168	\$2,382,041	\$2,303,070	\$2,391,541	\$2,529,136
	=====	=====	=====	=====	=====

(a) Including litigation settlement per limited partnership interest of \$46.83 in 1996.

457

PIONEER NATURAL RESOURCES COMPANY
PIONEER NATURAL RESOURCES USA, INC.
5205 NORTH O'CONNOR BLVD., SUITE 1400
IRVING, TEXAS 75039

SUPPLEMENTAL INFORMATION

OF

PARKER & PARSLEY 84-A, LTD., A TEXAS LIMITED PARTNERSHIP

TO

PROXY STATEMENT/PROSPECTUS DATED , 2001

THE DATE OF THIS SUPPLEMENT IS , 2001

This document contains important information specific to Parker & Parsley 84-A, Ltd. and supplements the proxy statement/prospectus dated , 2001, of Pioneer Natural Resources Company and Pioneer Natural Resources USA, Inc., by which Pioneer USA is soliciting proxies to be voted at a special meeting of limited partners of the partnership. The purpose of the special meeting is for you to vote upon the merger of the partnership with and into Pioneer USA that, if completed, will result in your receiving common stock of Pioneer Natural Resources Company for your partnership interests.

This document contains the following information concerning Parker & Parsley 84-A, Ltd.:

- o A table containing:
 - the aggregate initial investment by the limited partners
 - the aggregate historical limited partner distributions through July 31, 2001
 - the merger value attributable to partnership interests of limited partners, excluding Pioneer USA
 - the merger value per \$1,000 limited partner investment
 - the merger value per \$1,000 limited partner investment as a

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

multiple of distributions for the past four quarterly distributions including the distribution in July 2001

- the book value per \$1,000 limited partner investment as of June 30, 2001 and as of December 31, 2000
- the going concern value per \$1,000 limited partner investment
- the liquidation value per \$1,000 limited partner investment
- the ordinary tax loss per \$1,000 limited partner investment in year of initial investment
- o Information about:
 - the legal opinion for the limited partners
 - the term of the partnership
- o The partnership's quarterly report on Form 10-Q, including management's discussion and analysis of financial condition and results of operations, for the six months ended June 30, 2001
- o The partnership's annual report on Form 10-K, including management's discussion and analysis of financial condition and results of operations, for the year ended December 31, 2000
- o Selected historical financial data for the partnership for the six months ended June 30, 2001 and 2000 and the five years ended December 31, 2000

-1-

458

PARKER & PARSLEY 84-A LTD.

SUPPLEMENTAL INFORMATION TABLE

Aggregate Initial Investment by the Limited Partners (a)	\$
Aggregate Historical Limited Partner Distributions through July 31, 2001 (a)	\$
Merger Value Attributable to Partnership Interests of Limited Partners, Excluding Pioneer USA (a), (b)	\$
Merger Value per \$1,000 Limited Partner Investment (b), (c)	\$
Merger Value per \$1,000 Limited Partner Investment as a Multiple of Distributions for the past four quarterly distributions including the distribution in July 2001 (b), (c)	
Book Value per \$1,000 Limited Partner Investment:	

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

-- as of June 30, 2001 (c)	\$
-- as of December 31, 2000 (c)	\$
Going Concern Value per \$1,000 Limited Partner Investment (c), (d)	\$
Liquidation Value per \$1,000 Limited Partner Investment (c), (e)	\$
Ordinary Tax Loss per \$1,000 Limited Partner Investment in Year of Initial Investment (c), (f)	\$

- (a) Stated in thousands.
- (b) The merger value for the partnership is equal to the sum of the present value of estimated future net revenues from the partnership's estimated oil and gas reserves and its net working capital, in each case as of March 31, 2001, less its pro rata share, based on its reserve value, of the estimated expenses and fees of the mergers of all of the partnerships and less the cash distribution on July 13, 2001, by the partnership to its partners.
- (c) Interests in some partnerships were sold in units at prices other than \$1,000. We have presented this information based on a \$1,000 initial investment for ease of use and comparison among partnerships. You should not assume that the amount shown per \$1,000 investment is the same as the value or amount attributable to a single unit investment.
- (d) The going concern value for the partnership is based upon: (1) the sum of (A) the estimated net cash flow from the sale of the partnership's reserves during a 10-year operating period and (B) the estimated residual value from the sale of the partnership's remaining reserves at the end of the operating period, in each case using the same pricing and discount rate as in the merger value calculation, less (2) (A) partnership level general and administrative expenses, and (B) the cash distribution on July 13, 2001 by the partnership to its partners.
- (e) The liquidation value for the partnership is based upon the sale of the partnership's reserves at the reserve value, less (1) liquidation expenses which are estimated to be the sum of (A) the partnership's pro rata share of the merger expenses and fees described in footnote (b) above and (B) 3% of the partnership's reserve value, and (2) the cash distribution on July 13, 2001 by the partnership to its partners. The liquidation expenses represent the estimated costs to retain an investment banker or broker to sell the assets of the partnership and the legal and other closing costs associated with such transaction, including the wind-down costs of the partnership.
- (f) Your ability to use your distributive share of the partnership's loss to offset your other income may have been subject to certain limitations at your level as a partner, and you may therefore wish to consult your tax advisor to determine the additional value, if any, actually realized by you in your particular circumstances.

INFORMATION ABOUT THE LEGAL OPINION FOR THE LIMITED PARTNERS

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The partnership agreement for the partnership requires that special legal counsel render an opinion on behalf of the limited partners to Pioneer USA that (1) neither the grant nor the exercise of the right to approve the merger of the partnership by its limited partners will adversely affect the federal income tax classification of the partnership or any of its limited partners; and (2) neither the grant nor exercise of such right will result in the loss of any limited partner's limited liability. In addition, the counsel designated to render the opinion must be counsel other than counsel to Pioneer USA or the partnership. Both the designated counsel and the legal opinion must be approved by the limited partners. Pioneer USA has retained _____ of Dallas, Texas for the purpose of rendering this legal opinion on behalf of the limited partners to Pioneer USA. The merger proposals include an approval of that counsel and the form of its opinion. A copy of the opinion is attached as an exhibit to the merger proposals.

INFORMATION ABOUT THE TERM OF THE PARTNERSHIP

The term of the partnership shall continue until terminated in accordance with the applicable provisions of its partnership agreement.

-2-

459

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 2001

Commission File No. 2-90417

PARKER & PARSLEY 84-A, LTD.
(Exact name of Registrant as specified in its charter)

Texas	75-1974814
----- (State or other jurisdiction of incorporation or organization)	----- (I.R.S. Employer Identification Number)
5205 N. O'Connor Blvd., Suite 1400, Irving, Texas	75039
----- (Address of principal executive offices)	----- (Zip code)

Registrant's Telephone Number, including area code : (972) 444-9001

Not applicable
(Former name, former address and former fiscal year,
if changed since last report)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes / x / No / /

460

PARKER & PARSLEY 84-A, LTD.

TABLE OF CONTENTS

	Page
Part I. Financial Information	
Item 1. Financial Statements	
Balance Sheets as of June 30, 2001 and December 31, 2000.....	3
Statements of Operations for the three and six months ended June 30, 2001 and 2000.....	4
Statement of Partners' Capital for the six months ended June 30, 2001.....	5
Statements of Cash Flows for the six months ended June 30, 2001 and 2000.....	6
Notes to Financial Statements.....	7
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.....	7
Part II. Other Information	
Item 6. Exhibits and Reports on Form 8-K.....	11
Signatures.....	12

2

461

PARKER & PARSLEY 84-A, LTD.
(A Texas Limited Partnership)

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Part I. Financial Information

Item 1. Financial Statements

BALANCE SHEETS

	June 30, 2001	December 31, 2000
	----- (Unaudited)	-----
ASSETS		
Current assets:		
Cash	\$ 497,847	\$ 179,539
Accounts receivable - oil and gas sales	247,028	360,844
	-----	-----
Total current assets	744,875	540,383
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	18,264,695	18,260,776
Accumulated depletion	(16,449,041)	(16,391,831)
	-----	-----
Net oil and gas properties	1,815,654	1,868,945
	-----	-----
	\$ 2,560,529	\$ 2,409,328
	=====	=====
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable - affiliate	\$ 47,293	\$ 36,496
Partners' capital:		
General partners	336,712	293,504
Limited partners (19,435 interests)	2,176,524	2,079,328
	-----	-----
	2,513,236	2,372,832
	-----	-----
	\$ 2,560,529	\$ 2,409,328
	=====	=====

The financial information included as of June 30, 2001 has been prepared by the managing general partner without audit by independent public accountants.

The accompanying notes are an integral part of these financial statements.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

STATEMENTS OF OPERATIONS
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2001	2000	2001	2000
Revenues:				
Oil and gas	\$ 476,179	\$ 549,309	\$1,110,822	\$1,082,369
Interest	3,705	4,294	7,360	6,992
	-----	-----	-----	-----
	479,884	553,603	1,118,182	1,089,361
	-----	-----	-----	-----
Costs and expenses:				
Oil and gas production	261,190	245,145	509,980	464,779
General and administrative	14,541	19,804	36,760	34,139
Depletion	29,102	25,167	57,210	58,813
	-----	-----	-----	-----
	304,833	290,116	603,950	557,731
	-----	-----	-----	-----
Net income	\$ 175,051	\$ 263,487	\$ 514,232	\$ 531,630
	=====	=====	=====	=====
Allocation of net income:				
General partners	\$ 48,192	\$ 69,972	\$ 137,658	\$ 142,146
	=====	=====	=====	=====
Limited partners	\$ 126,859	\$ 193,515	\$ 376,574	\$ 389,484
	=====	=====	=====	=====
Net income per limited partnership interest	\$ 6.53	\$ 9.96	\$ 19.38	\$ 20.04
	=====	=====	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

The accompanying notes are an integral part of these financial statements.

PARKER & PARSLEY 84-A, LTD.
(A Texas Limited Partnership)

STATEMENT OF PARTNERS' CAPITAL
(Unaudited)

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	General partners -----	Limited partners -----	Total -----
Balance at January 1, 2001	\$ 293,504	\$2,079,328	\$2,372,832
Distributions	(94,450)	(279,378)	(373,828)
Net income	137,658 -----	376,574 -----	514,232 -----
Balance at June 30, 2001	\$ 336,712 =====	\$2,176,524 =====	\$2,513,236 =====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

The accompanying notes are an integral part of these financial statements.

5

464

PARKER & PARSLEY 84-A, LTD.
(A Texas Limited Partnership)

STATEMENTS OF CASH FLOWS
(Unaudited)

	Six months ended June 30,	
	2001 -----	2000 -----
Cash flows from operating activities:		
Net income	\$ 514,232	\$ 531,630
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion	57,210	58,813
Changes in assets and liabilities:		
Accounts receivable	113,816	(33,685)
Accounts payable	10,797	22,835
Net cash provided by operating activities	696,055 -----	579,593 -----
Cash flows used in investing activities:		
Additions to oil and gas properties	(3,919)	(11,126)
Cash flows used in financing activities:		
Cash distributions to partners	(373,828)	(507,986)

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	-----	-----
Net increase in cash	318,308	60,481
Cash at beginning of period	179,539	117,140
	-----	-----
Cash at end of period	\$ 497,847	\$ 177,621
	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

The accompanying notes are an integral part of these financial statements.

6

465

PARKER & PARSLEY 84-A, LTD.
(A Texas Limited Partnership)

NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Unaudited)

Note 1. Organization and nature of operations

Parker & Parsley 84-A, Ltd. (the "Partnership") is a limited partnership organized in 1984 under the laws of the State of Texas.

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

Note 2. Basis of presentation

In the opinion of management, the unaudited financial statements of the Partnership as of June 30, 2001 and for the three and six months ended June 30, 2001 and 2000 include all adjustments and accruals consisting only of normal recurring accrual adjustments which are necessary for a fair presentation of the results for the interim period. These interim results are not necessarily indicative of results for a full year. Certain reclassifications may have been made to the June 30, 2000 financial statements to conform to the June 30, 2001 financial statement presentations.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in this Form 10-Q pursuant to the rules and regulations of the Securities and Exchange Commission. The financial statements should be read in conjunction with the financial statements and the notes thereto contained in the Partnership's Report on Form 10-K for the year ended December 31, 2000, as filed with the Securities and Exchange Commission, a copy of which is available upon request by writing to Rich Dealy, Vice President and Chief Accounting Officer, 5205 North O'Connor Boulevard, Suite 1400, Irving, Texas 75039-3746.

Item 2. Management's Discussion and Analysis of Financial Condition
and Results of Operations (1)

Results of Operations

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Six months ended June 30, 2001 compared with six months ended June 30, 2000

Revenues:

The Partnership's oil and gas revenues increased 3% to \$1,110,822 for the six months ended June 30, 2001 as compared to \$1,082,369 for the same period in 2000. The increase in revenues resulted from higher average prices received for gas and NGLs, offset by a decrease in production and lower average prices

7

466

received for oil. For the six months ended June 30, 2001, 26,035 barrels of oil, 12,266 barrels of natural gas liquids ("NGLs") and 57,564 mcf of gas were sold, or 47,895 barrel of oil equivalents ("BOEs"). For the six months ended June 30, 2000, 26,759 barrels of oil, 16,307 barrels of NGLs and 68,163 mcf of gas were sold, or 54,427 BOEs.

The average price received per barrel of oil decreased \$.61, or 2%, from \$27.63 for the six months ended June 30, 2000 to \$27.02 for the same period in 2001. The average price received per barrel of NGLs increased \$.95, or 7%, from \$13.27 during the six months ended June 30, 2000 to \$14.22 for the same period in 2001. The average price received per mcf of gas increased 117% from \$1.86 during the six months ended June 30, 2000 to \$4.04 for the same period in 2001. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received during the six months ended June 30, 2001.

Costs and Expenses:

Total costs and expenses increased to \$603,950 for the six months ended June 30, 2001 as compared to \$557,731 for the same period in 2000, an increase of \$46,219, or 8%. This increase was primarily due to increases in production costs and general and administrative expenses ("G&A"), offset by a decline in depletion.

Production costs were \$509,980 for the six months ended June 30, 2001 and \$464,779 for the same period in 2000 resulting in a \$45,201 increase, or 10%. The increase was primarily due to additional well maintenance and workover costs incurred to stimulate well production.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 8% from \$34,139 for the six months ended June 30, 2000 to \$36,760 for the same period in 2001, primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues and an increase in audit and tax fees.

Depletion was \$57,210 for the six months ended June 30, 2001 as compared to \$58,813 for the same period in 2000, a decrease of \$1,603, or 3%. This decrease was the result of a decline in oil production of 724 barrels for the six months ended June 30, 2001 compared to the same period in 2000.

Three months ended June 30, 2001 compared with three months ended June 30, 2000

Revenues:

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The Partnership's oil and gas revenues decreased 13% to \$476,179 for the three months ended June 30, 2001 as compared to \$549,309 for the same period in 2000. The decrease in revenues resulted from a decrease in production and lower average prices received for oil and NGLs, offset by higher average prices received for gas. For the three months ended June 30, 2001, 12,406 barrels of oil, 5,875 barrels of NGLs and 24,014 mcf of gas were sold, or 22,283 BOEs. For

8

467

the three months ended June 30, 2000, 13,188 barrels of oil, 8,087 barrels of NGLs and 33,092 mcf of gas were sold, or 26,790 BOEs.

The average price received per barrel of oil decreased \$.78, or 3%, from \$27.65 for the three months ended June 30, 2000 to \$26.87 for the three months ended June 30, 2001. The average price received per barrel of NGLs decreased \$1.77, or 13%, from \$13.84 during the three months ended June 30, 2000 to \$12.07 for the same period in 2001. The average price received per mcf of gas increased 36% to \$2.99 for the three months ended June 30, 2001 from \$2.20 for the same period in 2000.

Costs and Expenses:

Total costs and expenses increased to \$304,833 for the three months ended June 30, 2001 as compared to \$290,116 for the same period in 2000, an increase of \$14,717, or 5%. This increase was primarily due to increases in production costs and depletion, offset by a decline in G&A.

Production costs were \$261,190 for the three months ended June 30, 2001 and \$245,145 for the same period in 2000 resulting in an increase of \$16,045, or 7%. The increase was primarily due to additional well maintenance and workover costs incurred to stimulate well production.

During this period, G&A decreased 27% from \$19,804 for the three months ended June 30, 2000 to \$14,541 for the same period in 2001, primarily due to a lower percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of decreased oil and gas revenues and a decrease in audit and tax fees.

Depletion was \$29,102 for the three months ended June 30, 2001 as compared to \$25,167 for the same period in 2000, an increase of \$3,935, or 16%. This increase was the result of a reduction in revisions to proved reserves during the period ended June 30, 2001 as a result of lower commodity prices, offset by a decline in oil production of 782 barrels for the three months ended June 30, 2001 as compared to the same period in 2000.

Liquidity and Capital Resources

Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$116,462 during the six months ended June 30, 2001 from the same period ended June 30, 2000. This increase was due to an increase of \$28,821 in oil and gas sales receipts and a reduction in working capital of \$135,463, offset by increases in production costs of \$45,201 and G&A expenses of \$2,621. The increase in oil and gas receipts resulted from the increase in gas and NGL prices of \$164,517 during 2001, offset by \$119,533 resulting from the decline in production and a \$16,163 decline resulting from lower oil prices during 2001 as compared to the same

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

period in 2000. The increase in production costs was primarily due to additional well maintenance and workover costs incurred to stimulate well production. The increase in G&A was primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues and an increase in audit and tax fees.

9

468

Net Cash Used in Investing Activities

The Partnership's principal investing activities during the six months ended June 30, 2001 and 2000 were for expenditures related to oil and gas equipment upgrades on active properties.

Net Cash Used in Financing Activities

For the six months ended June 30, 2001, cash distributions to the partners were \$373,828, of which \$94,450 was distributed to the general partners and \$279,378 to the limited partners. For the same period ended June 30, 2000, cash distributions to the partners were \$507,986, of which \$129,953 was distributed to the general partners and \$378,033 to the limited partners.

For the three months ended June 30, 2001, no distributions were made by the partnership to its partners. Subsequent to June 30, 2001 the cash distribution that otherwise would have been mailed to partners in late June was made to holders of record as of July 9, 2001 and was mailed on July 13, 2001. For further information, see "Proposal to acquire partnerships" below.

Proposal to acquire partnerships

On June 29, 2001, Pioneer Natural Resources Company ("Pioneer") filed with the Securities and Exchange Commission Amendment No. 1 to the Form S-4 Registration Statement (File No. 333-59094) (the "preliminary proxy statement/prospectus"), which proposes an agreement and plan of merger among Pioneer, Pioneer Natural Resources USA, Inc. ("Pioneer USA"), a wholly-owned subsidiary of Pioneer, and 46 Parker & Parsley limited partnerships. Each partnership that approves the agreement and plan of merger and the other related merger proposals will merge with and into Pioneer USA upon the closing of the transactions described in the preliminary proxy statement/prospectus, and the partnership interests of each such partnership will be converted into the right to receive Pioneer common stock. The Partnership is one of the 46 Parker & Parsley limited partnerships that will be asked to approve the agreement and plan of merger. The preliminary proxy statement/prospectus is non-binding and is subject to, among other things, consideration of offers from third parties to purchase any partnership or its assets and the majority approval of the limited partnership interests in each partnership.

Pioneer USA will solicit proxies from limited partners to approve the mergers only when the proxy statement/prospectus is final and declared effective. No solicitation will be made using preliminary materials. Nonetheless, copies of the preliminary proxy statement/prospectus may be obtained without charge upon request from Pioneer Natural Resources Company, 5205 North O'Connor Blvd., Suite 1400, Irving, Texas 75039, Attention: Investor Relations.

The limited partners are urged to read the proxy statement/prospectus of Pioneer filed with the Securities and Exchange Commission, when it is finalized, because it contains important information about the proposed mergers, including

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

information about the direct and indirect interests of Pioneer USA and Pioneer in the mergers. The limited partners may also obtain the preliminary and (when filed) final proxy statement/prospectus and other relevant documents relating to the proposed mergers free through the internet web site that the Securities and Exchange Commission maintains at www.sec.gov.

10

469

- (1) "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" contains forward looking statements that involve risks and uncertainties. Accordingly, no assurances can be given that the actual events and results will not be materially different than the anticipated results described in the forward looking statements.

Part II. Other Information

Item 6. Exhibits and Reports on Form 8-K

- (a) Exhibits - none
(b) Reports on Form 8-K - none

11

470

PARKER & PARSLEY 84-A, LTD.
(A Texas Limited Partnership)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PARKER & PARSLEY 84-A, LTD.

By: Pioneer Natural Resources USA, Inc.,
Managing General Partner

Dated: August 6, 2001

By: /s/ Rich Dealy

Rich Dealy, Vice President and

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Chief Accounting Officer

12

471

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000

COMMISSION FILE NO. 2-90417

PARKER & PARSLEY 84-A, LTD.
(Exact name of Registrant as specified in its charter)

TEXAS

75-1974814

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification Number)

1400 WILLIAMS SQUARE WEST, 5205 N. O'CONNOR BLVD., IRVING, TEXAS

75039

(Address of principal executive offices)

(Zip code)

Registrant's Telephone Number, including area code : (972) 444-9001

Securities registered pursuant to Section 12(b) of the Act: NONE
Securities registered pursuant to Section 12(g) of the Act:
LIMITED PARTNERSHIP INTERESTS (\$1,000 PER UNIT)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES \ X \ NO \ \

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. \ X \

No market currently exists for the limited partnership interests of the Registrant. Based on the original purchase price, the aggregate market value of limited partnership interests owned by non-s of the Registrant is \$19,016,000.

As of March 8, 2001, the number of outstanding limited partnership interests was 19,435.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The following documents are incorporated by reference into the indicated parts of this Annual Report on Form 10-K: None

PARTS I AND II OF THIS ANNUAL REPORT ON FORM 10-K (THE "REPORT") CONTAIN FORWARD LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. ACCORDINGLY, NO ASSURANCES CAN BE GIVEN THAT THE ACTUAL EVENTS AND RESULTS WILL NOT BE MATERIALLY DIFFERENT THAN THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS. SEE "ITEM 1. BUSINESS" FOR A DESCRIPTION OF VARIOUS FACTORS THAT COULD MATERIALLY AFFECT THE ABILITY OF THE PARTNERSHIP TO ACHIEVE THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS.

2

472

PART I

ITEM 1. BUSINESS

Parker & Parsley 84-A, Ltd. (the "Partnership") is a limited partnership organized in 1984 under the laws of the State of Texas. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA") and its co-general partner is P&P Employees 84-A, Ltd. ("EMPL"), a Texas limited partnership whose general partner is Pioneer USA. Pioneer USA is a wholly-owned subsidiary of Pioneer Natural Resources Company ("Pioneer"). As of March 8, 2001, the Partnership had 19,435 limited partnership interests outstanding.

The Partnership does not have any employees of its own. Pioneer USA employs 701 persons, many of whom dedicated a part of their time to the conduct of the Partnership's business during the period for which this Report is filed. Pioneer USA supplies all management functions.

The Partnership engages in oil and gas development and production and is not involved in any industry segment other than oil and gas. The Partnership's production is geographically concentrated in West Texas.

The principal markets during 2000 for the oil produced by the Partnership were refineries and oil transmission companies that have facilities near the Partnership's oil producing properties. During 2000, Pioneer USA marketed the Partnership's gas to a variety of purchasers. Of the Partnership's total oil and gas revenues for 2000, approximately 35%, 17% and 10% were attributable to sales made to Plains Marketing, L.P., TEPPCO Crude Oil LLC and NGTS LLC, respectively. Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on its ability to sell its oil, natural gas liquids ("NGLs") and gas production.

The Partnership's revenues, profitability, cash flow and future rate of growth are highly dependent on the prevailing prices of oil and gas, which are affected by numerous factors beyond the Partnership's control. Oil and gas prices historically have been very volatile. A substantial or extended decline in the prices of oil or gas could have a material adverse effect on the Partnership's revenues, profitability and cash flow and could, under certain circumstances, result in a reduction in the carrying value of the Partnership's oil and gas properties.

Oil and gas production operations are subject to various types of regulations by local, state and federal agencies. The Partnership's operations are also subject to state conservation laws and regulations, including the establishment of maximum rates of production from wells and the regulation of spacing, plugging and abandonment of wells. Each state generally imposes a production or severance tax with respect to production and sale of oil and gas within their respective jurisdictions. Noncompliance with the laws and regulations may subject the

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Partnership to penalties, damages or other liabilities and compliance may increase the cost of the Partnership's operations. The oil and gas business is also subject to environmental hazards such as oil spills, gas leaks and ruptures and discharges of toxic substances or gases that could expose the Partnership to substantial

2

473

liability due to pollution and other environmental damages. Although the Partnership believes that its business operations do not impair environmental quality and that its costs of complying with any applicable environmental regulations are not currently significant, the Partnership cannot predict what, if any, effect these environmental regulations may have on its current or future operations.

Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves.

No material part of the Partnership's business is seasonal and the Partnership conducts no foreign operations.

ITEM 2. PROPERTIES

The Partnership's properties consist of leasehold interests in properties on which oil and gas wells are located. Such property interests are often subject to landowner royalties, overriding royalties and other oil and gas leasehold interests.

Fractional working interests in developmental and exploratory oil and gas prospects located primarily in the Spraberry Trend Area of West Texas were acquired by the Partnership, resulting in the Partnership's participation in the drilling of 42 oil and gas wells. At December 31, 2000, 38 wells were producing and four wells had been plugged and abandoned due to unprofitable operations.

For information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998, and changes in such quantities for the years then ended, see Note 7 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" below. Such reserves have been evaluated by Williamson Petroleum Consultants, Inc., an independent petroleum consultant.

ITEM 3. LEGAL PROCEEDINGS

The Partnership from time to time is a party to various legal proceedings incidental to its business involving claims in oil and gas leases or interests, other claims for damages in amounts not in excess of 10% of its current assets and other matters, none of which Pioneer USA believes to be material to the Partnership.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of the partners during the fourth quarter of 2000.

PART II

ITEM 5. MARKET FOR LIMITED PARTNERSHIP INTERESTS AND LIMITED PARTNERSHIP DISTRIBUTIONS

At March 8, 2001, the Partnership had 19,435 outstanding limited partnership interests held of record by 1,268 subscribers. There is no established public trading market for the limited partnership interests. Under the limited partnership agreement, Pioneer USA has made certain commitments to purchase partnership interests at a computed value.

Revenues which, in the sole judgement of the managing general partner, are not required to meet the Partnership's obligations are distributed to the partners at least quarterly in accordance with the limited partnership agreement. During the years ended December 31, 2000 and 1999, distributions of \$872,006 and \$293,145, respectively, were made to the limited partners.

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth selected financial data for the years ended December 31:

	2000	1999	1998	1997	1996
	-----	-----	-----	-----	-----
Operating results:					

Oil and gas sales	\$2,348,261	\$1,419,376	\$1,124,134	\$1,668,018	\$1,984,34
	=====	=====	=====	=====	=====
Impairment of oil and gas properties	\$ -	\$ -	\$ 425,668	\$ 370,361	\$ -
	=====	=====	=====	=====	=====
Gain on litigation settlement, net	\$ -	\$ -	\$ -	\$ -	\$1,055,35
	=====	=====	=====	=====	=====
Net income (loss)	\$1,240,674	\$ 340,062	\$ (923,346)	\$ 70,124	\$1,782,13
	=====	=====	=====	=====	=====
Allocation of net income (loss):					
General partners	\$ 328,079	\$ 113,550	\$ (56,570)	\$ 121,907	\$ 462,04
	=====	=====	=====	=====	=====
Limited partners	\$ 912,595	\$ 226,512	\$ (866,776)	\$ (51,783)	\$1,320,09
	=====	=====	=====	=====	=====
Limited partners' net income (loss) per limited partnership interest	\$ 46.96	\$ 11.65	\$ (44.60)	\$ (2.66)	\$ 67.9
	=====	=====	=====	=====	=====

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Limited partners' cash distributions per limited partnership interest	\$ 44.87	\$ 15.08	\$ 12.82	\$ 32.32	\$ 73.6
	=====	=====	=====	=====	=====

At year end:

Identifiable assets	\$2,409,328	\$2,343,035	\$2,390,810	\$3,657,643	\$4,436,38
	=====	=====	=====	=====	=====

(a) Including litigation settlement per limited partnership interest of \$42.48 in 1996.

4

475

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of operations

2000 compared to 1999

The Partnership's oil and gas revenues increased 65% to \$2,348,261 for 2000 as compared to \$1,419,376 in 1999. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 2000, 51,863 barrels of oil, 33,622 barrels of natural gas liquids ("NGLs") and 138,617 mcf of gas were sold, or 108,588 barrel of oil equivalents ("BOEs"). In 1999, 50,064 barrels of oil, 35,804 barrels of NGLs and 154,235 mcf of gas were sold, or 111,574 BOEs. Due to the decline characteristics of the Partnership's oil and gas properties, management expects a certain amount of decline in production in the future until the Partnership's economically recoverable reserves are fully depleted.

The average price received per barrel of oil increased \$12.19, or 70%, from \$17.36 in 1999 to \$29.55 in 2000. The average price received per barrel of NGLs increased \$4.97, or 55%, from \$9.03 in 1999 to \$14.00 in 2000. The average price received per mcf of gas increased 69% from \$1.47 in 1999 to \$2.49 in 2000. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received in 2000.

Total costs and expenses increased in 2000 to \$1,124,923 as compared to \$1,088,550 in 1999, an increase of \$36,373, or 3%. The increase was primarily due to increases in production costs and general and administrative expenses ("G&A"), offset by a decline in depletion.

Production costs were \$937,743 in 2000 and \$859,602 in 1999, resulting in an increase of \$78,141 or 9%. The increase was primarily due to higher production taxes associated with higher oil and gas prices and workover costs incurred to stimulate well production, offset by lower well maintenance costs.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

45% from \$53,481 in 1999 to \$77,459 in 2000 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$70,448 in 2000 and \$42,581 in 1999 for G&A incurred on behalf of the Partnership. The remaining G&A was paid directly by the Partnership. The managing general partner determines the allocated expenses based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

5

476

Depletion was \$109,721 in 2000 as compared to \$175,467 in 1999, representing a decrease of \$65,746, or 37%. This decrease was primarily due to a 150,475 barrels of oil increase in proved reserves during 2000 as a result of higher commodity prices.

1999 compared to 1998

The Partnership's 1999 oil and gas revenues increased 26% to \$1,419,376 from \$1,124,134 in 1998. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 1999, 50,064 barrels of oil, 35,804 barrels of NGLs and 154,235 mcf of gas were sold, or 111,574 BOEs. In 1998, 54,153 barrels of oil, 34,549 barrels of NGLs and 145,870 mcf of gas were sold, or 113,014 BOEs.

The average price received per barrel of oil increased \$4.06, or 31%, from \$13.30 in 1998 to \$17.36 in 1999. The average price received per barrel of NGLs increased \$2.95, or 49%, from \$6.08 in 1998 to \$9.03 in 1999. The average price received per mcf of gas increased 11% from \$1.33 in 1998 to \$1.47 in 1999.

A gain on disposition of assets of \$2,100 was recognized during 1998 from the sale of equipment on one fully depleted well.

Total costs and expenses decreased in 1999 to \$1,088,550 as compared to \$2,059,738 in 1998, a decrease of \$971,188, or 47%. The decrease was primarily due to declines in depletion, the impairment of oil and gas properties and production costs, offset by an increase in G&A expenses.

Production costs were \$859,602 in 1999 and \$865,247 in 1998, resulting in a \$5,645 decrease. The decrease was due to declines in workover costs and ad valorem taxes, offset by increases in well maintenance costs incurred to stimulate well production and in production taxes due to increased oil and gas revenues.

During this period, G&A increased 39% from \$38,385 in 1998 to \$53,481 in 1999 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$42,581 in 1999 and \$33,724 in 1998 for G&A incurred on behalf of the Partnership.

In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the managing general partner reviews the Partnership's oil and gas properties for impairment whenever events or

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

circumstances indicate a decline in the recoverability of the carrying value of the Partnership's assets may have occurred. As a result of the review and evaluation of its long-lived assets for impairment, the Partnership recognized a non-cash charge of \$425,668 related to its oil and gas properties during 1998.

Depletion was \$175,467 in 1999 compared to \$730,438 in 1998. This represented a decrease of \$554,971, or 76%. This decrease was the result of an increase in proved reserves of 445,239 barrels of oil during 1999 as a result of higher commodity prices and a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 1998.

6

477

Petroleum industry

The petroleum industry has been characterized by volatile oil, NGL and natural gas commodity prices and relatively stable supplier costs during the three years ended December 31, 2000. During 1998, weather patterns, regional economic recessions and political matters combined to cause worldwide oil supplies to exceed demand resulting in a substantial decline in oil prices. Also during 1998, but to a lesser extent, market prices for natural gas declined. During 1999 and 2000, the Organization of Petroleum Exporting Countries ("OPEC") and certain other crude oil exporting nations announced reductions in their planned export volumes. Those announcements, together with the enactment of the announced reductions in export volumes, had a positive impact on world oil prices, as have overall natural gas supply and demand fundamentals on North American natural gas prices. Although the favorable commodity price environment and stable field service cost environment is expected to continue during 2001, there is no assurance that commodity prices will not return to a less favorable level or that field service costs will not escalate in the future, both of which could negatively impact the Partnership's future results of operations and cash distributions.

Liquidity and capital resources

Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$852,554 during the year ended December 31, 2000 from 1999. This increase was due to an increase in oil and gas sales receipts of \$936,985 and a decline in working capital of \$17,688, offset by increases in production costs paid of \$78,141 and G&A expenses paid of \$23,978. The increase in oil and gas receipts resulted from the increase in commodity prices during 2000 which contributed an additional \$953,265 to oil and gas receipts, offset by \$16,280 resulting from the decline in production during 2000. The increase in production costs was primarily due to increased production taxes associated with higher oil and gas prices and workover costs incurred to stimulate well production, offset by lower well maintenance costs. The increase in G&A was primarily due to higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues.

Net Cash Used in Investing Activities

The Partnership's investing activities during 2000 and 1999 were related to expenditures for equipment upgrades on various oil and gas properties.

Net Cash Used in Financing Activities

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

In 2000, cash distributions to the partners were \$1,173,468, of which \$301,462 was distributed to the general partners and \$872,006 to the limited partners. In 1999, cash distributions to the partners were \$392,295, of which \$99,150 was distributed to the general partners and \$293,145 to the limited partners.

7

478

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO FINANCIAL STATEMENTS

	Page
Financial Statements of Parker & Parsley 84-A, Ltd:	
Independent Auditors' Report.....	9
Balance Sheets as of December 31, 2000 and 1999.....	10
Statements of Operations for the Years Ended December 31, 2000, 1999 and 1998.....	11
Statements of Partners' Capital for the Years Ended December 31, 2000, 1999 and 1998.....	12
Statements of Cash Flows for the Years Ended December 31, 2000, 1999 and 1998.....	13
Notes to Financial Statements.....	14

8

479

INDEPENDENT AUDITORS' REPORT

The Partners
Parker & Parsley 84-A, Ltd.
(A Texas Limited Partnership):

We have audited the balance sheets of Parker & Parsley 84-A, Ltd. as of December 31, 2000 and 1999, and the related statements of operations, partners' capital and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parker & Parsley 84-A, Ltd. as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Dallas, Texas
March 9, 2001

9

480

PARKER & PARSLEY 84-A, LTD.
(A Texas Limited Partnership)

BALANCE SHEETS
December 31

	2000	1999
ASSETS	-----	-----
Current assets:		
Cash	\$ 179,539	\$ 117,140
Accounts receivable - oil and gas sales	360,844	261,763
	-----	-----
Total current assets	540,383	378,903
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	18,260,776	18,246,242
Accumulated depletion	(16,391,831)	(16,282,110)
	-----	-----
Net oil and gas properties	1,868,945	1,964,132
	-----	-----
	\$ 2,409,328	\$ 2,343,035
	=====	=====

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

LIABILITIES AND PARTNERS' CAPITAL

Current liabilities:		
Accounts payable -	\$ 36,496	\$ 37,409
Partners' capital:		
General partners	293,504	266,887
Limited partners (19,435 interests)	2,079,328	2,038,739
	-----	-----
	2,372,832	2,305,626
	-----	-----
	\$ 2,409,328	\$ 2,343,035
	=====	=====

The accompanying notes are an integral part of these financial statements.

10

481

PARKER & PARSLEY 84-A, LTD.
(A Texas Limited Partnership)

STATEMENTS OF OPERATIONS
For the years ended December 31

	2000	1999	1998
	-----	-----	-----
Revenues:			
Oil and gas	\$ 2,348,261	\$ 1,419,376	\$ 1,124,134
Interest	17,336	9,236	10,158
Gain on disposition of assets	--	--	2,100
	-----	-----	-----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	2,365,597	1,428,612	1,136,392
	-----	-----	-----
Costs and expenses:			
Oil and gas production	937,743	859,602	865,247
General and administrative	77,459	53,481	38,385
Impairment of oil and gas properties	--	--	425,668
Depletion	109,721	175,467	730,438
	-----	-----	-----
	1,124,923	1,088,550	2,059,738
	-----	-----	-----
Net income (loss)	\$ 1,240,674	\$ 340,062	\$ (923,346)
	=====	=====	=====
Allocation of net income (loss):			
General partners	\$ 328,079	\$ 113,550	\$ (56,570)
	=====	=====	=====
Limited partners	\$ 912,595	\$ 226,512	\$ (866,776)
	=====	=====	=====
Net income (loss) per limited partnership interest	\$ 46.96	\$ 11.65	\$ (44.60)
	=====	=====	=====

The accompanying notes are an integral part of these financial statements.

PARKER & PARSLEY 84-A, LTD.
(A Texas Limited Partnership)

STATEMENTS OF PARTNERS' CAPITAL

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	General partners -----	Limited partners -----	Total -----
Partners' capital at January 1, 1998	\$ 395,245	\$ 3,221,215	\$ 3,616,460
Distributions	(86,188)	(249,067)	(335,255)
Net loss	(56,570)	(866,776)	(923,346)
	-----	-----	-----
Partners' capital at December 31, 1998	252,487	2,105,372	2,357,859
Distributions	(99,150)	(293,145)	(392,295)
Net income	113,550	226,512	340,062
	-----	-----	-----
Partners' capital at December 31, 1999	266,887	2,038,739	2,305,626
Distributions	(301,462)	(872,006)	(1,173,468)
Net income	328,079	912,595	1,240,674
	-----	-----	-----
Partners' capital at December 31, 2000	\$ 293,504 =====	\$ 2,079,328 =====	\$ 2,372,832 =====

The accompanying notes are an integral part of these financial statements.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

483

PARKER & PARSLEY 84-A, LTD.
(A Texas Limited Partnership)

STATEMENTS OF CASH FLOWS
For the years ended December 31

	2000	1999	1998
	-----	-----	-----
Cash flows from operating activities:			
Net income (loss)	\$ 1,240,674	\$ 340,062	\$ (923,346)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Impairment of oil and gas properties	--	--	425,668
Depletion	109,721	175,467	730,438
Gain on disposition of assets	--	--	(2,100)
Changes in assets and liabilities:			
Accounts receivable	(99,081)	(122,140)	85,609
Accounts payable	(913)	4,458	(8,232)
	-----	-----	-----
Net cash provided by operating activities	1,250,401	397,847	308,037
	-----	-----	-----
Cash flows from investing activities:			
Additions to oil and gas properties	(14,534)	(12,628)	(10,572)
Proceeds from asset dispositions	--	211	2,100
	-----	-----	-----
Net cash used in investing activities	(14,534)	(12,417)	(8,472)
	-----	-----	-----
Cash flows used in financing activities:			
Cash distributions to partners	(1,173,468)	(392,295)	(335,255)
	-----	-----	-----
Net increase (decrease) in cash	62,399	(6,865)	(35,690)
Cash at beginning of year	117,140	124,005	159,695
	-----	-----	-----
Cash at end of year	\$ 179,539	\$ 117,140	\$ 124,005
	=====	=====	=====

The accompanying notes are an integral part of these financial statements.

13

484

PARKER & PARSLEY 84-A, LTD.
(A Texas Limited Partnership)

NOTES TO FINANCIAL STATEMENTS
December 31, 2000, 1999 and 1998

NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS

Parker & Parsley 84-A, Ltd. (the "Partnership") is a limited partnership organized in 1984 under the laws of the State of Texas. The Partnership's general partners are Pioneer Natural Resources USA, Inc. ("Pioneer USA") and P&P Employees 84-A, Ltd. ("EMPL"). The Partnership's managing general partner is Pioneer USA.

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Oil and gas properties - The Partnership utilizes the successful efforts method of accounting for its oil and gas properties and equipment. Under this method, all costs associated with productive wells and nonproductive development wells are capitalized while nonproductive exploration costs are expensed. Capitalized costs relating to proved properties are depleted using the unit-of-production method on a property-by-property basis based on proved oil (dominant mineral) reserves as evaluated by independent petroleum consultants. The carrying amounts of properties sold or otherwise disposed of and the related allowances for depletion are eliminated from the accounts and any gain or loss is included in results of operations.

Impairment of long-lived assets - In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the Partnership reviews its long-lived assets to be held and used on an individual property basis, including oil and gas properties accounted for under the successful efforts method of accounting, whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. An impairment loss is indicated if the sum of the expected future cash flows is less than the carrying amount of the assets. In this circumstance, the Partnership recognizes an impairment loss for the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset.

Use of estimates in the preparation of financial statements - Preparation of the accompanying financial statements in conformity with generally accepted accounting principles requires management to make estimates

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Net income (loss) per limited partnership interest - The net income (loss) per limited partnership interest is calculated by using the number of outstanding limited partnership interests.

Income taxes - A Federal income tax provision has not been included in the financial statements

14

485

as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

Statements of cash flows - For purposes of reporting cash flows, cash includes depository accounts held by banks.

General and administrative expenses - General and administrative expenses are allocated in part to the Partnership by the managing general partner. Allocated expenses are determined by the managing general partner based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Reclassifications - Certain reclassifications may have been made to the 1999 and 1998 financial statements to conform to the 2000 financial statement presentations.

Environmental - The Partnership is subject to extensive federal, state and local environmental laws and regulations. These laws, which are constantly changing, regulate the discharge of materials into the environment and may require the Partnership to remove or mitigate the environmental effects of the disposal or release of petroleum or chemical substances at various sites. Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Liabilities for expenditures of a noncapital nature are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated. Such liabilities are generally undiscounted unless the timing of cash payments for the liability or component are fixed or reliably determinable. No such liabilities have been accrued as of December 31, 2000.

Revenue recognition - The Partnership uses the entitlements method of accounting for oil, natural gas liquids ("NGLs") and natural gas revenues.

NOTE 3. IMPAIRMENT OF LONG-LIVED ASSETS

In accordance with SFAS 121, the Partnership reviews its proved oil and gas properties for impairment whenever events and circumstances indicate a decline in the recoverability of the carrying value of the Partnership's oil and gas properties. The Partnership has estimated the expected future cash flows of its oil and gas properties as of December 31, 2000, 1999 and 1998, based on proved reserves, and compared such estimated future cash flows to the respective carrying amount of the oil and gas properties to determine if the carrying amounts were likely to be recoverable. For those proved oil and gas properties

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

for which the carrying amount exceeded the estimated future cash flows, an impairment was determined to exist; therefore, the Partnership adjusted the carrying amount of those oil and gas properties to their fair value as determined by discounting their expected future cash flows at a discount rate commensurate with the risks involved in the industry. As a result, the Partnership recognized a non-cash impairment provision of \$425,668 related to its proved oil and gas properties during 1998.

15

486

NOTE 4. INCOME TAXES

The financial statement basis of the Partnership's net assets and liabilities was \$383,897 less than the tax basis at December 31, 2000.

The following is a reconciliation of net income (loss) per statements of operations with the net income per Federal income tax returns for the years ended December 31:

	2000	1999	1998
	-----	-----	-----
Net income (loss) per statements of operations	\$ 1,240,674	\$ 340,062	\$ (923)
Depletion and depreciation provisions for tax reporting purposes less than amounts for financial reporting purposes	98,611	165,764	695
Impairment of oil and gas properties for financial reporting purposes	--	--	425
Salvage income	--	--	2
Other, net	(2,689)	(4,938)	5
	-----	-----	-----
Net income per Federal income tax returns	\$ 1,336,596	\$ 500,888	\$ 206
	=====	=====	=====

NOTE 5. OIL AND GAS PRODUCING ACTIVITIES

The following is a summary of the costs incurred, whether capitalized or expensed, related to the Partnership's oil and gas producing activities for the years ended December 31:

	2000	1999	1998
	-----	-----	-----
Development costs	\$ 14,534	\$ 12,628	\$ 10,572
	=====	=====	=====

Capitalized oil and gas properties consist of the following:

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	2000 -----	1999 -----
Proved properties:		
Property acquisition costs	\$ 923,276	\$ 923,276
Completed wells and equipment	17,337,500	17,322,966
	-----	-----
	18,260,776	18,246,242
Accumulated depletion	(16,391,831)	(16,282,110)
	-----	-----
Net oil and gas properties	\$ 1,868,945	\$ 1,964,132
	=====	=====

16

487

NOTE 6. RELATED PARTY TRANSACTIONS

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

	2000 -----	1999 -----	1998 -----
Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$ 410,572	\$ 395,016	\$ 382,325
Reimbursement of general and administrative expenses	\$ 70,448	\$ 42,581	\$ 33,724

Pioneer USA, EMPL and the Partnership are parties to the Partnership agreement. EMPL is a limited partnership in which Pioneer USA owns 77.5% and the remaining portion is owned by former s. In addition, Pioneer USA owned 419 limited partner interests in the Partnership at January 1, 2001.

The costs and revenues of the Partnership are allocated as follows:

	General partners -----	Limited partners -----
Revenues:		
Proceeds from property dispositions prior to cost		

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

recovery	10%	90%
All other Partnership revenues	25%	75%
Costs and expenses:		
Lease acquisition costs, drilling and completion costs	10%	90%
Operating costs, direct costs and general and administrative expenses	25%	75%
Incremental direct expenses	-	100%

Incremental direct expenses are direct expenses which would not be incurred except for the requirements of the securities regulatory authorities and totaled \$7,011, \$10,900 and \$4,661 in 2000, 1999 and 1998, respectively.

NOTE 7. OIL AND GAS INFORMATION (UNAUDITED)

The following table presents information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities during the years then ended. All of the Partnership's reserves are proved developed and located within the United States. The Partnership's reserves are based on an evaluation prepared by Williamson Petroleum Consultants, Inc., an independent petroleum consultant, using criteria established by the Securities and Exchange Commission.

17

488

	Oil and NGLs (bbls)	Gas (mcf)
	-----	-----
Net proved reserves at January 1, 1998	1,053,041	1,516,688
Revisions	(400,628)	(306,319)
Production	(88,702)	(145,870)
	-----	-----
Net proved reserves at December 31, 1998	563,711	1,064,499
Revisions	789,038	1,498,169
Production	(85,868)	(154,235)
	-----	-----
Net proved reserves at December 31, 1999	1,266,881	2,408,433
Revisions	168,380	(31,965)
Production	(85,485)	(138,617)
	-----	-----
Net proved reserves at December 31, 2000	1,349,776	2,237,851
	=====	=====

As of December 31, 2000, the estimated present value of future net revenues of proved reserves, calculated using December 31, 2000 prices of \$26.64

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

per barrel of oil, \$13.02 per barrel of NGLs and \$7.45 per mcf of gas, discounted at 10% was approximately \$10,236,000 and undiscounted was \$20,832,000.

Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves. The Partnership emphasizes that reserve estimates are inherently imprecise and, accordingly, the estimates are expected to change as future information becomes available.

Disclosures about Oil & Gas Producing Activities

Standardized Measure of Discounted Future Net Cash Flows

The standardized measure of discounted future net cash flows is computed by applying year-end prices of oil and gas (with consideration of price changes only to the extent provided by contractual arrangements) to the estimated future production of proved oil and gas reserves less estimated future expenditures (based on year-end costs) to be incurred in developing and producing the proved reserves, discounted using a rate of 10% per year to reflect the estimated timing of the future cash flows. A Federal income tax provision has not been calculated as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

Discounted future cash flow estimates like those shown below are not intended to represent estimates of the fair value of oil and gas properties. Estimates of fair value should also consider anticipated future oil and gas prices, interest rates, changes in development and production costs and risks associated with future production. Because of these and other considerations, any estimate of fair value is necessarily subjective and imprecise.

18

489

	For the years ended December 31,		
	2000	1999	1998
	(in thousands)		
Oil and gas producing activities:			
Future cash inflows	\$ 45,297	\$ 30,875	\$ 6,111
Future production costs	(24,465)	(18,195)	(4,514)
	20,832	12,680	1,597
10% annual discount factor	(10,596)	(6,020)	(598)
	\$ 10,236	\$ 6,660	\$ 999
	\$ 10,236	\$ 6,660	\$ 999

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	For the years ended December 31,		
	2000	1999	1998
	(in thousands)		
Oil and Gas Producing Activities:			
Oil and gas sales, net of production costs	\$ (1,411)	\$ (560)	\$ (259)
Net changes in prices and production costs	3,988	2,450	(2,438)
Revisions of previous quantity estimates	1,037	4,939	(555)
Accretion of discount	666	100	406
Changes in production rates, timing and other	(704)	(1,268)	(211)
Change in present value of future net revenues	3,576	5,661	(3,057)
Balance, beginning of year	6,660	999	4,056
Balance, end of year	\$ 10,236	\$ 6,660	\$ 999

NOTE 8. MAJOR CUSTOMERS

The following table reflects the major customers of the Partnership's oil and gas sales (a major customer is defined as a customer whose sales exceed 10% of total sales) during the years ended December 31:

	2000	1999	1998
Plains Marketing, L.P.	35%	33%	-
TEPPCO Crude Oil LLC	17%	18%	-
Genesis Crude Oil, L.P.	-	-	53%
NGTS LLC	10%	7%	-
Western Gas Resources, Inc.	3%	7%	29%

At December 31, 2000, the amounts receivable from Plains Marketing, L.P., TEPPCO Crude Oil LLC and NGTS LLC were \$43,117, \$76,863 and \$693, respectively, which are included in the caption "Accounts receivable - oil and gas sales" in the accompanying Balance Sheet.

Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on the ability of the Partnership to sell its oil, NGLs and gas production.

NOTE 9. PARTNERSHIP AGREEMENT

The following is a brief summary of the more significant provisions of the limited partnership agreement:

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

General partners - The general partners of the Partnership are Pioneer USA and EMPL. Pioneer USA, the managing general partner, has the power and authority to manage, control and administer all Partnership affairs. As managing general partner and operator of the Partnership's properties, all production expenses are incurred by Pioneer USA and billed to the Partnership. The majority of the Partnership's oil and gas revenues are received directly by the Partnership, however, a portion of the oil and gas revenue is initially received by Pioneer USA prior to being paid to the Partnership.

19

490

Limited partner liability - The maximum amount of liability of any limited partner is the total contributions of such partner plus his share of any undistributed profits.

Initial capital contributions - The limited partners entered into subscription agreements for aggregate capital contributions of \$19,435,000. The general partners are required to contribute amounts equal to 10% of Partnership expenditures for lease acquisition, drilling and completion and 25% of direct, general and administrative and operating expenses.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

20

491

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE PARTNERSHIP

The Partnership does not have any officers or directors. Under the limited partnership agreement, the Partnership's managing general partner, Pioneer USA, is granted the exclusive right and full authority to manage, control and administer the Partnership's business.

Set forth below are the names, ages and positions of the directors and executive officers of Pioneer USA. Directors of Pioneer USA are elected to serve until the next annual meeting of stockholders or until their successors are elected and qualified.

Name	Age at December 31, 2000	Position
----	----	-----
Scott D. Sheffield	48	President
Timothy L. Dove	44	Executive Vice President, Chief

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

		Financial Officer and Director
Dennis E. Fagerstone	51	Executive Vice President and Director
Mark L. Withrow	53	Executive Vice President, General Counsel and Director
Danny Kellum	46	Executive Vice President - Domestic Operations and Director
Rich Dealy	34	Vice President and Chief Accounting Officer

Scott D. Sheffield. Mr. Sheffield is a graduate of The University of Texas with a B.S. in Petroleum Engineering. Since August 1997, he has served as President, Chief Executive Officer and a director of Pioneer and President of Pioneer USA. Mr. Sheffield assumed the position of Chairman of the Board of Pioneer in August 1999. He served as a director of Pioneer USA from August 1997 until his resignation from the board in June 1999. Mr. Sheffield was the President and a director of Parker & Parsley Petroleum Company ("Parker & Parsley") from May 1990 until August 1997 and was the Chairman of the Board and Chief Executive Officer of Parker & Parsley from October 1990 until August 1997. He was the sole director of Parker & Parsley from May 1990 until October 1990. Mr. Sheffield joined Parker & Parsley Development Company ("PPDC"), a predecessor of Parker & Parsley, as a petroleum engineer in 1979. He served as Vice President - Engineering of PPDC from September 1981 until April 1985 when he was elected President and a director. In March 1989, Mr. Sheffield was elected Chairman of the Board and Chief Executive Officer of PPDC. Before joining PPDC's predecessor, Mr. Sheffield was employed as a production and reservoir engineer for Amoco Production Company.

Timothy L. Dove. Mr. Dove earned a B.S. in Mechanical Engineering from Massachusetts Institute of Technology in 1979 and received his M.B.A. in 1981 from the University of Chicago. He became Executive Vice President - Business Development of Pioneer and Pioneer USA in August 1997 and was also appointed a director of Pioneer USA in August 1997. Mr. Dove assumed the position of Chief Financial Officer of Pioneer and Pioneer USA effective February 1, 2000. Mr. Dove joined Parker & Parsley in May 1994 as Vice President - International and was promoted to Senior Vice President - Business Development in October 1996, in which position he served until August 1997. Prior to joining Parker & Parsley, Mr. Dove was employed with Diamond Shamrock Corp., and its successor, Maxus Energy Corp, in various capacities in international exploration and production, marketing, refining and marketing and planning and development.

Dennis E. Fagerstone. Mr. Fagerstone, a graduate of the Colorado School of Mines with a B.S. in Petroleum Engineering, became an Executive Vice President of Pioneer and Pioneer USA in August 1997. He was also appointed a director of Pioneer USA in August 1997. He served as Executive Vice President and Chief Operating Officer of MESA Inc. ("Mesa") from March 1, 1997 until August 1997. From October 1996 to February 1997, Mr. Fagerstone served as Senior Vice President and Chief Operating Officer of Mesa and from May 1991 to October 1996, he served as Vice President - Exploration and Production of Mesa. From June 1988 to May 1991, Mr. Fagerstone served as Vice President - Operations of Mesa.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Mark L. Withrow. Mr. Withrow, a graduate of Abilene Christian University with a B. S. in Accounting and Texas Tech University with a Juris Doctorate degree, became Executive Vice President, General Counsel and Secretary of Pioneer and Pioneer USA in August 1997. He was also appointed a director of Parker & Parsley from January 1991, when he joined Parker & Parsley, to January 1995, when he was appointed Senior Vice President - General Counsel. He was Parker & Parsley's Secretary from August 1992 until August 1997. Prior to joining Parker & Parsley, Mr. Withrow was the managing partner of the law firm of Turpin, Smith, Dyer, Saxe & MacDonald, Midland, Texas.

Danny Kellum. Mr. Kellum, who received a Bachelor of Science degree in Petroleum Engineering from Texas Tech University in 1979, was elected Executive Vice President - Domestic Operations of Pioneer and Pioneer USA on May 18, 2000 and Director of Pioneer USA on February 1, 2000. From January 2000 until May 2000, Mr. Kellum served as Vice President - Domestic Operations of Pioneer and Pioneer USA. Mr. Kellum served as Vice President Permian Division of Pioneer and Pioneer USA from April 1998 until December 1999. From 1989 until 1994 he served as Spraberry District Manager and as Vice President of the Spraberry and Permian Division for Parker & Parsley until August of 1997. Mr. Kellum joined Parker & Parsley as an operations engineer in 1981 after a brief career with Mobil Oil Corporation.

Rich Dealy. Mr. Dealy is a graduate of Eastern New Mexico University with a B.B.A. in Accounting and Finance and is a Certified Public Accountant. He became Vice President and Chief Accounting Officer of Pioneer and Pioneer USA in February 1998. Mr. Dealy served as Controller of Pioneer USA from August 1997 to February 1998. He served as Controller of Parker & Parsley from August 1995 to August 1997. Mr. Dealy joined Parker & Parsley as an Accounting Manager in July, 1992. He was previously employed with KPMG Peat Marwick as an Audit Senior, in charge of Parker & Parsley's audit.

22

493

ITEM 11. EXECUTIVE COMPENSATION

The Partnership does not have any directors or officers. Management of the Partnership is performed by Pioneer USA, the managing general partner. Under the Partnership agreement, Pioneer USA pays 8% of the Partnership's acquisition, drilling and completion costs and 20% of its operating and general and administrative expenses. In return, Pioneer USA is allocated 20% of the Partnership's revenues.

EMPL is a co-general partner of the Partnership. Under this arrangement, EMPL pays 2% of the Partnership's acquisition, drilling and completion costs and 5% of its operating and general and administrative expenses. In return, EMPL is allocated 5% of the Partnership's revenues. EMPL does not receive any fees or reimbursements from the Partnership.

The Partnership does not directly pay any salaries of the executive officers of Pioneer USA, but does pay a portion of Pioneer USA's general and administrative expenses of which these salaries are a part.

See Notes 6 and 9 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" for information regarding fees and reimbursements paid to the managing general partner by the Partnership.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

(a) Beneficial owners of more than five percent

The Partnership is not aware of any person who beneficially owns 5% or more of the outstanding limited partnership interests of the Partnership. Pioneer USA and EMPL respectively own 80% and 20% of the general partners' interests in the Partnership. Pioneer USA owned 419 limited partner interests at January 1, 2001.

(b) Security ownership of management

The Partnership does not have any officers or directors. The managing general partner of the Partnership, Pioneer USA, has the exclusive right and full authority to manage, control and administer the Partnership's business. Under the limited partnership agreement, limited partners holding a majority of the outstanding limited partnership interests have the right to take certain actions, including the removal of the managing general partner or any other general partner. The Partnership is not aware of any current arrangement or activity which may lead to such removal. The Partnership is not aware of any officer or director of Pioneer USA who beneficially owns limited partnership interests in the Partnership.

23

494

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Transactions with the managing general partner

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

	2000 -----	1999 -----	1998 -----
Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$410,572	\$395,016	\$382,325
Reimbursement of general and administrative expenses	\$ 70,448	\$ 42,581	\$ 33,724

Under the limited partnership agreement, the general partners, Pioneer USA and EMPL, together pay 10% of the Partnership's acquisition, drilling and completion costs and 25% of its operating and general and administrative expenses. In return, they are allocated 25% of the Partnership's revenues. Twenty percent of the general partners' share of costs and revenues is allocated to EMPL and the remainder is allocated to Pioneer USA. Certain former s of Pioneer USA are limited partners of EMPL. Also, see Notes 6 and 9 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data", regarding the Partnership's participation with the managing general partner in oil and gas activities of the Partnership.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) 1. Financial statements

The following are filed as part of this Report:

Independent Auditors' Report

Balance sheets as of December 31, 2000 and 1999

Statements of operations for the years ended December 31, 2000,
1999 and 1998

Statements of partners' capital for the years ended December 31,
2000, 1999 and 1998

Statements of cash flows for the years ended December 31, 2000,
1999 and 1998

Notes to financial statements

2. Financial statement schedules

All financial statement schedules have been omitted since the
required information is in the financial statements or notes thereto,
or is not applicable nor required.

(b) Reports on Form 8-K

None.

(c) Exhibits

The exhibits listed on the accompanying index to exhibits are filed or
incorporated by reference as part of this Report.

S I G N A T U R E S

Pursuant to the requirements of the Securities Exchange Act of 1934, the
Registrant has duly caused this Report to be signed on its behalf by the
undersigned, thereunto duly authorized.

PARKER & PARSLEY 84-A, LTD.

Dated: March 23, 2001

By: Pioneer Natural Resources USA, Inc.
Managing General Partner

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

By: /s/ Scott D. Sheffield

 Scott D. Sheffield, President

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

/s/ Scott D. Sheffield ----- Scott D. Sheffield	President of Pioneer USA	March 23, 2001
/s/ Timothy L. Dove ----- Timothy L. Dove	Executive Vice President, Chief Financial Officer and Director of Pioneer USA	March 23, 2001
/s/ Dennis E. Fagerstone ----- Dennis E. Fagerstone	Executive Vice President and Director of Pioneer USA	March 23, 2001
/s/ Mark L. Withrow ----- Mark L. Withrow	Executive Vice President, General Counsel and Director of Pioneer USA	March 23, 2001
/s/ Danny Kellum ----- Danny Kellum	Executive Vice President - Domestic Operations and Director of Pioneer USA	March 23, 2001
/s/ Rich Dealy ----- Rich Dealy	Vice President and Chief Accounting Officer of Pioneer USA	March 23, 2001

497

PARKER & PARSLEY 84-A, LTD.

INDEX TO EXHIBITS

The following documents are incorporated by reference in response to Item 14(c):

Exhibit No. -----	Description -----	Page ----
3.1	Agreement of limited partnership of Parker & Parsley 84-A, Ltd. incorporated by reference	-

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	to Exhibit 4(e) of Partnership's Registration Statement on Form S-1 (Registration No. 2-90417), as amended on May 24, 1984, the effective date thereof (hereinafter called, the Partnership's Registration Statement)	
3.2	Amended and Restated Certificate of Limited Partnership of Parker & Parsley 84-A, Ltd. incorporated by reference to Exhibit 3.2 of the Partnership's Annual Report on Form 10-K for the period from July 6, 1984 (date of organization) through December 31, 1984	-
4.1	Form of Subscription Agreement and Power of Attorney incorporated by reference to Exhibit 4(b) of the Partnership's Registration Statement	-
4.2	Specimen Certificate of Limited Partnership Interest incorporated by reference to Exhibit 4(d) of the Partnership's Registration Statement	-

498

PARKER & PARSLEY 84-A, LTD.

SELECTED FINANCIAL DATA

The following selected financial data for the Partnership should be read in connection with Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements included in the attached supplemental information.

	Six months ended June 30,		Years ended December 31,		
	2001	2000	2000	1999	1998
Operating results:					
Oil and gas sales	\$1,110,822	\$1,082,369	\$2,348,261	\$1,419,376	\$1,124,134
	=====	=====	=====	=====	=====
Impairment of oil and gas properties	\$ --	\$ --	\$ --	\$ --	\$ 425,668
	=====	=====	=====	=====	=====

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Gain on litigation settlement, net	\$ --	\$ --	\$ --	\$ --	\$ --
Net income (loss)	\$ 514,232	\$ 531,630	\$1,240,674	\$ 340,062	\$ (923,346)
Allocation of net income (loss):					
General partners	\$ 137,658	\$ 142,146	\$ 328,079	\$ 113,550	\$ (56,570)
Limited partners	\$ 376,574	\$ 389,484	\$ 912,595	\$ 226,512	\$ (866,776)
Limited partners' net income (loss) per limited partnership interest	\$ 19.38	\$ 20.04	\$ 46.96	\$ 11.65	\$ (44.60)
Limited partners' cash distributions per limited partnership interest	\$ 14.37	\$ 19.45	\$ 44.87	\$ 15.08	\$ 12.82
As of period ended:					
Total assets	\$2,560,529	\$2,389,514	\$2,409,328	\$2,343,035	\$2,390,810

(a) Including litigation settlement per limited partnership interest of \$42.48 in 1996.

499

PIONEER NATURAL RESOURCES COMPANY
PIONEER NATURAL RESOURCES USA, INC.
5205 NORTH O'CONNOR BLVD., SUITE 1400
IRVING, TEXAS 75039

SUPPLEMENTAL INFORMATION

OF

PARKER & PARSLEY 85-A, LTD., A TEXAS LIMITED PARTNERSHIP

TO

PROXY STATEMENT/PROSPECTUS DATED , 2001

THE DATE OF THIS SUPPLEMENT IS , 2001

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

This document contains important information specific to Parker & Parsley 85-A, Ltd. and supplements the proxy statement/prospectus dated , 2001, of Pioneer Natural Resources Company and Pioneer Natural Resources USA, Inc., by which Pioneer USA is soliciting proxies to be voted at a special meeting of limited partners of the partnership. The purpose of the special meeting is for you to vote upon the merger of the partnership with and into Pioneer USA that, if completed, will result in your receiving common stock of Pioneer Natural Resources Company for your partnership interests.

This document contains the following information concerning Parker & Parsley 85-A, Ltd.:

- o A table containing:
 - the aggregate initial investment by the limited partners
 - the aggregate historical limited partner distributions through July 31, 2001
 - the merger value attributable to partnership interests of limited partners, excluding Pioneer USA
 - the merger value per \$1,000 limited partner investment
 - the merger value per \$1,000 limited partner investment as a multiple of distributions for the past four quarterly distributions including the distribution in July 2001
 - the book value per \$1,000 limited partner investment as of June 30, 2001 and as of December 31, 2000
 - the going concern value per \$1,000 limited partner investment
 - the liquidation value per \$1,000 limited partner investment
 - the ordinary tax loss per \$1,000 limited partner investment in year of initial investment
- o Information about:
 - the legal opinion for the limited partners
 - the term of the partnership
- o The partnership's quarterly report on Form 10-Q, including management's discussion and analysis of financial condition and results of operations, for the six months ended June 30, 2001
- o The partnership's annual report on Form 10-K, including management's discussion and analysis of financial condition and results of operations, for the year ended December 31, 2000
- o Selected historical financial data for the partnership for the six months ended June 30, 2001 and 2000 and the five years ended December 31, 2000

500

PARKER & PARSLEY 85-A LTD.

SUPPLEMENTAL INFORMATION TABLE

Aggregate Initial Investment by the Limited Partners (a)	\$
Aggregate Historical Limited Partner Distributions through July 31, 2001 (a)	\$
Merger Value Attributable to Partnership Interests of Limited Partners, Excluding Pioneer USA (a), (b)	\$
Merger Value per \$1,000 Limited Partner Investment (b), (c)	\$
Merger Value per \$1,000 Limited Partner Investment as a Multiple of Distributions for the past four quarterly distributions including the distribution in July 2001 (b) (c)	
Book Value per \$1,000 Limited Partner Investment:	
-- as of June 30, 2001 (c)	\$
-- as of December 31, 2000 (c)	\$
Going Concern Value per \$1,000 Limited Partner Investment (c), (d)	\$
Liquidation Value per \$1,000 Limited Partner Investment (c), (e)	\$
Ordinary Tax Loss per \$1,000 Limited Partner Investment in Year of Initial Investment (c), (f)	\$

(a) Stated in thousands.

(b) The merger value for the partnership is equal to the sum of the present value of estimated future net revenues from the partnership's estimated oil and gas reserves and its net working capital, in each case as of March 31, 2001, less its pro rata share, based on its reserve value, of the estimated expenses and fees of the mergers of all of the partnerships and less the cash distribution on July 13, 2001, by the partnership to its partners.

(c) Interests in some partnerships were sold in units at prices other than \$1,000. We have presented this information based on a \$1,000 initial investment for ease of use and comparison among partnerships. You should not assume that the amount shown per \$1,000 investment is the same as the value or amount attributable to a single unit investment.

(d) The going concern value for the partnership is based upon: (1) the sum of (A) the estimated net cash flow from the sale of the partnership's reserves during a 10-year operating period and (B) the estimated residual value from the sale of the partnership's remaining reserves at the end of the operating period, in each case using the same pricing and discount rate as

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

in the merger value calculation, less (2) (A) partnership level general and administrative expenses, and (B) the cash distribution on July 13, 2001 by the partnership to its partners.

- (e) The liquidation value for the partnership is based upon the sale of the partnership's reserves at the reserve value, less (1) liquidation expenses which are estimated to be the sum of (A) the partnership's pro rata share of the merger expenses and fees described in footnote (b) above and (B) 3% of the partnership's reserve value, and (2) the cash distribution on July 13, 2001 by the partnership to its partners. The liquidation expenses represent the estimated costs to retain an investment banker or broker to sell the assets of the partnership and the legal and other closing costs associated with such transaction, including the wind-down costs of the partnership.
- (f) Your ability to use your distributive share of the partnership's loss to offset your other income may have been subject to certain limitations at your level as a partner, and you may therefore wish to consult your tax advisor to determine the additional value, if any, actually realized by you in your particular circumstances.

INFORMATION ABOUT THE LEGAL OPINION FOR THE LIMITED PARTNERS

The partnership agreement for the partnership requires that special legal counsel render an opinion on behalf of the limited partners to Pioneer USA that (1) neither the grant nor the exercise of the right to approve the merger of the partnership by its limited partners will adversely affect the federal income tax classification of the partnership or any of its limited partners; and (2) neither the grant nor exercise of such right will result in the loss of any limited partner's limited liability. In addition, the counsel designated to render the opinion must be counsel other than counsel to Pioneer USA or the partnership. Both the designated counsel and the legal opinion must be approved by the limited partners. Pioneer USA has retained _____ of Dallas, Texas for the purpose of rendering this legal opinion on behalf of the limited partners to Pioneer USA. The merger proposals include an approval of that counsel and the form of its opinion. A copy of the opinion is attached as an exhibit to the merger proposals.

INFORMATION ABOUT THE TERM OF THE PARTNERSHIP

The term of the partnership is until December 31, 2035, unless the partnership is earlier terminated in accordance with the applicable provisions of its partnership agreement.

-2-

501

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 2001

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Commission File No. 2-99079A

PARKER & PARSLEY 85-A, LTD.
 (Exact name of Registrant as specified in its charter)

Texas	75-2064518
-----	-----
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
5205 N. O'Connor Blvd., Suite 1400, Irving, Texas	75039
-----	-----
(Address of principal executive offices)	(Zip code)

Registrant's Telephone Number, including area code : (972) 444-9001

Not applicable
 (Former name, former address and former fiscal year,
 if changed since last report)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes / x / No / /

502

PARKER & PARSLEY 85-A, LTD.

TABLE OF CONTENTS

	Page
Part I. Financial Information	
Item 1. Financial Statements	
Balance Sheets as of June 30, 2001 and December 31, 2000.....	3
Statements of Operations for the three and six months ended June 30, 2001 and 2000.....	4
Statement of Partners' Capital for the six months	

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	ended June 30, 2001.....	5
	Statements of Cash Flows for the six months ended June 30, 2001 and 2000.....	6
	Notes to Financial Statements.....	7
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations.....	7
Part II. Other Information		
Item 6.	Exhibits and Reports on Form 8-K.....	11
	Signatures.....	12

2

503

PARKER & PARSLEY 85-A, LTD.
(A Texas Limited Partnership)

Part I. Financial Information

Item 1. Financial Statements

BALANCE SHEETS

	June 30, 2001 ----- (Unaudited)	December 31, 2000 -----
ASSETS		
Current assets:		
Cash	\$ 163,158	\$ 72,868
Accounts receivable - oil and gas sales	72,982	103,810
	-----	-----
Total current assets	236,140	176,678
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	7,402,301	7,398,954
Accumulated depletion	(6,889,539)	(6,871,985)
	-----	-----
Net oil and gas properties	512,762	526,969
	-----	-----
	\$ 748,902	\$ 703,647
	=====	=====
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable - affiliate	\$ 18,211	\$ 11,211

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Partners' capital:		
Managing general partner	7,319	6,936
Limited partners (9,613 interests)	723,372	685,500
	-----	-----
	730,691	692,436
	-----	-----
	\$ 748,902	\$ 703,647
	=====	=====

The financial information included as of June 30, 2001 has been prepared by the managing general partner without audit by independent public accountants.

The accompanying notes are an integral part of these financial statements.

3

504

PARKER & PARSLEY 85-A, LTD.
(A Texas Limited Partnership)

STATEMENTS OF OPERATIONS
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2001	2000	2001	2000
	-----	-----	-----	-----
Revenues:				
Oil and gas	\$ 165,950	\$ 174,901	\$ 382,756	\$ 353,329
Interest	1,199	1,518	2,517	2,548
	-----	-----	-----	-----
	167,149	176,419	385,273	355,877
	-----	-----	-----	-----
Costs and expenses:				
Oil and gas production	99,647	76,933	184,949	168,879
General and administrative	4,979	5,247	11,483	10,600
Depletion	9,097	7,115	17,554	15,707
	-----	-----	-----	-----
	113,723	89,295	213,986	195,186
	-----	-----	-----	-----
Net income	\$ 53,426	\$ 87,124	\$ 171,287	\$ 160,691
	=====	=====	=====	=====
Allocation of net income:				
Managing general partner	\$ 534	\$ 871	\$ 1,713	\$ 1,607
	=====	=====	=====	=====
Limited partners	\$ 52,892	\$ 86,253	\$ 169,574	\$ 159,084
	=====	=====	=====	=====
Net income per limited partnership interest	\$ 5.50	\$ 8.97	\$ 17.64	\$ 16.55
	=====	=====	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

The accompanying notes are an integral part of these financial statements.

4

505

PARKER & PARSLEY 85-A, LTD.
(A Texas Limited Partnership)

STATEMENT OF PARTNERS' CAPITAL
(Unaudited)

	Managing general partner -----	Limited partners -----	Total -----
Balance at January 1, 2001	\$ 6,936	\$ 685,500	\$ 692,436
Distributions	(1,330)	(131,702)	(133,032)
Net income	1,713 -----	169,574 -----	171,287 -----
Balance at June 30, 2001	\$ 7,319 =====	\$ 723,372 =====	\$ 730,691 =====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

The accompanying notes are an integral part of these financial statements.

5

506

PARKER & PARSLEY 85-A, LTD.
(A Texas Limited Partnership)

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

STATEMENTS OF CASH FLOWS
(Unaudited)

	Six months ended June 30,	
	2001	2000
Cash flows from operating activities:		
Net income	\$ 171,287	\$ 160,691
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion	17,554	15,707
Changes in assets and liabilities:		
Accounts receivable	30,828	(8,835)
Accounts payable	7,000	4,482
Net cash provided by operating activities	226,669	172,045
Cash flows used in investing activities:		
Additions to oil and gas properties	(3,347)	(3,092)
Cash flows used in financing activities:		
Cash distributions to partners	(133,032)	(178,266)
Net increase (decrease) in cash	90,290	(9,313)
Cash at beginning of period	72,868	73,810
Cash at end of period	\$ 163,158	\$ 64,497

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

The accompanying notes are an integral part of these financial statements.

6

507

PARKER & PARSLEY 85-A, LTD.
(A Texas Limited Partnership)

NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Unaudited)

Note 1. Organization and nature of operations

Parker & Parsley 85-A, Ltd. (the "Partnership") is a limited partnership organized in 1985 under the laws of the State of Texas.

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Note 2. Basis of presentation

In the opinion of management, the unaudited financial statements of the Partnership as of June 30, 2001 and for the three and six months ended June 30, 2001 and 2000 include all adjustments and accruals consisting only of normal recurring accrual adjustments which are necessary for a fair presentation of the results for the interim period. These interim results are not necessarily indicative of results for a full year. Certain reclassifications may have been made to the June 30, 2000 financial statements to conform to the June 30, 2001 financial statement presentations.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in this Form 10-Q pursuant to the rules and regulations of the Securities and Exchange Commission. The financial statements should be read in conjunction with the financial statements and the notes thereto contained in the Partnership's Report on Form 10-K for the year ended December 31, 2000, as filed with the Securities and Exchange Commission, a copy of which is available upon request by writing to Rich Dealy, Vice President and Chief Accounting Officer, 5205 North O'Connor Boulevard, Suite 1400, Irving, Texas 75039-3746.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (1)

Results of Operations

Six months ended June 30, 2001 compared with six months ended June 30, 2000

Revenues:

The Partnership's oil and gas revenues increased 8% to \$382,756 for the six months ended June 30, 2001 as compared to \$353,329 for the same period in 2000. The increase in revenues resulted from higher average prices received for gas and NGLs, offset by a decrease in production and lower average prices received for oil. For the six months ended June 30, 2001, 8,134 barrels of oil, 3,588

7

508

barrels of natural gas liquids ("NGLs") and 21,052 mcf of gas were sold, or 15,231 barrel of oil equivalents ("BOEs"). For the six months ended June 30, 2000, 8,535 barrels of oil, 5,502 barrels of NGLs and 21,614 mcf of gas were sold, or 17,639 BOEs.

The average price received per barrel of oil decreased \$.07 from \$27.78 for the six months ended June 30, 2000 to \$27.71 for the same period in 2001. The average price received per barrel of NGLs increased \$2.89, or 22%, from \$13.12 during the six months ended June 30, 2000 to \$16.01 for the same period in 2001. The average price received per mcf of gas increased 133% from \$2.04 during the six months ended June 30, 2000 to \$4.75 for the same period in 2001. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received during the six months ended June 30, 2001.

Costs and Expenses:

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Total costs and expenses increased to \$213,986 for the six months ended June 30, 2001 as compared to \$195,186 for the same period in 2000, an increase of \$18,800, or 10%. This increase was due to increases in production costs, depletion and general and administrative expenses ("G&A").

Production costs were \$184,949 for the six months ended June 30, 2001 and \$168,879 for the same period in 2000, an increase of \$16,070, or 10%. The increase was primarily due to an increase in workover costs incurred to stimulate well production.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 8% from \$10,600 for the six months ended June 30, 2000 to \$11,483 for the same period in 2001 primarily due to an increase in audit and tax fees.

Depletion was \$17,554 for the six months ended June 30, 2001 as compared to \$15,707 for the same period in 2000, an increase of \$1,847, or 12%. This increase was primarily due to a reduction in proved reserves for the period ended June 30, 2001 as a result of lower commodity prices.

Three months ended June 30, 2001 compared with three months ended June 30, 2000

Revenues:

The Partnership's oil and gas revenues decreased 5% to \$165,950 for the three months ended June 30, 2001, as compared to \$174,901 for the same period in 2000. The decrease in revenues resulted from lower average prices received for oil and NGLs and a decline in production, offset by higher average prices received for gas. For the three months ended June 30, 2001, 4,100 barrels of oil, 1,570 barrels of NGLs and 8,687 mcf of gas were sold, or 7,118 BOEs. For the three months ended June 30, 2000, 4,084 barrels of oil, 2,518 barrels of NGLs and 9,802 mcf of gas were sold, or 8,236 BOEs.

8

509

The average price received per barrel of oil decreased \$1.03, or 4%, from \$28.18 for the three months ended June 30, 2000 to \$27.15 for the same period in 2001. The average price received per barrel of NGLs decreased \$.40, or 3%, from \$14.26 during the three months ended June 30, 2000 to \$13.86 for the same period in 2001. The average price received per mcf of gas increased 55% from \$2.44 during the three months ended June 30, 2000 to \$3.79 for the same period in 2001.

Costs and Expenses:

Total costs and expenses increased to \$113,723 for the three months ended June 30, 2001 as compared to \$89,295 for the same period in 2000, an increase of \$24,428, or 27%. This increase was due to an increase in production costs and depletion, offset by a decline in G&A.

Production costs were \$99,647 for the three months ended June 30, 2001 and \$76,933 for the same period in 2000, an increase of \$22,714, or 30%. The increase was primarily due to higher workover and well maintenance costs incurred to stimulate well production.

During this period, G&A decreased 5% from \$5,247 for the three months ended June 30, 2000 to \$4,979 for the same period in 2001, primarily due to a decline in

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

audit and tax fees.

Depletion was \$9,097 for the three months ended June 30, 2001 as compared to \$7,115 for the same period in 2000, an increase of \$1,982, or 28%. This increase was primarily due to a reduction in proved reserves for the period ended June 30, 2001 as a result of lower commodity prices.

Liquidity and Capital Resources

Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$54,624 during the six months ended June 30, 2001 from the same period ended June 30, 2000. This increase was primarily due to an increase in oil and gas sales receipts of \$29,396 and a reduction in working capital of \$42,181, offset by increases in production costs of \$16,070 and G&A expenses of \$883. The increase in oil and gas receipts resulted from the increase in gas and NGL prices of \$74,394 during 2001, offset by a decline of \$44,449 in production and a \$549 decline resulting from lower oil prices during 2001 as compared to the same period in 2000. The increase in production costs was primarily due to an increase in workover costs incurred to stimulate well production. The increase in G&A was primarily due to an increase in audit and tax fees.

Net Cash Used in Investing Activities

The Partnership's investing activities during the six months ended June 30, 2001 and 2000 included expenditures related to equipment upgrades on active properties.

Net Cash Used in Financing Activities

For the six months ended June 30, 2001, cash distributions to the partners were \$133,032, of which \$1,330 was distributed to the managing general partner and

9

510

\$131,702 to the limited partners. For the same period ended June 30, 2000, cash distributions to the partners were \$178,266, of which \$1,783 was distributed to the managing general partner and \$176,483 to the limited partners.

For the three months ended June 30, 2001, no distributions were made by the partnership to its partners. Subsequent to June 30, 2001 the cash distribution that otherwise would have been mailed to partners in late June was made to holders of record as of July 9, 2001 and was mailed on July 13, 2001. For further information, see "Proposal to acquire partnerships" below.

Proposal to acquire partnerships

On June 29, 2001, Pioneer Natural Resources Company ("Pioneer") filed with the Securities and Exchange Commission Amendment No. 1 to the Form S-4 Registration Statement (File No. 333-59094) (the "preliminary proxy statement/prospectus"), which proposes an agreement and plan of merger among Pioneer, Pioneer Natural Resources USA, Inc. ("Pioneer USA"), a wholly-owned subsidiary of Pioneer, and 46 Parker & Parsley limited partnerships. Each partnership that approves the agreement and plan of merger and the other related merger proposals will merge with and into Pioneer USA upon the closing of the transactions described in the preliminary proxy statement/prospectus, and the partnership interests of each such partnership will be converted into the right to receive Pioneer common

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

stock. The Partnership is one of the 46 Parker & Parsley limited partnerships that will be asked to approve the agreement and plan of merger. The preliminary proxy statement/prospectus is non-binding and is subject to, among other things, consideration of offers from third parties to purchase any partnership or its assets and the majority approval of the limited partnership interests in each partnership.

Pioneer USA will solicit proxies from limited partners to approve the mergers only when the proxy statement/prospectus is final and declared effective. No solicitation will be made using preliminary materials. Nonetheless, copies of the preliminary proxy statement/prospectus may be obtained without charge upon request from Pioneer Natural Resources Company, 5205 North O'Connor Blvd., Suite 1400, Irving, Texas 75039, Attention: Investor Relations.

The limited partners are urged to read the proxy statement/prospectus of Pioneer filed with the Securities and Exchange Commission, when it is finalized, because it contains important information about the proposed mergers, including information about the direct and indirect interests of Pioneer USA and Pioneer in the mergers. The limited partners may also obtain the preliminary and (when filed) final proxy statement/prospectus and other relevant documents relating to the proposed mergers free through the internet web site that the Securities and Exchange Commission maintains at www.sec.gov.

- (1) "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" contains forward looking statements that involve risks and uncertainties. Accordingly, no assurances can be given that the actual events and results will not be materially different than the anticipated results described in the forward looking statements.

10

511

Part II. Other Information

Item 6. Exhibits and Reports on Form 8-K

- (a) Exhibits - none
- (b) Reports on Form 8-K - none

11

512

PARKER & PARSLEY 85-A, LTD.
(A Texas Limited Partnership)

SIGNATURES

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PARKER & PARSLEY 85-A, LTD.

By: Pioneer Natural Resources USA, Inc.,
Managing General Partner

Dated: August 6, 2001

By: /s/ Rich Dealy

Rich Dealy, Vice President and
Chief Accounting Officer

12

513

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000

COMMISSION FILE NO. 2-99079A

PARKER & PARSLEY 85-A, LTD.
(Exact name of Registrant as specified in its charter)

TEXAS

75-2064518

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification Number)

1400 WILLIAMS SQUARE WEST, 5205 N. O'CONNOR BLVD., IRVING, TEXAS

75039

(Address of principal executive offices)

(Zip code)

Registrant's Telephone Number, including area code : (972) 444-9001

Securities registered pursuant to Section 12(b) of the Act: NONE
Securities registered pursuant to Section 12(g) of the Act:
LIMITED PARTNERSHIP INTERESTS (\$1,000 PER UNIT)

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES / X / NO / /

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. / X /

No market currently exists for the limited partnership interests of the Registrant. Based on the original purchase price, the aggregate market value of limited partnership interests owned by non-affiliates of the Registrant is \$9,426,000.

As of March 8, 2001, the number of outstanding limited partnership interests was 9,613.

The following documents are incorporated by reference into the indicated parts of this Annual Report on Form 10-K: None

PARTS I AND II OF THIS ANNUAL REPORT ON FORM 10-K (THE "REPORT") CONTAIN FORWARD LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. ACCORDINGLY, NO ASSURANCES CAN BE GIVEN THAT THE ACTUAL EVENTS AND RESULTS WILL NOT BE MATERIALLY DIFFERENT THAN THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS. SEE "ITEM 1. BUSINESS" FOR A DESCRIPTION OF VARIOUS FACTORS THAT COULD MATERIALLY AFFECT THE ABILITY OF THE PARTNERSHIP TO ACHIEVE THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS.

514

PART I

ITEM 1. BUSINESS

Parker & Parsley 85-A, Ltd. (the "Partnership") is a limited partnership organized in 1985 under the laws of the State of Texas. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA"). Pioneer USA is a wholly-owned subsidiary of Pioneer Natural Resources Company ("Pioneer"). As of March 8, 2001, the Partnership had 9,613 limited partnership interests outstanding.

The Partnership does not have any employees of its own. Pioneer USA employs 701 persons, many of whom dedicated a part of their time to the conduct of the Partnership's business during the period for which this Report is filed. Pioneer USA is responsible for all management functions.

The Partnership engages in oil and gas development and production and is not involved in any industry segment other than oil and gas. The Partnership's production is geographically concentrated in West Texas.

The principal markets during 2000 for the oil produced by the Partnership were refineries and oil transmission companies that have facilities near the Partnership's oil producing properties. During 2000, Pioneer USA marketed the

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Partnership's gas to a variety of purchasers. Of the Partnership's total oil and gas revenues for 2000, approximately 57% was attributable to sales made to Plains Marketing, L.P. Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on its ability to sell its oil, natural gas liquids ("NGLs") and gas production.

The Partnership's revenues, profitability, cash flow and future rate of growth are highly dependent on the prevailing prices of oil and gas, which are affected by numerous factors beyond the Partnership's control. Oil and gas prices historically have been very volatile. A substantial or extended decline in the prices of oil or gas could have a material adverse effect on the Partnership's revenues, profitability and cash flow and could, under certain circumstances, result in a reduction in the carrying value of the Partnership's oil and gas properties.

Oil and gas production operations are subject to various types of regulations by local, state and federal agencies. The Partnership's operations are also subject to state conservation laws and regulations, including the establishment of maximum rates of production from wells and the regulation of spacing, plugging and abandonment of wells. Each state generally imposes a production or severance tax with respect to production and sale of oil and gas within their respective jurisdictions. Noncompliance with the laws and regulations may subject the Partnership to penalties, damages or other liabilities and compliance may increase the cost of the Partnership's operations.

The oil and gas business is also subject to environmental hazards such as oil spills, gas leaks and ruptures and discharges of toxic substances or gases that could expose the Partnership to substantial liability due to pollution and other environmental damages. Although the Partnership believes that its business operations do not impair environmental quality and that its costs of complying with any

applicable environmental regulations are not currently significant, the Partnership cannot predict what, if any, effect these environmental regulations may have on its current or future operations.

Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves.

No material part of the Partnership's business is seasonal and the Partnership conducts no foreign operations.

ITEM 2. PROPERTIES

The Partnership's properties consist of leasehold interests in properties on which oil and gas wells are located. Such property interests are often subject to landowner royalties, overriding royalties and other oil and gas leasehold interests.

Fractional working interests in developmental oil and gas prospects located primarily in the Spraberry Trend Area of West Texas were acquired by the Partnership, resulting in the Partnership's participation in the drilling of 25

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

productive oil and gas wells. At December 31, 2000, 21 wells were producing with four wells sold during 1996.

For information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities for the years then ended, see Note 7 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" below. Such reserves have been evaluated by Williamson Petroleum Consultants, Inc., an independent petroleum consultant.

ITEM 3. LEGAL PROCEEDINGS

The Partnership from time to time is a party to various legal proceedings incidental to its business involving claims in oil and gas leases or interests, other claims for damages in amounts not in excess of 10% of its current assets and other matters, none of which Pioneer USA believes to be material to the Partnership.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of the partners during the fourth quarter 2000.

3

516

PART II

ITEM 5. MARKET FOR LIMITED PARTNERSHIP INTERESTS AND LIMITED PARTNERSHIP DISTRIBUTIONS

At March 8, 2001, the Partnership had 9,613 outstanding limited partnership interests held of record by 820 subscribers. There is no established public trading market for the limited partnership interests. Under the limited partnership agreement, Pioneer USA has made certain commitments to purchase partnership interests at a computed value.

Revenues which, in the sole judgement of the managing general partner, are not required to meet the Partnership's obligations are distributed to the partners at least quarterly in accordance with the limited partnership agreement. During the years ended December 31, 2000 and 1999, distributions of \$372,121 and \$161,988 respectively, were made to the limited partners.

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth selected financial data for the years ended December 31:

	2000	1999	1998	1 997
	-----	-----	-----	-----
Operating results:				

Oil and gas sales	\$ 757,929	\$ 526,325	\$ 371,098	\$ 548,786
	=====	=====	=====	=====
Impairment of oil and				

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

gas properties	\$ --	\$ --	\$ 22,031	\$ 270,187
	=====	=====	=====	=====
Gain on litigation settlement, net	\$ --	\$ --	\$ --	\$ --
	=====	=====	=====	=====
Net income (loss)	\$ 379,203	\$ 178,927	\$ (274,769)	\$ (158,804)
	=====	=====	=====	=====
Allocation of net income (loss):				
Managing general partner	\$ 3,792	\$ 1,789	\$ (2,747)	\$ (1,588)
	=====	=====	=====	=====
Limited partners	\$ 375,411	\$ 177,138	\$ (272,022)	\$ (157,216)
	=====	=====	=====	=====
Limited partners' net income (loss) per limited partnership interest	\$ 39.05	\$ 18.43	\$ (28.30)	\$ (16.35)
	=====	=====	=====	=====
Limited partners' cash distributions per limited partnership interest	\$ 38.71	\$ 16.85	\$ 9.62	\$ 25.26
	=====	=====	=====	=====
At year end:				

Identifiable assets	\$ 703,647	\$ 702,600	\$ 684,133	\$ 1,059,494
	=====	=====	=====	=====

(a) Including litigation settlement per limited partnership interest of \$3.37 in 1996.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of operations

2000 compared to 1999

The Partnership's oil and gas revenues increased 44% to \$757,929 for 2000 as compared to \$526,325 in 1999. The increase in revenues resulted from higher average prices received, offset by a decline in production from 1999 to 2000. In 2000, 16,975 barrels of oil, 10,483 barrels of natural gas liquids ("NGLs") and 41,549 mcf of gas were sold, or 34,383 barrel of oil equivalents ("BOEs"). In 1999, 17,451 barrels of oil, 13,795 barrels of NGLs and 55,226 mcf of gas were sold, or 40,450 BOEs. Due to the decline characteristics of the Partnership's oil and gas properties, management expects a certain amount of decline in production in the future until the Partnership's economically recoverable

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

reserves are fully depleted.

The average price received per barrel of oil increased \$12.27, or 72%, from \$17.11 in 1999 to \$29.38 in 2000. The average price received per barrel of NGLs increased \$4.49, or 46%, from \$9.71 in 1999 to \$14.20 in 2000. The average price received per mcf of gas increased 56% from \$1.70 in 1999 to \$2.66 in 2000. The market price received for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received in 2000.

Total costs and expenses increased in 2000 to \$386,863 as compared to \$350,830 in 1999, an increase of \$36,033, or 10%. The increase was primarily due to increases in production costs and general and administrative expenses ("G&A"), offset by a decline in depletion.

Production costs were \$331,978 in 2000 and \$284,086 in 1999, resulting in an increase of \$47,892, or 17%. The increase was primarily due to additional well maintenance costs incurred to stimulate well production and higher production taxes associated with higher oil and gas prices.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 44% from \$15,790 in 1999 to \$22,738 in 2000 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$19,018 in 2000 and \$9,794 in 1999 for G&A incurred on behalf of the Partnership. The remaining G&A was paid directly by the Partnership. The managing general partner determines the allocated expenses based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Depletion was \$32,147 in 2000 as compared to \$50,954 in 1999, representing a decrease of \$18,807, or 37%. This decrease was primarily due to a 17,541 barrels of oil increase in proved reserves during 2000 as a result of higher commodity prices.

1999 compared to 1998

5

518

The Partnership's 1999 oil and gas revenues increased 42% to \$526,325 from \$371,098 in 1998. The increase in revenues resulted from higher average prices received and an increase in production from 1998 to 1999. In 1999, 17,451 barrels of oil, 13,795 barrels of NGLs and 55,226 mcf of gas were sold, or 40,450 BOEs. In 1998, 18,178 barrels of oil, 9,630 barrels of NGLs and 43,021 mcf of gas were sold, or 34,978 BOEs.

The average price received per barrel of oil increased \$3.84, or 29%, from \$13.27 in 1998 to \$17.11 in 1999. The average price received per barrel of NGLs increased \$3.20, or 49%, from \$6.51 in 1998 to \$9.71 in 1999. The average price received per mcf of gas increased 9% from \$1.56 in 1998 to \$1.70 in 1999.

Total costs and expenses decreased in 1999 to \$350,830 as compared to \$649,476 in 1998, a decrease of \$298,646, or 46%. The decrease was primarily due to declines in depletion, the impairment of oil and gas properties and production costs, offset by an increase in G&A.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Production costs were \$284,086 in 1999 and \$304,333 in 1998, resulting in a decrease of \$20,247, or 7%. The decrease was the combination of declines in well maintenance costs and ad valorem taxes, offset by an increase in production taxes due to an increase in oil and gas revenues.

During this period, G&A increased 42% from \$11,133 in 1998 to \$15,790 in 1999 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$9,794 in 1999 and \$8,231 in 1998 for G&A incurred on behalf of the Partnership.

In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the managing general partner reviews the Partnership's oil and gas properties for impairment whenever events or circumstances indicate a decline in the recoverability of the carrying value of the Partnership's assets may have occurred. As a result of the review and evaluation of its long-lived assets for impairment, the Partnership recognized a non-cash charge of \$22,031 related to its oil and gas properties during 1998.

Depletion was \$50,954 in 1999 compared to \$311,979 in 1998. This represented a decrease of \$261,025, or 84%. This decrease was primarily due to an increase in proved reserves of 182,664 barrels of oil during 1999 as a result of higher commodity prices and a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 1998.

Petroleum industry

The petroleum industry has been characterized by volatile oil, NGL and natural gas commodity prices and relatively stable supplier costs during the three years ended December 31, 2000. During 1998, weather patterns, regional economic recessions and political matters combined to cause worldwide oil supplies to exceed demand resulting in a substantial decline in oil prices. Also during 1998, but to a lesser extent, market prices for natural gas declined. During 1999 and 2000, the Organization of Petroleum Exporting Countries ("OPEC") and certain other crude oil exporting nations announced reductions in their planned export volumes. Those announcements, together with the enactment of the announced reductions in export volumes, had a positive impact on world oil prices, as have overall natural gas supply and demand fundamentals on North American natural gas

6

519

prices. Although the favorable commodity price environment and stable field service cost environment is expected to continue during 2001, there is no assurance that commodity prices will not return to a less favorable level or that field service costs will not escalate in the future, both of which could negatively impact the Partnership's future results of operations and cash distributions.

Liquidity and capital resources

Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$172,932 during the year ended December 31, 2000 from 1999. This increase was due to an increase in oil and gas sales receipts of \$234,104, offset by increases in production costs paid of \$47,892, G&A expenses paid of \$6,948 and working capital of \$6,332. The increase in oil and gas receipts resulted from the increase in commodity prices

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

during 2000 which contributed an additional \$331,444 to oil and gas receipts, offset by \$97,340 resulting from the decline in production during 2000. The increase in production costs was primarily due to increased production taxes associated with higher oil and gas prices and well maintenance costs incurred to stimulate well production. The increase in G&A was primarily due to higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues.

Net Cash Used in Investing Activities

The Partnership's investing activities during 2000 and 1999 were related to expenditures for equipment upgrades on various oil and gas properties.

Proceeds from asset dispositions of \$2,454 and \$279 were recognized in 2000 and 1999, respectively. Proceeds during 2000 of \$2,205 were from salvage income received on one fully depleted well and \$249 from equipment credits received on an active property. Proceeds during 1999 of \$279 were from equipment credits received on active properties.

Net Cash Used in Financing Activities

In 2000, cash distributions to the partners were \$375,880, of which \$3,759 was distributed to the managing general partner and \$372,121 to the limited partners. In 1999, cash distributions to the partners were \$163,624, of which \$1,636 was distributed to the managing general partner and \$161,988 to the limited partners.

7

520

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO FINANCIAL STATEMENTS

	Page
Financial Statements of Parker & Parsley 85-A, Ltd:	
Independent Auditors' Report.....	9
Balance Sheets as of December 31, 2000 and 1999.....	10
Statements of Operations for the Years Ended December 31, 2000, 1999 and 1998.....	11
Statements of Partners' Capital for the Years Ended December 31, 2000, 1999 and 1998.....	12
Statements of Cash Flows for the Years Ended December 31, 2000, 1999 and 1998.....	13
Notes to Financial Statements.....	14

8

521

INDEPENDENT AUDITORS' REPORT

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The Partners
Parker & Parsley 85-A, Ltd.
(A Texas Limited Partnership):

We have audited the balance sheets of Parker & Parsley 85-A, Ltd. as of December 31, 2000 and 1999, and the related statements of income, partners' capital and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parker & Parsley 85-A, Ltd. as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Dallas, Texas
March 9, 2001

9

522

PARKER & PARSLEY 85-A, LTD.
(A Texas Limited Partnership)

BALANCE SHEETS
December 31

	2000	1999
	-----	-----
ASSETS		

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Current assets:		
Cash	\$ 72,868	\$ 73,810
Accounts receivable - oil and gas sales	103,810	72,517
	-----	-----
Total current assets	176,678	146,327
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	7,398,954	7,396,111
Accumulated depletion	(6,871,985)	(6,839,838)
	-----	-----
Net oil and gas properties	526,969	556,273
	-----	-----
	\$ 703,647	\$ 702,600
	=====	=====
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable - affiliate	\$ 11,211	\$ 13,487
Partners' capital:		
Managing general partner	6,936	6,903
Limited partners (9,613 interests)	685,500	682,210
	-----	-----
	692,436	689,113
	\$ 703,647	\$ 702,600
	=====	=====

The accompanying notes are an integral part of these financial statements.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

STATEMENTS OF OPERATIONS
For the years ended December 31

	2000	1999	1998
	-----	-----	-----
Revenues:			
Oil and gas	\$ 757,929	\$ 526,325	\$ 371,098
Interest	5,932	3,432	3,609
Gain on disposition of assets	2,205	-	-
	-----	-----	-----
	766,066	529,757	374,707
	-----	-----	-----
Costs and expenses:			
Oil and gas production	331,978	284,086	304,333
General and administrative	22,738	15,790	11,133
Impairment of oil and gas properties	-	-	22,031
Depletion	32,147	50,954	311,979
	-----	-----	-----
	386,863	350,830	649,476
	-----	-----	-----
Net income (loss)	\$ 379,203	\$ 178,927	\$ (274,769)
	=====	=====	=====
Allocation of net income (loss):			
Managing general partner	\$ 3,792	\$ 1,789	\$ (2,747)
	=====	=====	=====
Limited partners	\$ 375,411	\$ 177,138	\$ (272,022)
	=====	=====	=====
Net income (loss) per limited partnership interest	\$ 39.05	\$ 18.43	\$ (28.30)
	=====	=====	=====

The accompanying notes are an integral part of these financial statements.

PARKER & PARSLEY 85-A, LTD.
(A Texas Limited Partnership)

STATEMENTS OF PARTNERS' CAPITAL

	Managing general partner	Limited partners	Total
	-----	-----	-----
Partners' capital at January 1, 1998	\$ 10,430	\$1,031,517	\$1,041,947
Distributions	(933)	(92,435)	(93,368)
Net loss	(2,747)	(272,022)	(274,769)
	-----	-----	-----
Partners' capital at December 31, 1998	6,750	667,060	673,810
Distributions	(1,636)	(161,988)	(163,624)
Net income	1,789	177,138	178,927
	-----	-----	-----
Partners' capital at December 31, 1999	6,903	682,210	689,113
Distributions	(3,759)	(372,121)	(375,880)
Net income	3,792	375,411	379,203
	-----	-----	-----
Partners' capital at December 31, 2000	\$ 6,936	\$ 685,500	\$ 692,436
	=====	=====	=====

The accompanying notes are an integral part of these financial statements.

12

525

PARKER & PARSLEY 85-A, LTD.
(A Texas Limited Partnership)

STATEMENTS OF CASH FLOWS
For the years ended December 31

	2000	1999	1998
	-----	-----	-----
Cash flows from operating activities:			
Net income (loss)	\$ 379,203	\$ 178,927	\$ (274,769)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Impairment of oil and gas properties	--	--	22,031
Depletion	32,147	50,954	311,979
Gain on disposition of assets	(2,205)	--	--
Changes in assets and liabilities:			
Accounts receivable	(31,293)	(30,401)	24,699
Accounts payable	(2,276)	3,164	(7,224)
	-----	-----	-----
Net cash provided by operating activities	375,576	202,644	76,716
	-----	-----	-----
Cash flows from investing activities:			
Additions to oil and gas properties	(3,092)	(6,987)	(12,611)
Proceeds from asset dispositions	2,454	279	323
	-----	-----	-----
Net cash used in investing activities	(638)	(6,708)	(12,288)
	-----	-----	-----
Cash flows used in financing activities:			
Cash distributions to partners	(375,880)	(163,624)	(93,368)
	-----	-----	-----
Net increase (decrease) in cash	(942)	32,312	(28,940)
Cash at beginning of year	73,810	41,498	70,438
	-----	-----	-----
Cash at end of year	\$ 72,868	\$ 73,810	\$ 41,498
	=====	=====	=====

The accompanying notes are an integral part of these financial statements.

13

526

PARKER & PARSLEY 85-A, LTD.
(A Texas Limited Partnership)

NOTES TO FINANCIAL STATEMENTS
December 31, 2000, 1999 and 1998

NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS

Parker & Parsley 85-A, Ltd. (the "Partnership") is a limited partnership organized in 1985 under the laws of the State of Texas. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA").

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Oil and gas properties - The Partnership utilizes the successful efforts method of accounting for its oil and gas properties and equipment. Under this method, all costs associated with productive wells and nonproductive development wells are capitalized while nonproductive exploration costs are expensed. Capitalized costs relating to proved properties are depleted using the unit-of-production method on a property-by-property basis based on proved oil (dominant mineral) reserves as evaluated by independent petroleum consultants. The carrying amounts of properties sold or otherwise disposed of and the related allowances for depletion are eliminated from the accounts and any gain or loss is included in results of operations.

Impairment of long-lived assets - In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the Partnership reviews its long-lived assets to be held and used on an individual property basis, including oil and gas properties accounted for under the successful efforts method of accounting, whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. An impairment loss is indicated if the sum of the expected future cash flows is

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

less than the carrying amount of the assets. In this circumstance, the Partnership recognizes an impairment loss for the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset.

Use of estimates in the preparation of financial statements - Preparation of the accompanying financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Net income (loss) per limited partnership interest - The net income (loss) per limited partnership interest is calculated by using the number of outstanding limited partnership interests.

14

527

Income taxes - A Federal income tax provision has not been included in the financial statements as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

Statements of cash flows - For purposes of reporting cash flows, cash includes depository accounts held by banks.

General and administrative expenses - General and administrative expenses are allocated, in part, to the Partnership by the managing general partner. Allocated expenses are determined by the managing general partner based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Reclassifications - Certain reclassifications may have been made to the 1999 and 1998 financial statements to conform to the 2000 financial statement presentations.

Environmental - The Partnership is subject to extensive federal, state and local environmental laws and regulations. These laws, which are constantly changing, regulate the discharge of materials into the environment and may require the Partnership to remove or mitigate the environmental effects of the disposal or release of petroleum or chemical substances at various sites. Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Liabilities for expenditures of a noncapital nature are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated. Such liabilities are generally undiscounted unless the timing of cash payments for the liability or component are fixed or reliably determinable. No such liabilities have been accrued as of December 31, 2000.

Revenue recognition - The Partnership uses the entitlements method of accounting for oil, natural gas liquids ("NGLs") and natural gas revenues.

NOTE 3. IMPAIRMENT OF LONG-LIVED ASSETS

In accordance with SFAS 121, the Partnership reviews its proved oil and gas properties for impairment whenever events and circumstances indicate a decline in the recoverability of the carrying value of the Partnership's oil and

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

gas properties. The Partnership has estimated the expected future cash flows of its oil and gas properties as of December 31, 2000, 1999 and 1998, based on proved reserves, and compared such estimated future cash flows to the respective carrying amount of the oil and gas properties to determine if the carrying amounts were likely to be recoverable. For those proved oil and gas properties for which the carrying amount exceeded the estimated future cash flows, an impairment was determined to exist; therefore, the Partnership adjusted the carrying amount of those oil and gas properties to their fair value as determined by discounting their expected future cash flows at a discount rate commensurate with the risks involved in the industry. As a result, the Partnership recognized a non-cash impairment provision of \$22,031 related to its proved oil and gas properties during 1998.

NOTE 4. INCOME TAXES

15

528

The financial statement basis of the Partnership's net assets and liabilities was \$500,887 less than the tax basis at December 31, 2000.

The following is a reconciliation of net income (loss) per statements of operations with the net income per Federal income tax returns for the years ended December 31:

	2000 -----	1999 -----	1998 -----
Net income (loss) per statements of operations	\$ 379,203	\$ 178,927	\$ (274,769)
Depletion and depreciation provisions for tax reporting purposes less than amounts for financial reporting purposes	26,488	45,239	307,564
Impairment of oil and gas properties for financial reporting purposes	-	-	22,031
Other, net	(713)	(817)	1,515
	-----	-----	-----
Net income per Federal income tax returns	\$ 404,978 =====	\$ 223,349 =====	\$ 56,341 =====

NOTE 5. OIL AND GAS PRODUCING ACTIVITIES

The following is a summary of the costs incurred, whether capitalized or expensed, related to the Partnership's oil and gas producing activities for the years ended December 31:

	2000 -----	1999 -----	1998 -----
Development costs	\$ 3,092 =====	\$ 6,987 =====	\$ 12,611 =====

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Capitalized oil and gas properties consist of the following:

	2000 -----	1999 -----
Proved properties:		
Property acquisition costs	\$ 488,509	\$ 488,509
Completed wells and equipment	6,910,445	6,907,602
	-----	-----
Accumulated depletion	7,398,954 (6,871,985)	7,396,111 (6,839,838)
	-----	-----
Net oil and gas properties	\$ 526,969 =====	\$ 556,273 =====

16

529

NOTE 6. RELATED PARTY TRANSACTIONS

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

	2000 -----	1999 -----	1998 -----
Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$ 157,269	\$ 148,638	\$ 144,020
Reimbursement of general and administrative expenses	\$ 19,018	\$ 9,794	\$ 8,231

The Partnership participates in oil and gas activities through an income tax partnership (the "Program") pursuant to the Program agreement. In addition, Pioneer USA and the Partnership are parties to the Program agreement.

The costs and revenues of the Program are allocated to Pioneer USA and the Partnership as follows:

	Pioneer USA (1) -----	Partnership -----
--	--------------------------	----------------------

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Revenues:		
Proceeds from disposition of depreciable properties	9.09091%	90.90909%
All other revenues	24.242425%	75.757575%
Costs and expenses:		
Lease acquisition costs, drilling and completion costs	9.09091%	90.90909%
Operating costs, direct costs and general and administrative expenses	24.242425%	75.757575%

- (1) Excludes Pioneer USA's 1% general partner ownership which is allocated at the Partnership level and 187 limited partner interests owned by Pioneer USA.

NOTE 7. OIL AND GAS INFORMATION (UNAUDITED)

The following table presents information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities during the years then ended. All of the Partnership's reserves are proved developed and located within the United States. The Partnership's reserves are based on an evaluation prepared by Williamson Petroleum Consultants, Inc., an independent petroleum consultant, using criteria established by the Securities and Exchange Commission.

17

530

	Oil and NGLs (bbls)	Gas (mcf)
	-----	-----
Net proved reserves at January 1, 1998	318,665	423,423
Revisions	(154,837)	(135,041)
Production	(27,808)	(43,021)
	-----	-----
Net proved reserves at December 31, 1998	136,020	245,361
Revisions	304,597	520,701
Production	(31,246)	(55,226)
	-----	-----
Net proved reserves at December 31, 1999	409,371	710,836
Revisions	430	(151,364)
Production	(27,458)	(41,549)
	-----	-----
Net proved reserves at December 31, 2000	382,343	517,923
	=====	=====

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

As of December 31, 2000, the estimated present value of future net revenues of proved reserves, calculated using December 31, 2000 prices of \$26.64 per barrel of oil, \$13.51 per barrel of NGLs and \$7.67 per mcf of gas, discounted at 10% was approximately \$2,812,000 and undiscounted was \$5,248,000.

Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves. The Partnership emphasizes that reserve estimates are inherently imprecise and, accordingly, the estimates are expected to change as future information becomes available.

Disclosures about Oil & Gas Producing Activities

Standardized Measure of Discounted Future Net Cash Flows

The standardized measure of discounted future net cash flows is computed by applying year-end prices of oil and gas (with consideration of price changes only to the extent provided by contractual arrangements) to the estimated future production of proved oil and gas reserves less estimated future expenditures (based on year-end costs) to be incurred in developing and producing the proved reserves, discounted using a rate of 10% per year to reflect the estimated timing of the future cash flows. A Federal income tax provision has not been calculated as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

Discounted future cash flow estimates like those shown below are not intended to represent estimates of the fair value of oil and gas properties. Estimates of fair value should also consider anticipated future oil and gas prices, interest rates, changes in development and production costs and risks associated with future production. Because of these and other considerations, any estimate of fair value is necessarily subjective and imprecise.

18

531

	For the years ended December 31,		
	2000	1999	1998
	(in thousands)		
Oil and gas producing activities:			
Future cash inflows	\$ 12,368	\$ 10,131	\$ 1,487
Future production costs	(7,120)	(6,033)	(1,155)
	5,248	4,098	332
10% annual discount factor	(2,436)	(1,879)	(102)
	-----	-----	-----
Standardized measure of discounted future net cash flows	\$ 2,812	\$ 2,219	\$ 230
	=====	=====	=====

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	For the years ended December 31,		
	2000	1999	1998
	(in, thousands)		
Oil and Gas Producing Activities:			
Oil and gas sales, net of production costs	\$ (426)	\$ (242)	\$ (67)
Net changes in prices and production costs	1,007	705	(709)
Revisions of previous quantity estimates	(150)	2,101	(195)
Accretion of discount	222	22	114
Changes in production rates, timing and other	(60)	(597)	(52)
Change in present value of future net revenues	593	1,989	(909)
Balance, beginning of year	2,219	230	1,139
Balance, end of year	\$ 2,812	\$ 2,219	\$ 230

NOTE 8. MAJOR CUSTOMERS

The following table reflects the major customers of the Partnership's oil and gas sales (a major customer is defined as a customer whose sales exceed 10% of total sales) during the years ended December 31:

	2000	1999	1998
Plains Marketing, L.P.	57%	49%	-
NGTS LLC	9%	10%	3%
Genesis Crude Oil, L.P.	-	-	60%
Western Gas Resources, Inc.	3%	7%	19%

At December 31, 2000, the amount receivable from Plains Marketing, L.P. was \$36,131, which is included in the caption "Accounts receivable - oil and gas sales" in the accompanying Balance Sheet.

Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on the ability of the Partnership to sell its oil, NGLs and gas production.

NOTE 9. PARTNERSHIP AGREEMENT

The following is a brief summary of the more significant provisions of the limited partnership agreement:

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Managing general partner - The managing general partner of the Partnership is Pioneer USA. Pioneer USA has the power and authority to manage, control and administer all Partnership affairs. As managing general partner and operator of the Partnership's properties, all production expenses are incurred by Pioneer USA and billed to the Partnership. The majority of the Partnership's oil and gas revenues are received directly by the Partnership, however, a portion of the oil and gas revenue is initially received by Pioneer USA prior to being paid to the Partnership. Under the limited partnership agreement, the managing general partner pays 1% of the Partnership's acquisition, drilling and completion costs and 1% of its operating and

532

general and administrative expenses. In return, it is allocated 1% of the Partnership's revenues.

Limited partner liability - The maximum amount of liability of any limited partner is the total contributions of such partner plus his share of any undistributed profits.

Initial capital contributions - The limited partners entered into subscription agreements for aggregate capital contributions of \$9,613,000. Pioneer USA is required to contribute amounts equal to 1% of initial Partnership capital less commission and offering expenses allocated to the limited partners and to contribute amounts necessary to pay costs and expenses allocated to it under the partnership agreement to the extent its share of revenues does not cover such costs.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

533

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE PARTNERSHIP

The Partnership does not have any officers or directors. Under the limited partnership agreement, the Partnership's managing general partner, Pioneer USA, is granted the exclusive right and full authority to manage, control and administer the Partnership's business.

Set forth below are the names, ages and positions of the directors and executive officers of Pioneer USA. Directors of Pioneer USA are elected to serve until the next annual meeting of stockholders or until their successors are elected and qualified.

Name	Age at December 31, 2000	Position
------	--------------------------------	----------

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

-----	-----	-----
Scott D. Sheffield	48	President
Timothy L. Dove	44	Executive Vice President, Chief Financial Officer and Director
Dennis E. Fagerstone	51	Executive Vice President and Director
Mark L. Withrow	53	Executive Vice President, General Counsel and Director
Danny Kellum	46	Executive Vice President - Domestic Operations and Director
Rich Dealy	34	Vice President and Chief Accounting Officer

Scott D. Sheffield. Mr. Sheffield is a graduate of The University of Texas with a B.S. in Petroleum Engineering. Since August 1997, he has served as President, Chief Executive Officer and a director of Pioneer and President of Pioneer USA. Mr. Sheffield assumed the position of Chairman of the Board of Pioneer in August 1999. He served as a director of Pioneer USA from August 1997 until his resignation from the board in June 1999. Mr. Sheffield was the President and a director of Parker & Parsley Petroleum Company ("Parker & Parsley") from May 1990 until August 1997 and was the Chairman of the Board and Chief Executive Officer of Parker & Parsley from October 1990 until August 1997. He was the sole director of Parker & Parsley from May 1990 until October 1990. Mr. Sheffield joined Parker & Parsley Development Company ("PPDC"), a predecessor of Parker & Parsley, as a petroleum engineer in 1979. He served as Vice President - Engineering of PPDC from September 1981 until April 1985 when he was elected President and a director. In March 1989, Mr. Sheffield was elected Chairman of the Board and Chief Executive Officer of PPDC. Before joining PPDC's predecessor, Mr. Sheffield was employed as a production and reservoir engineer for Amoco Production Company.

Timothy L. Dove. Mr. Dove earned a B.S. in Mechanical Engineering from Massachusetts

Institute of Technology in 1979 and received his M.B.A. in 1981 from the University of Chicago. He became Executive Vice President - Business Development of Pioneer and Pioneer USA in August 1997 and was also appointed a director of Pioneer USA in August 1997. Mr. Dove assumed the position of Chief Financial Officer of Pioneer and Pioneer USA effective February 1, 2000. Mr. Dove joined Parker & Parsley in May 1994 as Vice President - International and was promoted to Senior Vice President - Business Development in October 1996, in which position he served until August 1997. Prior to joining Parker & Parsley, Mr. Dove was employed with Diamond Shamrock Corp., and its successor, Maxus Energy Corp, in various capacities in international exploration and production, marketing, refining and marketing and planning and development.

Dennis E. Fagerstone. Mr. Fagerstone, a graduate of the Colorado School of Mines with a B.S. in Petroleum Engineering, became an Executive Vice

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

President of Pioneer and Pioneer USA in August 1997. He was also appointed a director of Pioneer USA in August 1997. He served as Executive Vice President and Chief Operating Officer of MESA Inc. ("Mesa") from March 1, 1997 until August 1997. From October 1996 to February 1997, Mr. Fagerstone served as Senior Vice President and Chief Operating Officer of Mesa and from May 1991 to October 1996, he served as Vice President - Exploration and Production of Mesa. From June 1988 to May 1991, Mr. Fagerstone served as Vice President - Operations of Mesa.

Mark L. Withrow. Mr. Withrow, a graduate of Abilene Christian University with a B. S. in Accounting and Texas Tech University with a Juris Doctorate degree, became Executive Vice President, General Counsel and Secretary of Pioneer and Pioneer USA in August 1997. He was also appointed a director of Pioneer USA in August 1997. Mr. Withrow was Vice President - General Counsel of Parker & Parsley from January 1991, when he joined Parker & Parsley, to January 1995, when he was appointed Senior Vice President - General Counsel. He was Parker & Parsley's Secretary from August 1992 until August 1997. Prior to joining Parker & Parsley, Mr. Withrow was the managing partner of the law firm of Turpin, Smith, Dyer, Saxe & MacDonald, Midland, Texas.

Danny Kellum. Mr. Kellum, who received a Bachelor of Science degree in Petroleum Engineering from Texas Tech University in 1979, was elected Executive Vice President - Domestic Operations of Pioneer and Pioneer USA on May 18, 2000 and Director of Pioneer USA on February 1, 2000. From January 2000 until May 2000, Mr. Kellum served as Vice President - Domestic Operations of Pioneer and Pioneer USA. Mr. Kellum served as Vice President Permian Division of Pioneer and Pioneer USA from April 1998 until December 1999. From 1989 until 1994 he served as Spraberry District Manager and as Vice President of the Spraberry and Permian Division for Parker & Parsley until August of 1997. Mr. Kellum joined Parker & Parsley as an operations engineer in 1981 after a brief career with Mobil Oil Corporation.

Rich Dealy. Mr. Dealy is a graduate of Eastern New Mexico University with a B.B.A. in Accounting and Finance and is a Certified Public Accountant. He became Vice President and Chief Accounting Officer of Pioneer and Pioneer USA in February 1998. Mr. Dealy served as Controller of Pioneer USA from August 1997 to February 1998. He served as Controller of Parker & Parsley from August 1995 to August 1997. Mr. Dealy joined Parker & Parsley as an Accounting Manager in July, 1992. He was previously employed with KPMG Peat Marwick as an Audit Senior, in charge of Parker & Parsley's audit.

22

535

ITEM 11. EXECUTIVE COMPENSATION

The Partnership does not have any directors or officers. Management of the Partnership is performed by Pioneer USA, the managing general partner. The Partnership participates in oil and gas activities through an income tax partnership (the "Program") pursuant to the Program agreement. Under the Program agreement, Pioneer USA pays approximately 10% of the Program's acquisition, drilling and completion costs and approximately 25% of its operating and general and administrative expenses. In return, Pioneer USA is allocated approximately 25% of the Program's revenues.

The Partnership does not directly pay any salaries of the executive officers of Pioneer USA, but does pay a portion of Pioneer USA's general and administrative expenses of which these salaries are a part.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

See Notes 6 and 9 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" for information regarding fees and reimbursements paid to the managing general partner by the Partnership.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

(a) Beneficial owners of more than five percent

The Partnership is not aware of any person who beneficially owns 5% or more of the outstanding limited partnership interests of the Partnership. Pioneer USA owned 187 limited partner interests at January 1, 2001.

(b) Security ownership of management

The Partnership does not have any officers or directors. The managing general partner of the Partnership, Pioneer USA, has the exclusive right and full authority to manage, control and administer the Partnership's business. Under the limited partnership agreement, limited partners holding a majority of the outstanding limited partnership interests have the right to take certain actions, including the removal of the managing general partner or any other general partner. The Partnership is not aware of any current arrangement or activity which may lead to such removal. The Partnership is not aware of any officer or director of Pioneer USA who beneficially owns limited partnership interests in the Partnership.

23

536

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Transactions with the managing general partner

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

	2000 -----	1999 -----	1998 -----
Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$ 157,269	\$ 148,638	\$144,020
Reimbursement of general and administrative expenses	\$ 19,018	\$ 9,794	\$ 8,231

Under the limited partnership agreement, the managing general partner pays 1% of the Partnership's acquisition, drilling and completion costs and 1% of its operating and general and administrative expenses. In return, it is allocated 1% of the Partnership's revenues. Also, see Notes 6 and 9 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data", regarding the Partnership's participation with the managing general partner in oil and gas activities of the Partnership.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) 1. Financial statements

The following are filed as part of this Report:

Independent Auditors' Report

Balance sheets as of December 31, 2000 and 1999

Statements of operations for the years ended December 31, 2000,
1999 and 1998

Statements of partners' capital for the years ended December 31,
2000, 1999 and 1998

Statements of cash flows for the years ended December 31, 2000,
1999 and 1998

Notes to financial statements

2. Financial statement schedules

All financial statement schedules have been omitted since the
required information is in the financial statements or notes thereto,
or is not applicable nor required.

(b) Reports on Form 8-K

None.

(c) Exhibits

The exhibits listed on the accompanying index to exhibits are filed or
incorporated by reference as part of this Report.

S I G N A T U R E S

Pursuant to the requirements of the Securities Exchange Act of 1934, the
Registrant has duly caused this Report to be signed on its behalf by the
undersigned, thereunto duly authorized.

PARKER & PARSLEY 85-A, LTD.

Dated: March 27, 2001

By: Pioneer Natural Resources USA, Inc.
Managing General Partner

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

By: /s/ Scott D. Sheffield

 Scott D. Sheffield, President

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

/s/ Scott D. Sheffield ----- Scott D. Sheffield	President of Pioneer USA	March 27, 2001
/s/ Timothy L. Dove ----- Timothy L. Dove	Executive Vice President, Chief Financial Officer and Director of Pioneer USA	March 27, 2001
/s/ Dennis E. Fagerstone ----- Dennis E. Fagerstone	Executive Vice President and Director of Pioneer USA	March 27, 2001
/s/ Mark L. Withrow ----- Mark L. Withrow	Executive Vice President, General Counsel and Director of Pioneer USA	March 27, 2001
/s/ Danny Kellum ----- Danny Kellum	Executive Vice President - Domestic Operations and Director of Pioneer USA	March 27, 2001
/s/ Rich Dealy ----- Rich Dealy	Vice President and Chief Accounting Officer of Pioneer USA	March 27, 2001

PARKER & PARSLEY 85-A, LTD.

INDEX TO EXHIBITS

The following documents are incorporated by reference in response to Item 14(c):

Exhibit No. -----	Description -----	Page ----
3(a)	Amended and Restated Certificate of	-

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Limited Partnership of Parker & Parsley
85-A, Ltd. incorporated by reference to
Exhibit A of the Partnership's Registration
Statement on Form S-1 (Registration No.
2-99079) (hereinafter called the Partnership's
Registration Statement)

4 (b)	Agreement of Limited Partnership of Parker & Parsley 85-A, Ltd. incorporated by reference to an Exhibit of the Partnership's Registration Statement	-
4 (c)	Form of Subscription Agreement and Power of Attorney incorporated by reference to an Exhibit of the Partnership's Registration Statement	-
4 (d)	Specimen Certificate of Limited Partnership Interest incorporated by reference to an Exhibit of the Partnership's Registration Statement	-

27

540

PARKER & PARSLEY 85-A, LTD.

SELECTED FINANCIAL DATA

The following selected financial data for the Partnership should be read in connection with Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements included in the attached supplemental information.

	Six months ended June 30,		Years ended December 31,		
	2001	2000	2000	1999	1998
Operating results:					
Oil and gas sales	\$ 382,756	\$ 353,329	\$ 757,929	\$ 526,325	\$ 371,098
	=====	=====	=====	=====	=====
Impairment of oil and gas properties	\$ --	\$ --	\$ --	\$ --	\$ 22,031
	=====	=====	=====	=====	=====

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Gain on litigation settlement, net	\$ --	\$ --	\$ --	\$ --	\$ --
Net income (loss)	\$ 171,287	\$ 160,691	\$ 379,203	\$ 178,927	\$ (274,769)
Allocation of net income (loss):					
Managing general partner	\$ 1,713	\$ 1,607	\$ 3,792	\$ 1,789	\$ (2,747)
Limited partners	\$ 169,574	\$ 159,084	\$ 375,411	\$ 177,138	\$ (272,022)
Limited partners' net income (loss) per limited partnership interest	\$ 17.64	\$ 16.55	\$ 39.05	\$ 18.43	\$ (28.30)
Limited partners' cash distributions per limited partnership interest	\$ 13.70	\$ 18.36	\$ 38.71	\$ 16.85	\$ 9.62
As of period ended:					
Total assets	\$ 748,902	\$ 689,507	\$ 703,647	\$ 702,600	\$ 684,133

(a) Including litigation settlement per limited partnership interest of \$3.37 in 1996.

541

PIONEER NATURAL RESOURCES COMPANY
PIONEER NATURAL RESOURCES USA, INC.
5205 NORTH O'CONNOR BLVD., SUITE 1400
IRVING, TEXAS 75039

SUPPLEMENTAL INFORMATION

OF

PARKER & PARSLEY 85-B, LTD., A TEXAS LIMITED PARTNERSHIP

TO

PROXY STATEMENT/PROSPECTUS DATED , 2001

THE DATE OF THIS SUPPLEMENT IS , 2001

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

This document contains important information specific to Parker & Parsley 85-B, Ltd. and supplements the proxy statement/prospectus dated , 2001, of Pioneer Natural Resources Company and Pioneer Natural Resources USA, Inc., by which Pioneer USA is soliciting proxies to be voted at a special meeting of limited partners of the partnership. The purpose of the special meeting is for you to vote upon the merger of the partnership with and into Pioneer USA that, if completed, will result in your receiving common stock of Pioneer Natural Resources Company for your partnership interests.

This document contains the following information concerning Parker & Parsley 85-B, Ltd.:

- o A table containing:
 - the aggregate initial investment by the limited partners
 - the aggregate historical limited partner distributions through July 31, 2001
 - the merger value attributable to partnership interests of limited partners, excluding Pioneer USA
 - the merger value per \$1,000 limited partner investment
 - the merger value per \$1,000 limited partner investment as a multiple of distributions for the past four quarterly distributions including the distribution in July 2001
 - the book value per \$1,000 limited partner investment as of June 30, 2001 and as of December 31, 2000
 - the going concern value per \$1,000 limited partner investment
 - the liquidation value per \$1,000 limited partner investment
 - the ordinary tax loss per \$1,000 limited partner investment in year of initial investment
- o Information about:
 - the legal opinion for the limited partners
 - the term of the partnership
- o The partnership's quarterly report on Form 10-Q, including management's discussion and analysis of financial condition and results of operations, for the six months ended June 30, 2001
- o The partnership's annual report on Form 10-K, including management's discussion and analysis of financial condition and results of operations, for the year ended December 31, 2000
- o Selected historical financial data for the partnership for the six months ended June 30, 2001 and 2000 and the five years ended December 31, 2000

542

PARKER & PARSLEY 85-B LTD.

SUPPLEMENTAL INFORMATION TABLE

Aggregate Initial Investment by the Limited Partners (a)	\$
Aggregate Historical Limited Partner Distributions through July 31, 2001 (a)	\$
Merger Value Attributable to Partnership Interests of Limited Partners, Excluding Pioneer USA (a), (b)	\$
Merger Value per \$1,000 Limited Partner Investment (b), (c)	\$
Merger Value per \$1,000 Limited Partner Investment as a Multiple of Distributions for the past four quarterly distributions including the distribution in July 2001 (b), (c)	
Book Value per \$1,000 Limited Partner Investment:	
-- as of June 30, 2001 (c)	\$
-- as of December 31, 2000 (c)	\$
Going Concern Value per \$1,000 Limited Partner Investment (c), (d)	\$
Liquidation Value per \$1,000 Limited Partner Investment (c), (e)	\$
Ordinary Tax Loss per \$1,000 Limited Partner Investment in Year of Initial Investment (c), (f)	\$

(a) Stated in thousands.

(b) The merger value for the partnership is equal to the sum of the present value of estimated future net revenues from the partnership's estimated oil and gas reserves and its net working capital, in each case as of March 31, 2001, less its pro rata share, based on its reserve value, of the estimated expenses and fees of the mergers of all of the partnerships and less the cash distribution on July 13, 2001, by the partnership to its partners.

(c) Interests in some partnerships were sold in units at prices other than \$1,000. We have presented this information based on a \$1,000 initial investment for ease of use and comparison among partnerships. You should not assume that the amount shown per \$1,000 investment is the same as the value or amount attributable to a single unit investment.

(d) The going concern value for the partnership is based upon: (1) the sum of (A) the estimated net cash flow from the sale of the partnership's reserves during a 10-year operating period and (B) the estimated residual value from the sale of the partnership's remaining reserves at the end of the operating period, in each case using the same pricing and discount rate as

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

in the merger value calculation, less (2) (A) partnership level general and administrative expenses, and (B) the cash distribution on July 13, 2001 by the partnership to its partners.

- (e) The liquidation value for the partnership is based upon the sale of the partnership's reserves at the reserve value, less (1) liquidation expenses which are estimated to be the sum of (A) the partnership's pro rata share of the merger expenses and fees described in footnote (b) above and (B) 3% of the partnership's reserve value, and (2) the cash distribution on July 13, 2001 by the partnership to its partners. The liquidation expenses represent estimated costs to retain an investment banker or broker to sell the assets of the partnership and the legal and other closing costs associated with such transaction, including the wind-down costs of the partnership.
- (f) Your ability to use your distributive share of the partnership's loss to offset your other income may have been subject to certain limitations at your level as a partner, and you may therefore wish to consult your tax advisor to determine the additional value, if any, actually realized by you in your particular circumstances.

INFORMATION ABOUT THE LEGAL OPINION FOR THE LIMITED PARTNERS

The partnership agreement for the partnership requires that special legal counsel render an opinion on behalf of the limited partners to Pioneer USA that (1) neither the grant nor the exercise of the right to approve the merger of the partnership by its limited partners will adversely affect the federal income tax classification of the partnership or any of its limited partners; and (2) neither the grant nor exercise of such right will result in the loss of any limited partner's limited liability. In addition, the counsel designated to render the opinion must be counsel other than counsel to Pioneer USA or the partnership. Both the designated counsel and the legal opinion must be approved by the limited partners. Pioneer USA has retained _____ of Dallas, Texas for the purpose of rendering this legal opinion on behalf of the limited partners to Pioneer USA. The merger proposals include an approval of that counsel and the form of its opinion. A copy of the opinion is attached as an exhibit to the merger proposals.

INFORMATION ABOUT THE TERM OF THE PARTNERSHIP

The term of the partnership is until December 31, 2035, unless the partnership is earlier terminated in accordance with the applicable provisions of its partnership agreement.

-2-

543

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 2001

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Commission File No. 2 -99079B

PARKER & PARSLEY 85-B, LTD.
(Exact name of Registrant as specified in its charter)

Texas	75-2075492
-----	-----
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

5205 N. O'Connor Blvd., Suite 1400, Irving, Texas	75039
-----	-----
(Address of principal executive offices)	(Zip code)

Registrant's Telephone Number, including area code : (972) 444-9001

Not applicable
(Former name, former address and former fiscal year,
if changed since last report)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes / x / No / /

544

PARKER & PARSLEY 85-B, LTD.

TABLE OF CONTENTS

	Page
Part I. Financial Information	
Item 1. Financial Statements	
Balance Sheets as of June 30, 2001 and December 31, 2000.....	3
Statements of Operations for the three and six months ended June 30, 2001 and 2000.....	4
Statement of Partners' Capital for the six months ended June 30, 2001.....	5

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	Statements of Cash Flows for the six months ended June 30, 2001 and 2000.....	6
	Notes to Financial Statements.....	7
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations.....	7

Part II. Other Information

Item 6.	Exhibits and Reports on Form 8-K.....	11
	Signatures.....	12

2

545

PARKER & PARSLEY 85-B, LTD. (A Texas Limited Partnership)

Part I. Financial Information

Item 1. Financial Statements

BALANCE SHEETS

	June 30, 2001	December 31, 2000
	----- (Unaudited)	-----
ASSETS		
Current assets:		
Cash	\$ 154,190	\$ 80,718
Accounts receivable - oil and gas sales	73,028	84,740
	-----	-----
Total current assets	227,218	165,458
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	5,318,689	5,317,256
Accumulated depletion	(4,558,726)	(4,526,767)
	-----	-----
Net oil and gas properties	759,963	790,489
	-----	-----
	\$ 987,181	\$ 955,947
	=====	=====
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable - affiliate	\$ 15,556	\$ 10,515
Partners' capital:		
Managing general partner	10,067	9,805

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Limited partners (7,988 interests)	961,558	935,627
	-----	-----
	971,625	945,432
	-----	-----
	\$ 987,181	\$ 955,947
	=====	=====

The financial information included as of June 30, 2001 has been prepared by the managing general partner without audit by independent public accountants.

The accompanying notes are an integral part of these financial statements.

3

546

PARKER & PARSLEY 85-B, LTD.
(A Texas Limited Partnership)

STATEMENTS OF OPERATIONS
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2001	2000	2001	2000
	-----	-----	-----	-----
Revenues:				
Oil and gas	\$ 144,439	\$ 140,791	\$ 323,533	\$ 276,113
Interest	1,125	1,335	2,407	2,322
	-----	-----	-----	-----
	145,564	142,126	325,940	278,435
	-----	-----	-----	-----
Costs and expenses:				
Oil and gas production	71,567	79,043	132,743	136,410
General and administrative	4,333	4,223	9,706	8,283
Depletion	17,339	14,055	31,959	27,918
	-----	-----	-----	-----
	93,239	97,321	174,408	172,611
	-----	-----	-----	-----
Net income	\$ 52,325	\$ 44,805	\$ 151,532	\$ 105,824
	=====	=====	=====	=====
Allocation of net income:				
Managing general partner	\$ 523	\$ 448	\$ 1,515	\$ 1,058
	=====	=====	=====	=====
Limited partners	\$ 51,802	\$ 44,357	\$ 150,017	\$ 104,766
	=====	=====	=====	=====
Net income per limited partnership interest	\$ 6.48	\$ 5.56	\$ 18.78	\$ 13.12
	=====	=====	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

The accompanying notes are an integral part of these financial statements.

4

547

PARKER & PARSLEY 85-B, LTD.
(A Texas Limited Partnership)

STATEMENT OF PARTNERS' CAPITAL
(Unaudited)

	Managing general partner -----	Limited partners -----	Total -----
Balance at January 1, 2001	\$ 9,805	\$ 935,627	\$ 945,432
Distributions	(1,253)	(124,086)	(125,339)
Net income	1,515	150,017	151,532
	-----	-----	-----
Balance at June 30, 2001	\$ 10,067	\$ 961,558	\$ 971,625
	=====	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

The accompanying notes are an integral part of these financial statements.

5

548

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

PARKER & PARSLEY 85-B, LTD.
(A Texas Limited Partnership)

STATEMENTS OF CASH FLOWS
(Unaudited)

	Six months ended June 30,	
	2001	2000
Cash flows from operating activities:		
Net income	\$ 151,532	\$ 105,824
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion	31,959	27,918
Changes in assets and liabilities:		
Accounts receivable	11,712	(9,996)
Accounts payable	5,041	5,318
Net cash provided by operating activities	200,244	129,064
Cash flows from investing activities:		
Additions to oil and gas properties	(1,433)	(2,708)
Proceeds from asset dispositions	-	6,412
Net cash provided by (used in) investing activities	(1,433)	3,704
Cash flows used in financing activities:		
Cash distributions to partners	(125,339)	(137,064)
Net increase (decrease) in cash	73,472	(4,296)
Cash at beginning of period	80,718	74,959
Cash at end of period	\$ 154,190	\$ 70,663

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

The accompanying notes are an integral part of these financial statements.

PARKER & PARSLEY 85-B, LTD.
(A Texas Limited Partnership)

NOTES TO FINANCIAL STATEMENTS
June 30, 2001

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

(Unaudited)

Note 1. Organization and nature of operations

Parker & Parsley 85-B, Ltd. (the "Partnership") is a limited partnership organized in 1985 under the laws of the State of Texas.

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

Note 2. Basis of presentation

In the opinion of management, the unaudited financial statements of the Partnership as of June 30, 2001 and for the three and six months ended June 30, 2001 and 2000 include all adjustments and accruals consisting only of normal recurring accrual adjustments which are necessary for a fair presentation of the results for the interim period. These interim results of operations are not necessarily indicative of results for a full year. Certain reclassifications may have been made to the June 30, 2000 financial statements to conform to the June 30, 2001 financial statement presentations.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in this Form 10-Q pursuant to the rules and regulations of the Securities and Exchange Commission. The financial statements should be read in conjunction with the financial statements and the notes thereto contained in the Partnership's Report on Form 10-K for the year ended December 31, 2000, as filed with the Securities and Exchange Commission, a copy of which is available upon request by writing to Rich Dealy, Vice President and Chief Accounting Officer, 5205 North O'Connor Boulevard, Suite 1400, Irving, Texas 75039-3746.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (1)

Results of Operations

Six months ended June 30, 2001 compared with six months ended June 30, 2000

Revenues:

The Partnership's oil and gas revenues increased 17% to \$323,533 for the six months ended June 30, 2001 as compared to \$276,113 for the same period in 2000. The increase in revenues resulted from higher average prices received for gas and NGLs, offset by a slight decline in production and lower average prices

7

550

received for oil. For the six months ended June 30, 2001, 6,896 barrels of oil, 2,960 barrels of natural gas liquids ("NGLs") and 16,032 mcf of gas were sold, or 12,528 barrel of oil equivalents ("BOEs"). For the six months ended June 30, 2000, 6,942 barrels of oil, 3,123 barrels of NGLs and 14,832 mcf of gas were sold, or 12,537 BOEs.

The average price received per barrel of oil decreased \$.63, or 2%, from \$28.58 for the six months ended June 30, 2000 to \$27.95 for the same period in 2001. The average price received per barrel of NGLs increased \$2.56, or 18%, from

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

\$14.29 during the six months ended June 30, 2000 to \$16.85 for the same period in 2001. The average price received per mcf of gas increased 126% from \$2.23 during the six months ended June 30, 2000 to \$5.05 for the same period in 2001. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received during the six months ended June 30, 2001.

Costs and Expenses:

Total costs and expenses increased to \$174,408 for the six months ended June 30, 2001 as compared to \$172,611 for the same period in 2000, an increase of \$1,797, or 1%. This increase was due to increases in depletion and general and administrative expenses ("G&A"), offset by a decrease in production costs.

Production costs were \$132,743 for the six months ended June 30, 2001 and \$136,410 for the same period in 2000, a decrease of \$3,667, or 3%. The decrease was primarily due to lower well maintenance costs, offset by an increase in workover expense incurred to stimulate well production.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 17% from \$8,283 for the six months ended June 30, 2000 to \$9,706 for the same period in 2001, primarily due to an increase in audit and tax fees and a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues.

Depletion was \$31,959 for the six months ended June 30, 2001 as compared to \$27,918 for the same period in 2000, an increase of \$4,041, or 14%. This increase was primarily due to a reduction in proved reserves due to lower commodity prices during the period ended June 30, 2001 as compared to the same period in 2000.

Three months ended June 30, 2001 compared with three months ended June 30, 2000

Revenues:

The Partnership's oil and gas revenues increased 3% to \$144,439 for the three months ended June 30, 2001 as compared to \$140,791 for the same period in 2000. The increase in revenues resulted from higher average prices received for gas and NGLs, offset by a decrease in production and lower average prices received for oil. For the three months ended June 30, 2001, 3,236 barrels of oil, 1,626 barrels of NGLs and 7,667 mcf of gas were sold, or 6,140 BOEs. For the three

months ended June 30, 2000, 3,454 barrels of oil, 1,618 barrels of NGLs and 7,403 mcf of gas were sold, or 6,306 BOEs.

The average price received per barrel of oil decreased \$1.58, or 6%, from \$28.52 for the three months ended June 30, 2000 to \$26.94 for the same period in 2001. The average price received per barrel of NGLs increased \$.95, or 7%, from \$14.18 during the three months ended June 30, 2000 to \$15.13 for the same period in 2001. The average price received per mcf of gas increased 63% from \$2.61 during the three months ended June 30, 2000 to \$4.26 for the same period in 2001.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Costs and Expenses:

Total costs and expenses decreased to \$93,239 for the three months ended June 30, 2001 as compared to \$97,321 for the same period in 2000, a decrease of \$4,082, or 4%. This decrease was due to a decrease in production costs, offset by increases in depletion and G&A.

Production costs were \$71,567 for the three months ended June 30, 2001 and \$79,043 for the same period in 2000, a decrease of \$7,476, or 9%. The decrease was primarily due to lower well maintenance costs, offset by an increase in workover expenses incurred to stimulate well production.

During this period, G&A increased 3% from \$4,223 for the three months ended June 30, 2000 to \$4,333 for the same period in 2001, primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues.

Depletion was \$17,339 for the three months ended June 30, 2001 as compared to \$14,055 for the same period in 2000, an increase of \$3,284, or 23%. This increase was primarily due to a reduction in proved reserves due to lower commodity prices during the period ended June 30, 2001 as compared to the same period in 2000.

Liquidity and Capital Resources

Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$71,180 during the six months ended June 30, 2001 from the same period ended June 30, 2000. This increase was due to an increase of \$47,505 in oil and gas sales receipts and reductions in working capital of \$21,431 and production costs of \$3,667, offset by an increase in G&A expenses of \$1,423. The increase in oil and gas receipts resulted from the increase in gas and NGL prices of \$49,771 and \$6,054 resulting from an increase in gas production during 2001, offset by \$4,032 resulting from the decline in oil and NGL production and a \$4,288 decline resulting from lower oil prices during 2001 as compared to the same period in 2000. The decrease in production costs was due to lower well maintenance costs, offset by an increase in workover expenses incurred to stimulate well production. The increase in G&A was primarily due to an increase in audit and tax fees and a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues.

9

552

Net Cash Provided by (Used in) Investing Activities

The Partnership's investing activities for the six months ended June 30, 2001 and 2000 included expenditures related to equipment upgrades on active properties.

Proceeds from asset dispositions of \$6,412 were received during the six months ended June 30, 2000 from equipment credits received on active properties.

Net Cash Used in Financing Activities

For the six months ended June 30, 2001, cash distributions to the partners were \$125,339, of which \$1,253 was distributed to the managing general partner and

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

\$124,086 to the limited partners. For the same period ended June 30, 2000, cash distributions to the partners were \$137,064, of which \$1,371 was distributed to the managing general partner and \$135,693 to the limited partners.

For the three months ended June 30, 2001, no distributions were made by the partnership to its partners. Subsequent to June 30, 2001 the cash distribution that otherwise would have been mailed to partners in late June was made to holders of record as of July 9, 2001 and was mailed on July 13, 2001. For further information, see "Proposal to acquire partnerships" below.

Proposal to acquire partnerships

On June 29, 2001, Pioneer Natural Resources Company ("Pioneer") filed with the Securities and Exchange Commission Amendment No. 1 to the Form S-4 Registration Statement (File No. 333-59094) (the "preliminary proxy statement/prospectus"), which proposes an agreement and plan of merger among Pioneer, Pioneer Natural Resources USA, Inc. ("Pioneer USA"), a wholly-owned subsidiary of Pioneer, and 46 Parker & Parsley limited partnerships. Each partnership that approves the agreement and plan of merger and the other related merger proposals will merge with and into Pioneer USA upon the closing of the transactions described in the preliminary proxy statement/prospectus, and the partnership interests of each such partnership will be converted into the right to receive Pioneer common stock. The Partnership is one of the 46 Parker & Parsley limited partnerships that will be asked to approve the agreement and plan of merger. The preliminary proxy statement/prospectus is non-binding and is subject to, among other things, consideration of offers from third parties to purchase any partnership or its assets and the majority approval of the limited partnership interests in each partnership.

Pioneer USA will solicit proxies from limited partners to approve the mergers only when the proxy statement/prospectus is final and declared effective. No solicitation will be made using preliminary materials. Nonetheless, copies of the preliminary proxy statement/prospectus may be obtained without charge upon request from Pioneer Natural Resources Company, 5205 North O'Connor Blvd., Suite 1400, Irving, Texas 75039, Attention: Investor Relations.

The limited partners are urged to read the proxy statement/prospectus of Pioneer filed with the Securities and Exchange Commission, when it is finalized, because it contains important information about the proposed mergers, including information about the direct and indirect interests of Pioneer USA and Pioneer in the mergers. The limited partners may also obtain the preliminary and (when

10

553

filed) final proxy statement/prospectus and other relevant documents relating to the proposed mergers free through the internet web site that the Securities and Exchange Commission maintains at www.sec.gov.

- (1) "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" contains forward looking statements that involve risks and uncertainties. Accordingly, no assurances can be given that the actual events and results will not be materially different than the anticipated results described in the forward looking statements.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Part II. Other Information

Item 6. Exhibits and Reports on Form 8-K

- (a) Exhibits - none
- (b) Reports on Form 8-K - none

11

554

PARKER & PARSLEY 85-B, LTD.
(A Texas Limited Partnership)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PARKER & PARSLEY 85-B, LTD.

By: Pioneer Natural Resources USA, Inc.,
Managing General Partner

Dated: August 7, 2001

By: /s/ Rich Dealy

Rich Dealy, Vice President and
Chief Accounting Officer

12

555

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000

COMMISSION FILE NO. 2-99079B

PARKER & PARSLEY 85-B, LTD.
(Exact name of Registrant as specified in its charter)

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

TEXAS

75-2075492

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification Number)

1400 WILLIAMS SQUARE WEST, 5205 N. O'CONNOR BLVD., IRVING, TEXAS

75039

(Address of principal executive offices)

(Zip code)

Registrant's Telephone Number, including area code : (972) 444-9001

Securities registered pursuant to Section 12(b) of the Act: NONE
Securities registered pursuant to Section 12(g) of the Act:
LIMITED PARTNERSHIP INTERESTS (\$1,000 PER UNIT)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES / X / NO / /

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. / X /

No market currently exists for the limited partnership interests of the Registrant. Based on the original purchase price, the aggregate market value of limited partnership interests owned by non-affiliates of the Registrant is \$7,930,000.

As of March 8, 2001, the number of outstanding limited partnership interests was 7,988.

The following documents are incorporated by reference into the indicated parts of this Annual Report on Form 10-K: None

PARTS I AND II OF THIS ANNUAL REPORT ON FORM 10-K (THE "REPORT") CONTAIN FORWARD LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. ACCORDINGLY, NO ASSURANCES CAN BE GIVEN THAT THE ACTUAL EVENTS AND RESULTS WILL NOT BE MATERIALLY DIFFERENT THAN THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS. SEE "ITEM 1. BUSINESS" FOR A DESCRIPTION OF VARIOUS FACTORS THAT COULD MATERIALLY AFFECT THE ABILITY OF THE PARTNERSHIP TO ACHIEVE THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS.

556

PART I

ITEM 1. BUSINESS

Parker & Parsley 85-B, Ltd. (the "Partnership") is a limited partnership organized in 1985 under the laws of the State of Texas. The Partnership's

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA"). Pioneer USA is a wholly-owned subsidiary of Pioneer Natural Resources Company ("Pioneer"). As of March 8, 2001, the Partnership had 7,988 limited partnership interests outstanding.

The Partnership does not have any employees of its own. Pioneer USA employs 701 persons, many of whom dedicated a part of their time to the conduct of the Partnership's business during the period for which this Report is filed. Pioneer USA supplies all management functions.

The Partnership engages in oil and gas development and production and is not involved in any industry segment other than oil and gas. The Partnership's production is geographically concentrated in West Texas.

The principal markets during 2000 for the oil produced by the Partnership were refineries and oil transmission companies that have facilities near the Partnership's oil producing properties. During 2000, Pioneer USA marketed the Partnership's gas to a variety of purchasers. Of the Partnership's total oil and gas revenues for 2000, approximately 48%, 20% and 10% were attributable to sales made to Mobil Oil Corporation, Plains Marketing, L.P. and NGTS LLC, respectively. Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on its ability to sell its oil, natural gas liquids ("NGLs") and gas production.

The Partnership's revenues, profitability, cash flow and future rate of growth are highly dependent on the prevailing prices of oil and gas, which are affected by numerous factors beyond the Partnership's control. Oil and gas prices historically have been very volatile. A substantial or extended decline in the prices of oil or gas could have a material adverse effect on the Partnership's revenues, profitability and cash flow and could, under certain circumstances, result in a reduction in the carrying value of the Partnership's oil and gas properties.

Oil and gas production operations are subject to various types of regulations by local, state and federal agencies. The Partnership's operations are also subject to state conservation laws and regulations, including the establishment of maximum rates of production from wells and the regulation of spacing, plugging and abandonment of wells. Each state generally imposes a production or severance tax with respect to production and sale of oil and gas within their respective jurisdictions. Noncompliance with the laws and regulations may subject the Partnership to penalties, damages or other liabilities and compliance may increase the cost of the Partnership's operations. The oil and gas business is also subject to environmental hazards such as oil spills, gas leaks and ruptures and discharges of toxic substances or gases that could expose the Partnership to substantial

liability due to pollution and other environmental damages. Although the Partnership believes that its business operations do not impair environmental quality and that its costs of complying with any applicable environmental regulations are not currently significant, the Partnership cannot predict what, if any, effect these environmental regulations may have on its current or future operations.

Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions,

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves.

No material part of the Partnership's business is seasonal and the Partnership conducts no foreign operations.

ITEM 2. PROPERTIES

The Partnership's properties consist of leasehold interests in properties on which oil and gas wells are located. Such property interests are often subject to landowner royalties, overriding royalties and other oil and gas leasehold interests.

Fractional working interests in developmental oil and gas prospects located primarily in the Spraberry Trend Area of West Texas were acquired by the Partnership, resulting in the Partnership's participation in the drilling of 22 productive oil and gas wells. One well was converted to a saltwater disposal well during 1987 and four wells have been plugged and abandoned. At December 31, 2000, the Partnership had 17 producing wells.

For information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998, and changes in such quantities for the years then ended, see Note 7 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" below. Such reserves have been evaluated by Williamson Petroleum Consultants, Inc., an independent petroleum consultant.

ITEM 3. LEGAL PROCEEDINGS

The Partnership from time to time is a party to various legal proceedings incidental to its business involving claims in oil and gas leases or interests, other claims for damages in amounts not in excess of 10% of its current assets and other matters, none of which Pioneer USA believes to be material to the Partnership.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of the partners during the fourth quarter of 2000.

PART II

ITEM 5. MARKET FOR LIMITED PARTNERSHIP INTERESTS AND LIMITED PARTNERSHIP DISTRIBUTIONS

At March 8, 2001, the Partnership had 7,988 outstanding limited partnership interests held of record by 717 subscribers. There is no established public trading market for the limited partnership interests. Under the limited partnership agreement, Pioneer USA has made certain commitments to purchase partnership interests at a computed value.

Revenues which, in the sole judgement of the managing general partner, are not required to meet the Partnership's obligations are distributed to the partners at least quarterly in accordance with the limited partnership agreement. During

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

the years ended December 31, 2000 and 1999, distributions of \$309,279 and \$115,631, respectively, were made to the limited partners.

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth selected financial data for the years ended December 31:

	2000 -----	1999 -----	1998 -----	1997 -----	1996 -----
Operating results:					
Oil and gas sales	\$ 619,365 =====	\$ 387,551 =====	\$ 341,048 =====	\$ 538,813 =====	\$ 616,863 =====
Impairment of oil and gas properties	\$ 10,050 =====	\$ 95,253 =====	\$ 52,922 =====	\$ 324,374 =====	\$ - =====
Gain on litigation settlement, net	\$ - =====	\$ - =====	\$ - =====	\$ - =====	\$ 62,948 =====
Net income (loss)	\$ 277,323 =====	\$ (14,097) =====	\$ (117,257) =====	\$ (177,091) =====	\$ 286,574 =====
Allocation of net income (loss):					
Managing general partner	\$ 2,773 =====	\$ (141) =====	\$ (1,172) =====	\$ (1,771) =====	\$ 2,866 =====
Limited partners	\$ 274,550 =====	\$ (13,956) =====	\$ (116,085) =====	\$ (175,320) =====	\$ 283,708 =====
Limited partners' net income (loss) per limited partnership interest	\$ 34.37 =====	\$ (1.75) =====	\$ (14.53) =====	\$ (21.95) =====	\$ 35.52 =====
Limited partners' cash distributions per limited partnership interest	\$ 38.72 =====	\$ 14.48 =====	\$ 17.29 =====	\$ 33.72 =====	\$ 42.90 (a) =====
At year end:					
Identifiable assets	\$ 955,947 =====	\$ 992,521 =====	\$1,122,069 =====	\$1,386,758 =====	\$1,831,497 =====

(a) Including litigation settlement per limited partnership interest of \$7.80 in 1996.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of operations

2000 compared to 1999

The Partnership's oil and gas revenues increased 60% to \$619,365 for 2000 as compared to \$387,551 in 1999. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 2000, 14,002 barrels of oil, 6,807 barrels of natural gas liquids ("NGLs") and 30,909 mcf of gas were sold, or 25,961 barrel of oil equivalents ("BOEs"). In 1999, 14,280 barrels of oil, 7,130 barrels of NGLs and 33,467 mcf of gas were sold, or 26,988 BOEs. Due to the decline characteristics of the Partnership's oil and gas properties, management expects a certain amount of decline in production in the future until the Partnership's economically recoverable reserves are fully depleted.

The average price received per barrel of oil increased \$11.95, or 66%, from \$18.07 in 1999 to \$30.02 in 2000. The average price received per barrel of NGLs increased \$5.86, or 58%, from \$10.10 in 1999 to \$15.96 in 2000. The average price received per mcf of gas increased 70% from \$1.72 in 1999 to \$2.92 in 2000. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received in 2000.

Total costs and expenses decreased in 2000 to \$347,682 as compared to \$404,907 in 1999, a decrease of \$57,225, or 14%. The decrease was primarily due to declines in the impairment of oil and gas properties and depletion, offset by increases in production costs and general and administrative expenses ("G&A").

Production costs were \$264,543 in 2000 and \$207,744 in 1999, resulting in an increase of \$56,799, or 27%. The increase was primarily due to additional well maintenance costs incurred to stimulate well production and higher production taxes associated with higher oil and gas prices.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 60% from \$11,626 in 1999 to \$18,581 in 2000 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$15,555 in 2000 and \$6,624 in 1999 for G&A incurred on behalf of the Partnership. The remaining G&A was paid directly by the Partnership. The managing general partner determines the allocated expenses based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the managing general partner reviews the Partnership's oil and gas properties for impairment whenever events or circumstances indicate a decline in the recoverability of the carrying value of the Partnership's assets may have occurred. As a result of the review and evaluation of its long-lived assets for impairment, the Partnership recognized

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

non-cash charges of \$10,050 and \$95,253 related to its oil and gas properties during 2000 and 1999, respectively.

5

560

Depletion was \$54,508 in 2000 as compared to \$90,284 in 1999, representing a decrease of \$35,776, or 40%. This decrease was primarily due to a 17,204 barrels of oil increase in proved reserves during 2000 as a result of higher commodity prices and a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 1999.

1999 compared to 1998

The Partnership's 1999 oil and gas revenues increased 14% to \$387,551 from \$341,048 in 1998. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 1999, 14,280 barrels of oil, 7,130 barrels of NGLs and 33,467 mcf of gas were sold, or 26,988 BOEs. In 1998, 16,204 barrels of oil, 8,599 barrels of NGLs and 41,501 mcf of gas were sold, or 31,720 BOEs.

The average price received per barrel of oil increased \$4.77, or 36%, from \$13.30 in 1998 to \$18.07 in 1999. The average price received per barrel of NGLs increased \$3.15, or 45%, from \$6.95 in 1998 to \$10.10 in 1999. The average price received per mcf of gas increased 9% from \$1.58 in 1998 to \$1.72 in 1999.

Total costs and expenses decreased in 1999 to \$404,907 as compared to \$462,704 in 1998, a decrease of \$57,797, or 12%. The decrease was primarily due to declines in production costs and depletion, offset by increases in the impairment of oil and gas properties and G&A.

Production costs were \$207,744 in 1999 and \$269,093 in 1998, resulting in a \$61,349 decrease, or 23%. The decrease was attributable to less well maintenance costs and ad valorem taxes.

During this period, G&A increased, in aggregate, 14% from \$10,231 in 1998 to \$11,626 in 1999 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$6,624 in 1999 and \$7,884 in 1998 for G&A incurred on behalf of the Partnership.

The Partnership recognized non-cash SFAS 121 charges of \$95,253 and \$52,922 related to its oil and gas properties during 1999 and 1998, respectively.

Depletion was \$90,284 in 1999 compared to \$130,458 in 1998. This represented a decrease of \$40,174, or 31%. This decrease was the result of an increase in proved reserves of 117,564 barrels of oil during 1999 as a result of higher commodity prices, a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 1998 and a decline in oil production of 1,924 barrels for the period ended December 31, 1999 compared to the same period in 1998.

Petroleum industry

The petroleum industry has been characterized by volatile oil, NGL and natural gas commodity prices and relatively stable supplier costs during the three years ended December 31, 2000. During 1998, weather patterns, regional economic recessions and political matters combined to cause worldwide oil supplies to exceed demand resulting in a substantial decline in oil prices. Also during

1998, but

6

561

to a lesser extent, market prices for natural gas declined. During 1999 and 2000, the Organization of Petroleum Exporting Countries ("OPEC") and certain other crude oil exporting nations announced reductions in their planned export volumes. Those announcements, together with the enactment of the announced reductions in export volumes, had a positive impact on world oil prices, as have overall natural gas supply and demand fundamentals on North American natural gas prices. Although the favorable commodity price environment and stable field service cost environment is expected to continue during 2001, there is no assurance that commodity prices will not return to a less favorable level or that field service costs will not escalate in the future, both of which could negatively impact the Partnership's future results of operations and cash distributions.

Liquidity and capital resources

Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$163,858 during the year ended December 31, 2000 from 1999. This increase was due to an increase in oil and gas sales receipts of \$234,195, offset by increases in production costs paid of \$56,799, G&A expenses paid of \$6,955 and working capital of \$6,583. The increase in oil and gas receipts resulted from the increase in commodity prices during 2000 which contributed an additional \$255,175 to oil and gas receipts, offset by a decrease of \$20,980 resulting from the decline in production during 2000. The increase in production costs was primarily due to increased production taxes associated with higher oil and gas prices and well maintenance costs incurred to stimulate well production. The increase in G&A was primarily due to higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues.

Net Cash Provided by (Used in) Investing Activities

The Partnership's principal investing activities during 2000 and 1999 were for expenditures related to oil and gas equipment upgrades on active properties.

Proceeds from disposition of assets of \$6,412 and \$134 during 2000 and 1999, respectively, were from equipment credits received on active wells.

Net Cash Used in Financing Activities

In 2000, cash distributions to the partners were \$312,403, of which \$3,124 was distributed to the managing general partner and \$309,279 to the limited partners. In 1999, cash distributions to the partners were \$116,799, of which \$1,168 was distributed to the managing general partner and \$115,631 to the limited partners.

7

562

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

INDEX TO FINANCIAL STATEMENTS

	Page

Financial Statements of Parker & Parsley 85-B, Ltd:	
Independent Auditors' Report.....	9
Balance Sheets as of December 31, 2000 and 1999.....	10
Statements of Operations for the Years Ended December 31, 2000, 1999 and 1998.....	11
Statements of Partners' Capital for the Years Ended December 31, 2000, 1999 and 1998.....	12
Statements of Cash Flows for the Years Ended December 31, 2000, 1999 and 1998.....	13
Notes to Financial Statements.....	14

INDEPENDENT AUDITORS' REPORT

The Partners
Parker & Parsley 85-B, Ltd.
(A Texas Limited Partnership):

We have audited the balance sheets of Parker & Parsley 85-B, Ltd. as of December 31, 2000 and 1999, and the related statements of operations, partners' capital and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parker & Parsley 85-B, Ltd. as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Dallas, Texas

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

March 9, 2001

9

564

PARKER & PARSLEY 85-B, LTD.
(A Texas Limited Partnership)

BALANCE SHEETS
December 31

	2000	1999
	-----	-----
ASSETS		
Current assets:		
Cash	\$ 80,718	\$ 74,959
Accounts receivable - oil and gas sales	84,740	59,750
	-----	-----
Total current assets	165,458	134,709
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	5,317,256	5,320,021
Accumulated depletion	(4,526,767)	(4,462,209)
	-----	-----
Net oil and gas properties	790,489	857,812
	-----	-----
	\$ 955,947	\$ 992,521
	=====	=====
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable - affiliate	\$ 10,515	\$ 12,009
Partners' capital:		
Managing general partner	9,805	10,156
Limited partners (7,988 interests)	935,627	970,356
	-----	-----
	945,432	980,512
	-----	-----
	\$ 955,947	\$ 992,521
	=====	=====

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

10

565

The accompanying notes are an integral part of these financial statements.

PARKER & PARSLEY 85-B, LTD.
(A Texas Limited Partnership)

STATEMENTS OF OPERATIONS
For the years ended December 31

	2000	1999	1998
	-----	-----	-----
Revenues:			
Oil and gas	\$ 619,365	\$ 387,551	\$ 341,048
Interest	5,640	3,259	4,399
	-----	-----	-----
	625,005	390,810	345,447
	-----	-----	-----
Costs and expenses:			
Oil and gas production	264,543	207,744	269,093
General and administrative	18,581	11,626	10,231
Impairment of oil and gas properties	10,050	95,253	52,922
Depletion	54,508	90,284	130,458
	-----	-----	-----
	347,682	404,907	462,704
	-----	-----	-----
Net income (loss)	\$ 277,323	\$ (14,097)	\$ (117,257)
	=====	=====	=====
Allocation of net income (loss):			
Managing general partner	\$ 2,773	\$ (141)	\$ (1,172)
	=====	=====	=====
Limited partners	\$ 274,550	\$ (13,956)	\$ (116,085)
	=====	=====	=====
Net income (loss) per limited partnership interest	\$ 34.37	\$ (1.75)	\$ (14.53)
	=====	=====	=====

11

566

The accompanying notes are an integral part of these financial statements.

PARKER & PARSLEY 85-B, LTD.
(A Texas Limited Partnership)

STATEMENTS OF PARTNERS' CAPITAL

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	Managing general partner	Limited partners	Total
	-----	-----	-----
Partners' capital at January 1, 1998	\$ 14,031	\$1,354,156	\$1,368,187
Distributions	(1,394)	(138,128)	(139,522)
Net loss	(1,172)	(116,085)	(117,257)
	-----	-----	-----
Partners' capital at December 31, 1998	11,465	1,099,943	1,111,408
Distributions	(1,168)	(115,631)	(116,799)
Net loss	(141)	(13,956)	(14,097)
	-----	-----	-----
Partners' capital at December 31, 1999	10,156	970,356	980,512
Distributions	(3,124)	(309,279)	(312,403)
Net income	2,773	274,550	277,323
	-----	-----	-----
Partners' capital at December 31, 2000	\$ 9,805	\$ 935,627	\$ 945,432
	=====	=====	=====

12

567

The accompanying notes are an integral part of these financial statements.
 PARKER & PARSLEY 85-B, LTD.
 (A Texas Limited Partnership)

STATEMENTS OF CASH FLOWS
 For the years ended December 31

	2000	1999	1998
	-----	-----	-----
Cash flows from operating activities:			
Net income (loss)	\$ 277,323	\$ (14,097)	\$ (117,257)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Impairment of oil and gas properties	10,050	95,253	52,922
Depletion	54,508	90,284	130,458
Changes in assets and liabilities:			
Accounts receivable	(24,990)	(21,249)	46,814
Accounts payable	(1,494)	1,348	(7,910)
	-----	-----	-----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Net cash provided by operating activities	315,397	151,539	105,027
	-----	-----	-----
Cash flows from investing activities:			
Additions to oil and gas equipment	(3,647)	(7,285)	(7,947)
Proceeds from disposition of assets	6,412	134	--
	-----	-----	-----
Net cash provided by (used in) investing activities	2,765	(7,151)	(7,947)
	-----	-----	-----
Cash flows used in financing activities:			
Cash distributions to partners	(312,403)	(116,799)	(139,522)
	-----	-----	-----
Net increase (decrease) in cash	5,759	27,589	(42,442)
Cash at beginning of year	74,959	47,370	89,812
	-----	-----	-----
Cash at end of year	\$ 80,718	\$ 74,959	\$ 47,370
	=====	=====	=====

13

568

The accompanying notes are an integral part of these financial statements.
PARKER & PARSLEY 85-B, LTD.
(A Texas Limited Partnership)

NOTES TO FINANCIAL STATEMENTS
December 31, 2000, 1999 and 1998

NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS

Parker & Parsley 85-B, Ltd. (the "Partnership") is a limited partnership organized in 1985 under the laws of the State of Texas. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA").

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Oil and gas properties - The Partnership utilizes the successful efforts method of accounting for its oil and gas properties and equipment. Under this method, all costs associated with productive wells and nonproductive development wells are capitalized while nonproductive exploration costs are expensed. Capitalized costs relating to proved properties are depleted using the unit-of-production method on a property-by-property basis based on proved oil (dominant mineral) reserves as evaluated by independent petroleum consultants. The carrying amounts of properties sold or otherwise disposed of and the related allowances for depletion are eliminated from the accounts and any gain or loss is included in results of operations.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Impairment of long-lived assets - In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the Partnership reviews its long-lived assets to be held and used on an individual property basis, including oil and gas properties accounted for under the successful efforts method of accounting, whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. An impairment loss is indicated if the sum of the expected future cash flows is less than the carrying amount of the assets. In this circumstance, the Partnership recognizes an impairment loss for the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset.

Use of estimates in the preparation of financial statements - Preparation of the accompanying financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Net income (loss) per limited partnership interest - The net income (loss) per limited partnership interest is calculated by using the number of outstanding limited partnership interests.

Income taxes - A Federal income tax provision has not been included in the financial statements as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

14

569

Statements of cash flows - For purposes of reporting cash flows, cash includes depository accounts held by banks.

General and administrative expenses - General and administrative expenses are allocated in part to the Partnership by the managing general partner. Allocated expenses are determined by the managing general partner based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Reclassifications - Certain reclassifications may have been made to the 1999 and 1998 financial statements to conform to the 2000 financial statement presentations.

Environmental - The Partnership is subject to extensive federal, state and local environmental laws and regulations. These laws, which are constantly changing, regulate the discharge of materials into the environment and may require the Partnership to remove or mitigate the environmental effects of the disposal or release of petroleum or chemical substances at various sites. Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Liabilities for expenditures of a noncapital nature are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated. Such liabilities are generally undiscounted unless the timing of cash payments for the liability or component are fixed or reliably determinable. No such liabilities have been accrued as of December 31, 2000.

Revenue recognition - The Partnership uses the entitlements method of accounting for oil, natural gas liquids ("NGLs") and natural gas revenues.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

NOTE 3. IMPAIRMENT OF LONG-LIVED ASSETS

In accordance with SFAS 121, the Partnership reviews its proved oil and gas properties for impairment whenever events and circumstances indicate a decline in the recoverability of the carrying value of the Partnership's oil and gas properties. The Partnership has estimated the expected future cash flows of its oil and gas properties as of December 31, 2000, 1999 and 1998, based on proved reserves, and compared such estimated future cash flows to the respective carrying amount of the oil and gas properties to determine if the carrying amounts were likely to be recoverable. For those proved oil and gas properties for which the carrying amount exceeded the estimated future cash flows, an impairment was determined to exist; therefore, the Partnership adjusted the carrying amount of those oil and gas properties to their fair value as determined by discounting their expected future cash flows at a discount rate commensurate with the risks involved in the industry. As a result, the Partnership recognized non-cash impairment provisions of \$10,050, \$95,253 and \$52,922 related to its proved oil and gas properties during 2000, 1999 and 1998, respectively.

15

570

NOTE 4. INCOME TAXES

The financial statement basis of the Partnership's net assets and liabilities was \$89,078 greater than the tax basis at December 31, 2000.

The following is a reconciliation of net income (loss) per statements of operations with the net income per Federal income tax returns for the years ended December 31:

	2000	1999	1998
	-----	-----	-----
Net income (loss) per statements of operations	\$ 277,323	\$ (14,097)	\$ (117,25)
Depletion and depreciation provisions for tax reporting purposes less than amounts for financial reporting purposes	50,022	86,267	127,80
Impairment of oil and gas properties for financial reporting purposes	10,050	95,253	52,92
Other, net	5,557	(1,887)	2,20
	-----	-----	-----
Net income per Federal income tax returns	\$ 342,952	\$ 165,536	\$ 65,67
	=====	=====	=====

NOTE 5. OIL AND GAS PRODUCING ACTIVITIES

The following is a summary of the costs incurred, whether capitalized or expensed, related to the Partnership's oil and gas producing activities for the years ended December 31:

	2000	1999	1998
	-----	-----	-----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Development costs	\$ 3,647	\$ 7,285	\$ 7,947
	=====	=====	=====

Capitalized oil and gas properties consist of the following:

	2000	1999
	-----	-----
Proved properties:		
Property acquisition costs	\$ 292,864	\$ 292,864
Completed wells and equipment	5,024,392	5,027,157
	-----	-----
Accumulated depletion	5,317,256 (4,526,767)	5,320,021 (4,462,209)
	-----	-----
Net oil and gas properties	\$ 790,489	\$ 857,812
	=====	=====

16

571

NOTE 6. RELATED PARTY TRANSACTIONS

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

	2000	1999	1998
	-----	-----	-----
Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$105,647	\$ 97,004	\$111,206
Reimbursement of general and administrative expenses	\$ 15,555	\$ 6,624	\$ 7,884

The Partnership participates in oil and gas activities through an income tax partnership (the "Program") pursuant to the Program agreement. In addition, Pioneer USA and the Partnership are parties to the Program agreement.

The costs and revenues of the Program are allocated to Pioneer USA and

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

the Partnership as follows:

	Pioneer USA (1)	Partnership
	-----	-----
Revenues:		
Proceeds from disposition of depreciable properties	9.09091%	90.90909%
All other revenues	24.242425%	75.757575%
Costs and expenses:		
Lease acquisition costs, drilling and completion costs	9.09091%	90.90909%
Operating costs, direct costs and general and administrative expenses	24.242425%	75.757575%

(1) Excludes Pioneer USA's 1% general partner ownership which is allocated at the Partnership level and 58 limited partner interests owned by Pioneer USA.

NOTE 7. OIL AND GAS INFORMATION (UNAUDITED)

The following table presents information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities during the years then ended. All of the Partnership's reserves are proved developed and located within the United States. The Partnership's reserves are based on an evaluation prepared by Williamson Petroleum Consultants, Inc., an independent petroleum consultant, using criteria established by the Securities and Exchange Commission.

17

572

	Oil and NGLs (bbls)	Gas (mcf)
	-----	-----
Net proved reserves at January 1, 1998	333,208	531,982
Revisions	(139,875)	(179,491)
Production	(24,803)	(41,501)
	-----	-----
Net proved reserves at December 31, 1998	168,530	310,990
Revisions	177,510	247,011
Production	(21,410)	(33,467)
	-----	-----
Net proved reserves at December 31, 1999	324,630	524,534
Revisions	634	(33,966)
Production	(20,809)	(30,909)
	-----	-----

591

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Net proved reserves at December 31, 2000	304,455 =====	459,659 =====
------------------------------------------	------------------	------------------

As of December 31, 2000, the estimated present value of future net revenues of proved reserves, calculated using December 31, 2000 prices of \$26.64 per barrel of oil, \$13.43 per barrel of NGLs and \$7.87 per mcf of gas, discounted at 10% was approximately \$2,332,000 and undiscounted was \$4,536,000.

Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves. The Partnership emphasizes that reserve estimates are inherently imprecise and, accordingly, the estimates are expected to change as future information becomes available.

Disclosures about Oil & Gas Producing Activities

Standardized Measure of Discounted Future Net Cash Flows

The standardized measure of discounted future net cash flows is computed by applying year-end prices of oil and gas (with consideration of price changes only to the extent provided by contractual arrangements) to the estimated future production of proved oil and gas reserves less estimated future expenditures (based on year-end costs) to be incurred in developing and producing the proved reserves, discounted using a rate of 10% per year to reflect the estimated timing of the future cash flows. A Federal income tax provision has not been calculated as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

Discounted future cash flow estimates like those shown below are not intended to represent estimates of the fair value of oil and gas properties. Estimates of fair value should also consider anticipated future oil and gas prices, interest rates, changes in development and production costs and risks associated with future production. Because of these and other considerations, any estimate of fair value is necessarily subjective and imprecise.

18

573

	For the years ended December 31,		
	2000	1999	1998
	(in thousands)		
Oil and gas producing activities:			
Future cash inflows	\$ 10,394	\$ 8,008	\$ 1,850
Future production costs	(5,858)	(4,882)	(1,499)
	-----	-----	-----
	4,536	3,126	351
10% annual discount factor	(2,204)	(1,410)	(95)

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	-----	-----	-----
Standardized measure of discounted future net cash flows	\$ 2,332	\$ 1,716	\$ 256
	=====	=====	=====

	For the years ended December 31,		
	2000	1999	1998
	-----	-----	-----
	(in thousands)		
Oil and Gas Producing Activities:			
Oil and gas sales, net of production costs	\$ (355)	\$ (180)	\$ (72)
Net changes in prices and production costs	1,003	954	(923)
Revisions of previous quantity estimates	(33)	1,209	(154)
Accretion of discount	172	25	133
Changes in production rates, timing and other	(171)	(548)	(54)
	-----	-----	-----
Change in present value of future net revenues	616	1,460	(1,070)
	-----	-----	-----
Balance, beginning of year	1,716	256	1,326
	-----	-----	-----
Balance, end of year	\$ 2,332	\$ 1,716	\$ 256
	=====	=====	=====

NOTE 8. MAJOR CUSTOMERS

The following table reflects the major customers of the Partnership's oil and gas sales (a major customer is defined as a customer whose sales exceed 10% of total sales) during the years ended December 31:

	2000	1999	1998
	-----	-----	-----
Mobil Oil Corporation	48%	51%	45%
Plains Marketing, L.P.	20%	16%	-
NGTS LLC	10%	7%	1%
Western Gas Resources, Inc.	4%	6%	29%
Genesis Crude Oil, L.P.	-	-	18%

At December 31, 2000, the amounts receivable from Mobil Oil Corporation, Plains Marketing, L.P. and NGTS LLC were \$23,621, \$7,883 and \$1,228, respectively, which are included in the caption "Accounts receivable - oil and gas sales" in the accompanying Balance Sheet.

Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on the ability of the Partnership to sell its oil, NGLs and gas production.

NOTE 9. PARTNERSHIP AGREEMENT

The following is a brief summary of the more significant provisions of

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

the limited partnership agreement:

Managing general partner - The managing general partner of the Partnership is Pioneer USA. Pioneer USA has the power and authority to manage, control and administer all Partnership affairs. As managing general partner and operator of the Partnership's properties, all production expenses are incurred by Pioneer USA and billed to the Partnership. The majority of the Partnership's oil and gas revenues are received directly by the Partnership, however, a portion of the oil and gas revenue is initially received by Pioneer USA prior to being paid to the Partnership. Under the limited partnership agreement, the managing general partner pays 1% of the Partnership's acquisition, drilling and completion costs and 1% of its operating and general and administrative expenses. In return, it is allocated 1% of the Partnership's revenues.

19

574

Limited partner liability - The maximum amount of liability of any limited partner is the total contributions of such partner plus his share of any undistributed profits.

Initial capital contributions - The limited partners entered into subscription agreements for aggregate capital contributions of \$7,988,000. Pioneer USA is required to contribute amounts equal to 1% of initial Partnership capital less commission and offering expenses allocated to the limited partners and to contribute amounts necessary to pay costs and expenses allocated to it under the Partnership agreement to the extent its share of revenues does not cover such costs.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

20

575

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE PARTNERSHIP

The Partnership does not have any officers or directors. Under the limited partnership agreement, the Partnership's managing general partner, Pioneer USA, is granted the exclusive right and full authority to manage, control and administer the Partnership's business.

Set forth below are the names, ages and positions of the directors and executive officers of Pioneer USA. Directors of Pioneer USA are elected to serve until the next annual meeting of stockholders or until their successors are elected and qualified.

Age at
December 31,

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Name -----	2000 ----	Position -----
Scott D. Sheffield	48	President
Timothy L. Dove	44	Executive Vice President, Chief Financial Officer and Director
Dennis E. Fagerstone	51	Executive Vice President and Director
Mark L. Withrow	53	Executive Vice President, General Counsel and Director
Danny Kellum	46	Executive Vice President - Domestic Operations and Director
Rich Dealy	34	Vice President and Chief Accounting Officer

Scott D. Sheffield. Mr. Sheffield is a graduate of The University of Texas with a B.S. in Petroleum Engineering. Since August 1997, he has served as President, Chief Executive Officer and a director of Pioneer and President of Pioneer USA. Mr. Sheffield assumed the position of Chairman of the Board of Pioneer in August 1999. He served as a director of Pioneer USA from August 1997 until his resignation from the board in June 1999. Mr. Sheffield was the President and a director of Parker & Parsley Petroleum Company ("Parker & Parsley") from May 1990 until August 1997 and was the Chairman of the Board and Chief Executive Officer of Parker & Parsley from October 1990 until August 1997. He was the sole director of Parker & Parsley from May 1990 until October 1990. Mr. Sheffield joined Parker & Parsley Development Company ("PPDC"), a predecessor of Parker & Parsley, as a petroleum engineer in 1979. He served as Vice President - Engineering of PPDC from September 1981 until April 1985 when he was elected President and a director. In March 1989, Mr. Sheffield was elected Chairman of the Board and Chief Executive Officer of PPDC. Before joining PPDC's predecessor, Mr. Sheffield was employed as a production and reservoir engineer for Amoco Production Company.

Timothy L. Dove. Mr. Dove earned a B.S. in Mechanical Engineering from Massachusetts Institute of Technology in 1979 and received his M.B.A. in 1981 from the University of Chicago. He became Executive Vice President - Business Development of Pioneer and Pioneer USA in August 1997 and was also appointed a director of Pioneer USA in August 1997. Mr. Dove assumed the position of Chief Financial Officer of Pioneer and Pioneer USA effective February 1, 2000. Mr. Dove joined Parker & Parsley in May 1994 as Vice President - International and was promoted to Senior Vice President - Business Development in October 1996, in which position he served until August 1997. Prior to joining Parker & Parsley, Mr. Dove was employed with Diamond Shamrock Corp., and its successor, Maxus Energy Corp, in various capacities in international exploration and production, marketing, refining and marketing and planning and development.

Dennis E. Fagerstone. Mr. Fagerstone, a graduate of the Colorado School of Mines with a B.S. in Petroleum Engineering, became an Executive Vice President of Pioneer and Pioneer USA in August 1997. He was also appointed a director of Pioneer USA in August 1997. He served as Executive Vice President

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

and Chief Operating Officer of MESA Inc. ("Mesa") from March 1, 1997 until August 1997. From October 1996 to February 1997, Mr. Fagerstone served as Senior Vice President and Chief Operating Officer of Mesa and from May 1991 to October 1996, he served as Vice President - Exploration and Production of Mesa. From June 1988 to May 1991, Mr. Fagerstone served as Vice President - Operations of Mesa.

Mark L. Withrow. Mr. Withrow, a graduate of Abilene Christian University with a B. S. in Accounting and Texas Tech University with a Juris Doctorate degree, became Executive Vice President, General Counsel and Secretary of Pioneer and Pioneer USA in August 1997. He was also appointed a director of Pioneer USA in August 1997. Mr. Withrow was Vice President - General Counsel of Parker & Parsley from January 1991, when he joined Parker & Parsley, to January 1995, when he was appointed Senior Vice President - General Counsel. He was Parker & Parsley's Secretary from August 1992 until August 1997. Prior to joining Parker & Parsley, Mr. Withrow was the managing partner of the law firm of Turpin, Smith, Dyer, Saxe & MacDonald, Midland, Texas.

Danny Kellum. Mr. Kellum, who received a Bachelor of Science degree in Petroleum Engineering from Texas Tech University in 1979, was elected Executive Vice President - Domestic Operations of Pioneer and Pioneer USA on May 18, 2000 and Director of Pioneer USA on February 1, 2000. From January 2000 until May 2000, Mr. Kellum served as Vice President - Domestic Operations of Pioneer and Pioneer USA. Mr. Kellum served as Vice President Permian Division of Pioneer and Pioneer USA from April 1998 until December 1999. From 1989 until 1994 he served as Spraberry District Manager and as Vice President of the Spraberry and Permian Division for Parker & Parsley until August of 1997. Mr. Kellum joined Parker & Parsley as an operations engineer in 1981 after a brief career with Mobil Oil Corporation.

Rich Dealy. Mr. Dealy is a graduate of Eastern New Mexico University with a B.B.A. in Accounting and Finance and is a Certified Public Accountant. He became Vice President and Chief Accounting Officer of Pioneer and Pioneer USA in February 1998. Mr. Dealy served as Controller of Pioneer USA from August 1997 to February 1998. He served as Controller of Parker & Parsley from August 1995 to August 1997. Mr. Dealy joined Parker & Parsley as an Accounting Manager in July, 1992. He was previously employed with KPMG Peat Marwick as an Audit Senior, in charge of Parker & Parsley's audit.

ITEM 11. EXECUTIVE COMPENSATION

The Partnership does not have any directors or officers. Management of the Partnership is performed by Pioneer USA, the managing general partner. The Partnership participates in oil and gas activities through an income tax partnership (the "Program") pursuant to the Program agreement. Under the Program agreement, Pioneer USA pays 10% of the Program's acquisition, drilling and completion costs and 25% of its operating and general and administrative expenses. In return, Pioneer USA is allocated 25% of the Program's revenues.

The Partnership does not directly pay any salaries of the executive officers of Pioneer USA, but does pay a portion of Pioneer USA's general and administrative expenses of which these salaries are a part.

See Notes 6 and 9 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" for information regarding fees and

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

reimbursements paid to the managing general partner by the Partnership.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

(a) Beneficial owners of more than five percent

The Partnership is not aware of any person who beneficially owns 5% or more of the outstanding limited partnership interests of the Partnership. Pioneer USA owned 58 limited partner interests at January 1, 2001.

(b) Security ownership of management

The Partnership does not have any officers or directors. The managing general partner of the Partnership, Pioneer USA, has the exclusive right and full authority to manage, control and administer the Partnership's business. Under the limited partnership agreement, limited partners holding a majority of the outstanding limited partnership interests have the right to take certain actions, including the removal of the managing general partner or any other general partner. The Partnership is not aware of any current arrangement or activity which may lead to such removal. The Partnership is not aware of any officer or director of Pioneer USA who beneficially owns limited partnership interests in the Partnership.

23

578

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Transactions with the managing general partner

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

	2000	1999	1998
	-----	-----	-----
Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$ 105,647	\$ 97,004	\$111,206
Reimbursement of general and administrative expenses	\$ 15,555	\$ 6,624	\$ 7,884

Under the limited partnership agreement, the managing general partner pays 1% of the Partnership's acquisition, drilling and completion costs and 1% of its operating and general and administrative expenses. In return, it is allocated 1% of the Partnership's revenues. Also, see Notes 6 and 9 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data", regarding the Partnership's participation with the managing general partner in oil and gas activities of the Program.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) 1. Financial statements

The following are filed as part of this Report:

Independent Auditors' Report

Balance sheets as of December 31, 2000 and 1999

Statements of operations for the years ended December 31, 2000,
1999 and 1998

Statements of partners' capital for the years ended December 31,
2000, 1999 and 1998

Statements of cash flows for the years ended December 31, 2000,
1999 and 1998

Notes to financial statements

2. Financial statement schedules

All financial statement schedules have been omitted since the
required information is in the financial statements or notes
thereto, or is not applicable nor required.

(b) Reports on Form 8-K

None.

(c) Exhibits

The exhibits listed on the accompanying index to exhibits are filed or
incorporated by reference as part of this Report.

S I G N A T U R E S

Pursuant to the requirements of the Securities Exchange Act of 1934, the
Registrant has duly caused this Report to be signed on its behalf by the
undersigned, thereunto duly authorized.

PARKER & PARSLEY 85-B, LTD.

Dated: March 27, 2001

By: Pioneer Natural Resources USA, Inc.
Managing General Partner

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

By: /s/ Scott D. Sheffield

 Scott D. Sheffield, President

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

/s/ Scott D. Sheffield ----- Scott D. Sheffield	President of Pioneer USA	March 27, 2001
/s/ Timothy L. Dove ----- Timothy L. Dove	Executive Vice President, Chief Financial Officer and Director of Pioneer USA	March 27, 2001
/s/ Dennis E. Fagerstone ----- Dennis E. Fagerstone	Executive Vice President and Director of Pioneer USA	March 27, 2001
/s/ Mark L. Withrow ----- Mark L. Withrow	Executive Vice President, General Counsel and Director of Pioneer USA	March 27, 2001
/s/ Danny Kellum ----- Danny Kellum	Executive Vice President - Domestic Operations and Director of Pioneer USA	March 27, 2001
/s/ Rich Dealy ----- Rich Dealy	Vice President and Chief Accounting Officer of Pioneer USA	March 27, 2001

PARKER & PARSLEY 85-B, LTD.

INDEX TO EXHIBITS

The following documents are incorporated by reference in response to Item 14(c):

Exhibit No. -----	Description -----	Page -----
----------------------	----------------------	---------------

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

3 (a)	Amended and Restated Certificate of Limited Partnership of Parker & Parsley 85-B, Ltd. incorporated by reference to Exhibit A of the Partnership's Registration Statement on Form S-1 (Registration No. 2-99079) (hereinafter called the Partnership's Registration Statement)	-
4 (a)	Agreement of Limited Partnership of Parker & Parsley 85-B, Ltd. incorporated by reference to an Exhibit of the Partnership's Registration Statement	-
4 (b)	Form of Subscription Agreement and Power of Attorney incorporated by reference to an Exhibit of the Partnership's Registration Statement	-
4 (c)	Specimen Certificate of Limited Partnership Interest incorporated by reference to an Exhibit of the Partnership's Registration Statement	-

27

582

PARKER & PARSLEY 85-B, LTD.

SELECTED FINANCIAL DATA

The following selected financial data for the Partnership should be read in connection with Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements included in the attached supplemental information.

	Six months ended June 30,		Years ended December 31,		
	2001	2000	2000	1999	1998
Operating results:					
Oil and gas sales	\$ 323,533	\$ 276,113	\$ 619,365	\$ 387,551	\$ 341,048
Impairment of oil and gas properties	\$ --	\$ --	\$ 10,050	\$ 95,253	\$ 52,922

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Gain on litigation settlement, net	\$ --	\$ --	\$ --	\$ --	\$ --
Net income (loss)	\$ 151,532	\$ 105,824	\$ 277,323	\$ (14,097)	\$ (117,257)
Allocation of net income (loss):					
Managing general partner	\$ 1,515	\$ 1,058	\$ 2,773	\$ (141)	\$ (1,172)
Limited partners	\$ 150,017	\$ 104,766	\$ 274,550	\$ (13,956)	\$ (116,085)
Limited partners' net income (loss) per limited partnership interest	\$ 18.78	\$ 13.12	\$ 34.37	\$ (1.75)	\$ (14.53)
Limited partners' cash distributions per limited partnership interest	\$ 15.53	\$ 16.99	\$ 38.72	\$ 14.48	\$ 17.29
As of period ended:					
Total assets	\$ 987,181	\$ 966,599	\$ 955,947	\$ 992,521	\$1,122,069

(a) Including litigation settlement per limited partnership interest of \$7.80 in 1996.

583

PIONEER NATURAL RESOURCES COMPANY
PIONEER NATURAL RESOURCES USA, INC.
5205 NORTH O'CONNOR BLVD., SUITE 1400
IRVING, TEXAS 75039

SUPPLEMENTAL INFORMATION

OF

PARKER & PARSLEY PRIVATE INVESTMENT 85-A, LTD., A TEXAS LIMITED PARTNERSHIP

TO

PROXY STATEMENT/PROSPECTUS DATED , 2001

THE DATE OF THIS SUPPLEMENT IS , 2001

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

This document contains important information specific to Parker & Parsley Private Investment 85-A, Ltd. and supplements the proxy statement/prospectus dated , 2001, of Pioneer Natural Resources Company and Pioneer Natural Resources USA, Inc., by which Pioneer USA is soliciting proxies to be voted at a special meeting of limited partners of the partnership. The purpose of the special meeting is for you to vote upon the merger of the partnership with and into Pioneer USA that, if completed, will result in your receiving common stock of Pioneer Natural Resources Company for your partnership interests.

This document contains the following information concerning Parker & Parsley Private Investment 85-A, Ltd.:

- o A table containing:
 - the aggregate initial investment by the limited partners
 - the aggregate historical limited partner distributions through July 31, 2001
 - the merger value attributable to partnership interests of limited partners, excluding Pioneer USA
 - the merger value per \$1,000 limited partner investment
 - the merger value per \$1,000 limited partner investment as a multiple of distributions for the past four quarterly distributions including the distribution in July 2001

 - the book value per \$1,000 limited partner investment as of June 30, 2001 and as of December 31, 2000

 - the going concern value per \$1,000 limited partner investment
 - the liquidation value per \$1,000 limited partner investment
 - the ordinary tax loss per \$1,000 limited partner investment in year of initial investment
- o Information about:
 - the legal opinion for the limited partners
 - the term of the partnership
- o The partnership's financial statements, including management's discussion and analysis of financial condition and results of operations, for the six months ended June 30, 2001
- o The partnership's financial statements, including management's discussion and analysis of financial condition and results of operations, for the year ended December 31, 2000
- o Selected historical financial data for the partnership for the six months ended June 30, 2001 and 2000 and the five years ended December 31, 2000

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

-1-

584

PARKER & PARSLEY PRIVATE INVESTMENT 85-A, LTD.

SUPPLEMENTAL INFORMATION TABLE

Aggregate Initial Investment by the Limited Partners (a)	\$
Aggregate Historical Limited Partner Distributions through July 31, 2001 (a)	\$
Merger Value Attributable to Partnership Interests of Limited Partners, Excluding Pioneer USA (a), (b)	\$
Merger Value per \$1,000 Limited Partner Investment (b), (c)	\$
Merger Value per \$1,000 Limited Partner Investment as a Multiple of Distributions for the past four quarterly distributions including the distribution in July 2001 (b), (c)	
Book Value per \$1,000 Limited Partner Investment:	
-- as of June 30, 2001 (c)	\$
-- as of December 31, 2000 (c)	\$
Going Concern Value per \$1,000 Limited Partner Investment (c), (d)	\$
Liquidation Value per \$1,000 Limited Partner Investment (c), (e)	\$
Ordinary Tax Loss per \$1,000 Limited Partner Investment in Year of Initial Investment (c), (f)	\$

(a) Stated in thousands.

(b) The merger value for the partnership is equal to the sum of the present value of estimated future net revenues from the partnership's estimated oil and gas reserves and its net working capital, in each case as of March 31, 2001, less its pro rata share, based on its reserve value, of the estimated expenses and fees of the mergers of all of the partnerships and less the cash distribution on July 13, 2001, by the partnership to its partners.

(c) Interests in some partnerships were sold in units at prices other than \$1,000. We have presented this information based on a \$1,000 initial investment for ease of use and comparison among partnerships. You should not assume that the amount shown per \$1,000 investment is the same as the value or amount attributable to a single unit investment.

(d) The going concern value for the partnership is based upon: (1) the sum of (A) the estimated net cash flow from the sale of the partnership's reserves during a 10-year operating period and (B) the estimated residual value from the sale of the partnership's remaining reserves at the end of the operating period, in each case using the same pricing and discount rate as in the merger value calculation, less (2) (A) partnership level general and

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

administrative expenses, and (B) the cash distribution on July 13, 2001 by the partnership to its partners.

- (e) The liquidation value for the partnership is based upon the sale of the partnership's reserves at the reserve value, less (1) liquidation expenses which are estimated to be the sum of (A) the partnership's pro rata share of the merger expenses and fees described in footnote (b) above and (B) 3% of the partnership's reserve value, and (2) the cash distribution on July 13, 2001 by the partnership to its partners. The liquidation expenses represent estimated costs to retain an investment banker or broker to sell the assets of the partnership and the legal and other closing costs associated with such transaction, including the wind-down costs of the partnership.
- (f) Your ability to use your distributive share of the partnership's loss to offset your other income may have been subject to certain limitations at your level as a partner, and you may therefore wish to consult your tax advisor to determine the additional value, if any, actually realized by you in your particular circumstances.

INFORMATION ABOUT THE LEGAL OPINION FOR THE LIMITED PARTNERS

The partnership agreement for the partnership requires that special legal counsel render an opinion on behalf of the limited partners to Pioneer USA that (1) neither the grant nor the exercise of the right to approve the merger of the partnership by its limited partners will adversely affect the federal income tax classification of the partnership or any of its limited partners; and (2) neither the grant nor exercise of such right will result in the loss of any limited partner's limited liability. In addition, the counsel designated to render the opinion must be counsel other than counsel to Pioneer USA or the partnership. Both the designated counsel and the legal opinion must be approved by the limited partners. Pioneer USA has retained _____ of Dallas, Texas for the purpose of rendering this legal opinion on behalf of the limited partners to Pioneer USA. The merger proposals include an approval of that counsel and the form of its opinion. A copy of the opinion is attached as an exhibit to the merger proposals.

INFORMATION ABOUT THE TERM OF THE PARTNERSHIP

The term of the partnership is until December 31, 2035, unless the partnership is earlier terminated in accordance with the applicable provisions of its partnership agreement.

-2-

585

PARKER & PARSLEY PRIVATE INVESTMENT 85-A, LTD.

(A Texas Limited Partnership)

FINANCIAL STATEMENTS

June 30, 2001 and December 31, 2000

(Unaudited)

586

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

PARKER & PARSLEY PRIVATE INVESTMENT 85-A, LTD.
(A Texas Limited Partnership)

BALANCE SHEETS

	June 30, 2001	December 31, 2000
	----- (Unaudited)	-----
ASSETS		
Current assets:		
Cash	\$ 157,592	\$ 74,084
Accounts receivable - oil and gas sales	42,165	68,251
	-----	-----
Total current assets	199,757	142,335
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	3,399,009	3,399,009
Accumulated depletion	(2,797,219)	(2,780,814)
	-----	-----
Net oil and gas properties	601,790	618,195
	-----	-----
	\$ 801,547	\$ 760,530
	=====	=====
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable - affiliate	\$ 12,433	\$ 5,818
Partners' capital:		
Managing general partner	10,301	9,957
Limited partners (125 interests)	778,813	744,755
	-----	-----
	789,114	754,712
	-----	-----
	\$ 801,547	\$ 760,530
	=====	=====

The financial information included as of June 30, 2001 has been prepared by the managing general partner without audit by independent public accountants.

The accompanying notes are an integral part of these financial statements.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

PARKER & PARSLEY PRIVATE INVESTMENT 85-A, LTD.
(A Texas Limited Partnership)

STATEMENTS OF OPERATIONS
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2001	2000	2001	2000
Revenues:				
Oil and gas	\$ 101,279	\$ 118,958	\$ 224,605	\$ 237,006
Interest	1,097	1,577	2,232	2,653
Gain on disposition of assets	-	9,798	-	33,459
	-----	-----	-----	-----
	102,376	130,333	226,837	273,118
	-----	-----	-----	-----
Costs and expenses:				
Oil and gas production	38,172	44,521	76,985	83,393
General and administrative	2,025	2,379	4,492	4,740
Depletion	8,596	9,101	16,405	19,958
Abandoned property	-	184	-	7,039
	-----	-----	-----	-----
	48,793	56,185	97,882	115,130
	-----	-----	-----	-----
Net income	\$ 53,583	\$ 74,148	\$ 128,955	\$ 157,988
	=====	=====	=====	=====
Allocation of net income:				
Managing general partner	\$ 536	\$ 742	\$ 1,290	\$ 1,580
	=====	=====	=====	=====
Limited partners	\$ 53,047	\$ 73,406	\$ 127,665	\$ 156,408
	=====	=====	=====	=====
Net income per limited partnership interest	\$ 424.38	\$ 587.24	\$1,021.32	\$1,251.26
	=====	=====	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

The accompanying notes are an integral part of these financial statements.

PARKER & PARSLEY PRIVATE INVESTMENT 85-A, LTD.
(A Texas Limited Partnership)

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

STATEMENT OF PARTNERS' CAPITAL
(Unaudited)

	Managing general partner -----	Limited partners -----	Total -----
Balance at January 1, 2001	\$ 9,957	\$ 744,755	\$ 754,712
Distributions	(946)	(93,607)	(94,553)
Net income	1,290 -----	127,665 -----	128,955 -----
Balance at June 30, 2001	\$ 10,301 =====	\$ 778,813 =====	\$ 789,114 =====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

The accompanying notes are an integral part of these financial statements.

4

589

PARKER & PARSLEY PRIVATE INVESTMENT 85-A, LTD.
(A Texas Limited Partnership)

STATEMENTS OF CASH FLOWS
(Unaudited)

	Six months ended June 30, -----	
	2001 -----	2000 -----
Cash flows from operating activities:		
Net income	\$ 128,955	\$ 157,988
Adjustments to reconcile net income to net cash provided by operating activities:		

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Depletion	16,405	19,958
Gain on disposition of assets	-	(33,459)
Changes in assets and liabilities:		
Accounts receivable	26,086	(11,974)
Accounts payable	6,615	4,610
	-----	-----
Net cash provided by operating activities	178,061	137,123
	-----	-----
Cash flows from investing activities:		
Additions to oil and gas properties	-	(1,947)
Proceeds from disposition of assets	-	42,294
	-----	-----
Net cash provided by investing activities	-	40,347
	-----	-----
Cash flows used in financing activities:		
Cash distributions to partners	(94,553)	(181,526)
	-----	-----
Net increase (decrease) in cash	83,508	(4,056)
Cash at beginning of period	74,084	79,497
	-----	-----
Cash at end of period	\$ 157,592	\$ 75,441
	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

The accompanying notes are an integral part of these financial statements.

5

590

PARKER & PARSLEY PRIVATE INVESTMENT 85-A, LTD.
(A Texas Limited Partnership)

NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Unaudited)

Note 1. Organization and nature of operations

Parker & Parsley Private Investment 85-A, Ltd. (the "Partnership") is a limited partnership organized in 1985 under the laws of the State of Texas.

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

Note 2. Basis of presentation

In the opinion of management, the unaudited financial statements of the Partnership as of June 30, 2001 and for the three and six months ended June 30, 2001 and 2000 include all adjustments and accruals consisting only of normal recurring accrual adjustments which are necessary for a fair presentation of the results for the interim period. These interim results are not necessarily indicative of results for a full year. Certain reclassifications may have been made to the June 30, 2000 financial statements to conform to the June 30, 2001

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

financial statement presentations.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in these interim financial statements. The financial statements should be read in conjunction with the financial statements and the notes thereto contained in the Partnership's report for the year ended December 31, 2000, a copy of which is available upon request by writing to Rich Dealy, Vice President and Chief Accounting Officer, 5205 North O'Connor Boulevard, Suite 1400, Irving, Texas 75039-3746.

Management's Discussion and Analysis of Financial Condition
and Results of Operations (1)

Results of Operations

Six months ended June 30, 2001 compared with six months ended June 30, 2000

Revenues:

The Partnership's oil and gas revenues decreased 5% to \$224,605 for the six months ended June 30, 2001 as compared to \$237,006 for the same period in 2000. The decrease in revenues resulted from a decrease in production and lower

6

591

average prices received for oil, offset by higher average prices received for NGLs and gas. For the six months ended June 30, 2001, 5,787 barrels of oil, 1,864 barrels of natural gas liquids ("NGLs") and 7,461 mcf of gas were sold, or 8,895 barrel of oil equivalents ("BOEs"). For the six months ended June 30, 2000, 6,332 barrels of oil, 2,722 barrels of NGLs and 10,079 mcf of gas were sold, or 10,734 BOEs.

The average price per barrel of oil decreased \$.44, or 2%, from \$28.37 for the six months ended June 30, 2000 to \$27.93 for the same period in 2001. The average price received per barrel of NGLs increased \$1.58, or 11%, from \$13.98 during the six months ended June 30, 2000 to \$15.56 for the same period in 2001. The average price received per mcf of gas increased 137% from \$1.92 during the six months ended June 30, 2000 to \$4.55 for the same period in 2001. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received during the six months ended June 30, 2001.

Gain on disposition of assets of \$33,459 was recognized during the six months ended June 30, 2000 from equipment credits on one well plugged and abandoned in the current period. Expenses incurred to plug and abandon this well were \$7,039 for the six months ended June 30, 2000.

Costs and Expenses:

Total costs and expenses decreased to \$97,882 for the six months ended June 30, 2001 as compared to \$115,130 for the same period in 2000, a decrease of \$17,248, or 15%. This decrease was due to declines in abandoned property costs, production costs, depletion and general and administrative expenses ("G&A").

Production costs were \$76,985 for the six months ended June 30, 2001 and \$83,393

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

for the same period in 2000, resulting in a \$6,408, or 8%, decrease. The decrease was primarily the result of less workover costs.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A decreased 5%, from \$4,740 for the six months ended June 30, 2000 to \$4,492 for the same period in 2001, primarily due to a lower allocation of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of decreased oil and gas revenues.

Depletion was \$16,405 for the six months ended June 30, 2001 as compared to \$19,958 for the same period in 2000, a decrease of \$3,553, or 18%. This decrease was the result of a decline in oil production of 545 barrels for the six months ended June 30, 2001 as compared to the same period in 2000.

7

592

Three months ended June 30, 2001 compared with three months ended June 30, 2000

Revenues:

The Partnership's oil and gas revenues decreased 15% to \$101,279 for the three months ended June 30, 2001 as compared to \$118,958 for the same period in 2000. The decrease in revenues resulted from a decrease in production and declines in average prices received for oil and NGLs, offset by higher average prices received for gas. For the three months ended June 30, 2001, 2,952 barrels of oil, 852 barrels of NGLs and 2,954 mcf of gas were sold, or 4,296 BOEs. For the three months ended June 30, 2000, 2,940 barrels of oil, 1,426 barrels of NGLs and 5,021 mcf of gas were sold, or 5,203 BOEs.

The average price received per barrel of oil decreased \$2.37, or 8%, from \$29.53 for the three months ended June 30, 2000 to \$27.16 for the three months ended June 30, 2001. The average price received per barrel of NGLs decreased \$1.05, or 7%, from \$14.59 during the three months ended June 30, 2000 to \$13.54 for the same period in 2001. The average price received per mcf of gas increased 43% to \$3.23 during the three months ended June 30, 2001 from \$2.26 during the same period in 2000.

A gain on disposition of assets of \$9,798 was recognized during the three months ended June 30, 2000 from equipment credits on one well plugged and abandoned in the current period. Expenses incurred to plug and abandon this well were \$184 for the three months ended June 30, 2000.

Costs and Expenses:

Total costs and expenses decreased to \$48,793 for the three months ended June 30, 2001 as compared to \$56,185 for the same period in 2000, a decrease of \$7,392, or 13%. This decrease was due to declines in production cost, depletion, G&A and abandoned property costs.

Production costs were \$38,172 for the three months ended June 30, 2001 and \$44,521 for the same period in 2000 resulting in a \$6,349 decrease, or 14%. The decrease was due to lower workover costs.

During this period, G&A decreased 15%, from \$2,379 for the three months ended June 30, 2000 to \$2,025 for the same period in 2001, primarily due to a lower allocation of the managing general partner's G&A being allocated (limited to 3%

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

of oil and gas revenues) as a result of decreased oil and gas revenues and a decline in audit and tax fees.

Depletion was \$8,596 for the three months ended June 30, 2001 as compared to \$9,101 for the same period in 2000, a decrease of \$505, or 6%.

8

593

Liquidity and Capital Resources

Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$40,938 during the six months ended June 30, 2001 from the same period ended June 30, 2000. This increase was due to a reduction in working capital of \$40,065 and declines in production costs of \$6,408, G&A expenses of \$248 and abandoned property costs of \$7,039, offset by a decline in oil and gas receipts of \$12,822. The decline in oil and gas receipts resulted from a decline in production of \$40,493 during 2001 as compared to the same period in 2000 and \$2,784 due to lower average prices received for oil, offset by an increase in gas and NGL prices during 2001 which contributed an additional \$30,455 to oil and gas receipts. The decrease in production costs was primarily due to lower workover costs. The decrease in G&A was primarily due to a lower percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of decreased oil and gas revenues.

Net Cash Provided by Investing Activities

The Partnership's principal investing activities during the six months ended June 30, 2000 were related to expenditures for equipment upgrades on various oil and gas properties.

Proceeds from disposition of assets of \$42,294 were received during the six months ended June 30, 2000. The proceeds were primarily from equipment credits on one well plugged and abandoned during 2000.

Net Cash Used in Financing Activities

For the six months ended June 30, 2001, cash distributions to the partners were \$94,553, of which \$946 was distributed to the managing general partner and \$93,607 to the limited partners. For the same period ended June 30, 2000, cash distributions to the partners were \$181,526, of which \$1,815 was distributed to the managing general partner and \$179,711 to the limited partners.

For the three months ended June 30, 2001, no distributions were made by the partnership to its partners. Subsequent to June 30, 2001 the cash distribution that otherwise would have been mailed to partners in late June was made to holders of record as of July 9, 2001 and was mailed on July 13, 2001. For further information, see "Proposal to acquire partnerships" below.

Proposal to acquire partnerships

On June 29, 2001, Pioneer Natural Resources Company ("Pioneer") filed with the Securities and Exchange Commission Amendment No. 1 to the Form S-4 Registration Statement (File No. 333- 59094) (the "preliminary proxy statement/prospectus"),

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

which proposes an agreement and plan of merger among Pioneer, Pioneer Natural Resources USA, Inc. ("Pioneer USA"), a wholly-owned subsidiary of Pioneer, and 46 Parker & Parsley limited partnerships. Each partnership that approves the agreement and plan of merger and the other related merger proposals will merge with and into Pioneer USA upon the closing of the transactions described in the preliminary proxy statement/prospectus, and the partnership interests of each such partnership will be converted into the right to receive Pioneer common

9

594

stock. The Partnership is one of the 46 Parker & Parsley limited partnerships that will be asked to approve the agreement and plan of merger. The preliminary proxy statement/prospectus is non-binding and is subject to, among other things, consideration of offers from third parties to purchase any partnership or its assets and the majority approval of the limited partnership interests in each partnership.

Pioneer USA will solicit proxies from limited partners to approve the mergers only when the proxy statement/prospectus is final and declared effective. No solicitation will be made using preliminary materials. Nonetheless, copies of the preliminary proxy statement/prospectus may be obtained without charge upon request from Pioneer Natural Resources Company, 5205 North O'Connor Blvd., Suite 1400, Irving, Texas 75039, Attention: Investor Relations.

The limited partners are urged to read the proxy statement/prospectus of Pioneer filed with the Securities and Exchange Commission, when it is finalized, because it contains important information about the proposed mergers, including information about the direct and indirect interests of Pioneer USA and Pioneer in the mergers. The limited partners may also obtain the preliminary and (when filed) final proxy statement/prospectus and other relevant documents relating to the proposed mergers free through the internet web site that the Securities and Exchange Commission maintains at www.sec.gov.

- (1) "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" contains forward looking statements that involve risks and uncertainties. Accordingly, no assurances can be given that the actual events and results will not be materially different than the anticipated results described in the forward looking statements.

10

595

PARKER & PARSLEY PRIVATE INVESTMENT 85-A, LTD.
(A Texas Limited Partnership)

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

December 31, 2000 and 1999

596

INDEPENDENT AUDITORS' REPORT

The Partners
Parker & Parsley Private Investment 85-A, Ltd.
(A Texas Limited Partnership):

We have audited the balance sheets of Parker & Parsley Private Investment 85-A, Ltd. as of December 31, 2000 and 1999, and the related statements of operations, partners' capital and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parker & Parsley Private Investment 85-A, Ltd. as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Dallas, Texas
March 9, 2001

2

597

PARKER & PARSLEY PRIVATE INVESTMENT 85-A, LTD.
(A Texas Limited Partnership)

BALANCE SHEETS
December 31

ASSETS

Current assets:

Cash
Accounts receivable - oil and gas sales

Total current assets

Oil and gas properties - at cost, based on the
successful efforts accounting method
Accumulated depletion

Net oil and gas properties

LIABILITIES AND PARTNERS' CAPITAL

Current liabilities:

Accounts payable - affiliate

Partners' capital:

Managing general partner
Limited partners (125 interests)

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The accompanying notes are an integral part of these financial statements.

3

598

PARKER & PARSLEY PRIVATE INVESTMENT 85-A, LTD.
(A Texas Limited Partnership)

STATEMENTS OF OPERATIONS
For the years ended December 31

	2000 -----	1999 -----	1998 -----
Revenues:			
Oil and gas	\$ 502,432	\$ 342,760	\$ 269,068
Interest	6,051	3,587	3,856
Gain on disposition of assets	33,459	--	--
	-----	-----	-----
	541,942	346,347	272,924
	-----	-----	-----
Costs and expenses:			
Oil and gas production	164,183	157,138	173,592
General and administrative	10,049	6,855	6,018
Impairment of oil and gas properties	61,942	--	130,873
Depletion	35,049	65,329	131,389
Abandoned property	7,038	--	--
	-----	-----	-----
	278,261	229,322	441,872
	-----	-----	-----
Net income (loss)	\$ 263,681	\$ 117,025	\$ (168,948)
	=====	=====	=====
Allocation of net income (loss):			
Managing general partner	\$ 2,637	\$ 1,170	\$ (1,689)
	=====	=====	=====
Limited partners	\$ 261,044	\$ 115,855	\$ (167,259)
	=====	=====	=====
Net income (loss) per limited partnership interest	\$2,088.35	\$ 926.84	\$ (1,338.07)
	=====	=====	=====

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The accompanying notes are an integral part of these financial statements.

4

599

PARKER & PARSLEY PRIVATE INVESTMENT 85-A, LTD.
(A Texas Limited Partnership)

STATEMENTS OF PARTNERS' CAPITAL

	Managing general partner -----	L p -----
Partners' capital at January 1, 1998	\$ 13,952	\$
Distributions	(1,142)	
Net loss	(1,689)	
	-----	---
Partners' capital at December 31, 1998	11,121	
Distributions	(1,491)	
Net income	1,170	
	-----	---
Partners' capital at December 31, 1999	10,800	
Distributions	(3,480)	
Net income	2,637	
	-----	---
Partners' capital at December 31, 2000	\$ 9,957	\$
	=====	====

The accompanying notes are an integral part of these financial statements.

PARKER & PARSLEY PRIVATE INVESTMENT 85-A, LTD.
(A Texas Limited Partnership)

STATEMENTS OF CASH FLOWS
For the years ended December 31

	2000	
	-----	-----
Cash flows from operating activities:		
Net income (loss)	\$ 263,681	\$
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Impairment of oil and gas properties	61,942	
Depletion	35,049	
Gain on disposition of assets	(33,459)	
Changes in assets and liabilities:		
Accounts receivable	(22,295)	
Accounts payable	(2,342)	
	-----	-----
Net cash provided by operating activities	302,576	
	-----	-----
Cash flows used in investing activities:		
Additions to oil and gas properties	(1,948)	
Proceeds from disposition of assets	41,969	
	-----	-----
Net cash provided (used by) investing activities	40,021	
	-----	-----
Cash flows used in financing activities:		
Cash distributions to partners	(348,010)	
	-----	-----
Net increase (decrease) in cash	(5,413)	
Cash at beginning of year	79,497	
	-----	-----
Cash at end of year	\$ 74,084	\$
	=====	=====

The accompanying notes are an integral part of these financial statements.

PARKER & PARSLEY PRIVATE INVESTMENT 85-A, LTD.
(A Texas Limited Partnership)

NOTES TO FINANCIAL STATEMENTS
December 31, 2000, 1999 and 1998

NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS

Parker & Parsley Private Investment 85-A, Ltd. (the "Partnership") is a limited partnership organized in 1985 under the laws of the State of Texas. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA").

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Oil and gas properties - The Partnership utilizes the successful efforts method of accounting for its oil and gas properties and equipment. Under this method, all costs associated with productive wells and nonproductive development wells are capitalized while nonproductive exploration costs are expensed. Capitalized costs relating to proved properties are depleted using the unit-of-production method on a property-by-property basis based on proved oil (dominant mineral) reserves as determined evaluated by independent petroleum consultants. The carrying amounts of properties sold or otherwise disposed of and the related allowances for depletion are eliminated from the accounts and any gain or loss is included in results of operations.

Impairment of long-lived assets - In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the Partnership reviews its long-lived assets to be held and used on an individual property basis, including oil and gas properties accounted for under the successful efforts method of accounting, whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. An impairment loss is indicated if the sum of the expected future cash flows is less than the carrying amount of the assets. In this circumstance, the Partnership recognizes an impairment loss for the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset.

Use of estimates in the preparation of financial statements - Preparation of the accompanying financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Net income (loss) per limited partnership interest - The net income (loss) per limited partnership interest is calculated by using the number of outstanding limited partnership interests.

Income taxes - A Federal income tax provision has not been included in the financial statements as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

Statements of cash flows - For purposes of reporting cash flows, cash includes depository accounts held by banks.

General and administrative expenses - General and administrative expenses are allocated in part to the Partnership by the managing general partner. Allocated expenses are determined by the managing general partner based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Reclassifications - Certain reclassifications may have been made to the 1999 and 1998 financial statements to conform to the 2000 financial statement presentations.

Environmental - The Partnership is subject to extensive federal, state and local environmental laws and regulations. These laws, which are constantly changing, regulate the discharge of materials into the environment and may require the Partnership to remove or mitigate the environmental effects of the disposal or release of petroleum or chemical substances at various sites. Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Liabilities for expenditures of a noncapital nature are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated. Such liabilities are generally undiscounted unless the timing of cash payments for the liability or component are fixed or reliably determinable. No such liabilities have been accrued as of December 31, 2000.

Revenue recognition - The Partnership uses the entitlements method of accounting for oil, natural gas liquids ("NGLs") and natural gas revenues.

NOTE 3. IMPAIRMENT OF LONG-LIVED ASSETS

In accordance with SFAS 121, the Partnership reviews its proved oil and gas properties for impairment whenever events and circumstances indicate a decline in the recoverability of the carrying value of the Partnership's oil and gas properties. The Partnership has estimated the expected future cash flows of its oil and gas properties as of December 31, 2000, 1999 and 1998, based on proved reserves, and compared such estimated future cash flows to the respective carrying amount of the oil and gas properties to determine if the carrying amounts were likely to be recoverable. For those proved oil and gas properties for which the carrying amount exceeded the estimated future cash flows, an impairment was determined to exist; therefore, the Partnership adjusted the carrying amount of those oil and gas properties to their fair value as determined by discounting their expected future cash flows at a discount rate commensurate with the risks involved in the industry. As a result, the Partnership recognized non-cash impairment provisions of \$61,942 and \$130,873 related to its

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

603

proved oil and gas properties during 2000 and 1998, respectively.

NOTE 4. INCOME TAXES

The financial statement basis of the Partnership's net assets and liabilities was \$5,983 less than the tax basis at December 31, 2000.

The following is a reconciliation of net income (loss) per statements of operations with the net income per Federal income tax returns for the years ended December 31:

	2000	
	-----	-----
Net income (loss) per statements of operations	\$ 263,681	\$
Depletion and depreciation provisions for tax reporting purposes less than amounts for financial reporting purposes	32,046	
Impairment of oil and gas properties for financial reporting purposes	61,942	
Other, net	(7,404)	
	-----	-----
Net income per Federal income tax returns	\$ 350,265	\$
	=====	=====

NOTE 5. OIL AND GAS PRODUCING ACTIVITIES

The following is a summary of the costs incurred, whether capitalized or expensed, related to the Partnership's oil and gas producing activities for the years ended December 31:

	2000	
	-----	-----
Development costs	\$ 1,948	\$
	=====	=====

Capitalized oil and gas properties consist of the following:

Proved properties:

Property acquisition costs
Completed wells and equipment

\$

Accumulated depletion

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Net oil and gas properties

\$
===

9

604

NOTE 6. RELATED PARTY TRANSACTIONS

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

	2000	
	-----	-----
Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$ 66,336	\$
Reimbursement of general and administrative expenses	\$ 8,067	\$

The Partnership participates in oil and gas activities through an income tax partnership (the "Program") pursuant to the Program agreement. Pioneer USA and the Partnership are parties to the Program agreement.

The costs and revenues of the Program are allocated to Pioneer USA and the Partnership as follows:

	Pioneer U

Revenues:	
Proceeds from disposition of depreciable properties	9.090
All other revenues	24.242
Costs and expenses:	
Lease acquisition costs, drilling and completion costs and all other costs	9.090
Operating costs, direct costs and general and administrative expenses	24.242

(1) Excludes Pioneer USA's 1% general partner ownership which is allocated at the Partnership level.

NOTE 7. OIL AND GAS INFORMATION (UNAUDITED)

The following table presents information relating to the Partnership's

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities during the years then ended. All of the Partnership's reserves are proved developed and located within the United States. The Partnership's reserves are based on an evaluation prepared by Williamson Petroleum Consultants, Inc., an independent petroleum consultant, using criteria established by the Securities and Exchange Commission.

10

605

	Oil and NGLs (bbls)
Net proved reserves at January 1, 1998	271,658
Revisions	(91,942)
Production	(21,200)
Net proved reserves at December 31, 1998	158,516
Revisions	180,472
Production	(20,664)
Net proved reserves at December 31, 1999	318,324
Revisions	27,943
Production	(17,619)
Net proved reserves at December 31, 2000	328,648

As of December 31, 2000, the estimated present value of future net revenues of proved reserves, calculated using December 31, 2000 prices of \$26.64 per barrel of oil, \$13.00 per barrel of NGLs and \$7.43 per mcf of gas, discounted at 10% was approximately \$2,408,000 and undiscounted was \$5,247,000.

Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves. The Partnership emphasizes that reserve estimates are inherently imprecise and, accordingly, the estimates are expected to change as future information becomes available.

Disclosures about Oil & Gas Producing Activities

Standardized Measure of Discounted Future Net Cash Flows

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The standardized measure of discounted future net cash flows is computed by applying year-end prices of oil and gas (with consideration of price changes only to the extent provided by contractual arrangements) to the estimated future production of proved oil and gas reserves less estimated future expenditures (based on year-end costs) to be incurred in developing and producing the proved reserves, discounted using a rate of 10% per year to reflect the estimated timing of the future cash flows. A Federal income tax provision has not been calculated as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

Discounted future cash flow estimates like those shown below are not intended to represent estimates of the fair value of oil and gas properties. Estimates of fair value should also consider anticipated future oil and gas prices, interest rates, changes in development and production costs and risks associated with future production. Because of these and other considerations, any estimate of fair value is necessarily subjective and imprecise.

	For the years ended	
	2000	1999
Oil and gas producing activities:		(i)
Future cash inflows	\$ 10,071	\$
Future production costs	(4,824)	-----
	-----	-----
	5,247	
10% annual discount factor	(2,839)	-----
	-----	-----
Standardized measure of discounted future net cash flows	\$ 2,408	\$
	=====	=====

	For the years ended	
	2000	1999
Oil and Gas Producing Activities:		(i)
Oil and gas sales, net of production costs	\$ (338)	\$
Net changes in prices and production costs	820	
Revisions of previous quantity estimates	130	
Accretion of discount	182	
Changes in production rates, timing and other	(204)	-----
	-----	-----
Change in present value of future net revenues	590	-----
	-----	-----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Balance, beginning of year	1,818	-----
Balance, end of year	\$ 2,408	\$ =====

NOTE 8. MAJOR CUSTOMERS

The following table reflects the major customers of the Partnership's oil and gas sales (a major customer is defined as a customer whose sales exceed 10% of total sales) during the years ended December 31:

	2000

Plains Marketing, L.P.	64%
Genesis Crude Oil, L.P.	-
Western Gas Resources, Inc.	3%

At December 31, 2000, the amount receivable from Plains Marketing, L.P. was \$27,002 which is included in the caption "Accounts receivable - oil and gas sales" in the accompanying Balance Sheet.

Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on the ability of the Partnership to sell its oil, NGLs and gas production.

NOTE 9. PARTNERSHIP AGREEMENT

The following is a brief summary of the more significant provisions of the limited partnership agreement:

Managing general partner - The managing general partner of the Partnership is Pioneer USA. Pioneer USA has the power and authority to manage, control and administer all Partnership affairs. As managing general partner and operator of the Partnership's properties, all production expenses are incurred by Pioneer USA and billed to the Partnership. The majority of the Partnership's oil and gas revenues are received directly by the Partnership, however, a portion

of the oil and gas revenue is initially received by Pioneer USA prior to being paid to the Partnership. Under the limited partnership agreement, the managing general partner pays 1% of the Partnership's acquisition, drilling and completion costs and 1% of its operating and general and administrative expenses. In return, it is allocated 1% of the Partnership's revenues.

Limited partner liability - The maximum amount of liability of any limited partner is the total contributions of such partner plus his share of any undistributed profits.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Initial capital contributions - The limited partners entered into subscription agreements for aggregate capital contributions of \$5,000,000. Pioneer USA was required to contribute amounts equal to 1% of initial Partnership capital less commission and organization and offering costs allocated to the limited partners and to contribute amounts necessary to pay costs and expenses allocated to it under the Partnership agreement to the extent its share of revenues does not cover such costs.

13

608

PARKER & PARSLEY PRIVATE INVESTMENT 85-A, LTD. (A TEXAS LIMITED PARTNERSHIP)

THIS REPORT CONTAINS FORWARD LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. ACCORDINGLY, NO ASSURANCES CAN BE GIVEN THAT THE ACTUAL EVENTS AND RESULTS WILL NOT BE MATERIALLY DIFFERENT THAN THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of operations

2000 compared to 1999

The Partnership's oil and gas revenues increased 47% to \$502,432 for 2000 as compared to \$342,760 in 1999. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 2000, 11,945 barrels of oil, 5,674 barrels of natural gas liquids ("NGLs") and 20,905 mcf of gas were sold, or 21,103 barrel of oil equivalents ("BOEs"). In 1999, 14,568 barrels of oil, 6,096 barrels of NGLs and 23,218 mcf of gas were sold, or 24,534 BOEs. Due to the decline characteristics of the Partnership's oil and gas properties, management expects a certain amount of decline in production in the future until the Partnership's economically recoverable reserves are fully depleted.

The average price received per barrel of oil increased \$13.28, or 79%, from \$16.91 in 1999 to \$30.19 in 2000. The average price received per barrel of NGLs increased \$5.27, or 53%, from \$9.95 in 1999 to \$15.22 in 2000. The average price received per mcf of gas increased 72% from \$1.54 in 1999 to \$2.65 in 2000. The market price for oil and gas has been extremely volatile in the past decade, and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received in 2000.

Gain on disposition of assets recognized during 2000 of \$33,459 was due to equipment credits received on two wells plugged and abandoned during the current year. Abandoned property costs of \$7,038 incurred in 2000 related to the abandonment of these two wells.

Total costs and expenses increased in 2000 to \$278,261 as compared to \$229,322 in 1999, an increase of \$48,939, or 21%. The increase was primarily due to the

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

impairment of oil and gas properties and increases in production costs, abandoned property costs and general and administrative expenses ("G&A"), offset by a decline in depletion.

Production costs were \$164,183 in 2000 and \$157,138 in 1999, resulting in a \$7,045 increase, or 4%. The increase was primarily due to higher production taxes associated with higher oil and gas prices and workover costs incurred to stimulate well production, offset by a decline in well maintenance costs.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 47% from \$6,855 in 1999 to \$10,049 in 2000, primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 2% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$8,067 in 2000 and \$3,581 in 1999 for G&A incurred on behalf of the Partnership. The remaining G&A was paid directly by the Partnership. The managing general partner determines the allocated expenses based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the managing general partner reviews the Partnership's oil and gas properties for impairment whenever events or circumstances indicate a decline in the recoverability of the carrying value of the Partnership's assets may have occurred. As a result of the review and evaluation of its long-lived assets for impairment, the Partnership recognized a non-cash charge of \$61,942 related to its oil and gas properties during 2000.

609

Depletion was \$35,049 in 2000 as compared to \$65,329 in 1999, representing a decrease of \$30,280, or 46%. This decrease was primarily due to a 20,767 barrels of oil increase in proved reserves during 2000 as a result of higher commodity prices and a decline in oil production of 2,623 barrels for the period ended December 31, 2000 compared to the same period in 1999.

1999 compared to 1998

The Partnership's 1999 oil and gas revenues increased 27% to \$342,760 from \$269,068 in 1998. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 1999, 14,568 barrels of oil, 6,096 barrels of NGLs and 23,218 mcf of gas were sold, or 24,534 BOEs. In 1998, 14,874 barrels of oil, 6,326 barrels of NGLs and 22,343 mcf of gas were sold, or 24,924 BOEs.

The average price received per barrel of oil increased \$3.71, or 28%, from \$13.20 in 1998 to \$16.91 in 1999. The average price received per barrel of NGLs increased \$3.46, or 53%, from \$6.49 in 1998 to \$9.95 in 1999. The average price received per mcf of gas increased 9% from \$1.41 in 1998 to \$1.54 in 1999.

Total costs and expenses decreased in 1999 to \$229,322 as compared to \$441,872 in 1998, a decrease of \$212,550, or 48%. The decrease was primarily due to declines in the impairment of oil and gas properties, depletion and production costs, offset by an increase in G&A.

Production costs were \$157,138 in 1999 and \$173,592 in 1998, resulting in a

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

\$16,454 decrease, or 9%. The decrease was due to declines in well maintenance costs and ad valorem taxes.

During this period, G&A increased 14% from \$6,018 in 1998 to \$6,855 in 1999 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 2% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$3,581 in 1999 and \$4,294 in 1998 for G&A incurred on behalf of the Partnership.

The Partnership recognized a non-cash SFAS 121 charge of \$130,873 related to its oil and gas properties during 1998.

Depletion was \$65,329 in 1999 compared to \$131,389 in 1998, representing a decrease of \$66,060, or 50%. This decrease was the result of an increase in proved reserves of 120,513 barrels of oil during 1999 due to higher commodity prices and a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 1998.

Petroleum industry

The petroleum industry has been characterized by volatile oil, NGL and natural gas commodity prices and relatively stable supplier costs during the three years ended December 31, 2000. During 1998, weather patterns, regional economic recessions and political matters combined to cause worldwide oil supplies to exceed demand resulting in a substantial decline in oil prices. Also during 1998, but to a lesser extent, market prices for natural gas declined. During 1999 and 2000, the Organization of Petroleum Exporting Countries ("OPEC") and certain other crude oil exporting nations announced reductions in their planned export volumes. Those announcements, together with the enactment of the announced reductions in export volumes, had a positive impact on world oil prices, as have overall natural gas supply and demand fundamentals on North American natural gas prices. Although the favorable commodity price environment and stable field service cost environment is expected to continue during 2001, there is no assurance that commodity prices will not return to a less favorable level or that field service costs will not escalate in the future, both of which could negatively impact the Partnership's future results of operations and cash distributions.

610

Liquidity and capital resources

Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$126,496 during the year ended December 31, 2000 from 1999. This increase was due to an increase in oil and gas sales receipts of \$162,136, offset by increases in production costs paid of \$7,045, G&A expenses paid of \$3,194, abandoned property costs paid of \$7,038 and working capital of \$18,363. The increase in oil and gas receipts resulted from the increase in commodity prices during 2000 which contributed an additional \$253,878 to oil and gas receipts, offset by \$91,742 resulting from the decline in production during 2000. The increase in production costs was primarily due to increased production taxes associated with higher oil and gas prices and workover costs incurred to stimulate well production, offset by a decline in well maintenance costs. The increase in G&A was primarily due to higher percentage of the managing general partner's G&A being allocated (limited to 2% of oil and gas revenues) as a result of increased oil and gas revenues.

Net Cash Provided by (Used in) Investing Activities

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The Partnership's principal investing activities during 2000 and 1999 included expenditures related to equipment upgrades on several oil and gas properties.

Proceeds from disposition of assets during 2000 of \$41,969 were related to \$33,459 salvage income received on two wells plugged and abandoned during the current year and \$8,510 from equipment credits received on one active well.

Net Cash Used in Financing Activities

In 2000, cash distributions to the partners were \$348,010, of which \$3,480 was distributed to the managing general partner and \$344,530 to the limited partners. In 1999, cash distributions to the partners were \$149,074, of which \$1,491 was distributed to the managing general partner and \$147,583 to the limited partners.

611

PARKER & PARSLEY PRIVATE INVESTMENT 85-A, LTD.

SELECTED FINANCIAL DATA

The following selected financial data for the Partnership should be read in connection with Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements included in the attached supplemental information.

	Six months ended June 30,		Years ended December 31,		
	2001	2000	2000	1999	1998
Operating results:					
Oil and gas sales	\$ 224,605	\$ 237,006	\$ 502,432	\$ 342,760	\$ 269,068
Impairment of oil and gas properties	\$ --	\$ --	\$ 61,942	\$ --	\$ 130,873
Gain on litigation settlement, net	\$ --	\$ --	\$ --	\$ --	\$ --
Net income (loss)	\$ 128,955	\$ 157,988	\$ 263,681	\$ 117,025	\$ (168,948)
Allocation of net income (loss):					

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Managing general partner	\$ 1,290	\$ 1,580	\$ 2,637	\$ 1,170	\$ (1,689)
Limited partners	\$ 127,665	\$ 156,408	\$ 261,044	\$ 115,855	\$ (167,259)
Limited partners' net income (loss) per limited partnership interest	\$ 1,021.32	\$ 1,251.26	\$ 2,088.35	\$ 926.84	\$ (1,338.07)
Limited partners' cash distributions per limited partnership interest	\$ 746.86	\$ 1,437.69	\$ 2,756.24	\$ 1,180.66	\$ 903.86
As of period ended: Total assets	\$ 801,547	\$ 828,273	\$ 760,530	\$ 847,201	\$ 877,828

612

PIONEER NATURAL RESOURCES COMPANY
PIONEER NATURAL RESOURCES USA, INC.
5205 NORTH O'CONNOR BLVD., SUITE 1400
IRVING, TEXAS 75039

SUPPLEMENTAL INFORMATION

OF

PARKER & PARSLEY SELECTED 85 PRIVATE INVESTMENT, LTD.,
A TEXAS LIMITED PARTNERSHIP

TO

PROXY STATEMENT/PROSPECTUS DATED , 2001

THE DATE OF THIS SUPPLEMENT IS , 2001

This document contains important information specific to Parker & Parsley Selected 85 Private Investment, Ltd. and supplements the proxy statement/prospectus dated , 2001, of Pioneer Natural Resources Company and Pioneer Natural Resources USA, Inc., by which Pioneer USA is soliciting proxies to be voted at a special meeting of limited partners of the partnership. The purpose of the special meeting is for you to vote upon the merger of the partnership with and into Pioneer USA that, if completed, will result in your receiving common stock of Pioneer Natural Resources Company for your partnership interests.

This document contains the following information concerning Parker & Parsley Private Selected 85 Private Investment, Ltd.:

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

- o A table containing:
 - the aggregate initial investment by the limited partners
 - the aggregate historical limited partner distributions through July 31, 2001
 - the merger value attributable to partnership interests of limited partners, excluding Pioneer USA
 - the merger value per \$1,000 limited partner investment
 - the merger value per \$1,000 limited partner investment as a multiple of distributions for the past four quarterly distributions including the distribution in July 2001

 - the book value per \$1,000 limited partner investment as of June 30, 2001 and as of December 31, 2000

 - the going concern value per \$1,000 limited partner investment
 - the liquidation value per \$1,000 limited partner investment
 - the ordinary tax loss per \$1,000 limited partner investment in year of initial investment

- o Information about:
 - the legal opinion for the limited partners
 - the term of the partnership

- o The partnership's financial statements, including management's discussion and analysis of financial condition and results of operations, for the six months ended June 30, 2001

- o The partnership's financial statements, including management's discussion and analysis of financial condition and results of operations, for the year ended December 31, 2000

- o Selected historical financial data for the partnership for the six months ended June 30, 2001 and 2000 and the five years ended December 31, 2000

-1-

613

PARKER & PARSLEY SELECTED 85 PRIVATE INVESTMENT, LTD.

SUPPLEMENTAL INFORMATION TABLE

Aggregate Initial Investment by the Limited Partners (a)

\$

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Aggregate Historical Limited Partner Distributions through July 31, 2001 (a)	\$
Merger Value Attributable to Partnership Interests of Limited Partners, Excluding Pioneer USA (a), (b)	\$
Merger Value per \$1,000 Limited Partner Investment (b), (c)	\$
Merger Value per \$1,000 Limited Partner Investment as a Multiple of Distributions for the past four quarterly distributions including the distribution in July 2001 (b), (c)	
Book Value per \$1,000 Limited Partner Investment:	
-- as of June 30, 2001 (c)	\$
-- as of December 31, 2000 (c)	\$
Going Concern Value per \$1,000 Limited Partner Investment (c), (d)	\$
Liquidation Value per \$1,000 Limited Partner Investment (c), (e)	\$
Ordinary Tax Loss per \$1,000 Limited Partner Investment in Year of Initial Investment (c), (f)	\$

(a) Stated in thousands.

(b) The merger value for the partnership is equal to the sum of the present value of estimated future net revenues from the partnership's estimated oil and gas reserves and its net working capital, in each case as of March 31, 2001, less its pro rata share, based on its reserve value, of the estimated expenses and fees of the mergers of all of the partnerships and less the cash distribution on July 13, 2001, by the partnership to its partners.

(c) Interests in some partnerships were sold in units at prices other than \$1,000. We have presented this information based on a \$1,000 initial investment for ease of use and comparison among partnerships. You should not assume that the amount shown per \$1,000 investment is the same as the value or amount attributable to a single unit investment.

(d) The going concern value for the partnership is based upon: (1) the sum of (A) the estimated net cash flow from the sale of the partnership's reserves during a 10-year operating period and (B) the estimated residual value from the sale of the partnership's remaining reserves at the end of the operating period, in each case using the same pricing and discount rate as in the merger value calculation, less (2) (A) partnership level general and administrative expenses, and (B) the cash distribution on July 13, 2001 by the partnership to its partners.

(e) The liquidation value for the partnership is based upon the sale of the partnership's reserves at the reserve value, less (1) liquidation expenses which are estimated to be the sum of (A) the partnership's pro rata share of the merger expenses and fees described in footnote (b) above and (B) 3% of the partnership's reserve value, and (2) the cash distribution on July 13, 2001 by the partnership to its partners. The liquidation expenses represent estimated costs to retain an investment banker or broker to sell the assets of the partnership and the legal and other closing costs

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

associated with such transaction, including the wind-down costs of the partnership.

- (f) Your ability to use your distributive share of the partnership's loss to offset your other income may have been subject to certain limitations at your level as a partner, and you may therefore wish to consult your tax advisor to determine the additional value, if any, actually realized by you in your particular circumstances.

INFORMATION ABOUT THE LEGAL OPINION FOR THE LIMITED PARTNERS

The partnership agreement for the partnership requires that special legal counsel render an opinion on behalf of the limited partners to Pioneer USA that (1) neither the grant nor the exercise of the right to approve the merger of the partnership by its limited partners will adversely affect the federal income tax classification of the partnership or any of its limited partners; and (2) neither the grant nor exercise of such right will result in the loss of any limited partner's limited liability. In addition, the counsel designated to render the opinion must be counsel other than counsel to Pioneer USA or the partnership. Both the designated counsel and the legal opinion must be approved by the limited partners. Pioneer USA has retained _____ of Dallas, Texas for the purpose of rendering this legal opinion on behalf of the limited partners to Pioneer USA. The merger proposals include an approval of that counsel and the form of its opinion. A copy of the opinion is attached as an exhibit to the merger proposals.

INFORMATION ABOUT THE TERM OF THE PARTNERSHIP

The term of the partnership is until December 31, 2035, unless the partnership is earlier terminated in accordance with the applicable provisions of its partnership agreement.

-2-

614

PARKER & PARSLEY SELECTED 85 PRIVATE INVESTMENT, LTD.

(A Texas Limited Partnership)

FINANCIAL STATEMENTS

June 30, 2001 and December 31, 2000

(Unaudited)

615

PARKER & PARSLEY SELECTED 85 PRIVATE INVESTMENT, LTD.

(A Texas Limited Partnership)

BALANCE SHEETS

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	June 30, 2001	December 31, 2000
	----- (Unaudited)	-----
ASSETS		
Current assets:		
Cash	\$ 116,008	\$ 32,773
Accounts receivable - oil and gas sales	59,116	78,218
	-----	-----
Total current assets	175,124	110,991
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	3,864,140	3,864,140
Accumulated depletion	(3,456,228)	(3,441,568)
	-----	-----
Net oil and gas properties	407,912	422,572
	-----	-----
	\$ 583,036	\$ 533,563
	=====	=====
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable - affiliate	\$ 11,773	\$ 6,722
Partners' capital:		
Managing general partner	8,336	7,892
Limited partners (117 interests)	562,927	518,949
	-----	-----
	571,263	526,841
	-----	-----
	\$ 583,036	\$ 533,563
	=====	=====

The financial information included as of June 30, 2001 has been prepared by the managing general partner without audit by independent public accountants.

The accompanying notes are an integral part of these financial statements.

PARKER & PARSLEY SELECTED 85 PRIVATE INVESTMENT, LTD.
(A Texas Limited Partnership)

STATEMENTS OF OPERATIONS
(Unaudited)

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	Three months ended June 30,		Six months ended June 30,	
	2001	2000	2001	2000
Revenues:				
Oil and gas	\$ 120,409	\$ 106,941	\$ 249,386	\$ 196,468
Interest	768	881	1,548	1,473
Gain on disposition of assets	-	-	2,574	-
	-----	-----	-----	-----
	121,177	107,822	253,508	197,941
	-----	-----	-----	-----
Costs and expenses:				
Oil and gas production	50,842	42,099	101,173	82,419
General and administrative	2,409	2,138	4,988	3,929
Depletion	7,874	8,685	14,660	16,778
	-----	-----	-----	-----
	61,125	52,922	120,821	103,126
	-----	-----	-----	-----
Net income	\$ 60,052	\$ 54,900	\$ 132,687	\$ 94,815
	=====	=====	=====	=====
Allocation of net income:				
Managing general partner	\$ 601	\$ 549	\$ 1,327	\$ 948
	=====	=====	=====	=====
Limited partners	\$ 59,451	\$ 54,351	\$ 131,360	\$ 93,867
	=====	=====	=====	=====
Net income per limited partnership interest	\$ 508.13	\$ 464.54	\$1,122.74	\$ 802.28
	=====	=====	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

The accompanying notes are an integral part of these financial statements.

PARKER & PARSLEY SELECTED 85 PRIVATE INVESTMENT, LTD.
(A Texas Limited Partnership)

STATEMENT OF PARTNERS' CAPITAL
(Unaudited)

Managing general partner	Limited partners	Total
-----	-----	-----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Balance at January 1, 2001	\$ 7,892	\$ 518,949	\$ 526,841
Distributions	(883)	(87,382)	(88,265)
Net income	1,327	131,360	132,687
	-----	-----	-----
Balance at June 30, 2001	\$ 8,336	\$ 562,927	\$ 571,263
	=====	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

The accompanying notes are an integral part of these financial statements.

4

618

PARKER & PARSLEY SELECTED 85 PRIVATE INVESTMENT, LTD.
(A Texas Limited Partnership)

STATEMENTS OF CASH FLOWS
(Unaudited)

	Six months ended June 30,	
	2001	2000
	-----	-----
Cash flows from operating activities:		
Net income	\$ 132,687	\$ 94,815
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion	14,660	16,778
Gain on disposition of assets	(2,574)	-
Changes in assets and liabilities:		
Accounts receivable	19,102	(11,456)
Accounts payable	5,051	3,106
	-----	-----
Net cash provided by operating activities	168,926	103,243
	-----	-----
Cash flows from investing activities:		
Additions to oil and gas properties	-	(885)
Proceeds from disposition of assets	2,574	-
	-----	-----
Net cash provided by (used in) investing activities	2,574	(885)

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Cash flows used in financing activities:		
Cash distributions to partners	(88,265)	(98,809)
Net increase in cash	83,235	3,549
Cash at beginning of period	32,773	39,610
Cash at end of period	\$ 116,008	\$ 43,159

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

The accompanying notes are an integral part of these financial statements.

5

619

PARKER & PARSLEY SELECTED 85 PRIVATE INVESTMENT, LTD.
(A Texas Limited Partnership)

NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Unaudited)

Note 1. Organization and nature of operations

Parker & Parsley Selected 85 Private Investment, Ltd. (the "Partnership") is a limited partnership organized in 1985 under the laws of the State of Texas.

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

Note 2. Basis of presentation

In the opinion of management, the unaudited financial statements of the Partnership as of June 30, 2001 and for the three and six months ended June 30, 2001 and 2000 include all adjustments and accruals consisting only of normal recurring accrual adjustments which are necessary for a fair presentation of the results for the interim period. These interim results are not necessarily indicative of results for a full year. Certain reclassifications may have been made to the June 30, 2000 financial statements to conform to the June 30, 2001 financial statement presentations.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in these interim financial statements. The financial statements should be read in conjunction with the financial statements and the notes thereto contained in the Partnership's report for the year ended December 31, 2000, a copy of which is available upon request by writing to Rich Dealy, Vice President and Chief Accounting Officer, 5205 North O'Connor Boulevard, Suite 1400, Irving, Texas 75039-3746.

Management's Discussion and Analysis of Financial Condition
and Results of Operations (1)

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Results of Operations

Six months ended June 30, 2001 compared with six months ended June 30, 2000

Revenues:

The Partnership's oil and gas revenues increased 27% to \$249,386 for the six months ended June 30, 2001 as compared to \$196,468 for the same period in 2000. The increase in revenues resulted from higher average prices received and an increase in production. For the six months ended June 30, 2001, 5,370 barrels of

6

620

oil, 2,580 barrels of natural gas liquids ("NGLs") and 12,602 mcf of gas were sold, or 10,050 barrel of oil equivalents ("BOEs"). For the six months ended June 30, 2000, 4,791 barrels of oil, 2,883 barrels of NGLs and 11,058 mcf of gas were sold, or 9,517 BOEs.

The average price received per barrel of oil increased \$.31, or 1%, from \$27.61 for the six months ended June 30, 2000 to \$27.92 for the same period in 2001. The average price received per barrel of NGLs increased \$2.11, or 15%, from \$14.13 during the six months ended June 30, 2000 to \$16.24 for the same period in 2001. The average price received per mcf of gas increased 116% from \$2.12 during the six months ended June 30, 2000 to \$4.57 for the same period in 2001. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received during the six months ended June 30, 2001.

Costs and Expenses:

Total costs and expenses increased to \$120,821 for the six months ended June 30, 2001 as compared to \$103,126 for the same period in 2000, an increase of \$17,695 or 17%. This increase was due to higher production costs and general and administrative expenses ("G&A"), offset by a decline in depletion.

Production costs were \$101,173 for the six months ended June 30, 2001 and \$82,419 for the same period in 2000 resulting in an \$18,754 increase, or 23%. This increase was the result of additional well maintenance costs incurred to stimulate well production and higher production taxes due to higher oil and gas prices.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 27%, from \$3,929 for the six months ended June 30, 2000 to \$4,988 for the same period in 2001, primarily due to a higher allocation of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues and increases in audit and tax fees.

Depletion was \$14,660 for the six months ended June 30, 2001 as compared to \$16,778 for the same period in 2000, a decrease of \$2,118, or 13%. This decrease was the result of a positive revision to proved reserves on significant wells during the period ended June 30, 2001, offset by an increase in oil production of 579 barrels for the six months ended June 30, 2001 as compared to the same period in 2000.

Three months ended June 30, 2001 compared with three months ended June 30, 2000

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Revenues:

The Partnership's oil and gas revenues increased 13% to \$120,409 for the three months ended June 30, 2001 as compared to \$106,941 for the same period in 2000. The increase in revenues resulted from higher average prices received for gas

7

621

and an increase in production, offset by lower average prices received for oil and NGLs. For the three months ended June 30, 2001, 2,829 barrels of oil, 1,389 barrels of NGLs and 6,018 mcf of gas were sold, or 5,221 BOEs. For the three months ended June 30, 2000, 2,521 barrels of oil, 1,528 barrels of NGLs and 5,665 mcf of gas were sold, or 4,993 BOEs.

The average price received per barrel of oil decreased \$.31, or 1%, from \$27.86 for the three months ended June 30, 2000 to \$27.55 for the three months ended June 30, 2001. The average price received per barrel of NGLs decreased \$.12, or 1%, from \$14.69 during the three months ended June 30, 2000 to \$14.57 for the same period in 2001. The average price received per mcf of gas increased 46% to \$3.69 during the three months ended June 30, 2001 from \$2.52 during the same period in 2000.

Costs and Expenses:

Total costs and expenses increased to \$61,125 for the three months ended June 30, 2001 as compared to \$52,922 for the same period in 2000, an increase of \$8,203, or 16%. This increase was due to higher production costs and G&A, offset by a decline in depletion.

Production costs were \$50,842 for the three months ended June 30, 2001 and \$42,099 for the same period in 2000 resulting in an \$8,743, or 21%, increase. The increase was due to additional well maintenance costs incurred to stimulate well production and higher production taxes due to higher oil and gas prices.

During this period, G&A increased 13%, from \$2,138 for the three months ended June 30, 2000 to \$2,409 for the same period in 2001, primarily due to a higher allocation of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues.

Depletion was \$7,874 for the three months ended June 30, 2001 as compared to \$8,685 for the same period in 2000, a decrease of \$811, or 9%. This decrease was the result of a positive revision to proved reserves on significant wells during the period ended June 30, 2001, offset by an increase in oil production of 308 barrels for the three months ended June 30, 2001 as compared to the same period in 2000.

Liquidity and Capital Resources

Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$65,683 during the six months ended June 30, 2001 from the same period ended June 30, 2000. This increase was due to an increase in oil and gas sales receipts of \$52,993 and a reduction in working capital of \$32,503, offset by increases in production costs of \$18,754 and G&A expenses of \$1,059. The increase in oil and gas receipts resulted from the increase in commodity prices during 2001 which contributed an

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

additional \$34,695 to oil and gas receipts and \$18,298 resulting from an increase in production during 2001 as compared to the same period in 2000. The increase in production costs was primarily due to increased production taxes

8

622

associated with higher oil and gas prices and additional well maintenance costs incurred to stimulate well production. The increase in G&A was primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues.

Net Cash Provided by (Used in) Investing Activities

The Partnership's principal investing activities during the six months ended June 30, 2000 were for expenditures related to equipment upgrades on various oil and gas properties.

Proceeds from disposition of assets of \$2,574 received during the six months ended June 30, 2001 were due to equipment credits received on one fully depleted well.

Net Cash Used in Financing Activities

For the six months ended June 30, 2001, cash distributions to the partners were \$88,265, of which \$883 was distributed to the managing general partner and \$87,382 to the limited partners. For the same period ended June 30, 2000, cash distributions to the partners were \$98,809, of which \$988 was distributed to the managing general partner and \$97,821 to the limited partners.

For the three months ended June 30, 2001, no distributions were made by the partnership to its partners. Subsequent to June 30, 2001 the cash distribution that otherwise would have been mailed to partners in late June was made to holders of record as of July 9, 2001 and was mailed on July 13, 2001. For further information, see "Proposal to acquire partnerships" below.

Proposal to acquire partnerships

On June 29, 2001, Pioneer Natural Resources Company ("Pioneer") filed with the Securities and Exchange Commission Amendment No. 1 to the Form S-4 Registration Statement (File No. 333- 59094) (the "preliminary proxy statement/prospectus"), which proposes an agreement and plan of merger among Pioneer, Pioneer Natural Resources USA, Inc. ("Pioneer USA"), a wholly-owned subsidiary of Pioneer, and 46 Parker & Parsley limited partnerships. Each partnership that approves the agreement and plan of merger and the other related merger proposals will merge with and into Pioneer USA upon the closing of the transactions described in the preliminary proxy statement/prospectus, and the partnership interests of each such partnership will be converted into the right to receive Pioneer common stock. The Partnership is one of the 46 Parker & Parsley limited partnerships that will be asked to approve the agreement and plan of merger. The preliminary proxy statement/prospectus is non-binding and is subject to, among other things, consideration of offers from third parties to purchase any partnership or its assets and the majority approval of the limited partnership interests in each partnership.

Pioneer USA will solicit proxies from limited partners to approve the mergers only when the proxy statement/prospectus is final and declared effective. No

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

solicitation will be made using preliminary materials. Nonetheless, copies of the preliminary proxy statement/prospectus may be obtained without charge upon request from Pioneer Natural Resources Company, 5205 North O'Connor Blvd., Suite 1400, Irving, Texas 75039, Attention: Investor Relations.

9

623

The limited partners are urged to read the proxy statement/prospectus of Pioneer filed with the Securities and Exchange Commission, when it is finalized, because it contains important information about the proposed mergers, including information about the direct and indirect interests of Pioneer USA and Pioneer in the mergers. The limited partners may also obtain the preliminary and (when filed) final proxy statement/prospectus and other relevant documents relating to the proposed mergers free through the internet web site that the Securities and Exchange Commission maintains at www.sec.gov.

- (1) "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" contains forward looking statements that involve risks and uncertainties. Accordingly, no assurances can be given that the actual events and results will not be materially different than the anticipated results described in the forward looking statements.

10

624

PARKER & PARSLEY SELECTED 85 PRIVATE INVESTMENT, LTD.
(A Texas Limited Partnership)

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT

December 31, 2000 and 1999

625

INDEPENDENT AUDITORS' REPORT

The Partners
Parker & Parsley Selected 85 Private Investment, Ltd.
(A Texas Limited Partnership):

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

We have audited the balance sheets of Parker & Parsley Selected 85 Private Investment, Ltd. as of December 31, 2000 and 1999, and the related statements of operations, partners' capital and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parker & Parsley Selected 85 Private Investment, Ltd. as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Dallas, Texas
March 9, 2001

2

626

PARKER & PARSLEY SELECTED 85 PRIVATE INVESTMENT, LTD. (A Texas Limited Partnership)

BALANCE SHEETS December 31

	2000	1999
	-----	-----
ASSETS		
Current assets:		
Cash	\$ 32,773	\$ 39,610
Accounts receivable - oil and gas sales	78,218	45,630
	-----	-----
Total current assets	110,991	85,240
	-----	-----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Oil and gas properties - at cost, based on the successful efforts accounting method	3,864,140	3,859,832
Accumulated depletion	(3,441,568)	(3,408,713)
	-----	-----
Net oil and gas properties	422,572	451,119
	-----	-----
	\$ 533,563	\$ 536,359
	=====	=====

LIABILITIES AND PARTNERS' CAPITAL

Current liabilities:		
Accounts payable - affiliate	\$ 6,722	\$ 8,178
Partners' capital:		
Managing general partner	7,892	7,905
Limited partners (117 interests)	518,949	520,276
	-----	-----
	526,841	528,181
	\$ 533,563	\$ 536,359
	=====	=====

The accompanying notes are an integral part of these financial statements.

PARKER & PARSLEY SELECTED 85 PRIVATE INVESTMENT, LTD.
(A Texas Limited Partnership)

STATEMENTS OF OPERATIONS
For the years ended December 31

	2000	1999	1998
	-----	-----	-----
Revenues:			
Oil and gas	\$ 441,200	\$ 252,399	\$ 206,099
Interest	3,585	1,728	2,200
	-----	-----	-----
	444,785	254,127	208,299
	-----	-----	-----
Costs and expenses:			

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Oil and gas production	184,074	153,832	153,789
General and administrative	8,824	5,048	4,122
Impairment of oil and gas properties	-	-	92,133
Depletion	31,732	33,899	118,737
	-----	-----	-----
	224,630	192,779	368,781
	-----	-----	-----
Net income (loss)	\$ 220,155	\$ 61,348	\$ (160,482)
	-----	-----	-----
Allocation of net income (loss):			
Managing general partner	\$ 2,202	\$ 613	\$ (1,605)
	=====	=====	=====
Limited partners	\$ 217,953	\$ 60,735	\$ (158,877)
	=====	=====	=====
Net income (loss) per limited partnership interest	\$1,862.85	\$ 519.10	\$ (1,357.92)
	=====	=====	=====

The accompanying notes are an integral part of these financial statements.

PARKER & PARSLEY SELECTED 85 PRIVATE INVESTMENT, LTD.
(A Texas Limited Partnership)

STATEMENTS OF PARTNERS' CAPITAL

	Managing general partner	Limited partners	Total
	-----	-----	-----
Partners' capital at January 1, 1998	\$ 10,253	\$ 752,707	\$ 762,960
Distributions	(756)	(74,884)	(75,640)
Net loss	(1,605)	(158,877)	(160,482)
	-----	-----	-----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Partners' capital at December 31, 1998	7,892	518,946	526,838
Distributions	(600)	(59,405)	(60,005)
Net income	613	60,735	61,348
	-----	-----	-----
Partners' capital at December 31, 1999	7,905	520,276	528,181
Distributions	(2,215)	(219,280)	(221,495)
Net income	2,202	217,953	220,155
	-----	-----	-----
Partners' capital at December 31, 2000	\$ 7,892	\$ 518,949	\$ 526,841
	=====	=====	=====

The accompanying notes are an integral part of these financial statements.

5

629

PARKER & PARSLEY SELECTED 85 PRIVATE INVESTMENT, LTD.
(A Texas Limited Partnership)

STATEMENTS OF CASH FLOWS
For the years ended December 31

	2000	1999	1998
	-----	-----	-----
Cash flows from operating activities:			
Net income (loss)	\$ 220,155	\$ 61,348	\$ (160,482)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Impairment of oil and gas properties	-	-	92,133
Depletion	31,732	33,899	118,737
Changes in assets and liabilities:			
Accounts receivable	(32,588)	(22,369)	20,237
Accounts payable	(1,456)	2,063	(3,647)
	-----	-----	-----
Net cash provided by operating activities	217,843	74,941	66,978
	-----	-----	-----
Cash flows from investing activities:			
Additions to oil and gas properties	(3,185)	(3,269)	(4,417)
Proceeds from asset dispositions	-	-	3,057

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	-----	-----	-----
Net cash used in investing activities	(3,185)	(3,269)	(1,360)
	-----	-----	-----
Cash flows used in financing activities:			
Cash distributions to partners	(221,495)	(60,005)	(75,640)
	-----	-----	-----
Net increase (decrease) in cash	(6,837)	11,667	(10,022)
Cash at beginning of year	39,610	27,943	37,965
	-----	-----	-----
Cash at end of year	\$ 32,773	\$ 39,610	\$ 27,943
	=====	=====	=====

The accompanying notes are an integral part of these financial statements.

6

630

PARKER & PARSLEY SELECTED 85 PRIVATE INVESTMENT, LTD.
(A Texas Limited Partnership)

NOTES TO FINANCIAL STATEMENTS
December 31, 2000, 1999 and 1998

NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS

Parker & Parsley Selected 85 Private Investment, Ltd. (the "Partnership") is a limited partnership organized in 1985 under the laws of the State of Texas. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA").

The Partnership engages oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Oil and gas properties - The Partnership utilizes the successful efforts method of accounting for its oil and gas properties and equipment. Under this method, all costs associated with productive wells and nonproductive development wells are capitalized while nonproductive exploration costs are expensed. Capitalized costs relating to proved properties are depleted using the unit-of-production method on a property-by-property basis based on proved oil (dominant mineral) reserves as evaluated by independent petroleum consultants. The carrying amounts of properties sold or otherwise disposed of and the related allowances for depletion are eliminated from the accounts and any gain or loss is included in results of operations.

Impairment of long-lived assets - In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Partnership reviews its long-lived assets to be held and used on an individual property basis, including oil and gas properties accounted for under the successful efforts method of accounting, whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. An impairment loss is indicated if the sum of the expected future cash flows is less than the carrying amount of the assets. In this circumstance, the Partnership recognizes an impairment loss for the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset.

Use of estimates in the preparation of financial statements - Preparation of the accompanying financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Net income (loss) per limited partnership interest - The net income (loss) per limited partnership interest is calculated by using the number of outstanding limited partnership interests.

Income taxes - A Federal income tax provision has not been included in the financial statements as the income of the Partnership is included in the individual Federal income tax returns of the

7

631

respective partners.

Statements of cash flows - For purposes of reporting cash flows, cash includes depository accounts held by banks.

General and administrative expenses - General and administrative expenses are allocated in part to the Partnership by the managing general partner. Allocated expenses are determined by the managing general partner based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Reclassifications - Certain reclassifications may have been made to the 1999 and 1998 financial statements to conform to the 2000 financial statement presentations.

Environmental - The Partnership is subject to extensive federal, state and local environmental laws and regulations. These laws, which are constantly changing, regulate the discharge of materials into the environment and may require the Partnership to remove or mitigate the environmental effects of the disposal or release of petroleum or chemical substances at various sites. Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Liabilities for expenditures of a noncapital nature are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated. Such liabilities are generally undiscounted unless the timing of cash payments for the liability or component are fixed or reliably determinable. No such liabilities have been accrued as of December 31, 2000.

Revenue recognition - The Partnership uses the entitlements method of accounting for oil, natural gas liquids ("NGLs") and natural gas revenues.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

NOTE 3. IMPAIRMENT OF LONG-LIVED ASSETS

In accordance with SFAS 121, the Partnership reviews its proved oil and gas properties for impairment whenever events and circumstances indicate a decline in the recoverability of the carrying value of the Partnership's oil and gas properties. The Partnership has estimated the expected future cash flows of its oil and gas properties as of December 31, 2000, 1999 and 1998, based on proved reserves, and compared such estimated future cash flows to the respective carrying amount of the oil and gas properties to determine if the carrying amounts were likely to be recoverable. For those proved oil and gas properties for which the carrying amount exceeded the estimated future cash flows, an impairment was determined to exist; therefore, the Partnership adjusted the carrying amount of those oil and gas properties to their fair value as determined by discounting their expected future cash flows at a discount rate commensurate with the risks involved in the industry. As a result, the Partnership recognized a non-cash impairment provision of \$92,133 related to its proved oil and gas properties during 1998.

8

632

NOTE 4. INCOME TAXES

The financial statement basis of the Partnership's net assets and liabilities was \$152,466 less than the tax basis at December 31, 2000.

The following is a reconciliation of net income (loss) per statements of operations with the net income per Federal income tax returns for the years ended December 31:

	2000 -----	1999 -----	1998 -----
Net income (loss) per statements of operations	\$ 220,155	\$ 61,348	\$ (160,482)
Depletion and depreciation provisions for tax reporting purposes less than amounts for financial reporting purposes	28,649	30,978	116,164
Impairment of oil and gas properties for financial reporting purposes	-	-	92,133
Salvage income	-	-	2,904
Other, net	(493)	(727)	859
Net income per Federal income tax returns	\$ 248,311 =====	\$ 91,599 =====	\$ 51,578 =====

NOTE 5. OIL AND GAS PRODUCING ACTIVITIES

The following is a summary of the costs incurred, whether capitalized or expensed, related to the Partnership's oil and gas producing activities for the years ended December 31:

2000	1999	1998
------	------	------

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	-----	-----	-----
Development costs	\$ 3,185	\$ 3,269	\$ 4,417
	=====	=====	=====

Capitalized oil and gas properties consist of the following:

	2000	1999
	-----	-----
Proved properties:		
Property acquisition costs	\$ 141,791	\$ 141,791
Completed wells and equipment	3,722,349	3,718,041
	-----	-----
	3,864,140	3,859,832
Accumulated depletion	(3,441,568)	(3,408,713)
	-----	-----
Net oil and gas properties	\$ 422,572	\$ 451,119
	=====	=====

9

633

NOTE 6. RELATED PARTY TRANSACTIONS

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

	2000	1999	1998
	-----	-----	-----
Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$ 66,669	\$ 78,823	\$ 77,025
Reimbursement of general and administrative expenses	\$ 6,888	\$ 1,886	\$ 2,442

The Partnership participates in oil and gas activities through an income tax partnership (the "Program") pursuant to the Program agreement. Pioneer USA and the Partnership are parties to the Program agreement.

The costs and revenues of the Program are allocated to the Partnership and

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Pioneer USA as follows:

	Pioneer USA (1)	Partnership
Revenues:		
Proceeds from disposition of depreciable properties	9.09091%	90.90909%
All other revenues	24.242425%	75.757575%
Costs and expenses:		
Lease acquisition costs, drilling and completion costs and all other costs	9.09091%	90.90909%
Operating costs, direct costs and general and administrative expenses	24.242425%	75.757575%

(1) Excludes Pioneer USA's 1% general partner ownership which is allocated at the Partnership level.

NOTE 7. OIL AND GAS INFORMATION (UNAUDITED)

The following table presents information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities during the years then ended. All of the Partnership's reserves are proved developed and located within the United States. The Partnership's reserves are based on an evaluation prepared by Williamson Petroleum Consultants, Inc., an independent petroleum consultant, using criteria established by the Securities and Exchange Commission.

10

634

	Oil and NGLs (bbls)	Gas (mcf)
Net proved reserves at January 1, 1998	186,210	271,087
Revisions	(76,968)	(74,549)
Production	(15,439)	(25,328)
	-----	-----
Net proved reserves at December 31, 1998	93,803	171,210
Revisions	121,880	243,365
Production	(14,598)	(27,627)
	-----	-----
Net proved reserves at December 31, 1999	201,085	386,948

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Revisions	46,612	21,005
Production	(15,698)	(22,987)
	-----	-----
 Net proved reserves at December 31, 2000	 231,999	 384,966
	=====	=====

As of December 31, 2000, the estimated present value of future net revenues of proved reserves, calculated using December 31, 2000 prices of \$26.63 per barrel of oil, \$13.32 per barrel of NGLs and \$7.55 per mcf of gas, discounted at 10% was approximately \$1,829,000 and undiscounted was approximately \$3,687,000.

Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves. The Partnership emphasizes that reserve estimates are inherently imprecise and, accordingly, the estimates are expected to change as future information becomes available.

Disclosures about Oil & Gas Producing Activities

Standardized Measure of Discounted Future Net Cash Flows

The standardized measure of discounted future net cash flows is computed by applying year-end prices of oil and gas (with consideration of price changes only to the extent provided by contractual arrangements) to the estimated future production of proved oil and gas reserves less estimated future expenditures (based on year-end costs) to be incurred in developing and producing the proved reserves, discounted using a rate of 10% per year to reflect the estimated timing of the future cash flows. A Federal income tax provision has not been calculated as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

Discounted future cash flow estimates like those shown below are not intended to represent estimates of the fair value of oil and gas properties. Estimates of fair value should also consider anticipated future oil and gas prices, interest rates, changes in development and production costs and risks associated with future production. Because of these and other considerations, any estimate of fair value is necessarily subjective and imprecise.

	For the years ended December 31,		
	2000	1999	1998
	(in thousands)		
Oil and gas producing activities:			
Future cash inflows	\$ 7,746	\$ 4,941	\$ 1,023
Future production costs	(4,059)	(2,870)	(797)
	-----	-----	-----
	3,687	2,071	226
10% annual discount factor	(1,858)	(980)	(69)

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	-----	-----	-----
Standardized measure of discounted future net cash flows	\$ 1,829	\$ 1,091	\$ 157
	=====	=====	=====

11

635

	For the years ended December 31,		
	-----	-----	-----
	2000	1999	1998
	-----	-----	-----
	(in thousands)		
Oil and Gas Producing Activities:			
Oil and gas sales, net of production costs	\$ (257)	\$ (98)	\$ (53)
Net changes in prices and production costs	658	492	(426)
Revisions of previous quantity estimates	328	882	(98)
Accretion of discount	109	16	70
Changes in production rates, timing and other	(100)	(358)	(32)
	-----	-----	-----
Change in present value of future net revenues	738	934	(539)
	-----	-----	-----
Balance, beginning of year	1,091	157	696
	-----	-----	-----
Balance, end of year	\$ 1,829	\$ 1,091	\$ 157
	=====	=====	=====

NOTE 8. MAJOR CUSTOMERS

The following table reflects the major customers of the Partnership's oil and gas sales (a major customer is defined as a customer whose sales exceed 10% of total sales) during the years ended December 31:

	-----	-----	-----
	2000	1999	1998
	-----	-----	-----
Plains Marketing, L.P.	57%	49%	-
Koch Midstream Services Company	9%	11%	-
NGTS LLC	9%	10%	-
Western Gas Resources, Inc.	4%	10%	34%
Genesis Crude Oil, L.P.	-	-	52%

At December 31, 2000, the amount receivable from Plains Marketing, L.P. was \$26,039, which is included in the caption "Accounts receivable - oil and gas sales" in the accompanying Balance Sheet.

Pioneer USA is of the opinion that the loss of any one purchaser would not

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

have an adverse effect on the ability of the Partnership to sell its oil, NGLs and gas production.

NOTE 9. PARTNERSHIP AGREEMENT

The following is a brief summary of the more significant provisions of the limited partnership agreement:

Managing general partner - The managing general partner of the Partnership is Pioneer USA. Pioneer USA has the power and authority to manage, control and administer all Partnership affairs. As managing general partner and operator of the Partnership's properties, all production expenses are incurred by Pioneer USA and billed to the Partnership. The majority of the Partnership's oil and gas revenues are received directly by the Partnership, however, a portion of the oil and gas revenue is initially received by Pioneer USA prior to being paid to the

12

636

Partnership. Under the limited partnership agreement, the managing general partner pays 1% of the Partnership's acquisition, drilling and completion costs and 1% of its operating and general and administrative expenses. In return, it is allocated 1% of the Partnership's revenues.

Limited partner liability - The maximum amount of liability of any limited partner is the total contributions of such partner plus his share of any undistributed profits.

Initial capital contributions - The limited partners entered into subscription agreements for aggregate capital contributions of \$4,690,000. Pioneer USA was required to contribute amounts equal to 1% of initial Partnership capital less commission and organization and offering costs allocated to the limited partners and to contribute amounts necessary to pay costs and expenses allocated to it under the Partnership agreement to the extent its share of revenues does not cover such costs.

13

637

PARKER & PARSLEY SELECTED 85 PRIVATE INVESTMENT, LTD.
(A TEXAS LIMITED PARTNERSHIP)

THIS REPORT CONTAINS FORWARD LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. ACCORDINGLY, NO ASSURANCES CAN BE GIVEN THAT THE ACTUAL EVENTS AND RESULTS WILL NOT BE MATERIALLY DIFFERENT THAN THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of operations

2000 compared to 1999

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The Partnership's oil and gas revenues increased 75% to \$441,200 for 2000 as compared to \$252,399 in 1999. The increase in revenues resulted from higher average prices received and a slight increase in production. In 2000, 9,509 barrels of oil, 6,189 barrels of natural gas liquids ("NGLs") and 22,987 mcf of gas were sold, or 19,529 barrel of oil equivalents ("BOEs"). In 1999, 7,828 barrels of oil, 6,770 barrels of NGLs and 27,627 mcf of gas were sold, or 19,203 BOEs. Due to the decline characteristics of the Partnership's oil and gas properties, management expects a certain amount of decline in production in the future until the Partnership's economically recoverable reserves are fully depleted.

The average price received per barrel of oil increased \$12.32, or 71%, from \$17.27 in 1999 to \$29.59 in 2000. The average price received per barrel of NGLs increased \$5.03, or 48%, from \$10.49 in 1999 to \$15.52 in 2000. The average price received per mcf of gas increased 66% from \$1.67 in 1999 to \$2.77 in 2000. The market price for oil and gas has been extremely volatile in the past decade, and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received in 2000.

Total costs and expenses increased in 2000 to \$224,630 as compared to \$192,779 in 1999, an increase of \$31,851, or 17%. The increase was primarily due to increases in production costs and general and administrative expenses ("G&A"), offset by a decline in depletion.

Production costs were \$184,074 in 2000 and \$153,832 in 1999, resulting in a \$30,242 increase, or 20%. The increase was primarily due to higher production taxes associated with higher oil and gas prices and workover costs incurred to stimulate well production, offset by a decline in well maintenance costs.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 75% from \$5,048 in 1999 to \$8,824 in 2000, primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 2% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$6,888 in 2000 and \$1,886 in 1999 for G&A incurred on behalf of the Partnership. The remaining G&A was paid directly by the Partnership. The managing general partner determines the allocated expenses based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Depletion was \$31,732 in 2000 as compared to \$33,899 in 1999, representing a decrease of \$2,167, or 6%. This decrease was primarily due to a 28,956 barrels of oil increase in proved reserves during 2000 as a result of higher commodity prices, offset by an increase in oil production of 1,681 barrels for the period ended December 31, 2000 compared to the same period in 1999.

638

1999 compared to 1998

The Partnership's 1999 oil and gas revenues increased 22% to \$252,399 from \$206,099 in 1998. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 1999, 7,828 barrels of oil, 6,770 barrels of NGLs and 27,627 mcf of gas were sold, or 19,203 BOEs. In 1998, 9,075 barrels of oil, 6,364 barrels of NGLs and 25,328 mcf of gas were sold, or 19,660 BOEs.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The average price received per barrel of oil increased \$3.83, or 28%, from \$13.44 in 1998 to \$17.27 in 1999. The average price received per barrel of NGLs increased \$3.50, or 50%, from \$6.99 in 1998 to \$10.49 in 1999. The average price received per mcf of gas increased 7% from \$1.56 in 1998 to \$1.67 in 1999.

Total costs and expenses decreased in 1999 to \$192,779 as compared to \$368,781 in 1998, a decrease of \$176,002, or 48%. The decrease was primarily due to declines in the impairment of oil and gas properties and depletion, offset by increases in G&A and production costs.

Production costs were \$153,832 in 1999 and \$153,789 in 1998, resulting in a \$43 increase. The increase was due to increases in production taxes due to increased oil and gas revenues and additional well maintenance costs incurred to stimulate well production, offset by a decline in ad valorem taxes.

During this period, G&A increased 22% from \$4,122 in 1998 to \$5,048 in 1999 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 2% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$1,886 in 1999 and \$2,442 in 1998 for G&A incurred on behalf of the Partnership.

In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the managing general partner reviews the Partnership's oil and gas properties for impairment whenever events or circumstances indicate a decline in the recoverability of the carrying value of the Partnership's assets may have occurred. As a result of the review and evaluation of its long-lived assets for impairment, the Partnership recognized a non-cash charge of \$92,133 related to its oil and gas properties during 1998.

Depletion was \$33,899 in 1999 compared to \$118,737 in 1998, representing a decrease of \$84,838, or 71%. This decrease was the result of a combination of factors that included an increase in proved reserves of 65,798 barrels of oil during 1999 as a result of higher commodity prices, a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 1998 and a decline in oil production of 1,247 barrels for the period ended December 31, 1999 compared to the same period in 1998.

Petroleum industry

The petroleum industry has been characterized by volatile oil, NGL and natural gas commodity prices and relatively stable supplier costs during the three years ended December 31, 2000. During 1998, weather patterns, regional economic recessions and political matters combined to cause worldwide oil supplies to exceed demand resulting in a substantial decline in oil prices. Also during 1998, but to a lesser extent, market prices for natural gas declined. During 1999 and 2000, the Organization of Petroleum Exporting Countries ("OPEC") and certain other crude oil exporting nations announced reductions in their planned export volumes. Those announcements, together with the enactment of the announced reductions in export volumes, had a positive impact on world oil prices, as have overall natural gas supply and demand fundamentals on North American natural gas prices. Although the favorable commodity price environment and stable field service cost environment is expected to continue during 2001, there is no assurance that commodity prices will not return to a less favorable level or that field service costs will not escalate in the future, both of which could negatively impact the Partnership's future results of operations and cash distributions.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Liquidity and capital resources

Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$142,902 during the year ended December 31, 2000 from 1999. This increase was due to an increase in oil and gas sales receipts of \$190,658, offset by increases in production costs paid of \$30,242, G&A expenses paid of \$3,776 and working capital of \$13,738. The increase in oil and gas receipts resulted from the increase in commodity prices during 2000 which contributed an additional \$162,805 to oil and gas receipts and an increase of \$27,853 resulting from the increase in production during 2000. The increase in production costs was primarily due to increased production taxes associated with higher oil and gas prices and workover costs incurred to stimulate well production, offset by a decline in well maintenance costs.. The increase in G&A was primarily due to higher percentage of the managing general partner's G&A being allocated (limited to 2% of oil and gas revenues) as a result of increased oil and gas revenues.

Net Cash Used in Investing Activities

The Partnership's principal investing activities during 2000 and 1999 included expenditures related to equipment upgrades on various oil and gas properties.

Net Cash Used in Financing Activities

In 2000, cash distributions to the partners were \$221,495, of which \$2,215 was distributed to the managing general partner and \$219,280 to the limited partners. In 1999, cash distributions to the partners were \$60,005, of which \$600 was distributed to the managing general partner and \$59,405 to the limited partners.

640

PARKER & PARSLEY SELECTED 85 PRIVATE INVESTMENT, LTD.

SELECTED FINANCIAL DATA

The following selected financial data for the Partnership should be read in connection with Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements included in the attached supplemental information.

Six months ended June 30,		Years ended Dece		
2001	2000	2000	1999	1998
-----	-----	-----	-----	-----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Operating results:					
Oil and gas sales	\$ 249,386	\$ 196,468	\$ 441,200	\$ 252,399	\$ 206,099
	=====	=====	=====	=====	=====
Impairment of oil and gas properties	\$ --	\$ --	\$ --	\$ --	\$ 92,133
	=====	=====	=====	=====	=====
Gain on litigation settlement, net	\$ --	\$ --	\$ --	\$ --	\$ --
	=====	=====	=====	=====	=====
Net income (loss)	\$ 132,687	\$ 94,815	\$ 220,155	\$ 61,348	\$ (160,482)
	=====	=====	=====	=====	=====
Allocation of net income (loss):					
Managing general partner	\$ 1,327	\$ 948	\$ 2,202	\$ 613	\$ (1,605)
	=====	=====	=====	=====	=====
Limited partners	\$ 131,360	\$ 93,867	\$ 217,953	\$ 60,735	\$ (158,877)
	=====	=====	=====	=====	=====
Limited partners' net income (loss) per limited partnership interest	\$ 1,122.74	\$ 802.28	\$ 1,862.85	\$ 519.10	\$ (1,357.92)
	=====	=====	=====	=====	=====
Limited partners' cash distributions per limited partnership interest	\$ 746.85	\$ 836.08	\$ 1,874.19	\$ 507.74	\$ 640.03
	=====	=====	=====	=====	=====
As of period ended:					
Total assets	\$ 583,036	\$ 535,471	\$ 533,563	\$ 536,359	\$ 532,953
	=====	=====	=====	=====	=====

(a) Including litigation settlement per limited partnership interest of \$234.94 in 1996.

641

PIONEER NATURAL RESOURCES COMPANY
PIONEER NATURAL RESOURCES USA, INC.
5205 NORTH O'CONNOR BLVD., SUITE 1400
IRVING, TEXAS 75039

SUPPLEMENTAL INFORMATION

OF

PARKER & PARSLEY 86-A, LTD., A TEXAS LIMITED PARTNERSHIP

TO

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

PROXY STATEMENT/PROSPECTUS DATED , 2001

THE DATE OF THIS SUPPLEMENT IS , 2001

This document contains important information specific to Parker & Parsley 86-A, Ltd. and supplements the proxy statement/prospectus dated , 2001, of Pioneer Natural Resources Company and Pioneer Natural Resources USA, Inc., by which Pioneer USA is soliciting proxies to be voted at a special meeting of limited partners of the partnership. The purpose of the special meeting is for you to vote upon the merger of the partnership with and into Pioneer USA that, if completed, will result in your receiving common stock of Pioneer Natural Resources Company for your partnership interests.

This document contains the following information concerning Parker & Parsley 86-A, Ltd.:

- o A table containing:
 - the aggregate initial investment by the limited partners
 - the aggregate historical limited partner distributions through July 31, 2001
 - the merger value attributable to partnership interests of limited partners, excluding Pioneer USA
 - the merger value per \$1,000 limited partner investment
 - the merger value per \$1,000 limited partner investment as a multiple of distributions for the past four quarterly distributions including the distribution in July 2001
 - the book value per \$1,000 limited partner investment as of June 30, 2001 and as of December 31, 2000
 - the going concern value per \$1,000 limited partner investment
 - the liquidation value per \$1,000 limited partner investment
 - the ordinary tax loss per \$1,000 limited partner investment in year of initial investment
- o Information about:
 - the legal opinion for the limited partners
 - the term of the partnership
- o The partnership's quarterly report on Form 10-Q, including management's discussion and analysis of financial condition and results of operations, for the six months ended June 30, 2001
- o The partnership's annual report on Form 10-K, including management's

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

discussion and analysis of financial condition and results of operations, for the year ended December 31, 2000

- o Selected historical financial data for the partnership for the six months ended June 30, 2001 and 2000 and the five years ended December 31, 2000

-1-

642

PARKER & PARSLEY 86-A, LTD.

SUPPLEMENTAL INFORMATION TABLE

Aggregate Initial Investment by the Limited Partners (a)	\$
Aggregate Historical Limited Partner Distributions through July 31, 2001 (a)	\$
Merger Value Attributable to Partnership Interests of Limited Partners, Excluding Pioneer USA (a), (b)	\$
Merger Value per \$1,000 Limited Partner Investment (b), (c)	\$
Merger Value per \$1,000 Limited Partner Investment as a Multiple of Distributions for the past four quarterly distributions including the distribution in July 2001 (b), (c)	
Book Value per \$1,000 Limited Partner Investment:	
-- as of June 30, 2001 (c)	\$
-- as of December 31, 2000 (c)	\$
Going Concern Value per \$1,000 Limited Partner Investment (c), (d)	\$
Liquidation Value per \$1,000 Limited Partner Investment (c), (e)	\$
Ordinary Tax Loss per \$1,000 Limited Partner Investment in Year of Initial Investment (c), (f)	\$

(a) Stated in thousands.

(b) The merger value for the partnership is equal to the sum of the present value of estimated future net revenues from the partnership's estimated oil and gas reserves and its net working capital, in each case as of March 31, 2001, less its pro rata share, based on its reserve value, of the estimated expenses and fees of the mergers of all of the partnerships and less the cash distribution on July 13, 2001, by the partnership to its partners.

(c) Interests in some partnerships were sold in units at prices other than \$1,000. We have presented this information based on a \$1,000 initial investment for ease of use and comparison among partnerships. You should

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

not assume that the amount shown per \$1,000 investment is the same as the value or amount attributable to a single unit investment.

- (d) The going concern value for the partnership is based upon: (1) the sum of (A) the estimated net cash flow from the sale of the partnership's reserves during a 10-year operating period and (B) the estimated residual value from the sale of the partnership's remaining reserves at the end of the operating period, in each case using the same pricing and discount rate as in the merger value calculation, less (2) (A) partnership level general and administrative expenses, and (B) the cash distribution on July 13, 2001 by the partnership to its partners.
- (e) The liquidation value for the partnership is based upon the sale of the partnership's reserves at the reserve value, less (1) liquidation expenses which are estimated to be the sum of (A) the partnership's pro rata share of the merger expenses and fees described in footnote (b) above and (B) 3% of the partnership's reserve value, and (2) the cash distribution on July 13, 2001 by the partnership to its partners. The liquidation expenses represent estimated costs to retain an investment banker or broker to sell the assets of the partnership and the legal and other closing costs associated with such transaction, including the wind-down costs of the partnership.
- (f) Your ability to use your distributive share of the partnership's loss to offset your other income may have been subject to certain limitations at your level as a partner, and you may therefore wish to consult your tax advisor to determine the additional value, if any, actually realized by you in your particular circumstances.

INFORMATION ABOUT THE LEGAL OPINION FOR THE LIMITED PARTNERS

The partnership agreement for the partnership requires that special legal counsel render an opinion on behalf of the limited partners to Pioneer USA that (1) neither the grant nor the exercise of the right to approve the merger of the partnership by its limited partners will adversely affect the federal income tax classification of the partnership or any of its limited partners; and (2) neither the grant nor exercise of such right will result in the loss of any limited partner's limited liability. In addition, the counsel designated to render the opinion must be counsel other than counsel to Pioneer USA or the partnership. Both the designated counsel and the legal opinion must be approved by the limited partners. Pioneer USA has retained _____ of Dallas, Texas for the purpose of rendering this legal opinion on behalf of the limited partners to Pioneer USA. The merger proposals include an approval of that counsel and the form of its opinion. A copy of the opinion is attached as an exhibit to the merger proposals.

INFORMATION ABOUT THE TERM OF THE PARTNERSHIP

The term of the partnership is until December 31, 2036, unless the partnership is earlier terminated in accordance with the applicable provisions of its partnership agreement.

-2-

643

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 2001

Commission File No. 33-3353A

PARKER & PARSLEY 86-A, LTD.
(Exact name of Registrant as specified in its charter)

Texas	75-2124884
-----	-----
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
5205 N. O'Connor Blvd., Suite 1400, Irving, Texas	75039
-----	-----
(Address of principal executive offices)	(Zip code)

Registrant's Telephone Number, including area code : (972) 444-9001

Not applicable
(Former name, former address and former fiscal year,
if changed since last report)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes / x / No / /

644

PARKER & PARSLEY 86-A, LTD.

TABLE OF CONTENTS

Page

Part I. Financial Information

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Item 1.	Financial Statements	
	Balance Sheets as of June 30, 2001 and December 31, 2000.....	3
	Statements of Operations for the three and six months ended June 30, 2001 and 2000.....	4
	Statement of Partners' Capital for the six months ended June 30, 2001.....	5
	Statements of Cash Flows for the six months ended June 30, 2001 and 2000.....	6
	Notes to Financial Statements.....	7
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations.....	7
Part II. Other Information		
Item 6.	Exhibits and Reports on Form 8-K.....	11
	Signatures.....	12

2

645

PARKER & PARSLEY 86-A, LTD.
(A Texas Limited Partnership)

Part I. Financial Information

Item 1. Financial Statements

BALANCE SHEETS

	June 30, 2001	December 31, 2000
	----- (Unaudited)	-----
ASSETS		
Current assets:		
Cash	\$ 72,545	\$ 46,169
Accounts receivable - oil and gas sales	108,397	150,881
	-----	-----
Total current assets	180,942	197,050
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	7,132,242	7,132,242
Accumulated depletion	(6,734,886)	(6,721,529)

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Net oil and gas properties	----- 397,356 -----	----- 410,713 -----
	\$ 578,298 =====	\$ 607,763 =====

LIABILITIES AND PARTNERS' CAPITAL

Current liabilities:

Accounts payable - affiliate	\$ 20,057	\$ 12,398
------------------------------	-----------	-----------

Partners' capital:

Managing general partner	4,275	4,647
Limited partners (10,131 interests)	553,966	590,718
	----- 558,241 -----	----- 595,365 -----
	\$ 578,298 =====	\$ 607,763 =====

The financial information included as of June 30, 2001 has been prepared by the managing general partner without audit by independent public accountants.

The accompanying notes are an integral part of these financial statements.

3

646

PARKER & PARSLEY 86-A, LTD.
(A Texas Limited Partnership)

STATEMENTS OF OPERATIONS
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2001	2000	2001	2000
	-----	-----	-----	-----
Revenues:				
Oil and gas	\$ 190,561	\$ 196,767	\$ 410,079	\$ 393,746
Interest	782	1,681	2,598	2,821
Gain on disposition of assets	-	18,734	-	28,971
	----- 191,343 -----	----- 217,182 -----	----- 412,677 -----	----- 425,538 -----
Costs and expenses:				
Oil and gas production	133,669	86,961	234,808	176,913
General and administrative	5,717	5,903	9,966	11,812

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Depletion	6,758	6,831	13,357	13,894
	-----	-----	-----	-----
	146,144	99,695	258,131	202,619
	-----	-----	-----	-----
Net income	\$ 45,199	\$ 117,487	\$ 154,546	\$ 222,919
	=====	=====	=====	=====
Allocation of net income:				
Managing general partner	\$ 452	\$ 1,175	\$ 1,545	\$ 2,229
	=====	=====	=====	=====
Limited partners	\$ 44,747	\$ 116,312	\$ 153,001	\$ 220,690
	=====	=====	=====	=====
Net income per limited partnership interest	\$ 4.41	\$ 11.48	\$ 15.10	\$ 21.78
	=====	=====	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

The accompanying notes are an integral part of these financial statements.

4

647

PARKER & PARSLEY 86-A, LTD.
(A Texas Limited Partnership)

STATEMENT OF PARTNERS' CAPITAL
(Unaudited)

	Managing general partner	Limited partners	Total
	-----	-----	-----
Balance at January 1, 2001	\$ 4,647	\$ 590,718	\$ 595,365
Distributions	(1,917)	(189,753)	(191,670)
Net income	1,545	153,001	154,546
	-----	-----	-----
Balance at June 30, 2001	\$ 4,275	\$ 553,966	\$ 558,241
	=====	=====	=====

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

The accompanying notes are an integral part of these financial statements.

5

648

PARKER & PARSLEY 86-A, LTD.
(A Texas Limited Partnership)

STATEMENTS OF CASH FLOWS
(Unaudited)

	Six months ended June 30,	
	2001	2000
Cash flows from operating activities:		
Net income	\$ 154,546	\$ 222,919
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion	13,357	13,894
Gain on disposition of assets	-	(28,971)
Changes in assets and liabilities:		
Accounts receivable	42,484	(39,907)
Accounts payable	7,659	4,860
Net cash provided by operating activities	218,046	172,795
Cash flows from investing activities:		
Additions to oil and gas properties	-	(5,250)
Proceeds from asset dispositions	-	28,971
Net cash provided by investing activities	-	23,721
Cash flows used in financing activities:		
Cash distributions to partners	(191,670)	(205,060)
Net increase (decrease) in cash	26,376	(8,544)
Cash at beginning of period	46,169	76,838
Cash at end of period	\$ 72,545	\$ 68,294

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The accompanying notes are an integral part of these financial statements.

6

649

PARKER & PARSLEY 86-A, LTD.
(A Texas Limited Partnership)

NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Unaudited)

Note 1. Organization and nature of operations

Parker & Parsley 86-A, Ltd. (the "Partnership") is a limited partnership organized in 1986 under the laws of the State of Texas.

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

Note 2. Basis of presentation

In the opinion of management, the unaudited financial statements of the Partnership as of June 30, 2001 and for the three and six months ended June 30, 2001 and 2000 include all adjustments and accruals consisting only of normal recurring accrual adjustments which are necessary for a fair presentation of the results for the interim period. These interim results are not necessarily indicative of results for a full year. Certain reclassifications may have been made to the June 30, 2000 financial statements to conform to the June 30, 2001 financial statement presentations.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in this Form 10-Q pursuant to the rules and regulations of the Securities and Exchange Commission. The financial statements should be read in conjunction with the financial statements and the notes thereto contained in the Partnership's Report on Form 10-K for the year ended December 31, 2000, as filed with the Securities and Exchange Commission, a copy of which is available upon request by writing to Rich Dealy, Vice President and Chief Accounting Officer, 5205 North O'Connor Boulevard, Suite 1400, Irving, Texas 75039-3746.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (1)

Results of Operations

Six months ended June 30, 2001 compared with six months ended June 30, 2000

Revenues:

The Partnership's oil and gas revenues increased 4% to \$410,079 for the six months ended June 30, 2001 as compared to \$393,746 for the same period in 2000. The increase in revenues resulted from higher average prices received, offset by a decrease in production. For the six months ended June 30, 2001, 8,359 barrels of oil, 4,940 barrels of natural gas liquids ("NGLs") and 20,166 mcf of gas were

7

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

650

sold, or 16,660 barrel of oil equivalents ("BOEs"). For the six months ended June 30, 2000, 9,168 barrels of oil, 6,254 barrels of NGLs and 26,019 mcf of gas were sold, or 19,759 BOEs.

The average price received per barrel of oil increased slightly from \$27.71 for the six months ended June 30, 2000 to \$27.73 for the same period in 2001. The average price received per barrel of NGLs increased \$2.56, or 18%, from \$14.19 during the six months ended June 30, 2000 to \$16.75 for the same period in 2001. The average price received per mcf of gas increased 142% from \$1.96 during the six months ended June 30, 2000 to \$4.74 for the same period in 2001. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received during the six months ended June 30, 2001.

A gain on disposition of assets of \$28,971 was recognized during the six months ended June 30, 2000 resulting from equipment credits received on two fully depleted wells.

Costs and Expenses:

Total costs and expenses increased to \$258,131 for the six months ended June 30, 2001 as compared to \$202,619 for the same period in 2000, an increase of \$55,512, or 27%. This increase was due to an increase in production costs, offset by declines in general and administrative expenses ("G&A") and depletion.

Production costs were \$234,808 for the six months ended June 30, 2001 and \$176,913 for the same period in 2000 resulting in a \$57,895 increase, or 33%. This increase was primarily due to additional well maintenance and workover costs incurred to stimulate well production.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A decreased 16% from \$11,812 for the six months ended June 30, 2000 to \$9,966 for the same period in 2001. The decrease is primarily attributable to a decline in audit and tax fees.

Depletion was \$13,357 for the six months ended June 30, 2001 as compared to \$13,894 for the same period in 2000, a decrease of \$537, or 4%. This decrease was primarily due to a decline in oil production of 809 barrels for the six months ended June 30, 2001 as compared to the same period in 2000.

Three months ended June 30, 2001 compared with three months ended June 30, 2000

Revenues:

The Partnership's oil and gas revenues decreased 3% to \$190,561 for the three months ended June 30, 2001 as compared to \$196,767 for the same period in 2000. The decrease in revenues resulted from a decrease in production and lower average prices received for oil, offset by higher average prices received for gas and NGLs. For the three months ended June 30, 2001, 4,389 barrels of oil, 2,558 barrels of NGLs and 9,290 mcf of gas were sold, or 8,495 BOEs. For the

651

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

three months ended June 30, 2000, 4,548 barrels of oil, 2,908 barrels of NGLs and 11,558 mcf of gas were sold, or 9,382 BOEs.

The average price received per barrel of oil decreased \$.67, or 2%, from \$27.97 for the three months ended June 30, 2000 to \$27.30 for the same period in 2001. The average price received per barrel of NGLs increased \$.27, or 2%, from \$14.53 during the three months ended June 30, 2000 to \$14.80 for the same period in 2001. The average price received per mcf of gas increased 50% from \$2.36 during the three months ended June 30, 2000 to \$3.54 for the same period in 2001.

Gain on disposition of assets of \$18,734 was recognized during the three months ended June 30, 2000 resulting from equipment credits received on two fully depleted wells.

Costs and Expenses:

Total costs and expenses increased to \$146,144 for the three months ended June 30, 2001 as compared to \$99,695 for the same period in 2000, an increase of \$46,449, or 47%. This increase was due to an increase in production costs, offset by declines in G&A and depletion.

Production costs were \$133,669 for the three months ended June 30, 2001 and \$86,961 for the same period in 2000 resulting in a \$46,708 increase, or 54%. This increase was primarily due to additional well maintenance and workover costs incurred to stimulate well production.

During this period, G&A decreased 3% from \$5,903 for the three months ended June 30, 2000 to \$5,717 for the same period in 2001. The decrease is primarily attributable to a decline in audit and tax fees.

Depletion was \$6,758 for the three months ended June 30, 2001 as compared to \$6,831 for the same period in 2000, a decrease of \$73, or 1%. This decrease was primarily due to a decline in oil production of 159 barrels for the three months ended June 30, 2001 as compared to the same period in 2000.

Liquidity and Capital Resources

Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$45,251 during the six months ended June 30, 2001 from the same period ended June 30, 2000. This increase was due to an increase of \$16,110 in oil and gas sales receipts and reductions of \$85,190 in working capital and \$1,846 in G&A expenses, offset by an increase of \$57,895 in production costs. The increase in oil and gas receipts resulted from the increase in commodity prices during 2001 which contributed an additional \$88,287 to oil and gas receipts, offset by \$72,177 resulting from the decline in production during 2001 as compared to the same period in 2000. The increase in production costs was primarily due to additional well maintenance and workover costs incurred to stimulate well production. The decrease in G&A was primarily due to a decline in audit and tax fees.

Net Cash Provided by Investing Activities

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The Partnership's principal investing activities for the six months ended June 30, 2000 included expenditures related to equipment upgrades on active properties.

Proceeds from asset dispositions of \$28,971 received during the six months ended June 30, 2000 were due to equipment credits received on two fully depleted wells.

Net Cash Used in Financing Activities

For the six months ended June 30, 2001, cash distributions to the partners were \$191,670, of which \$1,917 was distributed to the managing general partner and \$189,753 to the limited partners. For the same period ended June 30, 2000, cash distributions to the partners were \$205,060, of which \$2,051 was distributed to the managing general partner and \$203,009 to the limited partners.

For the three months ended June 30, 2001, no distributions were made by the partnership to its partners. Subsequent to June 30, 2001 the cash distribution that otherwise would have been mailed to partners in late June was made to holders of record as of July 9, 2001 and was mailed on July 13, 2001. For further information, see "Proposal to acquire partnerships" below.

Proposal to acquire partnerships

On June 29, 2001, Pioneer Natural Resources Company ("Pioneer") filed with the Securities and Exchange Commission Amendment No. 1 to the Form S-4 Registration Statement (File No. 333-59094) (the "preliminary proxy statement/prospectus"), which proposes an agreement and plan of merger among Pioneer, Pioneer Natural Resources USA, Inc. ("Pioneer USA"), a wholly-owned subsidiary of Pioneer, and 46 Parker & Parsley limited partnerships. Each partnership that approves the agreement and plan of merger and the other related merger proposals will merge with and into Pioneer USA upon the closing of the transactions described in the preliminary proxy statement/prospectus, and the partnership interests of each such partnership will be converted into the right to receive Pioneer common stock. The Partnership is one of the 46 Parker & Parsley limited partnerships that will be asked to approve the agreement and plan of merger. The preliminary proxy statement/prospectus is non-binding and is subject to, among other things, consideration of offers from third parties to purchase any partnership or its assets and the majority approval of the limited partnership interests in each partnership.

Pioneer USA will solicit proxies from limited partners to approve the mergers only when the proxy statement/prospectus is final and declared effective. No solicitation will be made using preliminary materials. Nonetheless, copies of the preliminary proxy statement/prospectus may be obtained without charge upon request from Pioneer Natural Resources Company, 5205 North O'Connor Blvd., Suite 1400, Irving, Texas 75039, Attention: Investor Relations.

The limited partners are urged to read the proxy statement/prospectus of Pioneer filed with the Securities and Exchange Commission, when it is finalized, because it contains important information about the proposed mergers, including information about the direct and indirect interests of Pioneer USA and Pioneer in the mergers. The limited partners may also obtain the preliminary and (when filed) final proxy statement/prospectus and other relevant documents relating to

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

the proposed mergers free through the internet web site that the Securities and Exchange Commission maintains at www.sec.gov.

- (1) "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" contains forward looking statements that involve risks and uncertainties. Accordingly, no assurances can be given that the actual events and results will not be materially different than the anticipated results described in the forward looking statements.

Part II. Other Information

Item 6. Exhibits and Reports on Form 8-K

- (a) Exhibits - none
(b) Reports on Form 8-K - none

11

654

PARKER & PARSLEY 86-A, LTD.
(A Texas Limited Partnership)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PARKER & PARSLEY 86-A, LTD.

By: Pioneer Natural Resources USA, Inc.
Managing General Partner

Dated: August 6, 2001

By: /s/ Rich Dealy

Rich Dealy, Vice President and
Chief Accounting Officer

12

655

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000

COMMISSION FILE NO. 33-3353-A

PARKER & PARSLEY 86-A, LTD.
(Exact name of Registrant as specified in its charter)

TEXAS

(State or other jurisdiction of
incorporation or organization)

1400 WILLIAMS SQUARE WEST, 5205 N. O'CONNOR BLVD., IRVING, TEXAS

(Address of principal executive offices)

Registrant's Telephone Number, including area code : (972) 444-9001

Securities registered pursuant to Section 12(b) of the Act: NONE
Securities registered pursuant to Section 12(g) of the Act:
LIMITED PARTNERSHIP INTERESTS (\$1,000 PER UNIT)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES / X / NO / /

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. / X /

No market currently exists for the limited partnership interests of the Registrant. Based on the original purchase price, the aggregate market value of limited partnership interests owned by non-affiliates of the Registrant is \$10,096,000.

As of March 8, 2001, the number of outstanding limited
partnership interests was 10,131.

The following documents are incorporated by reference into the indicated parts of this Annual Report on Form 10-K: None
PARTS I AND II OF THIS ANNUAL REPORT ON FORM 10-K (THE "REPORT") CONTAIN FORWARD LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. ACCORDINGLY, NO ASSURANCES CAN BE GIVEN THAT THE ACTUAL EVENTS AND RESULTS WILL NOT BE

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

MATERIALLY DIFFERENT THAN THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS. SEE "ITEM 1. BUSINESS" FOR A DESCRIPTION OF VARIOUS FACTORS THAT COULD MATERIALLY AFFECT THE ABILITY OF THE PARTNERSHIP TO ACHIEVE THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS.

656

PART I

ITEM 1. BUSINESS

Parker & Parsley 86-A, Ltd. (the "Partnership") is a limited partnership organized in 1986 under the laws of the State of Texas. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA"). Pioneer USA is a wholly-owned subsidiary of Pioneer Natural Resources Company ("Pioneer"). As of March 8, 2001, the Partnership had 10,131 limited partnership interests outstanding.

The Partnership does not have any employees of its own. Pioneer USA employs 701 persons, many of whom dedicated a part of their time to the conduct of the Partnership's business during the period for which this Report is filed. Pioneer USA supplies all management functions.

The Partnership engages in oil and gas development and production and is not involved in any industry segment other than oil and gas. The Partnership's production is geographically concentrated in West Texas.

The principal markets during 2000 for the oil produced by the Partnership were refineries and oil transmission companies that have facilities near the Partnership's oil producing properties. During 2000, Pioneer USA marketed the Partnership's gas to a variety of purchasers. Of the Partnership's total oil and gas revenues for 2000 approximately 51% was attributable to sales made to Plains Marketing, L.P. Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on its ability to sell its oil, natural gas liquids ("NGLs") and gas production.

The Partnership's revenues, profitability, cash flow and future rate of growth are highly dependent on the prevailing prices of oil and gas, which are affected by numerous factors beyond the Partnership's control. Oil and gas prices historically have been very volatile. A substantial or extended decline in the prices of oil or gas could have a material adverse effect on the Partnership's revenues, profitability and cash flow and could, under certain circumstances, result in a reduction in the carrying value of the Partnership's oil and gas properties.

Oil and gas production operations are subject to various types of regulations by local, state and federal agencies. The Partnership's operations are also subject to state conservation laws and regulations, including the establishment of maximum rates of production from wells and the regulation of spacing, plugging and abandonment of wells. Each state generally imposes a production or severance tax with respect to production and sale of oil and gas within their respective jurisdictions. Noncompliance with the laws and regulations may subject the Partnership to penalties, damages or other liabilities and compliance may increase the cost of the Partnership's operations.

The oil and gas business is also subject to environmental hazards such as oil spills, gas leaks and ruptures and discharges of toxic substances or gases that could expose the Partnership to substantial

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

liability due to pollution and other environmental damages. Although the Partnership believes that its business operations do not impair environmental quality and that its costs of complying with any applicable environmental regulations are not currently significant, the Partnership cannot predict what, if any, effect these environmental regulations may have on its current or future operations.

Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves.

No material part of the Partnership's business is seasonal and the Partnership conducts no foreign operations.

ITEM 2. PROPERTIES

The Partnership's properties consist of leasehold interests in properties on which oil and gas wells are located. Such property interests are often subject to landowner royalties, overriding royalties and other oil and gas leasehold interests.

Fractional working interests in developmental oil and gas prospects located primarily in the Spraberry Trend area of West Texas were acquired by the Partnership, resulting in the Partnership's participation in the drilling of 32 oil and gas wells. Five wells were sold and one well was abandoned. At December 31, 2000, 26 wells were producing.

For information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities for the years then ended, see Note 7 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" below. Such reserves have been evaluated by Williamson Petroleum Consultants, Inc., an independent petroleum consultant.

ITEM 3. LEGAL PROCEEDINGS

The Partnership from time to time is a party to various legal proceedings incidental to its business involving claims in oil and gas leases or interests, other claims for damages in amounts not in excess of 10% of its current assets and other matters, none of which Pioneer USA believes to be material to the Partnership.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of the partners during the fourth quarter of 2000.

3

658

PART II

ITEM 5. MARKET FOR LIMITED PARTNERSHIP INTERESTS AND LIMITED PARTNERSHIP DISTRIBUTIONS

At March 8, 2001, the Partnership had 10,131 outstanding limited partnership interests held of record by 962 subscribers. There is no established public trading market for the limited partnership interests. Under the limited partnership agreement, Pioneer USA has made certain commitments to purchase

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

partnership interests at a computed value.

Revenues which, in the sole judgement of the managing general partner, are not required to meet the Partnership's obligations are distributed to the partners at least quarterly in accordance with the limited partnership agreement. During the years ended December 31, 2000 and 1999, distributions of \$462,584 and \$154,204, respectively, were made to the limited partners.

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth selected financial data for the years ended December 31:

	2000	1999	1998	1997
	-----	-----	-----	-----
Operating results:				

Oil and gas sales	\$ 881,177	\$ 555,781	\$ 415,842	\$ 605,964
	=====	=====	=====	=====
Gain on litigation settlement, net	\$ -	\$ -	\$ -	\$ -
	=====	=====	=====	=====
Impairment of oil and gas properties	\$ 12,800	\$ 28,052	\$ 23,593	\$ 496,887
	=====	=====	=====	=====
Net income (loss)	\$ 487,574	\$ 96,423	\$ (248,515)	\$ (467,727)
	=====	=====	=====	=====
Allocation of net income (loss):				
Managing general partner	\$ 4,876	\$ 964	\$ (2,485)	\$ (4,677)
	=====	=====	=====	=====
Limited partners	\$ 482,698	\$ 95,459	\$ (246,030)	\$ (463,050)
	=====	=====	=====	=====
Limited partners' net income (loss) per limited partnership interest	\$ 47.65	\$ 9.42	\$ (24.28)	\$ (45.71)
	=====	=====	=====	=====
Limited partners' cash distributions per limited partnership interest	\$ 45.66	\$ 15.22	\$ 9.42	\$ 27.44
	=====	=====	=====	=====
At year end:				

Identifiable assets	\$ 607,763	\$ 594,270	\$ 646,224	\$ 1,000,424
	=====	=====	=====	=====

(a) Including litigation settlement per limited partnership interest of \$28.41 in 1996.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of operations

2000 compared to 1999

The Partnership's oil and gas revenues increased 59% to \$881,177 for 2000 as compared to \$555,781 in 1999. The increase in revenues resulted from higher average prices received, offset by a decrease in production. In 2000, 18,760 barrels of oil, 13,025 barrels of natural gas liquids ("NGLs") and 56,549 mcf of gas were sold, or 41,210 barrel of oil equivalents ("BOEs"). In 1999, 18,743 barrels of oil, 14,483 barrels of NGLs and 62,354 mcf of gas were sold, or 43,618 BOEs. Due to the decline characteristics of the Partnership's oil and gas properties, management expects a certain amount of decline in production in the future until the Partnership's economically recoverable reserves are fully depleted.

The average price received per barrel of oil increased \$11.87, or 70%, from \$17.00 in 1999 to \$28.87 in 2000. The average price received per barrel of NGLs increased \$5.31, or 55%, from \$9.63 in 1999 to \$14.94 in 2000. The average price received per mcf of gas increased 63% from \$1.57 in 1999 to \$2.56 in 2000. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received in 2000.

Gain on disposition of assets of \$31,944 was recognized during 2000 resulting from equipment credits on two fully depleted wells.

Total costs and expenses decreased in 2000 to \$432,464 as compared to \$463,135 in 1999, a decrease of \$30,671, or 7%. The decrease was due to declines in depletion and the impairment of oil and gas properties, offset by increases in production costs and general and administrative expense ("G&A").

Production costs were \$364,985 in 2000 and \$341,430 in 1999, resulting in an increase of \$23,555, or 7%. The increase was primarily due to higher production taxes associated with higher oil and gas prices, offset by a slight decline in well maintenance costs.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 73% from \$16,673 in 1999 to \$28,772 in 2000 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$24,184 in 2000 and \$9,436 in 1999 for G&A incurred on behalf of the Partnership. The remaining G&A was paid directly by the Partnership. The managing general partner determines the allocated expenses based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the managing general partner reviews the Partnership's oil and gas properties for impairment whenever events or

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

circumstances indicate a decline in the recoverability of the carrying value of

5

660

the Partnership's assets may have occurred. As a result of the review and evaluation of its long-lived assets for impairment, the Partnership recognized non-cash charges of \$12,800 and \$28,052 related to its oil and gas properties during 2000 and 1999, respectively.

Depletion was \$25,907 in 2000 as compared to \$76,980 in 1999, representing a decrease of \$51,073, or 66%. This decrease was primarily due to a 40,953 barrels of oil increase in proved reserves during 2000 as a result of higher commodity prices and a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 1999.

1999 compared to 1998

The Partnership's 1999 oil and gas revenues increased 34% to \$555,781 from \$415,842 in 1998. The increase in revenues resulted from higher average prices received and an increase in production from 1998 to 1999. In 1999, 18,743 barrels of oil, 14,483 barrels of NGLs and 62,354 mcf of gas were sold, or 43,618 BOEs. In 1998, 20,308 barrels of oil, 11,164 barrels of NGLs and 49,805 mcf of gas were sold, or 39,773 BOEs.

The average price received per barrel of oil increased \$3.68, or 28%, from \$13.32 in 1998 to \$17.00 in 1999. The average price received per barrel of NGLs increased \$3.10, or 47%, from \$6.53 in 1998 to \$9.63 in 1999. The average price received per mcf of gas increased 8% from \$1.46 in 1998 to \$1.57 in 1999.

Total costs and expenses decreased in 1999 to \$463,135 as compared to \$669,121 in 1998, a decrease of \$205,986, or 31%. The decrease was due to declines in depletion and production costs, offset by increases in the impairment of oil and gas properties and G&A.

Production costs were \$341,430 in 1999 and \$372,460 in 1998, resulting in a \$31,030 decrease, or 8%. The decrease was due to declines in workover costs, well maintenance costs and ad valorem taxes, offset by an increase in production taxes due to an increase in oil and gas revenues.

During this period, G&A increased 34% from \$12,476 in 1998 to \$16,673 in 1999 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$9,436 in 1999 and \$9,062 in 1998 for G&A incurred on behalf of the Partnership.

The Partnership recognized non-cash SFAS 121 charges of \$28,052 and \$23,593 related to its oil and gas properties during 1999 and 1998, respectively.

Depletion was \$76,980 in 1999 compared to \$260,592 in 1998. This represented a decrease of \$183,612, or 70%. This decrease was the result of an increase in proved reserves of 148,893 barrels of oil during 1999 due to higher commodity prices and a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 1998.

6

661

Petroleum industry

The petroleum industry has been characterized by volatile oil, NGL and natural gas commodity prices and relatively stable supplier costs during the three years

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

ended December 31, 2000. During 1998, weather patterns, regional economic recessions and political matters combined to cause worldwide oil supplies to exceed demand resulting in a substantial decline in oil prices. Also during 1998, but to a lesser extent, market prices for natural gas declined. During 1999 and 2000, the Organization of Petroleum Exporting Countries ("OPEC") and certain other crude oil exporting nations announced reductions in their planned export volumes. Those announcements, together with the enactment of the announced reductions in export volumes, had a positive impact on world oil prices, as have overall natural gas supply and demand fundamentals on North American natural gas prices. Although the favorable commodity price environment and stable field service cost environment is expected to continue during 2001, there is no assurance that commodity prices will not return to a less favorable level or that field service costs will not escalate in the future, both of which could negatively impact the Partnership's future results of operations and cash distributions.

Liquidity and capital resources

Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$229,299 during the year ended December 31, 2000 from 1999. This increase was due to an increase in oil and gas sales receipts of \$328,536, offset by increases in production costs paid of \$23,555, G&A expenses paid of \$12,099 and working capital of \$63,583. The increase in oil and gas receipts resulted from the increase in commodity prices during 2000 which contributed an additional \$364,711 to oil and gas receipts, offset by a decrease of \$36,175 resulting from a decrease in production during 2000. The increase in production costs was primarily due to increased production taxes associated with higher oil and gas prices, offset by a slight decline in well maintenance costs. The increase in G&A was primarily due to higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues.

Net Cash Provided by (Used in) Investing Activities

The Partnership's principal investing activities during 2000 and 1999 were for expenditures related to oil and gas equipment upgrades on active properties.

Proceeds from asset dispositions of \$31,944 received during 2000 were due to equipment credits received on two fully depleted wells. Proceeds of \$120 were recognized in 1999 primarily from equipment credits received on active properties.

Net Cash Used in Financing Activities

In 2000, cash distributions to the partners were \$467,257, of which \$4,673 was distributed to the managing general partner and \$462,584 to the limited partners. In 1999, cash distributions to the partners were \$155,762, of which \$1,558 was distributed to the managing general partner and \$154,204 to the limited partners.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Financial Statements of Parker & Parsley 86-A, Ltd:

Independent Auditors' Report.....

Balance Sheets as of December 31, 2000 and 1999.....

Statements of Operations for the Years Ended December 31,
2000, 1999 and 1998.....

Statements of Partners' Capital for the Years Ended
December 31, 2000, 1999 and 1998.....

Statements of Cash Flows for the Years Ended December 31,
2000, 1999 and 1998.....

Notes to Financial Statements.....

INDEPENDENT AUDITORS' REPORT

The Partners
Parker & Parsley 86-A, Ltd.
(A Texas Limited Partnership):

We have audited the balance sheets of Parker & Parsley 86-A, Ltd. as of December 31, 2000 and 1999, and the related statements of operations, partners' capital and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parker & Parsley 86-A, Ltd. as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Dallas, Texas
March 9, 2001

PARKER & PARSLEY 86-A, LTD.
(A Texas Limited Partnership)

BALANCE SHEETS
December 31

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	2000
-----	-----
ASSETS	

Current assets:	
Cash	\$ 46,169
Accounts receivable - oil and gas sales	150,881

Total current assets	197,050

Oil and gas properties - at cost, based on the successful efforts accounting method	7,132,242
Accumulated depletion	(6,721,529)

Net oil and gas properties	410,713

	\$ 607,763
	=====
 LIABILITIES AND PARTNERS' CAPITAL	

Current liabilities:	
Accounts payable - affiliate	\$ 12,398
Partners' capital:	
Managing general partner	4,647
Limited partners (10,131 interests)	590,718

	595,365

	\$ 607,763
	=====

The accompanying notes are an integral part of these financial statements.

10

665

PARKER & PARSLEY 86-A, LTD.
(A Texas Limited Partnership)

STATEMENTS OF OPERATIONS
For the years ended December 31

2000	1999
-----	-----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Revenues:		
Oil and gas	\$ 881,177	\$ 555,781
Interest	6,917	3,777
Gain on disposition of assets	31,944	-
	-----	-----
	920,038	559,558
	-----	-----
Costs and expenses:		
Oil and gas production	364,985	341,430
General and administrative	28,772	16,673
Depletion	25,907	76,980
Impairment of oil and gas properties	12,800	28,052
	-----	-----
	432,464	463,135
	-----	-----
Net income (loss)	\$ 487,574	\$ 96,423
	=====	=====
Allocation of net income (loss):		
Managing general partner	\$ 4,876	\$ 964
	=====	=====
Limited partners	\$ 482,698	\$ 95,459
	=====	=====
Net income (loss) per limited partnership interest	\$ 47.65	\$ 9.42
	=====	=====

The accompanying notes are an integral part of these financial statements.

11

666

PARKER & PARSLEY 86-A, LTD.
(A Texas Limited Partnership)

STATEMENTS OF PARTNERS' CAPITAL

	Managing general partner	Limited partners
	-----	-----
Partners' capital at January 1, 1998	\$ 8,487	\$ 970,792
Distributions	(964)	(95,413)
Net loss	(2,485)	(246,030)
	-----	-----
Partners' capital at December 31, 1998	5,038	629,349
Distributions	(1,558)	(154,204)

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Net income	964	95,459
	-----	-----
Partners' capital at December 31, 1999	4,444	570,604
Distributions	(4,673)	(462,584)
Net income	4,876	482,698
	-----	-----
Partners' capital at December 31, 2000	\$ 4,647	\$ 590,718
	=====	=====

The accompanying notes are an integral part of these financial statements.

12

667

PARKER & PARSLEY 86-A, LTD.
(A Texas Limited Partnership)

STATEMENTS OF CASH FLOWS
For the years ended December 31

	2000	1999
	-----	-----
Cash flows from operating activities:		
Net income (loss)	\$ 487,574	\$ 96,423
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Impairment of oil and gas properties	12,800	28,052
Depletion	25,907	76,980
Gain on disposition of assets	(31,944)	-
Changes in assets and liabilities:		
Accounts receivable	(76,338)	(26,964)
Accounts payable	(6,824)	7,385
	-----	-----
Net cash provided by operating activities	411,175	181,876
	-----	-----
Cash flows from investing activities:		
Additions to oil and gas properties	(6,531)	(7,619)
Proceeds from asset dispositions	31,944	120
	-----	-----
Net cash provided by (used in) investing activities	25,413	(7,499)
	-----	-----
Cash flows used in financing activities:		
Cash distributions to partners	(467,257)	(155,762)
	-----	-----
Net increase (decrease) in cash	(30,669)	18,615
Cash at beginning of year	76,838	58,223
	-----	-----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Cash at end of year	\$ 46,169	\$ 76,838
	=====	=====

The accompanying notes are an integral part of these financial statements.

13

668

PARKER & PARSLEY 86-A, LTD.
(A Texas Limited Partnership)

NOTES TO FINANCIAL STATEMENTS
December 31, 2000, 1999 and 1998

NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS

Parker & Parsley 86-A, Ltd. (the "Partnership") is a limited partnership organized in 1986 under the laws of the State of Texas. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA").

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Oil and gas properties - The Partnership utilizes the successful efforts method of accounting for its oil and gas properties and equipment. Under this method, all costs associated with productive wells and nonproductive development wells are capitalized while nonproductive exploration costs are expensed. Capitalized costs relating to proved properties are depleted using the unit-of-production method on a property-by-property basis based on proved oil (dominant mineral) reserves as evaluated by independent petroleum consultants. The carrying amounts of properties sold or otherwise disposed of and the related allowances for depletion are eliminated from the accounts and any gain or loss is included in results of operations.

Impairment of long-lived assets - In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the Partnership reviews its long-lived assets to be held and used on an individual property basis, including oil and gas properties accounted for under the successful efforts method of accounting, whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. An impairment loss is indicated if the sum of the expected future cash flows is less than the carrying amount of the assets. In this circumstance, the Partnership recognizes an impairment loss for the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset.

Use of estimates in the preparation of financial statements - Preparation of the accompanying financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Net income (loss) per limited partnership interest - The net income (loss) per limited partnership interest is calculated by using the number of

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

outstanding limited partnership interests.

Income taxes - A Federal income tax provision has not been included in the financial statements as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

14

669

Statements of cash flows - For purposes of reporting cash flows, cash includes depository accounts held by banks.

General and administrative expenses - General and administrative expenses are allocated in part to the Partnership by the managing general partner. Allocated expenses are determined by the managing general partner based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Reclassifications - Certain reclassifications may have been made to the 1999 and 1998 financial statements to conform to the 2000 financial statement presentations.

Environmental - The Partnership is subject to extensive federal, state and local environmental laws and regulations. These laws, which are constantly changing, regulate the discharge of materials into the environment and may require the Partnership to remove or mitigate the environmental effects of the disposal or release of petroleum or chemical substances at various sites. Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Liabilities for expenditures of a noncapital nature are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated. Such liabilities are generally undiscounted unless the timing of cash payments for the liability or component are fixed or reliably determinable. No such liabilities have been accrued as of December 31, 2000.

Revenue recognition - The Partnership uses the entitlements method of accounting for oil, natural gas liquids ("NGLs") and natural gas revenues.

NOTE 3. IMPAIRMENT OF LONG-LIVED ASSETS

In accordance with SFAS 121, the Partnership reviews its proved oil and gas properties for impairment whenever events and circumstances indicate a decline in the recoverability of the carrying value of the Partnership's oil and gas properties. The Partnership has estimated the expected future cash flows of its oil and gas properties as of December 31, 2000, 1999 and 1998, based on proved reserves, and compared such estimated future cash flows to the respective carrying amount of the oil and gas properties to determine if the carrying amounts were likely to be recoverable. For those proved oil and gas properties for which the carrying amount exceeded the estimated future cash flows, an impairment was determined to exist; therefore, the Partnership adjusted the carrying amount of those oil and gas properties to their fair value as determined by discounting their expected future cash flows at a discount rate commensurate with the risks involved in the industry. As a result, the Partnership recognized non-cash impairment provisions of \$12,800, \$28,052 and \$23,593 related to its proved oil and gas properties during 2000, 1999 and 1998, respectively.

NOTE 4. INCOME TAXES

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The financial statement basis of the Partnership's net assets and liabilities was \$695,197 less

15

670

than the tax basis at December 31, 2000.

The following is a reconciliation of net income (loss) per statements of operations with the net income per Federal income tax returns for the years ended December 31:

	2000	1999
Net income (loss) per statements of operations	\$ 487,574	\$ 96,423
Depletion and depreciation provisions for tax reporting purposes less than amounts for financial reporting purposes	16,131	66,147
Impairment of oil and gas properties for financial reporting purposes	12,800	28,052
Timing difference	67,848	-
Other, net	(1,032)	(1,773)
	-----	-----
Net income per Federal income tax returns	\$ 583,321	\$ 188,849
	=====	=====

NOTE 5. OIL AND GAS PRODUCING ACTIVITIES

The following is a summary of the costs incurred, whether capitalized or expensed, related to the Partnership's oil and gas producing activities for the years ended December 31:

	2000	1999
Development costs	\$ 6,531	\$ 7,619
	=====	=====

Capitalized oil and gas properties consist of the following:

	2000
Proved properties:	
Property acquisition costs	\$ 264,211
Completed wells and equipment	6,868,031

Accumulated depletion	7,132,242
	(6,721,529)

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Net oil and gas properties \$ 410,713
=====

16

671

NOTE 6. RELATED PARTY TRANSACTIONS

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

	2000	1999
Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$ 167,350	\$ 167,820
Reimbursement of general and administrative expenses	\$ 24,184	\$ 9,436

The Partnership participates in oil and gas activities through an income tax partnership (the "Program") pursuant to the Program agreement. In addition, Pioneer USA and the Partnership are parties to the Program agreement.

The costs and revenues of the Program are allocated to Pioneer USA and the Partnership as follows:

	Pioneer USA (1)
Revenues:	
Proceeds from disposition of depreciable properties	9.09091%
All other revenues	24.242425%
Costs and expenses:	
Lease acquisition costs, drilling and completion costs and all other costs	9.09091%
Operating costs, direct costs and general and administrative expenses	24.242425%

- (1) Excludes Pioneer USA's 1% general partner ownership which is allocated at the Partnership level and 35 limited partner interests owned by Pioneer USA.

NOTE 7. OIL AND GAS INFORMATION (UNAUDITED)

The following table presents information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities during the years then ended. All of the Partnership's reserves are proved developed and located within the United States. The Partnership's reserves are based on an evaluation prepared by Williamson

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Petroleum Consultants, Inc., an independent petroleum consultant, using criteria established by the Securities and Exchange Commission.

17

672

	Oil and NGLs (bbls)
Net proved reserves at January 1, 1998	315,662
Revisions	(123,571)
Production	(31,472)
Net proved reserves at December 31, 1998	160,619
Revisions	273,095
Production	(33,226)
Net proved reserves at December 31, 1999	400,488
Revisions	83,992
Production	(31,785)
Net proved reserves at December 31, 2000	452,695

As of December 31, 2000, the estimated present value of future net revenues of proved reserves, calculated using December 31, 2000 prices of \$26.64 per barrel of oil, \$12.60 per barrel of NGLs and \$7.15 per mcf of gas, discounted at 10% was approximately \$3,610,000 and undiscounted was \$7,252,000.

Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves. The Partnership emphasizes that reserve estimates are inherently imprecise and, accordingly, the estimates are expected to change as future information becomes available.

Disclosures about Oil & Gas Producing Activities

Standardized Measure of Discounted Future Net Cash Flows

The standardized measure of discounted future net cash flows is computed by applying year-end prices of oil and gas (with consideration of price changes only to the extent provided by contractual arrangements) to the estimated future production of proved oil and gas reserves less estimated future expenditures (based on year-end costs) to be incurred in developing and producing the proved reserves, discounted using a rate of 10% per year to reflect the estimated timing of the future cash flows. A Federal income tax provision has not been calculated as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

Discounted future cash flow estimates like those shown below are not intended to represent estimates of the fair value of oil and gas properties. Estimates of fair value should also consider anticipated future oil and gas

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

prices, interest rates, changes in development and production costs and risks associated with future production. Because of these and other considerations, any estimate of fair value is necessarily subjective and imprecise.

18

673

	For the years ended Dec	
	2000	1999
	(in thousands)	
Oil and gas producing activities:		
Future cash inflows	\$ 15,459	\$ 9,741
Future production costs	(8,207)	(5,896)
	7,252	3,845
10% annual discount factor	(3,642)	(1,727)
	Standardized measure of discounted future net cash flows	\$ 2,118
	\$ 3,610	\$ 2,118
	=====	=====

	For the years ended Dec	
	2000	1999
	(in thousands)	
Oil and Gas Producing Activities:		
Oil and gas sales, net of production costs	\$ (516)	\$ (214)
Net changes in prices and production costs	1,408	829
Revisions of previous quantity estimates	753	1,942
Accretion of discount	212	24
Changes in production rates, timing and other	(365)	(704)
	Change in present value of future net revenues	1,877
	1,492	1,877
	Balance, beginning of year	241
	2,118	241
	Balance, end of year	\$ 2,118
	\$ 3,610	\$ 2,118
	=====	=====

NOTE 8. MAJOR CUSTOMERS

The following table reflects the major customers of the Partnership's oil and gas sales (a major customer is defined as a customer whose sales exceed 10% of total sales) during the years ended December 31:

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	2000 -----	1999 -----
Plains Marketing, L.P.	51%	48%
Genesis Crude Oil, L.P.	-	-
Western Gas Resources, Inc.	7%	9%

At December 31, 2000, the amount receivable from Plains Marketing, L.P. was \$31,479, which is included in the caption "Accounts receivable - oil and gas sales" in the accompanying Balance Sheet.

Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on the ability of the Partnership to sell its oil, NGLs and gas production.

19

674

NOTE 9. PARTNERSHIP AGREEMENT

The following is a brief summary of the more significant provisions of the limited partnership agreement:

Managing general partner - The managing general partner of the Partnership is Pioneer USA. Pioneer USA has the power and authority to manage, control and administer all Partnership affairs. As managing general partner and operator of the Partnership's properties, all production expenses are incurred by Pioneer USA and billed to the Partnership. The majority of the Partnership's oil and gas revenues are received directly by the Partnership, however, a portion of the oil and gas revenue is initially received by Pioneer USA prior to being paid to the Partnership. Under the limited partnership agreement, the managing general partner pays 1% of the Partnership's acquisition, drilling and completion costs and 1% of its operating and general and administrative expenses. In return, it is allocated 1% of the Partnership's revenues.

Limited partner liability - The maximum amount of liability of any limited partner is the total contributions of such partner plus his share of any undistributed profits.

Initial capital contributions - The limited partners entered into subscription agreements for aggregate capital contributions of \$10,131,000. Pioneer USA is required to contribute amounts equal to 1% of initial Partnership capital less commission and offering expenses allocated to the limited partners and to contribute amounts necessary to pay costs and expenses allocated to it under the Partnership agreement to the extent its share of revenues does not cover such costs.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

20

675

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE PARTNERSHIP

The Partnership does not have any officers or directors. Under the limited

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

partnership agreement, the Partnership's managing general partner, Pioneer USA, is granted the exclusive right and full authority to manage, control and administer the Partnership's business.

Set forth below are the names, ages and positions of the directors and executive officers of Pioneer USA. Directors of Pioneer USA are elected to serve until the next annual meeting of stockholders or until their successors are elected and qualified.

Name ----	Age at December 31, 2000 ----	Position -----
Scott D. Sheffield	48	President
Timothy L. Dove	45	Executive Vice President, Chief Financial Officer and Director
Dennis E. Fagerstone	51	Executive Vice President and Director
Mark L. Withrow	53	Executive Vice President, General Counsel and Director
Danny Kellum	46	Executive Vice President - Director of Operations and Director
Rich Dealy	34	Vice President and Chief Accounting Officer

Scott D. Sheffield. Mr. Sheffield is a graduate of The University of Texas with a B.S. in Petroleum Engineering. Since August 1997, he has served as President, Chief Executive Officer and a director of Pioneer and President of Pioneer USA. Mr. Sheffield assumed the position of Chairman of the Board of Pioneer in August 1999. He served as a director of Pioneer USA from August 1997 until his resignation from the board in June 1999. Mr. Sheffield was the President and a director of Parker & Parsley Petroleum Company ("Parker & Parsley") from May 1990 until August 1997 and was the Chairman of the Board and Chief Executive Officer of Parker & Parsley from October 1990 until August 1997. He was the sole director of Parker & Parsley from May 1990 until October 1990. Mr. Sheffield joined Parker & Parsley Development Company ("PPDC"), a predecessor of Parker & Parsley, as a petroleum engineer in 1979. He served as Vice President - Engineering of PPDC from September 1981 until April 1985 when he was elected President and a director. In March 1989, Mr. Sheffield was elected Chairman of the Board and Chief Executive Officer of PPDC. Before joining PPDC's predecessor, Mr. Sheffield was employed as a production and reservoir engineer for Amoco Production Company.

Timothy L. Dove. Mr. Dove earned a B.S. in Mechanical Engineering from Massachusetts

Institute of Technology in 1979 and received his M.B.A. in 1981 from the University of Chicago. He became Executive Vice President - Business Development of Pioneer and Pioneer USA in August 1997 and was also appointed a director of Pioneer USA in August 1997. Mr. Dove assumed the position of Chief Financial Officer of Pioneer and Pioneer USA effective February 1, 2000. Mr. Dove joined

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Parker & Parsley in May 1994 as Vice President - International and was promoted to Senior Vice President - Business Development in October 1996, in which position he served until August 1997. Prior to joining Parker & Parsley, Mr. Dove was employed with Diamond Shamrock Corp., and its successor, Maxus Energy Corp, in various capacities in international exploration and production, marketing, refining and marketing and planning and development.

Dennis E. Fagerstone. Mr. Fagerstone, a graduate of the Colorado School of Mines with a B.S. in Petroleum Engineering, became an Executive Vice President of Pioneer and Pioneer USA in August 1997. He was also appointed a director of Pioneer USA in August 1997. He served as Executive Vice President and Chief Operating Officer of MESA Inc. ("Mesa") from March 1, 1997 until August 1997. From October 1996 to February 1997, Mr. Fagerstone served as Senior Vice President and Chief Operating Officer of Mesa and from May 1991 to October 1996, he served as Vice President - Exploration and Production of Mesa. From June 1988 to May 1991, Mr. Fagerstone served as Vice President - Operations of Mesa.

Mark L. Withrow. Mr. Withrow, a graduate of Abilene Christian University with a B. S. in Accounting and Texas Tech University with a Juris Doctorate degree, became Executive Vice President, General Counsel and Secretary of Pioneer and Pioneer USA in August 1997. He was also appointed a director of Pioneer USA in August 1997. Mr. Withrow was Vice President - General Counsel of Parker & Parsley from January 1991, when he joined Parker & Parsley, to January 1995, when he was appointed Senior Vice President - General Counsel. He was Parker & Parsley's Secretary from August 1992 until August 1997. Prior to joining Parker & Parsley, Mr. Withrow was the managing partner of the law firm of Turpin, Smith, Dyer, Saxe & MacDonald, Midland, Texas.

Danny Kellum. Mr. Kellum, who received a Bachelor of Science degree in Petroleum Engineering from Texas Tech University in 1979, was elected Executive Vice President - Domestic Operations of Pioneer and Pioneer USA on May 18, 2000 and Director of Pioneer USA on February 1, 2000. From January 2000 until May 2000, Mr. Kellum served as Vice President - Domestic Operations of Pioneer and Pioneer USA. Mr. Kellum served as Vice President Permian Division of Pioneer and Pioneer USA from April 1998 until December 1999. From 1989 until 1994 he served as Spraberry District Manager and as Vice President of the Spraberry and Permian Division for Parker & Parsley until August of 1997. Mr. Kellum joined Parker & Parsley as an operations engineer in 1981 after a brief career with Mobil Oil Corporation.

Rich Dealy. Mr. Dealy is a graduate of Eastern New Mexico University with a B.B.A. in Accounting and Finance and is a Certified Public Accountant. He became Vice President and Chief Accounting Officer of Pioneer and Pioneer USA in February 1998. Mr. Dealy served as Controller of Pioneer USA from August 1997 to February 1998. He served as Controller of Parker & Parsley from August 1995 to August 1997. Mr. Dealy joined Parker & Parsley as an Accounting Manager in July, 1992. He was previously employed with KPMG Peat Marwick as an Audit Senior, in charge of Parker & Parsley's audit.

22

677

ITEM 11. EXECUTIVE COMPENSATION

The Partnership does not have any directors or officers. Management of the Partnership is performed by Pioneer USA, the managing general partner. The Partnership participates in oil and gas activities through an income tax partnership (the "Program") pursuant to the Program agreement. Under the Program agreement, Pioneer USA pays approximately 10% of the Program's acquisition, drilling and completion costs and approximately 25% of its operating and general and administrative expenses. In return, Pioneer USA is allocated approximately

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

25% of the Program's revenues.

The Partnership does not directly pay any salaries of the executive officers of Pioneer USA, but does pay a portion of Pioneer USA's general and administrative expenses of which these salaries are a part.

See Notes 6 and 9 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" for information regarding fees and reimbursements paid to the managing general partner by the Partnership.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

(a) Beneficial owners of more than five percent

The Partnership is not aware of any person who beneficially owns 5% or more of the outstanding limited partnership interests of the Partnership. Pioneer USA owned 35 limited partner interests at January 1, 2001.

(b) Security ownership of management

The Partnership does not have any officers or directors. The managing general partner of the Partnership, Pioneer USA, has the exclusive right and full authority to manage, control and administer the Partnership's business. Under the limited partnership agreement, limited partners holding a majority of the outstanding limited partnership interests have the right to take certain actions, including the removal of the managing general partner or any other general partner. The Partnership is not aware of any current arrangement or activity which may lead to such removal. The Partnership is not aware of any officer or director of Pioneer USA who beneficially owns limited partnership interests in the Partnership.

23

678

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Transactions with the managing general partner

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

	2000	1999
	-----	-----
Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$ 167,350	\$ 167,820
Reimbursement of general and administrative expenses	\$ 24,184	\$ 9,436

Under the limited partnership agreement, the managing general partner pays 1% of the Partnership's acquisition, drilling and completion costs and 1% of its operating and general and administrative expenses. In return, it is allocated 1% of the Partnership's revenues. Also, see Notes 6 and 9 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data", regarding the Partnership's participation with the managing general partner in oil and gas activities of the Program.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) 1. Financial statements

The following are filed as part of this Report:

Independent Auditors' Report

Balance sheets as of December 31, 2000 and 1999

Statements of operations for the years ended December 31, 2000, 1999 and 1998

Statements of partners' capital for the years ended December 31, 2000, 1999 and 1998

Statements of cash flows for the years ended December 31, 2000, 1999 and 1998

Notes to financial statements

2. Financial statement schedules

All financial statement schedules have been omitted since the required information is in the financial statements or notes thereto, or is not applicable nor required.

(b) Reports on Form 8-K

None.

(c) Exhibits

The exhibits listed on the accompanying index to exhibits are filed or incorporated by reference as part of this Report.

S I G N A T U R E S

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

PARKER & PARSLEY 86-A, LTD.

Dated: March 28, 2001

By: Pioneer Natural Resources USA, Inc.
Managing General Partner

By: /s/ Scott D. Sheffield

Scott D. Sheffield, President

Pursuant to the requirements of the Securities Exchange Act of 1934,

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

/s/ Scott D. Sheffield ----- Scott D. Sheffield	President of Pioneer USA	Ma
/s/ Timothy L. Dove ----- Timothy L. Dove	Executive Vice President, Chief Financial Officer and Director of Pioneer USA	Ma
/s/ Dennis E. Fagerstone ----- Dennis E. Fagerstone	Executive Vice President and Director of Pioneer USA	Ma
/s/ Mark L. Withrow ----- Mark L. Withrow	Executive Vice President, General Counsel and Director of Pioneer USA	Ma
/s/ Danny Kellum ----- Danny Kellum	Executive Vice President - Domestic Operations and Director of Pioneer USA	Ma
/s/ Rich Dealy ----- Rich Dealy	Vice President and Chief Accounting Officer of Pioneer USA	Ma

26

681

PARKER & PARSLEY 86-A, LTD.

INDEX TO EXHIBITS

The following documents are incorporated by reference in response to Item 14(c):

Exhibit No. -----	Description -----
3(a)	Amended and Restated Certificate of Limited Partnership of Parker & Parsley 86-A, Ltd. incorporated by reference to Exhibit 3a of the Partnership's Registration Statement on Form S-1 (Registration No. 33-3353) (hereinafter called the Partnership's Registration Statement)
4(a)	Form of Agreement of Limited Partnership of Parker & Parsley 86-A, Ltd. incorporated by reference to Exhibit A of Amendment No. 1 of the Partnership's Registration Statement
4(b)	Form of Subscription Agreement incorporated by reference to Exhibit C of Amendment No. 1 of the Partnership's Registration Statement

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

- 4(b) Power of Attorney incorporated by reference to an Exhibit of the Partnership's Registration Statement
- 4(c) Specimen Certificate of Limited Partnership Interest incorporated by reference to Exhibit 4c of the Partnership's Registration Statement
- 10(b) Development Program Agreement incorporated by reference to Exhibit B of Amendment No. 1 of the Partnership's Registration Statement

27

682

PARKER & PARSLEY 86-A, LTD.

SELECTED FINANCIAL DATA

The following selected financial data for the Partnership should be read in connection with Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements included in the attached supplemental information.

	Six months ended June 30,		Years ended De		
	2001	2000	2000	1999	1998
Operating results:					
Oil and gas sales	\$ 410,079	\$ 393,746	\$ 881,177	\$ 555,781	\$ 415,
Gain on litigation settlement, net	\$ --	\$ --	\$ --	\$ --	\$
Impairment of oil and gas properties	\$ --	\$ --	\$ 12,800	\$ 28,052	\$ 23,
Net income (loss)	\$ 154,546	\$ 222,919	\$ 487,574	\$ 96,423	\$ (248,
Allocation of net income (loss):					
Managing general partner	\$ 1,545	\$ 2,229	\$ 4,876	\$ 964	\$ (2,
Limited partners	\$ 153,001	\$ 220,690	\$ 482,698	\$ 95,459	\$ (246,

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Limited partners' net income (loss) per limited partnership interest	\$ 15.10 =====	\$ 21.78 =====	\$ 47.65 =====	\$ 9.42 =====	\$ (24) =====
Limited partners' cash distributions per limited partnership interest	\$ 18.73 =====	\$ 20.04 =====	\$ 45.66 =====	\$ 15.22 =====	\$ 9 =====
As of period ended: Total assets	\$ 578,298 =====	\$ 616,989 =====	\$ 607,763 =====	\$ 594,270 =====	\$ 646, =====

(a) Including litigation settlement per limited partnership interest of \$28.41 in 1996.

683

PIONEER NATURAL RESOURCES COMPANY
PIONEER NATURAL RESOURCES USA, INC.
5205 NORTH O'CONNOR BLVD., SUITE 1400
IRVING, TEXAS 75039

SUPPLEMENTAL INFORMATION

OF

PARKER & PARSLEY 86-B, LTD., A TEXAS LIMITED PARTNERSHIP

TO

PROXY STATEMENT/PROSPECTUS DATED , 2001

THE DATE OF THIS SUPPLEMENT IS , 2001

This document contains important information specific to Parker & Parsley 86-B, Ltd. and supplements the proxy statement/prospectus dated , 2001, of Pioneer Natural Resources Company and Pioneer Natural Resources USA, Inc., by which Pioneer USA is soliciting proxies to be voted at a special meeting of limited partners of the partnership. The purpose of the special meeting is for you to vote upon the merger of the partnership with and into Pioneer USA that, if completed, will result in your receiving common stock of Pioneer Natural Resources Company for your partnership interests.

This document contains the following information concerning Parker & Parsley 86-B, Ltd.:

o A table containing:

-- the aggregate initial investment by the limited partners

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

- the aggregate historical limited partner distributions through July 31, 2001
- the merger value attributable to partnership interests of limited partners, excluding Pioneer USA
- the merger value per \$1,000 limited partner investment
- the merger value per \$1,000 limited partner investment as a multiple of distributions for the past four quarterly distributions including the distribution in July 2001

- the book value per \$1,000 limited partner investment as of June 30, 2001 and as of December 31, 2000

- the going concern value per \$1,000 limited partner investment
- the liquidation value per \$1,000 limited partner investment
- the ordinary tax loss per \$1,000 limited partner investment in year of initial investment

- o Information about:
 - the legal opinion for the limited partners
 - the term of the partnership

- o The partnership's quarterly report on Form 10-Q, including management's discussion and analysis of financial condition and results of operations, for the six months ended June 30, 2001

- o The partnership's annual report on Form 10-K, including management's discussion and analysis of financial condition and results of operations, for the year ended December 31, 2000

- o Selected historical financial data for the partnership for the six months ended June 30, 2001 and 2000 and the five years ended December 31, 2000

-1-

684

PARKER & PARSLEY 86-B, LTD.

SUPPLEMENTAL INFORMATION TABLE

Aggregate Initial Investment by the Limited Partners (a)	\$
Aggregate Historical Limited Partner Distributions through July 31, 2001 (a)	\$

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Merger Value Attributable to Partnership Interests of Limited Partners, Excluding Pioneer USA (a), (b)	\$
Merger Value per \$1,000 Limited Partner Investment (b), (c)	\$
Merger Value per \$1,000 Limited Partner Investment as a Multiple of Distributions for the past four quarterly distributions including the distribution in July 2001 (b), (c)	
Book Value per \$1,000 Limited Partner Investment:	
-- as of June 30, 2001 (c)	\$
-- as of December 31, 2000 (c)	\$
Going Concern Value per \$1,000 Limited Partner Investment (c), (d)	\$
Liquidation Value per \$1,000 Limited Partner Investment (c), (e)	\$
Ordinary Tax Loss per \$1,000 Limited Partner Investment in Year of Initial Investment (c), (f)	\$

(a) Stated in thousands.

(b) The merger value for the partnership is equal to the sum of the present value of estimated future net revenues from the partnership's estimated oil and gas reserves and its net working capital, in each case as of March 31, 2001, less its pro rata share, based on its reserve value, of the estimated expenses and fees of the mergers of all of the partnerships and less the cash distribution on July 13, 2001, by the partnership to its partners.

(c) Interests in some partnerships were sold in units at prices other than \$1,000. We have presented this information based on a \$1,000 initial investment for ease of use and comparison among partnerships. You should not assume that the amount shown per \$1,000 investment is the same as the value or amount attributable to a single unit investment.

(d) The going concern value for the partnership is based upon: (1) the sum of (A) the estimated net cash flow from the sale of the partnership's reserves during a 10-year operating period and (B) the estimated residual value from the sale of the partnership's remaining reserves at the end of the operating period, in each case using the same pricing and discount rate as in the merger value calculation, less (2) (A) partnership level general and administrative expenses, and (B) the cash distribution on July 13, 2001 by the partnership to its partners.

(e) The liquidation value for the partnership is based upon the sale of the partnership's reserves at the reserve value, less (1) liquidation expenses which are estimated to be the sum of (A) the partnership's pro rata share of the merger expenses and fees described in footnote (b) above and (B) 3% of the partnership's reserve value, and (2) the cash distribution on July 13, 2001 by the partnership to its partners. The liquidation expenses represent estimated costs to retain an investment banker or broker to sell the assets of the partnership and the legal and other closing costs associated with such transaction, including the wind-down costs of the partnership.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

(f) Your ability to use your distributive share of the partnership's loss to offset your other income may have been subject to certain limitations at your level as a partner, and you may therefore wish to consult your tax advisor to determine the additional value, if any, actually realized by you in your particular circumstances.

INFORMATION ABOUT THE LEGAL OPINION FOR THE LIMITED PARTNERS

The partnership agreement for the partnership requires that special legal counsel render an opinion on behalf of the limited partners to Pioneer USA that (1) neither the grant nor the exercise of the right to approve the merger of the partnership by its limited partners will adversely affect the federal income tax classification of the partnership or any of its limited partners; and (2) neither the grant nor exercise of such right will result in the loss of any limited partner's limited liability. In addition, the counsel designated to render the opinion must be counsel other than counsel to Pioneer USA or the partnership. Both the designated counsel and the legal opinion must be approved by the limited partners. Pioneer USA has retained _____ of Dallas, Texas for the purpose of rendering this legal opinion on behalf of the limited partners to Pioneer USA. The merger proposals include an approval of that counsel and the form of its opinion. A copy of the opinion is attached as an exhibit to the merger proposals.

INFORMATION ABOUT THE TERM OF THE PARTNERSHIP

The term of the partnership is until December 31, 2036, unless the partnership is earlier terminated in accordance with the applicable provisions of its partnership agreement.

-2-

685

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 2001

Commission File No. 33-3353B

PARKER & PARSLEY 86-B, LTD.
(Exact name of Registrant as specified in its charter)

Texas

75-2140235

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification Number)

5205 N. O'Connor Blvd., Suite 1400, Irving, Texas

75039

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

(Address of principal executive offices)

(Zip code)

Registrant's Telephone Number, including area code : (972) 444-9001

Not applicable

(Former name, former address and former fiscal year,
if changed since last report)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes / x / No / /

686

PARKER & PARSLEY 86-B, LTD.

TABLE OF CONTENTS

	Page
Part I. Financial Information	
Item 1. Financial Statements	
Balance Sheets as of June 30, 2001 and December 31, 2000.....	3
Statements of Operations for the three and six months ended June 30, 2001 and 2000.....	4
Statement of Partners' Capital for the six months ended June 30, 2001.....	5
Statements of Cash Flows for the six months ended June 30, 2001 and 2000.....	6
Notes to Financial Statements.....	7
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.....	7
Part II. Other Information	
Item 6. Exhibits and Reports on Form 8-K.....	11

687

PARKER & PARSLEY 86-B, LTD.
(A Texas Limited Partnership)

Part I. Financial Information

Item 1. Financial Statements

BALANCE SHEETS

	June 30, 2001 ----- (Unaudited)	December 31, 2000 -----
ASSETS		
Current assets:		
Cash	\$ 445,146	\$ 220,466
Accounts receivable - oil and gas sales	197,873	260,049
	-----	-----
Total current assets	643,019	480,515
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	11,812,935	11,805,173
Accumulated depletion	(10,091,305)	(10,032,733)
	-----	-----
Net oil and gas properties	1,721,630	1,772,440
	-----	-----
	\$ 2,364,649	\$ 2,252,955
	=====	=====
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable - affiliate	\$ 29,355	\$ 15,305
Partners' capital:		
Managing general partner	22,076	21,100
Limited partners (17,208 interests)	2,313,218	2,216,550
	-----	-----
	2,335,294	2,237,650
	-----	-----
	\$ 2,364,649	\$ 2,252,955
	=====	=====

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The financial information included as of June 30, 2001 has been prepared by the managing general partner without audit by independent public accountants.

The accompanying notes are an integral part of these financial statements.

3

688

PARKER & PARSLEY 86-B, LTD.
(A Texas Limited Partnership)

STATEMENTS OF OPERATIONS
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2001	2000	2001	2000
Revenues:				
Oil and gas	\$ 409,078	\$ 392,916	\$ 847,551	\$ 795,048
Interest	3,245	4,323	6,906	7,395
Gain on disposition of assets	-	831	-	2,250
	-----	-----	-----	-----
	412,323	398,070	854,457	804,693
	-----	-----	-----	-----
Costs and expenses:				
Oil and gas production	185,876	170,553	354,327	339,664
General and administrative	12,273	11,787	25,427	23,851
Depletion	28,886	23,496	58,572	57,494
	-----	-----	-----	-----
	227,035	205,836	438,326	421,009
	-----	-----	-----	-----
Net income	\$ 185,288	\$ 192,234	\$ 416,131	\$ 383,684
	=====	=====	=====	=====
Allocation of net income:				
Managing general partner	\$ 1,853	\$ 1,922	\$ 4,161	\$ 3,837
	=====	=====	=====	=====
Limited partners	\$ 183,435	\$ 190,312	\$ 411,970	\$ 379,847
	=====	=====	=====	=====
Net income per limited partnership interest	\$ 10.66	\$ 11.06	\$ 23.94	\$ 22.07
	=====	=====	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

The accompanying notes are an integral part of these financial statements.

4

689

PARKER & PARSLEY 86-B, LTD.
(A Texas Limited Partnership)

STATEMENT OF PARTNERS' CAPITAL
(Unaudited)

	Managing general partner	Limited partners	Total
	-----	-----	-----
Balance at January 1, 2001	\$ 21,100	\$2,216,550	\$2,237,650
Distributions	(3,185)	(315,302)	(318,487)
Net income	4,161	411,970	416,131
	-----	-----	-----
Balance at June 30, 2001	\$ 22,076	\$2,313,218	\$2,335,294
	=====	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

The accompanying notes are an integral part of these financial statements.

5

690

PARKER & PARSLEY 86-B, LTD.
(A Texas Limited Partnership)

STATEMENTS OF CASH FLOWS
(Unaudited)

Six months ended June 30,	
-----	-----
2001	2000
-----	-----

Cash flows from operating activities:

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Net income	\$ 416,131	\$ 383,684
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion	58,572	57,494
Gain on disposition of assets	-	(2,250)
Changes in assets and liabilities:		
Accounts receivable	62,176	(28,686)
Accounts payable	14,050	17,359
	-----	-----
Net cash provided by operating activities	550,929	427,601
	-----	-----
Cash flows from investing activities:		
Additions to oil and gas properties	(7,762)	(17,471)
Proceeds from asset dispositions	-	4,846
	-----	-----
Net cash used in investing activities	(7,762)	(12,625)
	-----	-----
Cash flows used in financing activities:		
Cash distributions to partners	(318,487)	(408,087)
	-----	-----
Net increase in cash	224,680	6,889
Cash at beginning of period	220,466	206,408
	-----	-----
Cash at end of period	\$ 445,146	\$ 213,297
	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

The accompanying notes are an integral part of these financial statements.

6

691

PARKER & PARSLEY 86-B, LTD.
(A Texas Limited Partnership)

NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Unaudited)

Note 1. Organization and nature of operations

Parker & Parsley 86-B, Ltd. (the "Partnership") is a limited partnership organized in 1986 under the laws of the State of Texas.

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

Note 2. Basis of presentation

In the opinion of management, the unaudited financial statements of the Partnership as of June 30, 2001 and for the three and six months ended June 30, 2001 and 2000 include all adjustments and accruals consisting only of normal recurring accrual adjustments which are necessary for a fair presentation of the results for the interim period. These interim results are not necessarily

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

indicative of results for a full year. Certain reclassifications may have been made to the June 30, 2000 financial statements to conform to the June 30, 2001 financial statement presentations.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in this Form 10-Q pursuant to the rules and regulations of the Securities and Exchange Commission. The financial statements should be read in conjunction with the financial statements and the notes thereto contained in the Partnership's Report on Form 10-K for the year ended December 31, 2000, as filed with the Securities and Exchange Commission, a copy of which is available upon request by writing to Rich Dealy, Vice President and Chief Accounting Officer, 5205 North O'Connor Boulevard, Suite 1400, Irving, Texas 75039-3746.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (1)

Results of Operations

Six months ended June 30, 2001 compared with six months ended June 30, 2000

Revenues:

The Partnership's oil and gas revenues increased 7% to \$847,551 for the six months ended June 30, 2001 as compared to \$795,048 for the same period in 2000. The increase in revenues resulted from higher average prices received, offset by a decrease in production. For the six months ended June 30, 2001, 18,401 barrels of oil, 7,150 barrels of natural gas liquids ("NGLs") and 43,243 mcf of gas were

7

692

sold, or 32,758 barrel of oil equivalents ("BOEs"). For the six months ended June 30, 2000, 20,591 barrels of oil, 10,406 barrels of NGLs and 41,035 mcf of gas were sold, or 37,836 BOEs.

The average price received per barrel of oil increased \$.31, or 1%, from \$27.57 for the six months ended June 30, 2000 to \$27.88 for the same period in 2001. The average price received per barrel of NGLs increased \$3.05, or 23%, from \$13.43 during the six months ended June 30, 2000 to \$16.48 for the same period in 2001. The average price received per mcf of gas increased 135% from \$2.13 for the six months ended June 30, 2000 to \$5.01 for the same period in 2001. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received during the six months ended June 30, 2001.

A gain on disposition of assets of \$2,250 was received during the six months ended June 30, 2000 due to equipment credits received on one fully depleted well.

Costs and Expenses:

Total costs and expenses increased to \$438,326 for the six months ended June 30, 2001 as compared to \$421,009 for the same period in 2000, an increase of \$17,317, or 4%. This increase was due to increases in production costs, general and administrative expenses ("G&A") and depletion.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Production costs were \$354,327 for the six months ended June 30, 2001 and \$339,664 for the same period in 2000, resulting in a \$14,663 increase, or 4%. The increase was primarily due to additional well maintenance costs incurred to stimulate well production and higher production taxes associated with higher oil and gas prices.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 7%, from \$23,851 for the six months ended June 30, 2000 to \$25,427 for the same period in 2001, primarily due to an increase in audit and tax fees.

Depletion was \$58,572 for the six months ended June 30, 2001 as compared to \$57,494 for the same period in 2000, an increase of \$1,078, or 2%. This increase was due to a reduction in proved reserves during the period ended June 30, 2001 due to lower commodity prices, offset by a reduction in the Partnership's net depletable basis from charges taken in accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121") during the fourth quarter of 2000 and a decline in oil production of 2,190 barrels for the six months ended June 30, 2001 as compared to the same period in 2000.

Three months ended June 30, 2001 compared with three months ended June 30, 2000

Revenues:

The Partnership's oil and gas revenues increased 4% to \$409,078 for the three months ended June 30, 2001 as compared to \$392,916 for the same period in 2000.

8

693

The increase in revenues resulted from higher average prices received for gas and NGLs, offset by a decrease in production and lower average prices received for oil. For the three months ended June 30, 2001, 9,425 barrels of oil, 4,390 barrels of NGLs and 23,194 mcf of gas were sold, or 17,681 BOEs. For the three months ended June 30, 2000, 9,770 barrels of oil, 5,347 barrels of NGLs and 20,600 mcf of gas were sold, or 18,550 BOEs.

The average price received per barrel of oil decreased \$.68, or 2%, from \$27.55 for the three months ended June 30, 2000 to \$26.87 for the same period in 2001. The average price received per barrel of NGLs increased \$1.31, or 10%, from \$13.48 during the three months ended June 30, 2000 to \$14.79 for the same period in 2001. The average price received per mcf of gas increased 56% from \$2.51 during the three months ended June 30, 2000 to \$3.92 for the same period in 2001.

A gain on disposition of assets of \$831 was received during the three months ended June 30, 2000 due to equipment credits received on one fully depleted well.

Costs and Expenses:

Total costs and expenses increased to \$227,035 for the three months ended June 30, 2001 as compared to \$205,836 for the same period in 2000, an increase of \$21,199, or 10%. This increase was due to increases in production costs, depletion and G&A.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Production costs were \$185,876 for the three months ended June 30, 2001 and \$170,553 for the same period in 2000 resulting in a \$15,323 increase, or 9%. The increase was primarily due to additional well maintenance costs incurred to stimulate well production.

During this period, G&A increased 4%, from \$11,787 for the three months ended June 30, 2000 to \$12,273 for the same period in 2001, primarily due to a higher allocation of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues.

Depletion was \$28,886 for the three months ended June 30, 2001 as compared to \$23,496 for the same period in 2000, an increase of \$5,390, or 23%. This increase was due to a reduction in proved reserves during the period ended June 30, 2001 due to lower commodity prices, offset by a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 2000 and a decline in oil production of 345 barrels for the three months ended June 30, 2001 as compared to the same period in 2000.

Liquidity and Capital Resources

Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$123,328 during the six months ended June 30, 2001 from the same period ended June 30, 2000. This increase was primarily attributable to an increase of \$52,014 in oil and gas sale receipts and reductions in working capital of \$87,553, offset by increases in production costs of \$14,663 and G&A expenses of \$1,576. The increase in oil and gas receipts resulted from the increase in commodity prices during 2001 which contributed an additional \$155,662 to oil and gas receipts, offset by \$103,648 resulting from the decline in production during 2001 as compared to the

9

694

same period in 2000. The increase in production costs was primarily due to additional well maintenance costs incurred to stimulate well production and increased production taxes associated with higher oil and gas prices. The increase in G&A was primarily due to an increase in audit and tax fees.

Net Cash Used in Investing Activities

The Partnership's investing activities during the six months ended June 30, 2001 and 2000 were related to expenditures for upgrades of oil and gas equipment on active properties.

Proceeds from disposition of assets of \$4,846 recognized during the six months ended June 30, 2000 consisted of \$2,250 from equipment credits on one fully depleted well and \$2,596 from equipment credits on an active property.

Net Cash Used in Financing Activities

For the six months ended June 30, 2001, cash distributions to the partners were \$318,487, of which \$3,185 was distributed to the managing general partner and \$315,302 to the limited partners. For the same period ended June 30, 2000, cash distributions to the partners were \$408,087, of which \$4,081 was distributed to the managing general partner and \$404,006 to the limited partners.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

For the three months ended June 30, 2001, no distributions were made by the partnership to its partners. Subsequent to June 30, 2001 the cash distribution that otherwise would have been mailed to partners in late June was made to holders of record as of July 9, 2001 and was mailed on July 13, 2001. For further information, see "Proposal to acquire partnerships" below.

Proposal to acquire partnerships

On June 29, 2001, Pioneer Natural Resources Company ("Pioneer") filed with the Securities and Exchange Commission Amendment No. 1 to the Form S-4 Registration Statement (File No. 333-59094) (the "preliminary proxy statement/prospectus"), which proposes an agreement and plan of merger among Pioneer, Pioneer Natural Resources USA, Inc. ("Pioneer USA"), a wholly-owned subsidiary of Pioneer, and 46 Parker & Parsley limited partnerships. Each partnership that approves the agreement and plan of merger and the other related merger proposals will merge with and into Pioneer USA upon the closing of the transactions described in the preliminary proxy statement/prospectus, and the partnership interests of each such partnership will be converted into the right to receive Pioneer common stock. The Partnership is one of the 46 Parker & Parsley limited partnerships that will be asked to approve the agreement and plan of merger. The preliminary proxy statement/prospectus is non-binding and is subject to, among other things, consideration of offers from third parties to purchase any partnership or its assets and the majority approval of the limited partnership interests in each partnership.

Pioneer USA will solicit proxies from limited partners to approve the mergers only when the proxy statement/prospectus is final and declared effective. No solicitation will be made using preliminary materials. Nonetheless, copies of the preliminary proxy statement/prospectus may be obtained without charge upon request from Pioneer Natural Resources Company, 5205 North O'Connor Blvd., Suite 1400, Irving, Texas 75039, Attention: Investor Relations.

10

695

The limited partners are urged to read the proxy statement/prospectus of Pioneer filed with the Securities and Exchange Commission, when it is finalized, because it contains important information about the proposed mergers, including information about the direct and indirect interests of Pioneer USA and Pioneer in the mergers. The limited partners may also obtain the preliminary and (when filed) final proxy statement/prospectus and other relevant documents relating to the proposed mergers free through the internet web site that the Securities and Exchange Commission maintains at www.sec.gov.

- (1) "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" contains forward looking statements that involve risks and uncertainties. Accordingly, no assurances can be given that the actual events and results will not be materially different than the anticipated results described in the forward looking statements.

Part II. Other Information

Item 6. Exhibits and Reports on Form 8-K

- (a) Exhibits - none

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

(b) Reports on Form 8-K - none

11

696

PARKER & PARSLEY 86-B, LTD.
(A Texas Limited Partnership)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PARKER & PARSLEY 86-B, LTD.

By: Pioneer Natural Resources USA, Inc.
Managing General Partner

Dated: August 7, 2001

By: /s/ Rich Dealy

Rich Dealy, Vice President and
Chief Accounting Officer

12

697

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000

COMMISSION FILE NO. 33-3353B

PARKER & PARSLEY 86-B, LTD.
(Exact name of Registrant as specified in its charter)

TEXAS

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

(State or other jurisdiction of
incorporation or organization)

1400 WILLIAMS SQUARE WEST, 5205 N. O'CONNOR BLVD., IRVING, TEXAS

(Address of principal executive offices)

Registrant's Telephone Number, including area code : (972) 444-9001

Securities registered pursuant to Section 12(b) of the Act: NONE
Securities registered pursuant to Section 12(g) of the Act:
LIMITED PARTNERSHIP INTERESTS (\$1,000 PER UNIT)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES / X / NO / /

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. / X /

No market currently exists for the limited partnership interests of the Registrant. Based on the original purchase price, the aggregate market value of limited partnership interests owned by non-affiliates of the Registrant is \$17,080,000.

As of March 8, 2001, the number of outstanding limited
partnership interests was 17,208.

The following documents are incorporated by reference into the indicated parts
of this Annual Report on Form 10-K: None
PARTS I AND II OF THIS ANNUAL REPORT ON FORM 10-K (THE "REPORT") CONTAIN FORWARD
LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. ACCORDINGLY, NO
ASSURANCES CAN BE GIVEN THAT THE ACTUAL EVENTS AND RESULTS WILL NOT BE
MATERIALLY DIFFERENT THAN THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD
LOOKING STATEMENTS. SEE "ITEM 1. BUSINESS" FOR A DESCRIPTION OF VARIOUS FACTORS
THAT COULD MATERIALLY AFFECT THE ABILITY OF THE PARTNERSHIP TO ACHIEVE THE
ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS.

698

PART I

ITEM 1. BUSINESS

Parker & Parsley 86-B, Ltd. (the "Partnership") is a limited partnership organized in 1986 under the laws of the State of Texas. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA"). Pioneer USA is a wholly-owned subsidiary of Pioneer Natural Resources Company ("Pioneer"). As of March 8, 2001, the Partnership had 17,208 limited partnership interests outstanding.

The Partnership does not have any employees of its own. Pioneer USA employs 701 persons, many of whom dedicated a part of their time to the conduct of the Partnership's business during the period for which this Report is filed. Pioneer

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

USA supplies all management functions.

The Partnership engages in oil and gas development and production and is not involved in any industry segment other than oil and gas. The Partnership's production is geographically concentrated in West Texas.

The principal markets during 2000 for the oil produced by the Partnership were refineries and oil transmission companies that have facilities near the Partnership's oil producing properties. During 2000, Pioneer USA marketed the Partnership's gas to a variety of purchasers, none of which accounted for 10% or more of the Partnership's oil and gas revenues. Of the Partnership's total oil and gas revenues for 2000, approximately 36% and 16% were attributable to sales made to Plains Marketing, L.P. and Mobil Oil Corporation, respectively. Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on its ability to sell its oil, natural gas liquids ("NGLs") and gas production.

The Partnership's revenues, profitability, cash flow and future rate of growth are highly dependent on the prevailing prices of oil and gas, which are affected by numerous factors beyond the Partnership's control. Oil and gas prices historically have been very volatile. A substantial or extended decline in the prices of oil or gas could have a material adverse effect on the Partnership's revenues, profitability and cash flow and could, under certain circumstances, result in a reduction in the carrying value of the Partnership's oil and gas properties.

Oil and gas production operations are subject to various types of regulations by local, state and federal agencies. The Partnership's operations are also subject to state conservation laws and regulations, including the establishment of maximum rates of production from wells and the regulation of spacing, plugging and abandonment of wells. Each state generally imposes a production or severance tax with respect to production and sale of oil and gas within their respective jurisdictions. Noncompliance with the laws and regulations may subject the Partnership to penalties, damages or other liabilities and compliance may increase the cost of the Partnership's operations.

The oil and gas business is also subject to environmental hazards such as oil spills, gas leaks and ruptures and discharges of toxic substances or gases that could expose the Partnership to substantial

2

699

liability due to pollution and other environmental damages. Although the Partnership believes that its business operations do not impair environmental quality and that its costs of complying with any applicable environmental regulations are not currently significant, the Partnership cannot predict what, if any, effect these environmental regulations may have on its current or future operations.

Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves.

No material part of the Partnership's business is seasonal and the Partnership conducts no foreign operations.

ITEM 2. PROPERTIES

The Partnership's properties consist of leasehold interests in properties on

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

which oil and gas wells are located. Such property interests are often subject to landowner royalties, overriding royalties and other oil and gas leasehold interests.

Fractional working interests in developmental oil and gas prospects located primarily in the Spraberry Trend area of West Texas were acquired by the Partnership, resulting in the Partnership's participation in the drilling of 56 oil and gas wells. At December 31, 2000, 43 wells were producing. Nine wells and interests in two abandoned wells were sold and two wells were plugged and abandoned.

For information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998, and changes in such quantities for the years then ended, see Note 7 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" below. Such reserves have been evaluated by Williamson Petroleum Consultants, Inc., an independent petroleum consultant.

ITEM 3. LEGAL PROCEEDINGS

The Partnership from time to time is a party to various legal proceedings incidental to its business involving claims in oil and gas leases or interests, other claims for damages in amounts not in excess of 10% of its current assets and other matters, none of which Pioneer USA believes to be material to the Partnership.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of the partners during the fourth quarter of 2000.

3

700

PART II

ITEM 5. MARKET FOR LIMITED PARTNERSHIP INTERESTS AND LIMITED PARTNERSHIP DISTRIBUTIONS

At March 8, 2001, the Partnership had 17,208 outstanding limited partnership interests held of record by 1,409 subscribers. There is no established public trading market for the limited partnership interests. Under the limited partnership agreement, Pioneer USA has made certain commitments to purchase partnership interests at a computed value.

Revenues which, in the sole judgement of the managing general partner, are not required to meet the Partnership's obligations are distributed to the partners at least quarterly in accordance with the limited partnership agreement. During the years ended December 31, 2000 and 1999, distributions of \$923,558 and \$357,887, respectively, were made to the limited partners.

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth selected financial data for the years ended December 31:

	2000	1999	1998	1997
--	------	------	------	------

Operating results:

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Oil and gas sales	\$ 1,756,242	\$ 1,056,533	\$ 928,899	\$ 1,369,807
	=====	=====	=====	=====
Gain on litigation settlement, net	\$ -	\$ -	\$ -	\$ -
	=====	=====	=====	=====
Impairment of oil and gas properties	\$ 13,279	\$ -	\$ 509,585	\$ 561,432
	=====	=====	=====	=====
Net income (loss)	\$ 933,292	\$ 246,008	\$ (807,041)	\$ (158,796)
	=====	=====	=====	=====
Allocation of net income (loss):				
Managing general partner	\$ 9,333	\$ 2,460	\$ (8,070)	\$ (1,587)
	=====	=====	=====	=====
Limited partners	\$ 923,959	\$ 243,548	\$ (798,971)	\$ (157,209)
	=====	=====	=====	=====
Limited partners' net income (loss) per limited partnership interest	\$ 53.69	\$ 14.15	\$ (46.43)	\$ (9.14)
	=====	=====	=====	=====
Limited partners' cash distributions per limited partnership interest	\$ 53.67	\$ 20.80	\$ 18.70	\$ 46.77
	=====	=====	=====	=====
At year end:				

Identifiable assets	\$ 2,252,955	\$ 2,266,438	\$ 2,363,955	\$ 3,520,172
	=====	=====	=====	=====

(a) Including litigation settlement per limited partnership interest of \$32.55 in 1996.

4

701

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of operations

2000 compared to 1999

The Partnership's oil and gas revenues increased 66% to \$1,756,242 for 2000 as compared to \$1,056,533 in 1999. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 2000, 41,276 barrels of oil, 21,061 barrels of natural gas liquids ("NGLs") and 79,859 mcf of gas were sold, or 75,647 barrel of oil equivalents ("BOEs"). In 1999, 40,490 barrels of oil, 22,642 barrels of NGLs and 86,726 mcf of gas were sold, or 77,586 BOEs. Due to the decline characteristics of the Partnership's oil and gas properties, management expects a certain amount of decline in production in the

711

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

future until the Partnership's economically recoverable reserves are fully depleted.

The average price received per barrel of oil increased \$12.27, or 71%, from \$17.18 in 1999 to \$29.45 in 2000. The average price received per barrel of NGLs increased \$5.61, or 60%, from \$9.39 in 1999 to \$15.00 in 2000. The average price received per mcf of gas increased 65% from \$1.71 in 1999 to \$2.82 in 2000. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received in 2000.

A gain on disposition of assets of \$21,074 was received during 2000 due to the sale of equipment on one plugged and abandoned well. Abandoned property costs of \$12,161 were also incurred during 2000 to plug and abandon this well.

Total costs and expenses increased in 2000 to \$861,600 as compared to \$821,102 in 1999, an increase of \$40,498, or 5%. The increase was due to increases in production costs, general and administrative expenses ("G&A"), the impairment of oil and gas properties and abandoned property costs, offset by a decline in depletion.

Production costs were \$670,780 in 2000 and \$611,991 in 1999, resulting in an increase of \$58,789, or 10%. This increase was primarily due to higher production taxes associated with higher oil and gas prices and additional well maintenance costs incurred to stimulate well production.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 66% from \$31,696 in 1999 to \$52,687 in 2000 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$44,975 in 2000 and \$19,909 in 1999 for G&A incurred on behalf of the Partnership. The remaining G&A was paid directly by the Partnership. The managing general partner determines the allocated expenses based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated

5

702

to reflect changes in Pioneer USA's overall business activities.

In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the managing general partner reviews the Partnership's oil and gas properties for impairment whenever events or circumstances indicate a decline in the recoverability of the carrying value of the Partnership's assets may have occurred. As a result of the review and evaluation of its long-lived assets for impairment, the Partnership recognized a non-cash charge of \$13,279 related to its oil and gas properties during 2000.

Depletion was \$112,693 in 2000 as compared to \$177,415 in 1999, representing a decrease of \$64,722, or 36%. This decrease was primarily due to a 65,045 barrels of oil increase in proved reserves during 2000 as a result of higher commodity prices.

1999 compared to 1998

The Partnership's 1999 oil and gas revenues increased 14% to \$1,056,533 from

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

\$928,899 in 1998. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 1999, 40,490 barrels of oil, 22,642 barrels of NGLs and 86,726 mcf of gas were sold, or 77,586 BOEs. In 1998, 47,107 barrels of oil, 23,292 barrels of NGLs and 97,715 mcf of gas were sold, or 86,685 BOEs.

The average price received per barrel of oil increased \$4.10, or 31%, from \$13.08 in 1998 to \$17.18 in 1999. The average price received per barrel of NGLs increased \$2.59, or 38%, from \$6.80 in 1998 to \$9.39 in 1999. The average price received per mcf of gas increased 8% from \$1.58 in 1998 to \$1.71 in 1999.

A gain on disposition of assets of \$6,371 was recognized during 1998 from the sale of equipment on one well plugged and abandoned during 1998. Abandoned property costs of \$20,389 were also incurred during 1998 to plug and abandon this well.

Total costs and expenses decreased in 1999 to \$821,102 as compared to \$1,755,278 in 1998, a decrease of \$934,176, or 53%. The decrease was due to declines in the impairment of oil and gas properties, depletion, production costs and abandoned property costs, offset by an increase in G&A.

Production costs were \$611,991 in 1999 and \$662,691 in 1998, resulting in a \$50,700 decrease, or 8%. This decrease was due to lower well maintenance costs and ad valorem taxes, offset by an increase in workover costs incurred to stimulate well production.

During this period, G&A increased 14% from \$27,867 in 1998 to \$31,696 in 1999 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$19,909 in 1999 and \$21,984 in 1998 for G&A incurred on behalf of the Partnership.

The Partnership recognized a non-cash SFAS 121 charge of \$509,585 related to its oil and gas properties during 1998.

6

703

Depletion was \$177,415 in 1999 compared to \$534,746 in 1998. This represented a decrease of \$357,331, or 67%. This decrease was the result of a combination of factors that included an increase in proved reserves of 343,529 barrels of oil during 1999 as a result of higher commodity prices, a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 1998 and a decline in oil production of 6,617 barrels for the period ended December 31, 1999 compared to the same period in 1998.

Petroleum industry

The petroleum industry has been characterized by volatile oil, NGL and natural gas commodity prices and relatively stable supplier costs during the three years ended December 31, 2000. During 1998, weather patterns, regional economic recessions and political matters combined to cause worldwide oil supplies to exceed demand resulting in a substantial decline in oil prices. Also during 1998, but to a lesser extent, market prices for natural gas declined. During 1999 and 2000, the Organization of Petroleum Exporting Countries ("OPEC") and certain other crude oil exporting nations announced reductions in their planned export volumes. Those announcements, together with the enactment of the announced reductions in export volumes, had a positive impact on world oil prices, as have overall natural gas supply and demand fundamentals on North American natural gas prices. Although the favorable commodity price environment and stable field service cost environment is expected to continue during 2001,

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

there is no assurance that commodity prices will not return to a less favorable level or that field service costs will not escalate in the future, both of which could negatively impact the Partnership's future results of operations and cash distributions.

Liquidity and capital resources

Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$561,909 during the year ended December 31, 2000 from 1999. This increase was due to an increase in oil and gas sales receipts of \$706,708, offset by increases in production costs paid of \$58,789, G&A expenses paid of \$20,991, abandoned costs paid of \$12,161 and working capital of \$52,858. The increase in oil and gas receipts resulted from the increase in commodity prices during 2000 which contributed an additional \$726,611 to oil and gas receipts, offset by \$19,903 resulting from the decline in production during 2000. The increase in production costs was primarily due to increased production taxes associated with higher oil and gas prices and well maintenance costs incurred to stimulate well production. The increase in G&A was primarily due to higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues.

Net Cash Provided by (Used in) Investing Activities

The Partnership's investing activities during 2000 and 1999 were related to expenditures for oil and gas equipment upgrades on active properties.

Proceeds from disposition of assets of \$23,670 was recognized during 2000. The gain was comprised of \$21,074 received from the sale of equipment on one well plugged and abandoned during the current period and \$2,596 from equipment credits received on one active well. Proceeds of \$8,980 in 1999 were from equipment credits received on active properties.

Net Cash Used in Financing Activities

In 2000, cash distributions to the partners were \$932,887, of which \$9,329 was distributed to the managing general partner and \$923,558 to the limited partners. In 1999, cash distributions to the partners were \$361,502, of which \$3,615 was distributed to the managing general partner and \$357,887 to the limited partners.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO FINANCIAL STATEMENTS

Financial Statements of Parker & Parsley 86-B, Ltd:

Independent Auditors' Report.....
Balance Sheets as of December 31, 2000 and 1999.....
Statements of Operations for the Years Ended December 31,	
2000, 1999 and 1998.....

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Statements of Partners' Capital for the Years Ended

December 31, 2000, 1999 and 1998.....

Statements of Cash Flows for the Years Ended December 31,

2000, 1999 and 1998.....

Notes to Financial Statements.....

INDEPENDENT AUDITORS' REPORT

The Partners

Parker & Parsley 86-B, Ltd.

(A Texas Limited Partnership):

We have audited the balance sheets of Parker & Parsley 86-B, Ltd. as of December 31, 2000 and 1999, and the related statements of operations, partners' capital and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parker & Parsley 86-B, Ltd. as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Dallas, Texas

March 9, 2001

PARKER & PARSLEY 86-B, LTD.
(A Texas Limited Partnership)

BALANCE SHEETS
December 31

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

ASSETS

Current assets:	
Cash	\$ 220,466
Accounts receivable - oil and gas sales	260,049

Total current assets	480,515

Oil and gas properties - at cost, based on the successful efforts accounting method	11,805,173
Accumulated depletion	(10,032,733)

Net oil and gas properties	1,772,440

	\$ 2,252,955
	=====

LIABILITIES AND PARTNERS' CAPITAL

Current liabilities:	
Accounts payable - affiliate	\$ 15,305
Partners' capital:	
Managing general partner	21,100
Limited partners (17,208 interests)	2,216,550

	2,237,650

	\$ 2,252,955
	=====

The accompanying notes are an integral part of these financial statements.

11

708

PARKER & PARSLEY 86-B, LTD.
(A Texas Limited Partnership)

STATEMENTS OF OPERATIONS
For the years ended December 31

	2000	1999
	-----	-----
Revenues:		
Oil and gas	\$ 1,756,242	\$ 1,056,533
Interest	17,576	10,577
Gain on disposition of assets	21,074	-

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	-----	-----
	1,794,892	1,067,110
	-----	-----
Costs and expenses:		
Oil and gas production	670,780	611,991
General and administrative	52,687	31,696
Impairment of oil and gas properties	13,279	-
Depletion	112,693	177,415
Abandoned property	12,161	-
	-----	-----
	861,600	821,102
	-----	-----
Net income (loss)	\$ 933,292	\$ 246,008
	=====	=====
Allocation of net income (loss):		
Managing general partner	\$ 9,333	\$ 2,460
	=====	=====
Limited partners	\$ 923,959	\$ 243,548
	=====	=====
Net income (loss) per limited partnership interest	\$ 53.69	\$ 14.15
	=====	=====

The accompanying notes are an integral part of these financial statements.

12

709

PARKER & PARSLEY 86-B, LTD.
(A Texas Limited Partnership)

STATEMENTS OF PARTNERS' CAPITAL

	Managing general partner	Limited partners
	-----	-----
Partners' capital at January 1, 1998	\$ 33,572	\$ 3,451,264
Distributions	(3,251)	(321,805)
Net loss	(8,070)	(798,971)
	-----	-----
Partners' capital at December 31, 1998	22,251	2,330,488
Distributions	(3,615)	(357,887)
Net income	2,460	243,548
	-----	-----
Partners' capital at December 31, 1999	21,096	2,216,149

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Distributions	(9,329)	(923,558)
Net income	9,333	923,959
	-----	-----
Partners' capital at December 31, 2000	\$ 21,100	\$ 2,216,550
	=====	=====

The accompanying notes are an integral part of these financial statements.

13

710

PARKER & PARSLEY 86-B, LTD.
(A Texas Limited Partnership)

STATEMENTS OF CASH FLOWS
For the years ended December 31

	2000	1999
	-----	-----
Cash flows from operating activities:		
Net income (loss)	\$ 933,292	\$ 246,008
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Impairment of oil and gas properties	13,279	-
Depletion	112,693	177,415
Gain on disposition of assets	(21,074)	-
Changes in assets and liabilities:		
Accounts receivable	(80,309)	(59,316)
Accounts payable	(13,888)	17,977
	-----	-----
Net cash provided by operating activities	943,993	382,084
	-----	-----
Cash flows from investing activities:		
Additions to oil and gas properties	(20,718)	(8,474)
Proceeds from disposition of assets	23,670	8,980
	-----	-----
Net cash provided by (used in) investing activities	2,952	506
	-----	-----
Cash flows used in financing activities:		
Cash distributions to partners	(932,887)	(361,502)
	-----	-----
Net increase (decrease) in cash	14,058	21,088
Cash at beginning of year	206,408	185,320
	-----	-----
Cash at end of year	\$ 220,466	\$ 206,408
	=====	=====

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The accompanying notes are an integral part of these financial statements.

14

711

PARKER & PARSLEY 86-B, LTD.
(A Texas Limited Partnership)

NOTES TO FINANCIAL STATEMENTS
December 31, 2000, 1999 and 1998

NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS

Parker & Parsley 86-B, Ltd. (the "Partnership") is a limited partnership organized in 1986 under the laws of the State of Texas. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA").

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Oil and gas properties - The Partnership utilizes the successful efforts method of accounting for its oil and gas properties and equipment. Under this method, all costs associated with productive wells and nonproductive development wells are capitalized while nonproductive exploration costs are expensed. Capitalized costs relating to proved properties are depleted using the unit-of-production method on a property-by-property basis based on proved oil (dominant mineral) reserves as evaluated by independent petroleum consultants. The carrying amounts of properties sold or otherwise disposed of and the related allowances for depletion are eliminated from the accounts and any gain or loss is included in results of operations.

Impairment of long-lived assets - In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the Partnership reviews its long-lived assets to be held and used on an individual property basis, including oil and gas properties accounted for under the successful efforts method of accounting, whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. An impairment loss is indicated if the sum of the expected future cash flows is less than the carrying amount of the assets. In this circumstance, the Partnership recognizes an impairment loss for the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset.

Use of estimates in the preparation of financial statements - Preparation of the accompanying financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Net income (loss) per limited partnership interest - The net income (loss) per limited partnership interest is calculated by using the number of outstanding limited partnership interests.

Income taxes - A Federal income tax provision has not been included in the financial statements as the income of the Partnership is included in the individual Federal income tax returns of the

respective partners.

Statements of cash flows - For purposes of reporting cash flows, cash includes depository accounts held by banks.

General and administrative expenses - General and administrative expenses are allocated in part to the Partnership by the managing general partner. Allocated expenses are determined by the managing general partner based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Reclassifications - Certain reclassifications may have been made to the 1999 and 1998 financial statements to conform to the 2000 financial statement presentations.

Environmental - The Partnership is subject to extensive federal, state and local environmental laws and regulations. These laws, which are constantly changing, regulate the discharge of materials into the environment and may require the Partnership to remove or mitigate the environmental effects of the disposal or release of petroleum or chemical substances at various sites. Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Liabilities for expenditures of a noncapital nature are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated. Such liabilities are generally undiscounted unless the timing of cash payments for the liability or component are fixed or reliably determinable. No such liabilities have been accrued as of December 31, 2000.

Revenue recognition - The Partnership uses the entitlements method of accounting for oil, natural gas liquids ("NGLs") and natural gas revenues.

NOTE 3. IMPAIRMENT OF LONG-LIVED ASSETS

In accordance with SFAS 121, the Partnership reviews its proved oil and gas properties for impairment whenever events and circumstances indicate a decline in the recoverability of the carrying value of the Partnership's oil and gas properties. The Partnership has estimated the expected future cash flows of its oil and gas properties as of December 31, 2000, 1999 and 1998, based on proved reserves, and compared such estimated future cash flows to the respective carrying amount of the oil and gas properties to determine if the carrying amounts were likely to be recoverable. For those proved oil and gas properties for which the carrying amount exceeded the estimated future cash flows, an impairment was determined to exist; therefore, the Partnership adjusted the carrying amount of those oil and gas properties to their fair value as determined by discounting their expected future cash flows at a discount rate commensurate with the risks involved in the industry. As a result, the Partnership recognized non-cash impairment provisions of \$13,279 and \$509,585 related to its proved oil and gas properties during 2000 and 1998, respectively.

NOTE 4. INCOME TAXES

The financial statement basis of the Partnership's net assets and

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

liabilities was \$38,785 greater than the tax basis at December 31, 2000.

The following is a reconciliation of net income (loss) per statements of operations with the net income per Federal income tax returns for the years ended December 31:

	2000	1999
Net income (loss) per statements of operations	\$ 933,292	\$ 246,008
Depletion and depreciation provisions for tax reporting purposes less than amounts for financial reporting purposes	104,139	168,298
Impairment of oil and gas properties for financial reporting purposes	13,279	-
Intangible development costs capitalized for financial reporting purposes and expensed for tax reporting purposes	(13,305)	-
Other, net	(142)	11,789
	-----	-----
Net income per Federal income tax returns	\$ 1,037,263	\$ 426,095
	=====	=====

NOTE 5. OIL AND GAS PRODUCING ACTIVITIES

The following is a summary of the costs incurred, whether capitalized or expensed, related to the Partnership's oil and gas producing activities for the years ended December 31:

	2000	1999
Development costs	\$ 20,718	\$ 8,474
	=====	=====

Capitalized oil and gas properties consist of the following:

	2000
Proved properties:	
Property acquisition costs	\$ 439,613
Completed wells and equipment	11,365,560

Accumulated depletion	11,805,173
	(10,032,733)

Net oil and gas properties	\$ 1,772,440
	=====

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

NOTE 6. RELATED PARTY TRANSACTIONS

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

	2000	1999
Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$ 298,127	\$ 298,479
Reimbursement of general and administrative expenses	\$ 44,975	\$ 19,909

The Partnership participates in oil and gas activities through an income tax partnership (the "Program") pursuant to the Program agreement. In addition, Pioneer USA and the Partnership are parties to the Program agreement.

The costs and revenues of the Program are allocated to Pioneer USA and the Partnership as follows:

	Pioneer USA (1)
Revenues:	
Proceeds from disposition of depreciable properties	9.09091%
All other revenues	24.242425%
Costs and expenses:	
Lease acquisition costs, drilling and completion costs and all other costs	9.09091%
Operating costs, direct costs and general and administrative expenses	24.242425%

- (1) Excludes Pioneer USA's 1% general partner ownership which is allocated at the Partnership level and 128 limited partner interests owned by Pioneer USA.

NOTE 7. OIL AND GAS INFORMATION (UNAUDITED)

The following table presents information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities during the years then ended. All of the Partnership's reserves are proved developed and located within the United States. The Partnership's reserves are based on an evaluation prepared by Williamson Petroleum Consultants, Inc., an independent petroleum consultant, using criteria established by the Securities and Exchange Commission.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	Oil and NGLs (bbls)

Net proved reserves at January 1, 1998	940,047
Revisions	(401,595)
Production	(70,399)

Net proved reserves at December 31, 1998	468,053
Revisions	550,528
Production	(63,132)

Net proved reserves at December 31, 1999	955,449
Revisions	42,519
Production	(62,337)

Net proved reserves at December 31, 2000	935,631
	=====

As of December 31, 2000, the estimated present value of future net revenues of proved reserves, calculated using December 31, 2000 prices of \$26.64 per barrel of oil, \$13.61 per barrel of NGLs and \$7.82 per mcf of gas, discounted at 10% was approximately \$7,100,000 and undiscounted was \$14,263,000.

Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves. The Partnership emphasizes that reserve estimates are inherently imprecise and, accordingly, the estimates are expected to change as future information becomes available.

Disclosures about Oil & Gas Producing Activities

Standardized Measure of Discounted Future Net Cash Flows

The standardized measure of discounted future net cash flows is computed by applying year-end prices of oil and gas (with consideration of price changes only to the extent provided by contractual arrangements) to the estimated future production of proved oil and gas reserves less estimated future expenditures (based on year-end costs) to be incurred in developing and producing the proved reserves, discounted using a rate of 10% per year to reflect the estimated timing of the future cash flows. A Federal income tax provision has not been calculated as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

Discounted future cash flow estimates like those shown below are not intended to represent estimates of the fair value of oil and gas properties. Estimates of fair value should also consider anticipated future oil and gas prices, interest rates, changes in development and production costs and risks associated with future production. Because of these and other considerations, any estimate of fair value is necessarily subjective and imprecise.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

716

	For the years ended Dec	
	2000	1999
	(in thousands)	
Oil and gas producing activities:		
Future cash inflows	\$ 30,354	\$ 23,606
Future production costs	(16,091)	(13,697)
	-----	-----
	14,263	9,909
10% annual discount factor	(7,163)	(4,671)
	-----	-----
Standardized measure of discounted future net cash flows	\$ 7,100	\$ 5,238
	=====	=====

	For the years ended Dec	
	2000	1999
	(in thousands)	
Oil and Gas Producing Activities:		
Oil and gas sales, net of production costs	\$ (1,085)	\$ (445)
Net changes in prices and production costs	2,757	2,398
Revisions of previous quantity estimates	121	3,891
Accretion of discount	524	82
Changes in production rates, timing and other	(455)	(1,507)
	-----	-----
Change in present value of future net revenues	1,862	4,419
	-----	-----
Balance, beginning of year	5,238	819
	-----	-----
Balance, end of year	\$ 7,100	\$ 5,238
	=====	=====

NOTE 8. MAJOR CUSTOMERS

The following table reflects the major customers of the Partnership's oil and gas sales (a major customer is defined as a customer whose sales exceed 10% of total sales) during the years ended December 31:

	2000	1999
Plains Marketing, L.P.	36%	35%
Genesis Crude Oil, L.P.	-	-

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Western Gas Resources, Inc.	2%	4%
Mobil Oil Corporation	16%	15%
Texaco Trading & Transportation	4%	8%

At December 31, 2000, the amounts receivable from Plains Marketing, L.P. and Mobil Oil Corporation were \$54,631 and \$21,954, respectively, which are included in the caption "Accounts receivable - oil and gas sales" in the accompanying Balance Sheet.

Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on the ability of the Partnership to sell its oil, NGLs and gas production.

NOTE 9. PARTNERSHIP AGREEMENT

The following is a brief summary of the more significant provisions of the limited partnership agreement:

Managing general partner - The managing general partner of the Partnership is Pioneer USA. Pioneer USA has the power and authority to manage, control and administer all Program and Partnership affairs. As managing general partner and operator of the Partnership's properties, all production expenses are incurred by Pioneer USA and billed to the Partnership. The majority of the Partnership's oil and gas revenues are received directly by the Partnership, however, a portion of the oil and gas revenue is initially received by Pioneer USA prior to being paid to the Partnership. Under the limited partnership agreement, the managing general partner pays 1% of the Partnership's acquisition, drilling and completion costs and 1% of its operating

20

717

and general and administrative expenses. In return, it is allocated 1% of the Partnership's revenues.

Limited partner liability - The maximum amount of liability of any limited partner is the total contributions of such partner plus his share of any undistributed profits.

Initial capital contributions - The limited partners entered into subscription agreements for aggregate capital contributions of \$17,208,000. Pioneer USA is required to contribute amounts equal to 1% of initial Partnership capital less commission and offering expenses allocated to the limited partners and to contribute amounts necessary to pay costs and expenses allocated to it under the Partnership agreement to the extent its share of revenues does not cover such costs.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

21

718

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE PARTNERSHIP

The Partnership does not have any officers or directors. Under the limited

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

partnership agreement, the Partnership's managing general partner, Pioneer USA, is granted the exclusive right and full authority to manage, control and administer the Partnership's business.

Set forth below are the names, ages and positions of the directors and executive officers of Pioneer USA. Directors of Pioneer USA are elected to serve until the next annual meeting of stockholders or until their successors are elected and qualified.

Name -----	Age at December 31, 2000 ----	Position -----
Scott D. Sheffield	48	President
Timothy L. Dove	44	Executive Vice President, Chief Financial Officer and Director
Dennis E. Fagerstone	51	Executive Vice President and Director
Mark L. Withrow	53	Executive Vice President, General Counsel and Director
Danny Kellum	46	Executive Vice President - Director of Operations and Director
Rich Dealy	34	Vice President and Chief Accounting Officer

Scott D. Sheffield. Mr. Sheffield is a graduate of The University of Texas with a B.S. in Petroleum Engineering. Since August 1997, he has served as President, Chief Executive Officer and a director of Pioneer and President of Pioneer USA. Mr. Sheffield assumed the position of Chairman of the Board of Pioneer in August 1999. He served as a director of Pioneer USA from August 1997 until his resignation from the board in June 1999. Mr. Sheffield was the President and a director of Parker & Parsley Petroleum Company ("Parker & Parsley") from May 1990 until August 1997 and was the Chairman of the Board and Chief Executive Officer of Parker & Parsley from October 1990 until August 1997. He was the sole director of Parker & Parsley from May 1990 until October 1990. Mr. Sheffield joined Parker & Parsley Development Company ("PPDC"), a predecessor of Parker & Parsley, as a petroleum engineer in 1979. He served as Vice President - Engineering of PPDC from September 1981 until April 1985 when he was elected President and a director. In March 1989, Mr. Sheffield was elected Chairman of the Board and Chief Executive Officer of PPDC. Before joining PPDC's predecessor, Mr. Sheffield was employed as a production and reservoir engineer for Amoco Production Company.

22

719

Timothy L. Dove. Mr. Dove earned a B.S. in Mechanical Engineering from Massachusetts Institute of Technology in 1979 and received his M.B.A. in 1981 from the University of Chicago. He became Executive Vice President - Business Development of Pioneer and Pioneer USA in August 1997 and was also appointed a director of Pioneer USA in August 1997. Mr. Dove assumed the position of Chief Financial Officer of Pioneer and Pioneer USA effective February 1, 2000. Mr. Dove joined Parker & Parsley in May 1994 as Vice President - International and was promoted to Senior Vice President - Business Development in October 1996, in

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

which position he served until August 1997. Prior to joining Parker & Parsley, Mr. Dove was employed with Diamond Shamrock Corp., and its successor, Maxus Energy Corp, in various capacities in international exploration and production, marketing, refining and marketing and planning and development.

Dennis E. Fagerstone. Mr. Fagerstone, a graduate of the Colorado School of Mines with a B.S. in Petroleum Engineering, became an Executive Vice President of Pioneer and Pioneer USA in August 1997. He was also appointed a director of Pioneer USA in August 1997. He served as Executive Vice President and Chief Operating Officer of MESA Inc. ("Mesa") from March 1, 1997 until August 1997. From October 1996 to February 1997, Mr. Fagerstone served as Senior Vice President and Chief Operating Officer of Mesa and from May 1991 to October 1996, he served as Vice President - Exploration and Production of Mesa. From June 1988 to May 1991, Mr. Fagerstone served as Vice President - Operations of Mesa.

Mark L. Withrow. Mr. Withrow, a graduate of Abilene Christian University with a B. S. in Accounting and Texas Tech University with a Juris Doctorate degree, became Executive Vice President, General Counsel and Secretary of Pioneer and Pioneer USA in August 1997. He was also appointed a director of Pioneer USA in August 1997. Mr. Withrow was Vice President - General Counsel of Parker & Parsley from January 1991, when he joined Parker & Parsley, to January 1995, when he was appointed Senior Vice President - General Counsel. He was Parker & Parsley's Secretary from August 1992 until August 1997. Prior to joining Parker & Parsley, Mr. Withrow was the managing partner of the law firm of Turpin, Smith, Dyer, Saxe & MacDonald, Midland, Texas.

Danny Kellum. Mr. Kellum, who received a Bachelor of Science degree in Petroleum Engineering from Texas Tech University in 1979, was elected Executive Vice President - Domestic Operations of Pioneer and Pioneer USA on May 18, 2000 and Director of Pioneer USA on February 1, 2000. From January 2000 until May 2000, Mr. Kellum served as Vice President - Domestic Operations of Pioneer and Pioneer USA. Mr. Kellum served as Vice President Permian Division of Pioneer and Pioneer USA from April 1998 until December 1999. From 1989 until 1994 he served as Spraberry District Manager and as Vice President of the Spraberry and Permian Division for Parker & Parsley until August of 1997. Mr. Kellum joined Parker & Parsley as an operations engineer in 1981 after a brief career with Mobil Oil Corporation.

Rich Dealy. Mr. Dealy is a graduate of Eastern New Mexico University with a B.B.A. in Accounting and Finance and is a Certified Public Accountant. He became Vice President and Chief Accounting Officer of Pioneer and Pioneer USA in February 1998. Mr. Dealy served as Controller of Pioneer USA from August 1997 to February 1998. He served as Controller of Parker & Parsley from August 1995 to August 1997. Mr. Dealy joined Parker & Parsley as an Accounting Manager in July, 1992. He was previously employed with KPMG Peat Marwick as an Audit Senior, in charge of Parker & Parsley's audit.

23

720

ITEM 11. EXECUTIVE COMPENSATION

The Partnership does not have any directors or officers. Management of the Partnership is performed by Pioneer USA, the managing general partner. The Partnership participates in oil and gas activities through an income tax partnership (the "Program") pursuant to the Program agreement. Under the Program agreement, Pioneer USA pays approximately 10% of the Program's acquisition, drilling and completion costs and approximately 25% of its operating and general and administrative expenses. In return, Pioneer USA is allocated approximately 25% of the Program's revenues.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The Partnership does not directly pay any salaries of the executive officers of Pioneer USA, but does pay a portion of Pioneer USA's general and administrative expenses of which these salaries are a part.

See Note 6 and 9 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" for information regarding fees and reimbursements paid to the managing general partner by the Partnership.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

(a) Beneficial owners of more than five percent

The Partnership is not aware of any person who beneficially owns 5% or more of the outstanding limited partnership interests of the Partnership. Pioneer USA owned 128 limited partner interests at January 1, 2001.

(b) Security ownership of management

The Partnership does not have any officers or directors. The managing general partner of the Partnership, Pioneer USA, has the exclusive right and full authority to manage, control and administer the Partnership's business. Under the limited partnership agreement, limited partners holding a majority of the outstanding limited partnership interests have the right to take certain actions, including the removal of the managing general partner or any other general partner. The Partnership is not aware of any current arrangement or activity which may lead to such removal. The Partnership is not aware of any officer or director of Pioneer USA who beneficially owns limited partnership interests in the Partnership.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Transactions with the managing general partner

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

	2000	1999
Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$ 298,127	\$ 298,479
Reimbursement of general and administrative expenses	\$ 44,975	\$ 19,909

Under the limited partnership agreement, the managing general partner pays 1% of the Partnership's acquisition, drilling and completion costs and 1% of its operating and general and administrative expenses. In return, it is allocated 1% of the Partnership's revenues. Also, see Notes 6 and 9 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data", regarding the Partnership's participation with the managing general partner in oil and gas activities of the Program.

722

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) 1. Financial statements

The following are filed as part of this Report:

Independent Auditors' Report

Balance sheets as of December 31, 2000 and 1999

Statements of operations for the years ended December 31, 2000, 1999 and 1998

Statements of partners' capital for the years ended December 31, 2000, 1999 and 1998

Statements of cash flows for the years ended December 31, 2000, 1999 and 1998

Notes to financial statements

2. Financial statement schedules

All financial statement schedules have been omitted since the required information is in the financial statements or notes thereto, or is not applicable nor required.

(b) Reports on Form 8-K

None.

(c) Exhibits

The exhibits listed on the accompanying index to exhibits are filed or incorporated by reference as part of this Report.

26

723

S I G N A T U R E S

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

PARKER & PARSLEY 86-B, LTD.

Dated: March 29, 2001

By: Pioneer Natural Resources USA, Inc.
Managing General Partner

By: /s/ Scott D. Sheffield

Scott D. Sheffield, President

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

/s/ Scott D. Sheffield ----- Scott D. Sheffield	President of Pioneer USA	Ma
/s/ Timothy L. Dove ----- Timothy L. Dove	Executive Vice President, Chief Financial Officer and Director of Pioneer USA	Ma
/s/ Dennis E. Fagerstone ----- Dennis E. Fagerstone	Executive Vice President and Director of Pioneer USA	Ma
/s/ Mark L. Withrow ----- Mark L. Withrow	Executive Vice President, General Counsel and Director of Pioneer USA	Ma
/s/ Danny Kellum ----- Danny Kellum	Executive Vice President - Domestic Operations and Director of Pioneer USA	Ma
/s/ Rich Dealy ----- Rich Dealy	Vice President and Chief Accounting Officer of Pioneer USA	Ma

27

724

PARKER & PARSLEY 86-B, LTD.

INDEX TO EXHIBITS

The following documents are incorporated by reference in response to Item 14(c):

Exhibit No. -----	Description -----
3 (a)	Amended and Restated Certificate of Limited Partnership of Parker & Parsley 86-B, Ltd. incorporated by reference to Exhibit 3a of the Partnership's Registration Statement on Form S-1 (Registration No. 33-3353) (hereinafter called the Partnership's Registration Statement)
4 (a)	Form of Agreement of Limited Partnership of Parker & Parsley 86-B, Ltd. incorporated by reference to Exhibit A of Amendment No. 1 of the Partnership's Registration Statement
4 (b)	Form of Subscription Agreement incorporated by reference to Exhibit C of Amendment No. 1 of the Partnership's Registration Statement
4 (b)	Power of Attorney incorporated by reference to an Exhibit of the Partnership's Registration

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Statement

- 4(c) Specimen Certificate of Limited Partnership Interest incorporated by reference to Exhibit 4c of the Partnership's Registration Statement
- 10(b) Development Program Agreement incorporated by reference to Exhibit B of Amendment No. 1 of the Partnership's Registration Statement

28

725

PARKER & PARSLEY 86-B, LTD.

SELECTED FINANCIAL DATA

The following selected financial data for the Partnership should be read in connection with Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements included in the attached supplemental information.

	Six months ended June 30,		Years ended Decem		
	2001	2000	2000	1999	1998
Operating results:					
Oil and gas sales	\$ 847,551	\$ 795,048	\$1,756,242	\$1,056,533	\$ 928,899
Gain on litigation settlement, net	\$ --	\$ --	\$ --	\$ --	\$ --
Impairment of oil and gas properties	\$ --	\$ --	\$ 13,279	\$ --	\$ 509,585
Net income (loss)	\$ 416,131	\$ 383,684	\$ 933,292	\$ 246,008	\$ (807,041)
Allocation of net income (loss):					
Managing general partner	\$ 4,161	\$ 3,837	\$ 9,333	\$ 2,460	\$ (8,070)
Limited partners	\$ 411,970	\$ 379,847	\$ 923,959	\$ 243,548	\$ (798,971)
Limited partners' net income (loss) per limited partnership interest	\$ 23.94	\$ 22.07	\$ 53.69	\$ 14.15	\$ (46.43)

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Limited partners' cash distributions per limited partnership interest	\$ 18.32	\$ 23.48	\$ 53.67	\$ 20.80	\$ 18.70
	=====	=====	=====	=====	=====
As of period ended:					
Total ended	\$2,364,649	\$2,259,394	\$2,252,955	\$2,266,438	\$2,363,955
	=====	=====	=====	=====	=====

(a) Including litigation settlement per limited partnership interest of \$32.55 in 1996.

726

PIONEER NATURAL RESOURCES COMPANY
PIONEER NATURAL RESOURCES USA, INC.
5205 NORTH O'CONNOR BLVD., SUITE 1400
IRVING, TEXAS 75039

SUPPLEMENTAL INFORMATION

OF

PARKER & PARSLEY 86-C, LTD., A TEXAS LIMITED PARTNERSHIP

TO

PROXY STATEMENT/PROSPECTUS DATED , 2001

THE DATE OF THIS SUPPLEMENT IS , 2001

This document contains important information specific to Parker & Parsley 86-C, Ltd. and supplements the proxy statement/prospectus dated , 2001, of Pioneer Natural Resources Company and Pioneer Natural Resources USA, Inc., by which Pioneer USA is soliciting proxies to be voted at a special meeting of limited partners of the partnership. The purpose of the special meeting is for you to vote upon the merger of the partnership with and into Pioneer USA that, if completed, will result in your receiving common stock of Pioneer Natural Resources Company for your partnership interests.

This document contains the following information concerning Parker & Parsley 86-C, Ltd.:

- o A table containing:
 - the aggregate initial investment by the limited partners
 - the aggregate historical limited partner distributions through July 31, 2001
 - the merger value attributable to partnership interests of limited

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

- partners, excluding Pioneer USA
- the merger value per \$1,000 limited partner investment
- the merger value per \$1,000 limited partner investment as a multiple of distributions for the past four quarterly distributions including the distribution in July 2001
- the book value per \$1,000 limited partner investment as of June 30, 2001 and as of December 31, 2000
- the going concern value per \$1,000 limited partner investment
- the liquidation value per \$1,000 limited partner investment
- the ordinary tax loss per \$1,000 limited partner investment in year of initial investment
- o Information about:
 - the legal opinion for the limited partners
 - the term of the partnership
- o The partnership's quarterly report on Form 10-Q, including management's discussion and analysis of financial condition and results of operations, for the six months ended June 30, 2001
- o The partnership's annual report on Form 10-K, including management's discussion and analysis of financial condition and results of operations, for the year ended December 31, 2000
- o Selected historical financial data for the partnership for the six months ended June 30, 2001 and 2000 and the five years ended December 31, 2000

-1-

727

PARKER & PARSLEY 86-C, LTD.

SUPPLEMENTAL INFORMATION TABLE

Aggregate Initial Investment by the Limited Partners (a)	\$
Aggregate Historical Limited Partner Distributions through July 31, 2001 (a)	\$
Merger Value Attributable to Partnership Interests of Limited Partners, Excluding Pioneer USA (a), (b)	\$
Merger Value per \$1,000 Limited Partner Investment (b), (c)	\$
Merger Value per \$1,000 Limited Partner Investment as a Multiple of Distributions for the	

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

past four quarterly distributions including the distribution in July 2001(b), (c)

Book Value per \$1,000 Limited Partner Investment:

-- as of June 30, 2001(c)

-- as of December 31, 2000(c)

Going Concern Value per \$1,000 Limited Partner Investment(c), (d)

Liquidation Value per \$1,000 Limited Partner Investment(c), (e)

Ordinary Tax Loss per \$1,000 Limited Partner Investment in Year of Initial Investment(c), (f)

- (a) Stated in thousands.
- (b) The merger value for the partnership is equal to the sum of the present value of estimated future net revenues from the partnership's estimated oil and gas reserves and its net working capital, in each case as of March 31, 2001, less its pro rata share, based on its reserve value, of the estimated expenses and fees of the mergers of all of the partnerships and less the cash distribution on July 13, 2001, by the partnership to its partners.
- (c) Interests in some partnerships were sold in units at prices other than \$1,000. We have presented this information based on a \$1,000 initial investment for ease of use and comparison among partnerships. You should not assume that the amount shown per \$1,000 investment is the same as the value or amount attributable to a single unit investment.
- (d) The going concern value for the partnership is based upon: (1) the sum of (A) the estimated net cash flow from the sale of the partnership's reserves during a 10-year operating period and (B) the estimated residual value from the sale of the partnership's remaining reserves at the end of the operating period, in each case using the same pricing and discount rate as in the merger value calculation, less (2) (A) partnership level general and administrative expenses, and (B) the cash distribution on July 13, 2001 by the partnership to its partners.
- (e) The liquidation value for the partnership is based upon the sale of the partnership's reserves at the reserve value, less (1) liquidation expenses which are estimated to be the sum of (A) the partnership's pro rata share of the merger expenses and fees described in footnote (b) above and (B) 3% of the partnership's reserve value, and (2) the cash distribution on July 13, 2001 by the partnership to its partners. The liquidation expenses represent estimated costs to retain an investment banker or broker to sell the assets of the partnership and the legal and other closing costs associated with such transaction, including the wind-down costs of the partnership.
- (f) Your ability to use your distributive share of the partnership's loss to offset your other income may have been subject to certain limitations at your level as a partner, and you may therefore wish to consult your tax advisor to determine the additional value, if any, actually realized by you in your particular circumstances.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

INFORMATION ABOUT THE LEGAL OPINION FOR THE LIMITED PARTNERS

The partnership agreement for the partnership requires that special legal counsel render an opinion on behalf of the limited partners to Pioneer USA that (1) neither the grant nor the exercise of the right to approve the merger of the partnership by its limited partners will adversely affect the federal income tax classification of the partnership or any of its limited partners; and (2) neither the grant nor exercise of such right will result in the loss of any limited partner's limited liability. In addition, the counsel designated to render the opinion must be counsel other than counsel to Pioneer USA or the partnership. Both the designated counsel and the legal opinion must be approved by the limited partners. Pioneer USA has retained _____ of Dallas, Texas for the purpose of rendering this legal opinion on behalf of the limited partners to Pioneer USA. The merger proposals include an approval of that counsel and the form of its opinion. A copy of the opinion is attached as an exhibit to the merger proposals.

INFORMATION ABOUT THE TERM OF THE PARTNERSHIP

The term of the partnership is until December 31, 2036, unless the partnership is earlier terminated in accordance with the applicable provisions of its partnership agreement.

-2-

728

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 2001

Commission File No. 33-3353C

PARKER & PARSLEY 86-C, LTD.
(Exact name of Registrant as specified in its charter)

Texas

75-2142283

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification Number)

5205 N. O'Connor Blvd., Suite 1400, Irving, Texas

75039

(Address of principal executive offices)

(Zip code)

Registrant's Telephone Number, including area code : (972) 444-9001

Not applicable

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

(Former name, former address and former fiscal year,
if changed since last report)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes / x / No / /

729

PARKER & PARSLEY 86-C, LTD.

TABLE OF CONTENTS

	Page
Part I. Financial Information	
Item 1. Financial Statements	
Balance Sheets as of June 30, 2001 and December 31, 2000.....	3
Statements of Operations for the three and six months ended June 30, 2001 and 2000.....	4
Statement of Partners' Capital for the six months ended June 30, 2001.....	5
Statements of Cash Flows for the six months ended June 30, 2001 and 2000.....	6
Notes to Financial Statements.....	7
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.....	7
Part II. Other Information	
Item 6. Exhibits and Reports on Form 8-K.....	11
Signatures.....	12

730

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

PARKER & PARSLEY 86-C, LTD.
(A Texas Limited Partnership)

Part I. Financial Information

Item 1. Financial Statements

BALANCE SHEETS

	June 30, 2001	December 31, 2000
	----- (Unaudited)	-----
ASSETS		
Current assets:		
Cash	\$ 441,080	\$ 161,347
Accounts receivable - oil and gas sales	213,975	296,462
	-----	-----
Total current assets	655,055	457,809
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	14,602,482	14,598,140
Accumulated depletion	(13,168,721)	(13,107,930)
	-----	-----
Net oil and gas properties	1,433,761	1,490,210
	-----	-----
	\$ 2,088,816	\$ 1,948,019
	=====	=====
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable - affiliate	\$ 43,231	\$ 30,112
Partners' capital:		
Managing general partner	19,148	17,871
Limited partners (19,317 interests)	2,026,437	1,900,036
	-----	-----
	2,045,585	1,917,907
	-----	-----
	\$ 2,088,816	\$ 1,948,019
	=====	=====

The financial information included as of June 30, 2001 been prepared by the managing general partner without audit by independent public accountants.

The accompanying notes are an integral part of these financial statements.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

(A Texas Limited Partnership)

STATEMENTS OF OPERATIONS
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2001	2000	2001	2000
Revenues:				
Oil and gas	\$ 422,897	\$ 439,126	\$ 955,101	\$ 856,273
Interest	3,190	3,246	6,452	5,700
	-----	-----	-----	-----
	426,087	442,372	961,553	861,973
	-----	-----	-----	-----
Costs and expenses:				
Oil and gas production	215,988	231,517	433,153	448,472
General and administrative	12,687	13,174	28,653	25,688
Depletion	29,568	36,749	60,791	79,906
	-----	-----	-----	-----
	258,243	281,440	522,597	554,066
	-----	-----	-----	-----
Net income	\$ 167,844	\$ 160,932	\$ 438,956	\$ 307,907
	=====	=====	=====	=====
Allocation of net income:				
Managing general partner	\$ 1,679	\$ 1,609	\$ 4,390	\$ 3,079
	=====	=====	=====	=====
Limited partners	\$ 166,165	\$ 159,323	\$ 434,566	\$ 304,828
	=====	=====	=====	=====
Net income per limited partnership interest	\$ 8.61	\$ 8.25	\$ 22.50	\$ 15.78
	=====	=====	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

The accompanying notes are an integral part of these financial statements.

PARKER & PARSLEY 86-C, LTD.
(A Texas Limited Partnership)

STATEMENT OF PARTNERS' CAPITAL
(Unaudited)

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	general partner -----	Limited partners -----	Total -----
Balance at January 1, 2001	\$ 17,871	\$1,900,036	\$1,917,907
Distributions	(3,113)	(308,165)	(311,278)
Net income	4,390	434,566	438,956
	-----	-----	-----
Balance at June 30, 2001	\$ 19,148	\$2,026,437	\$2,045,585
	=====	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

The accompanying notes are an integral part of these financial statements.

5

733

PARKER & PARSLEY 86-C, LTD.
(A Texas Limited Partnership)

STATEMENTS OF CASH FLOWS
(Unaudited)

	Six months ended June 30,	
	2001 -----	2000 -----
Cash flows from operating activities:		
Net income	\$ 438,956	\$ 307,907
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion	60,791	79,906
Changes in assets and liabilities:		
Accounts receivable	82,487	(29,385)
Accounts payable	13,119	14,845
	-----	-----
Net cash provided by operating activities	595,353	373,273
	-----	-----
Cash flows from investing activities:		
Additions to oil and gas properties	(4,653)	(11,614)
Proceeds from asset dispositions	311	-
	-----	-----
Net cash used in investing activities	(4,342)	(11,614)
	-----	-----
Cash flows used in financing activities:		
Cash distributions to partners	(311,278)	(351,708)
	-----	-----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Net increase in cash	279,733	9,951
Cash at beginning of period	161,347	142,687
	-----	-----
Cash at end of period	\$ 441,080	\$ 152,638
	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

The accompanying notes are an integral part of these financial statements.

6

734

PARKER & PARSLEY 86-C, LTD.
(A Texas Limited Partnership)

NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Unaudited)

Note 1. Organization and nature of operations

Parker & Parsley 86-C, Ltd. (the "Partnership") is a limited partnership organized in 1986 under the laws of the State of Texas.

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

Note 2. Basis of presentation

In the opinion of management, the unaudited financial statements of the Partnership as of June 30, 2001 and for the three and six months ended June 30, 2001 and 2000 include all adjustments and accruals consisting only of normal recurring accrual adjustments which are necessary for a fair presentation of the results for the interim period. These interim results of operations are not necessarily indicative of results for a full year. Certain reclassifications may have been made to the June 30, 2000 financial statements to conform to the June 30, 2001 financial statement presentations.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in this Form 10-Q pursuant to the rules and regulations of the Securities and Exchange Commission. The financial statements should be read in conjunction with the financial statements and the notes thereto contained in the Partnership's Report on Form 10-K for the year ended December 31, 2000, as filed with the Securities and Exchange Commission, a copy of which is available upon request by writing to Rich Dealy, Vice President and Chief Accounting Officer, 5205 North O'Connor Boulevard, Suite 1400, Irving, Texas 75039-3746.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (1)

Results of Operations

Six months ended June 30, 2001 compared with six months ended June 30, 2000

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Revenues:

The Partnership's oil and gas revenues increased 12% to \$955,101 for the six months ended June 30, 2001 as compared to \$856,273 for the same period in 2000. The increase in revenues resulted from higher average prices received for gas and NGLs, offset by a decrease in production and lower average prices received for oil. For the six months ended June 30, 2001, 19,403 barrels of oil, 10,669

7

735

barrels of natural gas liquids ("NGLs") and 54,393 mcf of gas were sold, or 39,138 barrel of oil equivalents ("BOEs"). For the six months ended June 30, 2000, 21,638 barrels of oil, 12,002 barrels of NGLs and 45,739 mcf of gas were sold, or 41,263 BOEs.

The average price received per barrel of oil decreased \$.22, or 1%, from \$27.64 for the six months ended June 30, 2000 to \$27.42 for the same period in 2001. The average price received per barrel of NGLs increased \$2.26, or 16%, from \$13.72 during the six months ended June 30, 2000 to \$15.98 for the same period in 2001. The average price received per mcf of gas increased 126% from \$2.05 during the six months ended June 30, 2000 to \$4.64 for the same period in 2001. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received during the six months ended June 30, 2001.

Costs and Expenses:

Total costs and expenses decreased to \$522,597 for the six months ended June 30, 2001 as compared to \$554,066 for the same period in 2000, a decrease of \$31,469, or 6%. This decrease was due to declines in depletion and production costs, offset by an increase in general and administrative expenses ("G&A").

Production costs were \$433,153 for the six months ended June 30, 2001 and \$448,472 for the same period in 2000 resulting in a \$15,319 decrease, or 3%. This decrease was due to lower well maintenance and workover costs.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 12% from \$25,688 for the six months ended June 30, 2000 to \$28,653 for the same period in 2001, primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues and an increase in audit and tax fees.

Depletion was \$60,791 for the six months ended June 30, 2001 as compared to \$79,906 for the same period in 2000, a decline of \$19,115, or 24%. This decrease was due to upward revisions in proved reserves on three significant wells during the period ended June 30, 2001 and a decrease in oil production of 2,235 barrels for the six months ended June 30, 2001 as compared to the same period in 2000.

Three months ended June 30, 2001 compared with three months ended June 30, 2000

Revenues:

The Partnership's oil and gas revenues decreased 4% to \$422,897 for the three months ended June 30, 2001 as compared to \$439,126 for the same period in 2000.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The decrease in revenues resulted from a decrease in production and lower average prices received for oil, offset by higher average prices received for gas and NGLs. For the three months ended June 30, 2001, 9,459 barrels of oil, 5,538 barrels of NGLs and 25,535 mcf of gas were sold, or 19,253 BOEs. For the

8

736

three months ended June 30, 2000, 10,480 barrels of oil, 6,550 barrels of NGLs and 23,989 mcf of gas were sold, or 21,028 BOEs.

The average price received per barrel of oil decreased \$.86, or 3%, from \$27.72 for the three months ended June 30, 2000 to \$26.86 for the same period in 2001. The average price received per barrel of NGLs increased \$.24, or 2%, from \$13.79 during the three months ended June 30, 2000 to \$14.03 for the same period in 2001. The average price received per mcf of gas increased 47% from \$2.43 during the three months ended June 30, 2000 to \$3.57 for the same period in 2001.

Costs and Expenses:

Total costs and expenses decreased to \$258,243 for the three months ended June 30, 2001 as compared to \$281,440 for the same period in 2000, a decrease of \$23,197, or 8%. This decrease was due to declines in production costs, depletion and G&A.

Production costs were \$215,988 for the three months ended June 30, 2001 and \$231,517 for the same period in 2000 resulting in a \$15,529 decrease, or 7%. This decrease was primarily due to lower workover and well maintenance costs.

During this period, G&A decreased 4% from \$13,174 for the three months ended June 30, 2000 to \$12,687 for the same period in 2001, primarily due to a decrease in audit and tax fees

Depletion was \$29,568 for the three months ended June 30, 2001 as compared to \$36,749 for the same period in 2000, a decrease of \$7,181, or 20%. This decrease was primarily due to upward revisions to proved reserves on three significant wells during the period ended June 30, 2001 and a decrease in oil production of 1,021 barrels for the three months ended June 30, 2001 as compared to the same period in 2000.

Liquidity and Capital Resources

Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$222,080 during the six months ended June 30, 2001 from the same period ended June 30, 2000. This increase was due to an increase of \$99,580 in oil and gas receipts and reductions of \$110,146 in working capital and \$15,319 in production costs, offset by an increase in G&A expenses of \$2,965. The increase in oil and gas receipts resulted from the increase in gas and NGL prices of \$145,824 during 2001, offset by a decline of \$42,415 in production and a \$3,829 decline resulting from lower oil prices as compared to the same period in 2000. The decrease in production costs was primarily due to lower well maintenance and workover costs. The increase in G&A was primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues and an increase in audit and tax fees.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Net Cash Used in Investing Activities

The Partnership's investing activities during the six months ended June 30, 2001 and 2000 were related to expenditures for equipment upgrades on active properties.

9

737

Proceeds from disposition of assets of \$311 recognized during the six months ended June 30, 2001 were due to equipment credits received on an active property.

Net Cash Used in Financing Activities

For the six months ended June 30, 2001, cash distributions to the partners were \$311,278, of which \$3,113 was distributed to the managing general partner and \$308,165 to the limited partners. For the same period ended June 30, 2000, cash distributions to the partners were \$351,708, of which \$3,517 was distributed to the managing general partner and \$348,191 to the limited partners.

For the three months ended June 30, 2001, no distributions were made by the partnership to its partners. Subsequent to June 30, 2001 the cash distribution that otherwise would have been mailed to partners in late June was made to holders of record as of July 9, 2001 and was mailed on July 13, 2001. For further information, see "Proposal to acquire partnerships" below.

Proposal to acquire partnerships

On June 29, 2001, Pioneer Natural Resources Company ("Pioneer") filed with the Securities and Exchange Commission Amendment No. 1 to the Form S-4 Registration Statement (File No. 333-59094) (the "preliminary proxy statement/prospectus"), which proposes an agreement and plan of merger among Pioneer, Pioneer Natural Resources USA, Inc. ("Pioneer USA"), a wholly-owned subsidiary of Pioneer, and 46 Parker & Parsley limited partnerships. Each partnership that approves the agreement and plan of merger and the other related merger proposals will merge with and into Pioneer USA upon the closing of the transactions described in the preliminary proxy statement/prospectus, and the partnership interests of each such partnership will be converted into the right to receive Pioneer common stock. The Partnership is one of the 46 Parker & Parsley limited partnerships that will be asked to approve the agreement and plan of merger. The preliminary proxy statement/prospectus is non-binding and is subject to, among other things, consideration of offers from third parties to purchase any partnership or its assets and the majority approval of the limited partnership interests in each partnership.

Pioneer USA will solicit proxies from limited partners to approve the mergers only when the proxy statement/prospectus is final and declared effective. No solicitation will be made using preliminary materials. Nonetheless, copies of the preliminary proxy statement/prospectus may be obtained without charge upon request from Pioneer Natural Resources Company, 5205 North O'Connor Blvd., Suite 1400, Irving, Texas 75039, Attention: Investor Relations.

The limited partners are urged to read the proxy statement/prospectus of Pioneer filed with the Securities and Exchange Commission, when it is finalized, because it contains important information about the proposed mergers, including information about the direct and indirect interests of Pioneer USA and Pioneer in the mergers. The limited partners may also obtain the preliminary and (when filed) final proxy statement/prospectus and other relevant documents relating to

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

the proposed mergers free through the internet web site that the Securities and Exchange Commission maintains at www.sec.gov.

10

738

- (1) "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" contains forward looking statements that involve risks and uncertainties. Accordingly, no assurances can be given that the actual events and results will not be materially different than the anticipated results described in the forward looking statements.

Part II. Other Information

Item 6. Exhibits and Reports on Form 8-K

- (a) Exhibits - none
(b) Reports on Form 8-K - none

11

739

PARKER & PARSLEY 86-C, LTD.
(A Texas Limited Partnership)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PARKER & PARSLEY 86-C, LTD.

By: Pioneer Natural Resources USA, Inc.
Managing General Partner

Dated: August 8, 2001

By: /s/ Rich Dealy

Rich Dealy, Vice President and
Chief Accounting Officer

12

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

740

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000

COMMISSION FILE NO. 33-3353C

PARKER & PARSLEY 86-C, LTD.

(Exact name of Registrant as specified in its charter)

TEXAS

75-2142283

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification Number)

1400 WILLIAMS SQUARE WEST, 5205 N. O'CONNOR BLVD., IRVING, TEXAS

75039

(Address of principal executive offices)

(Zip code)

Registrant's Telephone Number, including area code : (972) 444-9001

Securities registered pursuant to Section 12(b) of the Act: NONE

Securities registered pursuant to Section 12(g) of the Act:

LIMITED PARTNERSHIP INTERESTS (\$1,000 PER UNIT)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES / X / NO / /

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. / X /

No market currently exists for the limited partnership interests of the Registrant. Based on the original purchase price, the aggregate market value of limited partnership interests owned by non-affiliates of the Registrant is \$19,257,000.

As of March 8, 2001, the number of outstanding limited partnership interests was 19,317.

The following documents are incorporated by reference into the indicated parts of this Annual Report on Form 10-K: None

PARTS I AND II OF THIS ANNUAL REPORT ON FORM 10-K (THE "REPORT") CONTAIN FORWARD

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. ACCORDINGLY, NO ASSURANCES CAN BE GIVEN THAT THE ACTUAL EVENTS AND RESULTS WILL NOT BE MATERIALLY DIFFERENT THAN THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS. SEE "ITEM 1. BUSINESS" FOR A DESCRIPTION OF VARIOUS FACTORS THAT COULD MATERIALLY AFFECT THE ABILITY OF THE PARTNERSHIP TO ACHIEVE THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS.

741

PART I

ITEM 1. BUSINESS

Parker & Parsley 86-C, Ltd. (the "Partnership") is a limited partnership organized in 1986 under the laws of the State of Texas. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA"). Pioneer USA is a wholly-owned subsidiary of Pioneer Natural Resources Company ("Pioneer"). As of March 8, 2001, the Partnership had 19,317 limited partnership interests outstanding.

The Partnership does not have any employees of its own. Pioneer USA employs 701 persons, many of whom dedicated a part of their time to the conduct of the Partnership's business during the period for which this Report is filed. Pioneer USA is responsible for all management functions.

The Partnership engages in oil and gas development and production and is not involved in any industry segment other than oil and gas. The Partnership's production is geographically concentrated in West Texas.

The principal markets during 2000 for the oil produced by the Partnership were refineries and oil transmission companies that have facilities near the Partnership's oil producing properties. During 2000, Pioneer USA marketed the Partnership's gas to a variety of purchasers, none of which accounted for 10% or more of the Partnership's oil and gas revenues. Of the Partnership's total oil and gas revenues for 2000, approximately 37% and 15% were attributable to sales made to Plains Marketing, L.P. and TEPPCO Crude Oil LLC, respectively. Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on its ability to sell its oil, natural gas liquids ("NGLs") and gas production.

The Partnership's revenues, profitability, cash flow and future rate of growth are highly dependent on the prevailing prices of oil and gas, which are affected by numerous factors beyond the Partnership's control. Oil and gas prices historically have been very volatile. A substantial or extended decline in the prices of oil or gas could have a material adverse effect on the Partnership's revenues, profitability and cash flow and could, under certain circumstances, result in a reduction in the carrying value of the Partnership's oil and gas properties.

Oil and gas production operations are subject to various types of regulations by local, state and federal agencies. The Partnership's operations are also subject to state conservation laws and regulations, including the establishment of maximum rates of production from wells and the regulation of spacing, plugging and abandonment of wells. Each state generally imposes a production or severance tax with respect to production and sale of oil and gas within their respective jurisdictions. Noncompliance with the laws and regulations may subject the Partnership to penalties, damages or other liabilities and compliance may increase the cost of the Partnership's operations.

The oil and gas business is also subject to environmental hazards such as oil spills, gas leaks and ruptures and discharges of toxic substances or gases that could expose the Partnership to substantial

liability due to pollution and other environmental damages. Although the Partnership believes that its business operations do not impair environmental quality and that its costs of complying with any applicable environmental regulations are not currently significant, the Partnership cannot predict what, if any, effect these environmental regulations may have on its current or future operations.

Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves.

No material part of the Partnership's business is seasonal and the Partnership conducts no foreign operations.

ITEM 2. PROPERTIES

The Partnership's properties consist of leasehold interests in properties on which oil and gas wells are located. Such property interests are often subject to landowner royalties, overriding royalties and other oil and gas leasehold interests.

Fractional working interests in developmental oil and gas prospects located primarily in the Spraberry Trend area of West Texas were acquired by the Partnership, resulting in the Partnership's participation in the drilling of 60 productive oil and gas wells. Four wells were sold and three wells were abandoned due to uneconomical operations. At December 31, 2000, 53 wells were producing.

For information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998, and changes in such quantities for the years then ended, see Note 7 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" below. Such reserves have been evaluated by Williamson Petroleum Consultants, Inc., an independent petroleum consultant.

ITEM 3. LEGAL PROCEEDINGS

The Partnership from time to time is a party to various legal proceedings incidental to its business involving claims in oil and gas leases or interests, other claims for damages in amounts not in excess of 10% of its current assets and other matters, none of which Pioneer USA believes to be material to the Partnership.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of the partners during the fourth quarter of 2000.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

PART II

ITEM 5. MARKET FOR LIMITED PARTNERSHIP INTERESTS AND LIMITED PARTNERSHIP DISTRIBUTIONS

At March 8, 2001, the Partnership had 19,317 outstanding limited partnership interests held of record by 1,332 subscribers. There is no established public trading market for the limited partnership interests. Under the limited partnership agreement, Pioneer USA has made certain commitments to purchase partnership interests at a computed value.

Revenues which, in the sole judgement of the managing general partner, are not required to meet the Partnership's obligations are distributed to the partners at least quarterly in accordance with the limited partnership agreement. During the years ended December 31, 2000 and 1999, distributions of \$821,264 and \$236,960, respectively, were made to the limited partners.

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth selected financial data for the years ended December 31:

	2000 -----	1999 -----	1998 -----	1997 -----	1996 -----
Operating results:					

Oil and gas sales	\$1,865,405 =====	\$1,067,096 =====	\$ 973,632 =====	\$1,484,170 =====	\$1,750,711 =====
Gain on litigation settlement, net	\$ - =====	\$ - =====	\$ - =====	\$ - =====	\$ 704,860 =====
Impairment of oil and gas properties	\$ - =====	\$ 26,652 =====	\$ 277,277 =====	\$ 895,701 =====	\$ 132,770 =====
Net income (loss)	\$ 828,383 =====	\$ 105,421 =====	\$ (423,942) =====	\$ (577,071) =====	\$1,142,500 =====
Allocation of net income (loss):					
Managing general partner	\$ 8,284 =====	\$ 1,054 =====	\$ (4,240) =====	\$ (5,770) =====	\$ 11,420 =====
Limited partners	\$ 820,099 =====	\$ 104,367 =====	\$ (419,702) =====	\$ (571,301) =====	\$1,131,080 =====
Limited partners' net income (loss) per limited partnership interest	\$ 42.45 =====	\$ 5.40 =====	\$ (21.73) =====	\$ (29.58) =====	\$ 58.50 =====
Limited partners' cash distributions per limited limited partnership					

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

interest	\$ 42.52 =====	\$ 12.27 =====	\$ 15.20 =====	\$ 37.84 =====	\$ 69.4 =====
At year end:					

Identifiable assets	\$1,948,019 =====	\$1,958,255 =====	\$2,071,111 =====	\$2,820,637 =====	\$4,193,44 =====

(a) Including litigation settlement per limited partnership interest of \$36.12 in 1996.

4

744

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of operations

2000 compared to 1999

The Partnership's oil and gas revenues increased 75% to \$1,865,405 for 2000 as compared to \$1,067,096 in 1999. The increase in revenues resulted from higher average prices received, offset by a slight decline in production. In 2000, 41,783 barrels of oil, 24,546 barrels of natural gas liquids ("NGLs") and 95,610 mcf of gas were sold, or 82,264 barrel of oil equivalents ("BOEs"). In 1999, 37,899 barrels of oil, 26,995 barrels of NGLs and 105,081 mcf of gas were sold, or 82,408 BOEs. Due to the decline characteristics of the Partnership's oil and gas properties, management expects a certain amount of decline in production in the future until the Partnership's economically recoverable reserves are fully depleted.

The average price received per barrel of oil increased \$12.25, or 71%, from \$17.18 in 1999 to \$29.43 in 2000. The average price received per barrel of NGLs increased \$5.79, or 62%, from \$9.27 in 1999 to \$15.06 in 2000. The average price received per mcf of gas increased 76% from \$1.58 in 1999 to \$2.78 in 2000. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received in 2000.

Total costs and expenses increased in 2000 to \$1,051,119 as compared to \$969,444 in 1999, an increase of \$81,675, or 8%. The increase was due to increases in production costs and general and administrative ("G&A") expenses, offset by declines in depletion and the impairment of oil and gas properties.

Production costs were \$848,089 in 2000 and \$713,921 in 1999, resulting in an increase of \$134,168, or 19%. The increase was primarily due to additional well maintenance and workover costs incurred to stimulate well production and higher production taxes associated with higher oil and gas prices.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 75% from \$32,012 in 1999 to \$55,962 in 2000 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

paid the managing general partner \$46,688 in 2000 and \$17,953 in 1999 for G&A incurred on behalf of the Partnership. The remaining G&A was paid directly by the Partnership. The managing general partner determines the allocated expenses based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

5

745

In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the managing general partner reviews the Partnership's oil and gas properties for impairment whenever events or circumstances indicate a decline in the recoverability of the carrying value of the Partnership's assets may have occurred. As a result of the review and evaluation of its long-lived assets for impairment, the Partnership recognized a non-cash charge of \$26,652 related to its oil and gas properties during 1999.

Depletion was \$147,068 in 2000 compared to \$196,859 in 1999, representing a decrease of \$49,791, or 25%. This decrease was primarily due to a 158,291 barrels of oil increase in proved reserves during 2000 as a result of higher commodity prices and a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 1999, offset by an increase in oil production of 3,884 barrels for the period ended December 31, 2000 compared to the same period in 1999.

1999 compared to 1998

The Partnership's 1999 oil and gas revenues increased 10% to \$1,067,096 from \$973,632 in 1998. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 1999, 37,899 barrels of oil, 26,995 barrels of NGLs and 105,081 mcf of gas were sold, or 82,408 BOEs. In 1998, 44,016 barrels of oil, 30,658 barrels of NGLs and 129,149 mcf of gas were sold, or 96,199 BOEs.

The average price received per barrel of oil increased \$3.92, or 30%, from \$13.26 in 1998 to \$17.18 in 1999. The average price received per barrel of NGL's increased \$2.81, or 43%, from \$6.46 in 1998 to \$9.27 in 1999. The average price received per mcf of gas increased 6% from \$1.49 in 1998 to \$1.58 in 1999.

Total costs and expenses decreased in 1999 to \$969,444 as compared to \$1,406,971 in 1998, a decrease of \$437,527, or 31%. The decrease was due to declines in the impairment of oil and gas properties, depletion and production costs, offset by an increase in G&A.

Production costs were \$713,921 in 1999 and \$737,587 in 1998, resulting in a \$23,666 decrease, or 3%. The decrease was due to declines in well maintenance costs and ad valorem taxes.

During this period, G&A increased 10% from \$29,209 in 1998 to \$32,012 in 1999 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$17,953 in 1999 and \$21,776 in 1998 for G&A incurred on behalf of the Partnership.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The Partnership recognized non-cash SFAS 121 charges of \$26,652 and \$277,277 related to its oil and gas properties during 1999 and 1998, respectively.

Depletion was \$196,859 in 1999 compared to \$362,898 in 1998. This represented a decrease of \$166,039, or 46%. This decrease was primarily due to an increase in proved reserves of 291,530 barrels of oil during 1999 as a result of higher commodity prices and a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of

6

746

1998 and a decline in oil production of 6,117 barrels for the period ended December 31, 1999 compared to the same period in 1998.

Petroleum industry

The petroleum industry has been characterized by volatile oil, NGL and natural gas commodity prices and relatively stable supplier costs during the three years ended December 31, 2000. During 1998, weather patterns, regional economic recessions and political matters combined to cause worldwide oil supplies to exceed demand resulting in a substantial decline in oil prices. Also during 1998, but to a lesser extent, market prices for natural gas declined. During 1999 and 2000, the Organization of Petroleum Exporting Countries ("OPEC") and certain other crude oil exporting nations announced reductions in their planned export volumes. Those announcements, together with the enactment of the announced reductions in export volumes, had a positive impact on world oil prices, as have overall natural gas supply and demand fundamentals on North American natural gas prices. Although the favorable commodity price environment and stable field service cost environment is expected to continue during 2001, there is no assurance that commodity prices will not return to a less favorable level or that field service costs will not escalate in the future, both of which could negatively impact the Partnership's future results of operations and cash distributions.

Liquidity and capital resources

Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$596,449 during the year ended December 31, 2000 from 1999. This increase was due to an increase in oil and gas sales receipts of \$804,637, offset by increases in production costs paid of \$134,168, G&A expenses paid of \$23,950 and working capital of \$50,070. The increase in oil and gas receipts resulted from the increase in commodity prices during 2000 which contributed an additional \$753,537 to oil and gas receipts and an increase of \$51,100 resulting from the increase in oil production during 2000. The increase in production costs was primarily due to increased production taxes associated with higher oil and gas prices and additional well maintenance and workover costs incurred to stimulate well production. The increase in G&A was primarily due to higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues.

Net Cash Used in Investing Activities

The Partnership's investing activities during 2000 and 1999 were related to expenditures for oil and gas equipment upgrades on active properties.

Proceeds from asset dispositions of \$847 were recognized during 1999 from

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

equipment credits received on active properties.

Net Cash Used in Financing Activities

In 2000, cash distributions to the partners were \$829,560, of which \$8,296 was distributed to the managing general partner and \$821,264 to the limited partners. In 1999, cash distributions to the partners were \$239,353, of which \$2,393 was distributed to the managing general partner and \$236,960 to the limited partners.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO FINANCIAL STATEMENTS

	Page
Financial Statements of Parker & Parsley 86-C, Ltd:	
Independent Auditors' Report.....	10
Balance Sheets as of December 31, 2000 and 1999.....	11
Statements of Operations for the Years Ended December 31, 2000, 1999 and 1998.....	12
Statements of Partners' Capital for the Years Ended December 31, 2000, 1999 and 1998.....	13
Statements of Cash Flows for the Years Ended December 31, 2000, 1999 and 1998.....	14
Notes to Financial Statements.....	15

INDEPENDENT AUDITORS' REPORT

The Partners
Parker & Parsley 86-C, Ltd.
(A Texas Limited Partnership):

We have audited the balance sheets of Parker & Parsley 86-C, Ltd. as of December 31, 2000 and 1999, and the related statements of operations, partners' capital and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parker & Parsley 86-C, Ltd. as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Dallas, Texas
March 9, 2001

9

749

PARKER & PARSLEY 86-C, LTD.
(A Texas Limited Partnership)

BALANCE SHEETS
December 31

	2000	1999
ASSETS	-----	-----
Current assets:		
Cash	\$ 161,347	\$ 142,687
Accounts receivable - oil and gas sales	296,462	194,380
	-----	-----
Total current assets	457,809	337,067
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	14,598,140	14,582,050
Accumulated depletion	(13,107,930)	(12,960,862)
	-----	-----
Net oil and gas properties	1,490,210	1,621,188
	-----	-----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	\$ 1,948,019	\$ 1,958,255
	=====	=====
LIABILITIES AND PARTNERS' CAPITAL		

Current liabilities:		
Accounts payable - affiliate	\$ 30,112	\$ 39,171
Partners' capital:		
Managing general partner	17,871	17,883
Limited partners (19,317 interests)	1,900,036	1,901,201
	-----	-----
	1,917,907	1,919,084
	-----	-----
	\$ 1,948,019	\$ 1,958,255
	=====	=====

The accompanying notes are an integral part of these financial statements.

10

750

PARKER & PARSLEY 86-C, LTD.
(A Texas Limited Partnership)

STATEMENTS OF OPERATIONS
For the years ended December 31

	2000	1999	1998
	-----	-----	-----
Revenues:			
Oil and gas	\$1,865,405	\$1,067,096	\$ 973,632
Interest	14,097	7,769	9,397
	-----	-----	-----
	1,879,502	1,074,865	983,029
	-----	-----	-----
Costs and expenses:			
Oil and gas production	848,089	713,921	737,587
General and administrative	55,962	32,012	29,209
Impairment of oil and gas properties	-	26,652	277,277
Depletion	147,068	196,859	362,898
	-----	-----	-----
	1,051,119	969,444	1,406,971
	-----	-----	-----
Net income (loss)	\$ 828,383	\$ 105,421	\$ (423,942)
	=====	=====	=====

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Allocation of net income (loss):			
Managing general partner	\$ 8,284	\$ 1,054	\$ (4,240)
	=====	=====	=====
Limited partners	\$ 820,099	\$ 104,367	\$ (419,702)
	=====	=====	=====
Net income (loss) per limited partnership interest	\$ 42.45	\$ 5.40	\$ (21.73)
	=====	=====	=====

The accompanying notes are an integral part of these financial statements.

11

751

PARKER & PARSLEY 86-C, LTD.
(A Texas Limited Partnership)

STATEMENTS OF PARTNERS' CAPITAL

	Managing general partner	Limited partners	Total
	-----	-----	-----
Partners' capital at January 1, 1998	\$ 26,428	\$2,747,103	\$2,773,531
Distributions	(2,966)	(293,607)	(296,573)
Net loss	(4,240)	(419,702)	(423,942)
	-----	-----	-----
Partners' capital at December 31, 1998	19,222	2,033,794	2,053,016
Distributions	(2,393)	(236,960)	(239,353)
Net income	1,054	104,367	105,421
	-----	-----	-----
Partners' capital at December 31, 1999	17,883	1,901,201	1,919,084
Distributions	(8,296)	(821,264)	(829,560)
Net income	8,284	820,099	828,383
	-----	-----	-----
Partners' capital at December 31, 2000	\$ 17,871	\$1,900,036	\$1,917,907
	=====	=====	=====

The accompanying notes are an integral part of these financial statements.

PARKER & PARSLEY 86-C, LTD.
(A Texas Limited Partnership)

STATEMENTS OF CASH FLOWS
For the years ended December 31

	2000 -----	1999 -----	1998 -----
Cash flows from operating activities:			
Net income (loss)	\$ 828,383	\$ 105,421	\$ (423,942)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Impairment of oil and gas properties	-	26,652	277,277
Depletion	147,068	196,859	362,898
Changes in assets and liabilities:			
Accounts receivable	(102,082)	(82,147)	91,550
Accounts payable	(9,059)	21,076	(29,011)
	-----	-----	-----
Net cash provided by operating activities	864,310	267,861	278,772
	-----	-----	-----
Cash flows from investing activities:			
Additions to oil and gas properties	(16,090)	(13,291)	(19,770)
Proceeds from asset dispositions	-	847	626
	-----	-----	-----
Net cash used in investing activities	(16,090)	(12,444)	(19,144)
	-----	-----	-----
Cash flows used in financing activities:			
Cash distributions to partners	(829,560)	(239,353)	(296,573)
	-----	-----	-----
Net increase (decrease) in cash	18,660	16,064	(36,945)
Cash at beginning of year	142,687	126,623	163,568
	-----	-----	-----
Cash at end of year	\$ 161,347	\$ 142,687	\$ 126,623
	=====	=====	=====

The accompanying notes are an integral part of these financial statements.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

PARKER & PARSLEY 86-C, LTD.
(A Texas Limited Partnership)

NOTES TO FINANCIAL STATEMENTS
December 31, 2000, 1999 and 1998

NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS

Parker & Parsley 86-C, Ltd. (the "Partnership") is a limited partnership organized in 1986 under the laws of the State of Texas. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA").

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Oil and gas properties - The Partnership utilizes the successful efforts method of accounting for its oil and gas properties and equipment. Under this method, all costs associated with productive wells and nonproductive development wells are capitalized while nonproductive exploration costs are expensed. Capitalized costs relating to proved properties are depleted using the unit-of-production method on a property-by-property basis based on proved oil (dominant mineral) reserves as evaluated by independent petroleum consultants. The carrying amounts of properties sold or otherwise disposed of and the related allowances for depletion are eliminated from the accounts and any gain or loss is included in results of operations.

Impairment of long-lived assets - In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the Partnership reviews its long-lived assets to be held and used on an individual property basis, including oil and gas properties accounted for under the successful efforts method of accounting, whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. An impairment loss is indicated if the sum of the expected future cash flows is less than the carrying amount of the assets. In this circumstance, the Partnership recognizes an impairment loss for the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset.

Use of estimates in the preparation of financial statements - Preparation of the accompanying financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Net income (loss) per limited partnership interest - The net income (loss) per limited partnership interest is calculated by using the number of outstanding limited partnership interests.

Income taxes - A Federal income tax provision has not been included in the financial statements as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

Statements of cash flows - For purposes of reporting cash flows, cash includes depository accounts held by banks.

General and administrative expenses - General and administrative expenses are allocated in part to the Partnership by the managing general partner. Allocated expenses are determined by the managing general partner based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Reclassifications - Certain reclassifications may have been made to the 1999 and 1998 financial statements to conform to the 2000 financial statement presentations.

Environmental - The Partnership is subject to extensive federal, state and local environmental laws and regulations. These laws, which are constantly changing, regulate the discharge of materials into the environment and may require the Partnership to remove or mitigate the environmental effects of the disposal or release of petroleum or chemical substances at various sites. Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Liabilities for expenditures of a noncapital nature are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated. Such liabilities are generally undiscounted unless the timing of cash payments for the liability or component are fixed or reliably determinable. No such liabilities have been accrued as of December 31, 2000.

Revenue recognition - The Partnership uses the entitlements method of accounting for oil, natural gas liquids ("NGLs") and natural gas revenues.

NOTE 3. IMPAIRMENT OF LONG-LIVED ASSETS

In accordance with SFAS 121, the Partnership reviews its proved oil and gas properties for impairment whenever events and circumstances indicate a decline in the recoverability of the carrying value of the Partnership's oil and gas properties. The Partnership has estimated the expected future cash flows of its oil and gas properties as of December 31, 2000, 1999 and 1998, based on proved reserves, and compared such estimated future cash flows to the respective carrying amount of the oil and gas properties to determine if the carrying amounts were likely to be recoverable. For those proved oil and gas properties for which the carrying amount exceeded the estimated future cash flows, an impairment was determined to exist; therefore, the Partnership adjusted the carrying amount of those oil and gas properties to their fair value as determined by discounting their expected future cash flows at a discount rate commensurate with the risks involved in the industry. As a result, the Partnership recognized non-cash impairment provisions \$26,652 and \$277,277 related to its proved oil and gas properties during 1999 and 1998, respectively.

NOTE 4. INCOME TAXES

The financial statement basis of the Partnership's net assets and liabilities was \$533,255 less than the tax basis at December 31, 2000.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

755

The following is a reconciliation of net income (loss) per statements of operations with the net income per Federal income tax returns for the years ended December 31:

	2000 -----	1999 -----	1998 -----
Net income (loss) per statements of operations	\$ 828,383	\$ 105,421	\$ (423,942)
Depletion and depreciation provisions for tax reporting purposes less than amounts for financial reporting purposes	132,379	182,068	348,153
Impairment of oil and gas properties for financial reporting purposes	-	26,652	277,277
Salvage income	-	-	431
Other, net	(2,097)	(2,839)	4,014
	-----	-----	-----
Net income per Federal income tax returns	\$ 958,665 =====	\$ 311,302 =====	\$ 205,933 =====

NOTE 5. OIL AND GAS PRODUCING ACTIVITIES

The following is a summary of the costs incurred, whether capitalized or expensed, related to the Partnership's oil and gas producing activities for the years ended December 31:

	2000 -----	1999 -----	1998 -----
Development costs	\$ 16,090 =====	\$ 13,291 =====	\$ 19,770 =====

Capitalized oil and gas properties consist of the following:

	2000 -----	1999 -----
Proved properties:		
Property acquisition costs	\$ 645,990	\$ 645,990
Completed wells and equipment	13,952,150 -----	13,936,060 -----
	14,598,140	14,582,050
Accumulated depletion	(13,107,930) -----	(12,960,862) -----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Net oil and gas properties	\$ 1,490,210	\$ 1,621,188
	=====	=====

16

756
NOTE 6.

RELATED PARTY TRANSACTIONS

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

	2000 -----	1999 -----	1998 -----
Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$ 373,973	\$ 354,129	\$ 348,965
Reimbursement of general and administrative expenses	\$ 46,688	\$ 17,953	\$ 21,776

The Partnership participates in oil and gas activities through an income tax partnership (the "Program") pursuant to the Program agreement. In addition, Pioneer USA and the Partnership are parties to the Program agreement.

The costs and revenues of the Program are allocated to Pioneer USA and the Partnership as follows:

	Pioneer USA (1) -----	Partnership -----
Revenues:		
Proceeds from disposition of depreciable properties	9.09091%	90.90909%
All other revenues	24.242425%	75.757575%
Costs and expenses:		
Lease acquisition costs, drilling and completion costs and all other costs	9.09091%	90.90909%
Operating costs, direct costs and general and administrative expenses	24.242425%	75.757575%

(1) Excludes Pioneer USA's 1% general partner ownership which is allocated at the Partnership level and 60 limited partner interests owned by Pioneer USA.

NOTE 7. OIL AND GAS INFORMATION (UNAUDITED)

The following table presents information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities during the years then ended. All of the Partnership's

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

reserves are proved developed and located within the United States. The Partnership's reserves are based on an evaluation prepared by Williamson Petroleum Consultants, Inc., an independent petroleum consultant, using criteria established by the Securities and Exchange Commission.

17

757

	Oil and NGLs (bbls)	Gas (mcf)
	-----	-----
Net proved reserves at January 1, 1998	831,525	1,374,642
Revisions	(383,916)	(502,202)
Production	(74,674)	(129,149)
	-----	-----
Net proved reserves at December 31, 1998	372,935	743,291
Revisions	507,962	924,982
Production	(64,894)	(105,081)
	-----	-----
Net proved reserves at December 31, 1999	816,003	1,563,192
Revisions	148,591	(208,305)
Production	(66,329)	(95,610)
	-----	-----
Net proved reserves at December 31, 2000	898,265	1,259,277
	=====	=====

As of December 31, 2000, the estimated present value of future net revenues of proved reserves, calculated using December 31, 2000 prices of \$26.64 per barrel of oil, \$13.39 per barrel of NGLs and \$7.64 per mcf of gas, discounted at 10% was approximately \$6,568,000 and undiscounted was \$12,019,000.

Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves. The Partnership emphasizes that reserve estimates are inherently imprecise and, accordingly, the estimates are expected to change as future information becomes available.

Disclosures about Oil & Gas Producing Activities

Standardized Measure of Discounted Future Net Cash Flows

The standardized measure of discounted future net cash flows is computed by applying year-end prices of oil and gas (with consideration of price changes only to the extent provided by contractual arrangements) to the estimated future production of proved oil and gas reserves less estimated future expenditures (based on year-end costs) to be incurred in developing and producing the proved reserves, discounted using a rate of 10% per year to reflect the estimated

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

timing of the future cash flows. A Federal income tax provision has not been calculated as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

Discounted future cash flow estimates like those shown below are not intended to represent estimates of the fair value of oil and gas properties. Estimates of fair value should also consider anticipated future oil and gas prices, interest rates, changes in development and production costs and risks associated with future production. Because of these and other considerations, any estimate of fair value is necessarily subjective and imprecise.

18

758

	For the years ended December 31		
	2000	1999	1998
	(in thousands)		
Oil and gas producing activities:			
Future cash inflows	\$ 29,187	\$ 20,004	\$ 4,375
Future production costs	(17,168)	(12,833)	(3,000)
	12,019	7,171	1,375
10% annual discount factor	(5,451)	(3,031)	(1,000)
Standardized measure of discounted future net cash flows	\$ 6,568	\$ 4,140	\$ 1,375

	For the years ended December 31		
	2000	1999	1998
	(in thousands)		
Oil and Gas Producing Activities:			
Oil and gas sales, net of production costs	\$ (1,017)	\$ (353)	\$ (1,000)
Net changes in prices and production costs	2,672	1,767	(1,000)
Revisions of previous quantity estimates	714	3,173	(1,000)
Accretion of discount	414	55	(1,000)
Changes in production rates, timing and other	(355)	(1,056)	(1,000)
Change in present value of future net revenues	2,428	3,586	(1,000)
Balance, beginning of year	4,140	554	(1,000)

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Balance, end of year	\$	6,568	\$	4,140	\$
		=====		=====	=====

NOTE 8. MAJOR CUSTOMERS

The following table reflects the major customers of the Partnership's oil and gas sales (a major customer is defined as a customer whose sales exceed 10% of total sales) during the years ended December 31:

	2000	1999	1998
	-----	-----	-----
Plains Marketing, L.P.	37%	36%	-
TEPPCO Crude Oil LLC	15%	14%	-
Genesis Crude Oil, L.P.	-	-	50%
Western Gas Resources Inc.	5%	7%	31%

At December 31, 2000, the amounts receivable from Plains Marketing, L.P. and TEPPCO Crude Oil LLP were \$72,179 and \$15,378, respectively, which are included in the caption "Accounts receivable - oil and gas sales" in the accompanying Balance Sheet.

Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on the ability of the Partnership to sell its oil, NGLs and gas production.

NOTE 9. PARTNERSHIP AGREEMENT

The following is a brief summary of the more significant provisions of the limited partnership agreement:

Managing general partner - The general partner of the Partnership is Pioneer USA. Pioneer USA, the managing general partner, has the power and authority to manage, control and administer all Partnership affairs. As managing general partner and operator of the Partnership's properties, all production expenses are incurred by Pioneer USA and billed to the Partnership. The majority of the Partnership's oil and gas revenues are received directly by the Partnership, however, a portion of the oil and gas revenue is initially received by Pioneer USA prior to being paid to the Partnership. Under the limited partnership agreement, the managing general partner pays 1% of the Partnership's acquisition, drilling and completion costs and 1% of its operating and general and administrative expenses. In return, it is allocated 1% of the Partnership's revenues.

19

759

Limited partner liability - The maximum amount of liability of any limited partner is the total contributions of such partner plus his share of any undistributed profits.

Initial capital contributions - The limited partners entered into subscription agreements for aggregate capital contributions of

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

\$19,317,000. Pioneer USA is required to contribute amounts equal to 1% of initial Partnership capital less commission and offering expenses allocated to the limited partners and to contribute amounts necessary to pay costs and expenses allocated to it under the Partnership agreement to the extent its share of revenues does not cover such costs.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

20

760

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE PARTNERSHIP

The Partnership does not have any officers or directors. Under the limited partnership agreement, the Partnership's managing general partner, Pioneer USA, is granted the exclusive right and full authority to manage, control and administer the Partnership's business.

Set forth below are the names, ages and positions of the directors and executive officers of Pioneer USA. Directors of Pioneer USA are elected to serve until the next annual meeting of stockholders or until their successors are elected and qualified.

Name ----	Age at December 31, 2000 ----	Position -----
Scott D. Sheffield	48	President
Timothy L. Dove	44	Executive Vice President, Chief Financial Officer and Director
Dennis E. Fagerstone	51	Executive Vice President and Director
Mark L. Withrow	53	Executive Vice President, General Counsel and Director
Danny Kellum	46	Executive Vice President - Domestic Operations and Director
Rich Dealy	34	Vice President and Chief Accounting Officer

Scott D. Sheffield. Mr. Sheffield is a graduate of The University of Texas with a B.S. in Petroleum Engineering. Since August 1997, he has served as President, Chief Executive Officer and a director of Pioneer and President of Pioneer USA. Mr. Sheffield assumed the position of Chairman of the Board of

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Pioneer in August 1999. He served as a director of Pioneer USA from August 1997 until his resignation from the board in June 1999. Mr. Sheffield was the President and a director of Parker & Parsley Petroleum Company ("Parker & Parsley") from May 1990 until August 1997 and was the Chairman of the Board and Chief Executive Officer of Parker & Parsley from October 1990 until August 1997. He was the sole director of Parker & Parsley from May 1990 until October 1990. Mr. Sheffield joined Parker & Parsley Development Company ("PPDC"), a predecessor of Parker & Parsley, as a petroleum engineer in 1979. He served as Vice President - Engineering of PPDC from September 1981 until April 1985 when he was elected President and a director. In March 1989, Mr. Sheffield was elected Chairman of the Board and Chief Executive Officer of PPDC. Before joining PPDC's predecessor, Mr. Sheffield was employed as a production and reservoir engineer for Amoco Production Company.

21

761

Timothy L. Dove. Mr. Dove earned a B.S. in Mechanical Engineering from Massachusetts Institute of Technology in 1979 and received his M.B.A. in 1981 from the University of Chicago. He became Executive Vice President - Business Development of Pioneer and Pioneer USA in August 1997 and was also appointed a director of Pioneer USA in August 1997. Mr. Dove assumed the position of Chief Financial Officer of Pioneer and Pioneer USA effective February 1, 2000. Mr. Dove joined Parker & Parsley in May 1994 as Vice President - International and was promoted to Senior Vice President - Business Development in October 1996, in which position he served until August 1997. Prior to joining Parker & Parsley, Mr. Dove was employed with Diamond Shamrock Corp., and its successor, Maxus Energy Corp, in various capacities in international exploration and production, marketing, refining and marketing and planning and development.

Dennis E. Fagerstone. Mr. Fagerstone, a graduate of the Colorado School of Mines with a B.S. in Petroleum Engineering, became an Executive Vice President of Pioneer and Pioneer USA in August 1997. He was also appointed a director of Pioneer USA in August 1997. He served as Executive Vice President and Chief Operating Officer of MESA Inc. ("Mesa") from March 1, 1997 until August 1997. From October 1996 to February 1997, Mr. Fagerstone served as Senior Vice President and Chief Operating Officer of Mesa and from May 1991 to October 1996, he served as Vice President - Exploration and Production of Mesa. From June 1988 to May 1991, Mr. Fagerstone served as Vice President - Operations of Mesa.

Mark L. Withrow. Mr. Withrow, a graduate of Abilene Christian University with a B. S. in Accounting and Texas Tech University with a Juris Doctorate degree, became Executive Vice President, General Counsel and Secretary of Pioneer and Pioneer USA in August 1997. He was also appointed a director of Pioneer USA in August 1997. Mr. Withrow was Vice President - General Counsel of Parker & Parsley from January 1991, when he joined Parker & Parsley, to January 1995, when he was appointed Senior Vice President - General Counsel. He was Parker & Parsley's Secretary from August 1992 until August 1997. Prior to joining Parker & Parsley, Mr. Withrow was the managing partner of the law firm of Turpin, Smith, Dyer, Saxe & MacDonald, Midland, Texas.

Danny Kellum. Mr. Kellum, who received a Bachelor of Science degree in Petroleum Engineering from Texas Tech University in 1979, was elected Executive Vice President - Domestic Operations of Pioneer and Pioneer USA on May 18, 2000 and Director of Pioneer USA on February 1, 2000. From January 2000 until May 2000, Mr. Kellum served as Vice President - Domestic Operations of Pioneer and Pioneer USA. Mr. Kellum served as Vice President Permian Division of Pioneer and

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Pioneer USA from April 1998 until December 1999. From 1989 until 1994 he served as Spraberry District Manager and as Vice President of the Spraberry and Permian Division for Parker & Parsley until August of 1997. Mr. Kellum joined Parker & Parsley as an operations engineer in 1981 after a brief career with Mobil Oil Corporation.

Rich Dealy. Mr. Dealy is a graduate of Eastern New Mexico University with a B.B.A. in Accounting and Finance and is a Certified Public Accountant. He became Vice President and Chief Accounting Officer of Pioneer and Pioneer USA in February 1998. Mr. Dealy served as Controller of Pioneer USA from August 1997 to February 1998. He served as Controller of Parker & Parsley from August 1995 to August 1997. Mr. Dealy joined Parker & Parsley as an Accounting Manager in July, 1992. He was previously employed with KPMG Peat Marwick as an Audit Senior, in charge of Parker & Parsley's audit.

22

762

ITEM 11. EXECUTIVE COMPENSATION

The Partnership does not have any directors or officers. Management of the Partnership is performed by Pioneer USA, the managing general partner. The Partnership participates in oil and gas activities through an income tax partnership (the "Program") pursuant to the Program agreement. Under the Program agreement, Pioneer USA pays approximately 10% of the Program's acquisition, drilling and completion costs and approximately 25% of its operating and general and administrative expenses. In return, Pioneer USA is allocated approximately 25% of the Program's revenues.

The Partnership does not directly pay any salaries of the executive officers of Pioneer USA, but does pay a portion of Pioneer USA's general and administrative expenses of which these salaries are a part.

See Notes 6 and 9 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" for information regarding fees and reimbursements paid to the managing general partner by the Partnership.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

(a) Beneficial owners of more than five percent

The Partnership is not aware of any person who beneficially owns 5% or more of the outstanding limited partnership interests of the Partnership. Pioneer USA owned 60 limited partner interests at January 1, 2001.

(b) Security ownership of management

The Partnership does not have any officers or directors. The managing general partner of the Partnership, Pioneer USA, has the exclusive right and full authority to manage, control and administer the Partnership's business. Under the limited partnership agreement, limited partners holding a majority of the outstanding limited partnership interests have the right to take certain actions, including the removal of the managing general partner or any other general partner. The Partnership is not aware of any current arrangement or activity which may lead to such removal. The Partnership is not aware of any officer or director of Pioneer USA who beneficially owns limited partnership interests in the Partnership.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Transactions with the managing general partner

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

	2000	1999	1998
	-----	-----	-----
Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$373,973	\$ 354,129	\$348,965
Reimbursement of general and administrative expenses	\$ 46,688	\$ 17,953	\$ 21,776

Under the limited partnership agreement, the managing general partner pays 1% of the Partnership's acquisition, drilling and completion costs and 1% of its operating and general and administrative expenses. In return, it is allocated 1% of the Partnership's revenues. Also, see Notes 6 and 9 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" regarding the Partnership's participation with the managing general partner in oil and gas activities of the Program.

24

764

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) 1. Financial statements

The following are filed as part of this Report:

Independent Auditors' Report

Balance sheets as of December 31, 2000 and 1999

Statements of operations for the years ended December 31, 2000, 1999 and 1998

Statements of partners' capital for the years ended December 31, 2000, 1999 and 1998

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Statements of cash flows for the years ended December 31, 2000,
1999 and 1998

Notes to financial statements

2. Financial statement schedules

All financial statement schedules have been omitted since the required information is in the financial statements or notes thereto, or is not applicable nor required.

(b) Reports on Form 8-K

None.

(c) Exhibits

The exhibits listed on the accompanying index to exhibits are filed or incorporated by reference as part of this Report.

25

765

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

PARKER & PARSLEY 86-C, LTD.

Dated: March 27, 2001

By: Pioneer Natural Resources USA, Inc.
Managing General Partner

By: /s/ Scott D. Sheffield

Scott D. Sheffield, President

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

/s/ Scott D. Sheffield

President of Pioneer USA

March 27, 2001

Scott D. Sheffield

/s/ Timothy L. Dove

Executive Vice President, Chief
Financial Officer and Director of
Pioneer USA

March 27, 2001

Timothy L. Dove

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

/s/ Dennis E. Fagerstone ----- Dennis E. Fagerstone	Executive Vice President and Director of Pioneer USA	March 27, 2001
/s/ Mark L. Withrow ----- Mark L. Withrow	Executive Vice President, General Counsel and Director of Pioneer USA	March 27, 2001
/s/ Danny Kellum ----- Danny Kellum	Executive Vice President - Domestic Operations and Director of Pioneer USA	March 27, 2001
/s/ Rich Dealy ----- Rich Dealy	Vice President and Chief Accounting Officer of Pioneer USA	March 27, 2001

26

766

PARKER & PARSLEY 86-C, LTD.

INDEX TO EXHIBITS

The following documents are incorporated by reference in response to Item 14(c):

Exhibit No. -----	Description -----	Page ----
3(a)	Amended and Restated Certificate of Limited Partnership of Parker & Parsley 86-C, Ltd. incorporated by reference to Exhibit 3a of the Partnership's Registration Statement on Form S-1 (Registration No. 33-3353) (hereinafter called the Partnership's Registration Statement)	-
4(a)	Form of Agreement of Limited Partnership of Parker & Parsley 86-C, Ltd. incorporated by reference to Exhibit A of Amendment No. 1 of the Partnership's Registration Statement	-
4(b)	Form of Subscription Agreement incorporated by reference to Exhibit C of Amendment No. 1 of the Partnership's Registration Statement	-
4(b)	Power of Attorney incorporated by reference to an Exhibit of the Partnership's Registration Statement	-
4(c)	Specimen Certificate of Limited Partnership Interest incorporated by reference to Exhibit 4c of the Partnership's Registration Statement	-

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

10 (b) Development Program Agreement incorporated -
by reference to Exhibit B of Amendment No. 1
of the Partnership's Registration Statement

27

767

PARKER & PARSLEY 86-C, LTD.

SELECTED FINANCIAL DATA

The following selected financial data for the Partnership should be read in connection with Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements included in the attached supplemental information.

	Six months ended June 30,		Years ended Decem		
	2001	2000	2000	1999	1998
Operating results:					
Oil and gas sales	\$ 955,101	\$ 856,273	\$1,865,405	\$1,067,096	\$ 973,632
Gain on litigation settlement, net	\$ --	\$ --	\$ --	\$ --	\$ --
Impairment of oil and gas properties	\$ --	\$ --	\$ --	\$ 26,652	\$ 277,277
Net income (loss)	\$ 438,956	\$ 307,907	\$ 828,383	\$ 105,421	\$ (423,942)
Allocation of net income (loss):					
Managing general partner	\$ 4,390	\$ 3,079	\$ 8,284	\$ 1,054	\$ (4,240)
Limited partners	\$ 434,566	\$ 304,828	\$ 820,099	\$ 104,367	\$ (419,702)
Limited partners' net income (loss) per limited partnership interest	\$ 22.50	\$ 15.78	\$ 42.45	\$ 5.40	\$ (21.73)

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Limited partners' cash distributions per limited partnership interest	\$ 15.95	\$ 18.03	\$ 42.52	\$ 12.27	\$ 15.20
	=====	=====	=====	=====	=====
As of period ended:					
Total assets	\$2,088,816	\$1,929,299	\$1,948,019	\$1,958,255	\$2,071,111
	=====	=====	=====	=====	=====

(a) Including litigation settlement per limited partnership interest of \$36.12 in 1996.

768

PIONEER NATURAL RESOURCES COMPANY
PIONEER NATURAL RESOURCES USA, INC.
5205 NORTH O'CONNOR BLVD., SUITE 1400
IRVING, TEXAS 75039

SUPPLEMENTAL INFORMATION

OF

PARKER & PARSELY PRIVATE INVESTMENT 86, LTD., A TEXAS LIMITED PARTNERSHIP

TO

PROXY STATEMENT/PROSPECTUS DATED , 2001

THE DATE OF THIS SUPPLEMENT IS , 2001

This document contains important information specific to Parker & Parsley Private Investment 86, Ltd. and supplements the proxy statement/prospectus dated , 2001, of Pioneer Natural Resources Company and Pioneer Natural Resources USA, Inc., by which Pioneer USA is soliciting proxies to be voted at a special meeting of limited partners of the partnership. The purpose of the special meeting is for you to vote upon the merger of the partnership with and into Pioneer USA that, if completed, will result in your receiving common stock of Pioneer Natural Resources Company for your partnership interests.

This document contains the following information concerning Parker & Parsley Private Investment 86, Ltd.:

- o A table containing:
 - the aggregate initial investment by the limited partners
 - the aggregate historical limited partner distributions through July 31, 2001
 - the merger value attributable to partnership interests of limited

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

- partners, excluding Pioneer USA
- the merger value per \$1,000 limited partner investment
- the merger value per \$1,000 limited partner investment as a multiple of distributions for the past four quarterly distributions including the distribution in July 2001
- the book value per \$1,000 limited partner investment as of June 30, 2001 and as of December 31, 2000
- the going concern value per \$1,000 limited partner investment
- the liquidation value per \$1,000 limited partner investment
- the ordinary tax loss per \$1,000 limited partner investment in year of initial investment
- o Information about:
 - the legal opinion for the limited partners
 - the term of the partnership
- o The partnership's financial statements, including management's discussion and analysis of financial condition and results of operations, for the six months ended June 30, 2001
- o The partnership's financial statements, including management's discussion and analysis of financial condition and results of operations, for the year ended December 31, 2000
- o Selected historical financial data for the partnership for the six months ended June 30, 2001 and 2000 and the five years ended December 31, 2000

-1-

769

PARKER & PARSLEY PRIVATE INVESTMENT 86, LTD.

SUPPLEMENTAL INFORMATION TABLE

Aggregate Initial Investment by the Limited Partners (a)	\$
Aggregate Historical Limited Partner Distributions through July 31, 2001 (a)	\$
Merger Value Attributable to Partnership Interests of Limited Partners, Excluding Pioneer USA (a), (b)	\$
Merger Value per \$1,000 Limited Partner Investment (b), (c)	\$
Merger Value per \$1,000 Limited Partner Investment as a Multiple of Distributions for the	

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

past four quarterly distributions including the distribution in July 2001(b), (c)

Book Value per \$1,000 Limited Partner Investment:

-- as of June 30, 2001(c)

-- as of December 31, 2000(c)

Going Concern Value per \$1,000 Limited Partner Investment(c), (d)

Liquidation Value per \$1,000 Limited Partner Investment(c), (e)

Ordinary Tax Loss per \$1,000 Limited Partner Investment in Year of Initial Investment(c), (f)

(a) Stated in thousands.

(b) The merger value for the partnership is equal to the sum of the present value of estimated future net revenues from the partnership's estimated oil and gas reserves and its net working capital, in each case as of March 31, 2001, less its pro rata share, based on its reserve value, of the estimated expenses and fees of the mergers of all of the partnerships and less the cash distribution on July 13, 2001, by the partnership to its partners.

(c) Interests in some partnerships were sold in units at prices other than \$1,000. We have presented this information based on a \$1,000 initial investment for ease of use and comparison among partnerships. You should not assume that the amount shown per \$1,000 investment is the same as the value or amount attributable to a single unit investment.

(d) The going concern value for the partnership is based upon: (1) the sum of (A) the estimated net cash flow from the sale of the partnership's reserves during a 10-year operating period and (B) the estimated residual value from the sale of the partnership's remaining reserves at the end of the operating period, in each case using the same pricing and discount rate as in the merger value calculation, less (2) (A) partnership level general and administrative expenses, and (B) the cash distribution on July 13, 2001 by the partnership to its partners.

(e) The liquidation value for the partnership is based upon the sale of the partnership's reserves at the reserve value, less (1) liquidation expenses which are estimated to be the sum of (A) the partnership's pro rata share of the merger expenses and fees described in footnote (b) above and (B) 3% of the partnership's reserve value, and (2) the cash distribution on July 13, 2001 by the partnership to its partners. The liquidation expenses represent estimated costs to retain an investment banker or broker to sell the assets of the partnership and the legal and other closing costs associated with such transaction, including the wind-down costs of the partnership.

(f) Your ability to use your distributive share of the partnership's loss to offset your other income may have been subject to certain limitations at your level as a partner, and you may therefore wish to consult your tax

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

advisor to determine the additional value, if any, actually realized by you in your particular circumstances.

INFORMATION ABOUT THE LEGAL OPINION FOR THE LIMITED PARTNERS

The partnership agreement for the partnership requires that special legal counsel render an opinion on behalf of the limited partners to Pioneer USA that (1) neither the grant nor the exercise of the right to approve the merger of the partnership by its limited partners will adversely affect the federal income tax classification of the partnership or any of its limited partners; and (2) neither the grant nor exercise of such right will result in the loss of any limited partner's limited liability. In addition, the counsel designated to render the opinion must be counsel other than counsel to Pioneer USA or the partnership. Both the designated counsel and the legal opinion must be approved by the limited partners. Pioneer USA has retained _____ of Dallas, Texas for the purpose of rendering this legal opinion on behalf of the limited partners to Pioneer USA. The merger proposals include an approval of that counsel and the form of its opinion. A copy of the opinion is attached as an exhibit to the merger proposals.

INFORMATION ABOUT THE TERM OF THE PARTNERSHIP

The term of the partnership is until December 31, 2036, unless the partnership is earlier terminated in accordance with the applicable provisions of its partnership agreement.

-2-

770

PARKER & PARSLEY PRIVATE INVESTMENT 86, LTD.

(A Texas Limited Partnership)

FINANCIAL STATEMENTS

June 30, 2001 and December 31, 2000

(Unaudited)

771

PARKER & PARSLEY PRIVATE INVESTMENT 86, LTD.

(A Texas Limited Partnership)

BALANCE SHEETS

	June 30, 2001	December 31, 2000
	-----	-----
(Unaudited)		

ASSETS

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Current assets:			
Cash	\$	133,451	\$ 57,176
Accounts receivable - oil and gas sales		68,057	90,053
		-----	-----
Total current assets		201,508	147,229
		-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method		4,034,151	4,032,771
Accumulated depletion		(3,289,733)	(3,261,600)
		-----	-----
Net oil and gas properties		744,418	771,171
		-----	-----
	\$	945,926	\$ 918,400
		=====	=====
LIABILITIES AND PARTNERS' CAPITAL			
Current liabilities:			
Accounts payable - affiliate		13,493	5,165
Partners' capital:			
Managing general partner		10,293	10,101
Limited partners (123 interests)		922,140	903,134
		-----	-----
		932,433	913,235
		-----	-----
	\$	945,926	\$ 918,400
		=====	=====

The financial information included as of June 30, 2001 has been prepared by the managing general partner without audit by independent public accountants.

The accompanying notes are an integral part of these financial statements.

2

772

PARKER & PARSLEY PRIVATE INVESTMENT 86, LTD.
(A Texas Limited Partnership)

STATEMENTS OF OPERATIONS
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2001	2000	2001	2000
	-----	-----	-----	-----
Revenues:				
Oil and gas	\$ 146,955	\$ 146,532	\$ 306,293	\$ 286,086
Interest	1,010	969	2,113	1,923

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	----- 147,965 -----	----- 147,501 -----	----- 308,406 -----	----- 288,009 -----
Costs and expenses:				
Oil and gas production	76,829	81,136	142,278	153,874
General and administrative	2,939	2,931	6,126	5,722
Depletion	15,475	12,203	28,133	26,991
	----- 95,243 -----	----- 96,270 -----	----- 176,537 -----	----- 186,587 -----
Net income	\$ 52,722 =====	\$ 51,231 =====	\$ 131,869 =====	\$ 101,422 =====
Allocation of net income:				
Managing general partner	\$ 528 =====	\$ 512 =====	\$ 1,319 =====	\$ 1,014 =====
Limited partners	\$ 52,194 =====	\$ 50,719 =====	\$ 130,550 =====	\$ 100,408 =====
Net income per limited partnership interest	\$ 424.34 =====	\$ 412.35 =====	\$1,061.38 =====	\$ 816.33 =====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

The accompanying notes are an integral part of these financial statements.

3

773

PARKER & PARSLEY PRIVATE INVESTMENT 86, LTD.
(A Texas Limited Partnership)

STATEMENT OF PARTNERS' CAPITAL
(Unaudited)

	Managing general partner -----	Limited partners -----	Total -----
Balance at January 1, 2001	\$ 10,101	\$ 903,134	\$ 913,235
Distributions	(1,127)	(111,544)	(112,671)
Net income	1,319 -----	130,550 -----	131,869 -----
Balance at June 30, 2001	\$ 10,293	\$ 922,140	\$ 932,433

776

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

The accompanying notes are an integral part of these financial statements.

4

774

PARKER & PARSLEY PRIVATE INVESTMENT 86, LTD.
(A Texas Limited Partnership)

STATEMENTS OF CASH FLOWS
(Unaudited)

	Six months ended June 30,	
	2001	2000
	-----	-----
Cash flows from operating activities:		
Net income	\$ 131,869	\$ 101,422
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion	28,133	26,991
Changes in assets and liabilities:		
Accounts receivable	21,996	(21,426)
Accounts payable	8,328	7,596
	-----	-----
Net cash provided by operating activities	190,326	114,583
	-----	-----
Cash flows used in investing activities:		
Additions to oil and gas properties	(1,380)	(7,913)
Cash flows used in financing activities:		
Cash distributions to partners	(112,671)	(116,412)
	-----	-----
Net increase (decrease) in cash	76,275	(9,742)
Cash at beginning of period	57,176	72,318
	-----	-----
Cash at end of period	\$ 133,451	\$ 62,576
	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The accompanying notes are an integral part of these financial statements.

5

775

PARKER & PARSLEY PRIVATE INVESTMENT 86, LTD. (A Texas Limited Partnership)

NOTES TO FINANCIAL STATEMENTS June 30, 2001 (Unaudited)

Note 1. Organization and nature of operations

Parker & Parsley Private Investment 86, Ltd. (the "Partnership") is a limited partnership organized in 1986 under the laws of the State of Texas.

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

Note 2. Basis of presentation

In the opinion of management, the unaudited financial statements of the Partnership as of June 30, 2001 and for the three and six months ended June 30, 2001 and 2000 include all adjustments and accruals consisting only of normal recurring accrual adjustments which are necessary for a fair presentation of the results for the interim period. These interim results are not necessarily indicative of results for a full year. Certain reclassifications may have been made to the June 30, 2000 financial statements to conform to the June 30, 2001 financial statement presentations.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in these interim financial statements. The financial statements should be read in conjunction with the financial statements and the notes thereto contained in the Partnership's report for the year ended December 31, 2000, a copy of which is available upon request by writing to Rich Dealy, Vice President and Chief Accounting Officer, 5205 North O'Connor Boulevard, Suite 1400, Irving, Texas 75039-3746.

Management's Discussion and Analysis of Financial Condition and Results of Operations (1)

Results of Operations

Six months ended June 30, 2001 compared with six months ended June 30, 2000

Revenues:

The Partnership's oil and gas revenues increased 7% to \$306,293 for the six months ended June 30, 2001 as compared to \$286,086 for the same period in 2000. The increase in revenues resulted from higher average prices received for gas and NGLs, offset by a decrease in production and lower average prices received

6

776

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

for oil. For the six months ended June 30, 2001, 6,328 barrels of oil, 2,454 barrels of natural gas liquids ("NGLs") and 17,822 mcf of gas were sold, or 11,752 barrel of oil equivalents ("BOEs"). For the six months ended June 30, 2000, 7,225 barrels of oil, 3,568 barrels of NGLs and 16,606 mcf of gas were sold, or 13,561 BOEs.

The average price received per barrel of oil decreased slightly from \$27.85 for the six months ended June 30, 2000 to \$27.77 for the same period in 2001. The average price received per barrel of NGLs increased \$2.93, or 22%, from \$13.35 during the six months ended June 30, 2000 to \$16.28 for the same period in 2001. The average price received per mcf of gas increased 127% from \$2.24 during the six months ended June 30, 2000 to \$5.09 for the same period in 2001. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received during the six months ended June 30, 2001.

Costs and Expenses:

Total costs and expenses decreased to \$176,537 for the six months ended June 30, 2001 as compared to \$186,587 for the same period in 2000, a decrease of \$10,050, or 5%. This decrease was due to lower production costs, offset by increases in general and administrative expenses ("G&A") and depletion.

Production costs were \$142,278 for the six months ended June 30, 2001 and \$153,874 for the same period in 2000, resulting in an \$11,596, or 8%, decrease. The decrease was primarily due to less workover costs.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 7%, from \$5,722 for the six months ended June 30, 2000 to \$6,126 for the same period in 2001, primarily due to an increase in audit and tax fees.

Depletion was \$28,133 for the six months ended June 30, 2001 as compared to \$26,991 for the same period in 2000, an increase of \$1,142, or 4%. This increase was the result of a decline in proved reserves during the period ended June 30, 2001 due to lower commodity prices, offset by a decline in oil production of 897 barrels for the six months ended June 30, 2001 as compared to the same period in 2000.

Three months ended June 30, 2001 compared with three months ended June 30, 2000

Revenues:

The Partnership's oil and gas revenues increased slightly to \$146,955 for the three months ended June 30, 2001 as compared to \$146,532 for the same period in 2000. The slight increase in revenues resulted from higher average prices received for gas and NGLs, offset by a decline in production and a lower average

price received for oil. For the three months ended June 30, 2001, 3,199 barrels of oil, 1,420 barrels of NGLs and 8,870 mcf of gas were sold, or 6,097 BOEs. For the three months ended June 30, 2000, 3,505 barrels of oil, 1,866 barrels of NGLs and 8,672 mcf of gas were sold, or 6,816 BOEs.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The average price received per barrel of oil decreased \$1.16, or 4%, from \$28.16 for the three months ended June 30, 2000 to \$27.00 for the three months ended June 30, 2001. The average price received per barrel of NGLs increased \$1.43, or 11%, from \$13.37 during the three months ended June 30, 2000 to \$14.80 for the same period in 2001. The average price received per mcf of gas increased 69% to \$4.46 during the three months ended June 30, 2001 from \$2.64 during the same period in 2000.

Costs and Expenses:

Total costs and expenses decreased to \$95,243 for the three months ended June 30, 2001 as compared to \$96,270 for the same period in 2000, a decrease of \$1,027, or 1%. This decrease was due to lower production costs, offset by an increase in G&A and depletion.

Production costs were \$76,829 for the three months ended June 30, 2001 and \$81,136 for the same period in 2000, resulting in a \$4,307 decrease, or 5%. The decrease was primarily due to less workover costs.

During this period, G&A increased slightly from \$2,931 for the three months ended June 30, 2000 to \$2,939 for the same period in 2001, primarily due to a higher allocation of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues.

Depletion was \$15,475 for the three months ended June 30, 2001 as compared to \$12,203 for the same period in 2000, an increase of \$3,272, or 27%. This increase was attributable to a decline in proved reserves during the period ended June 30, 2001 as a result of lower commodity prices, offset by a decline in oil production of 306 barrels for the three months ended June 30, 2001 as compared to the same period in 2000.

Liquidity and Capital Resources

Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$75,743 during the six months ended June 30, 2001 from the same period ended June 30, 2000. This increase was due to an increase in oil and gas sales receipts of \$20,397 and a reduction in working capital of \$44,154 and a decline of \$11,596 in production costs, offset by an increase in G&A expenses of \$404. The increase in oil and gas receipts resulted from the increase in commodity prices during 2001 which contributed an additional \$57,068 to oil and gas receipts, offset by \$36,671 resulting from the decline in production during 2001 as compared to the same period in 2000. The decrease in production costs was primarily due to less workover costs. The increase in G&A was due to an increase in audit and tax fees.

8

778

Net Cash Used in Investing Activities

The Partnership's principal investing activities during the six months ended June 30, 2001 and 2000 were related to expenditures for equipment upgrades on various oil and gas properties.

Net Cash Used in Financing Activities

For the six months ended June 30, 2001, cash distributions to the partners were

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

\$112,671, of which \$1,127 was distributed to the managing general partner and \$111,544 to the limited partners. For the same period ended June 30, 2000, cash distributions to the partners were \$116,412, of which \$1,164 was distributed to the managing general partner and \$115,248 to the limited partners.

For the three months ended June 30, 2001, no distributions were made by the partnership to its partners. Subsequent to June 30, 2001 the cash distribution that otherwise would have been mailed to partners in late June was made to holders of record as of July 9, 2001 and was mailed on July 13, 2001. For further information, see "Proposal to acquire partnerships" below.

Proposal to acquire partnerships

On June 29, 2001, Pioneer Natural Resources Company ("Pioneer") filed with the Securities and Exchange Commission Amendment No. 1 to the Form S-4 Registration Statement (File No. 333- 59094) (the "preliminary proxy statement/prospectus"), which proposes an agreement and plan of merger among Pioneer, Pioneer Natural Resources USA, Inc. ("Pioneer USA"), a wholly-owned subsidiary of Pioneer, and 46 Parker & Parsley limited partnerships. Each partnership that approves the agreement and plan of merger and the other related merger proposals will merge with and into Pioneer USA upon the closing of the transactions described in the preliminary proxy statement/prospectus, and the partnership interests of each such partnership will be converted into the right to receive Pioneer common stock. The Partnership is one of the 46 Parker & Parsley limited partnerships that will be asked to approve the agreement and plan of merger. The preliminary proxy statement/prospectus is non-binding and is subject to, among other things, consideration of offers from third parties to purchase any partnership or its assets and the majority approval of the limited partnership interests in each partnership.

Pioneer USA will solicit proxies from limited partners to approve the mergers only when the proxy statement/prospectus is final and declared effective. No solicitation will be made using preliminary materials. Nonetheless, copies of the preliminary proxy statement/prospectus may be obtained without charge upon request from Pioneer Natural Resources Company, 5205 North O'Connor Blvd., Suite 1400, Irving, Texas 75039, Attention: Investor Relations.

The limited partners are urged to read the proxy statement/prospectus of Pioneer filed with the Securities and Exchange Commission, when it is finalized, because it contains important information about the proposed mergers, including information about the direct and indirect interests of Pioneer USA and Pioneer in the mergers. The limited partners may also obtain the preliminary and (when filed) final proxy statement/prospectus and other relevant documents relating to the proposed mergers free through the internet web site that the Securities and Exchange Commission maintains at www.sec.gov.

9

779

- (1) "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" contains forward looking statements that involve risks and uncertainties. Accordingly, no assurances can be given that the actual events and results will not be materially different than the anticipated results described in the forward looking statements.

10

780

PARKER & PARSLEY PRIVATE INVESTMENT 86, LTD.
(A Texas Limited Partnership)

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT

December 31, 2000 and 1999

781

INDEPENDENT AUDITORS' REPORT

The Partners
Parker & Parsley Private Investment 86, Ltd.
(A Texas Limited Partnership):

We have audited the balance sheets of Parker & Parsley Private Investment 86, Ltd. as of December 31, 2000 and 1999, and the related statements of operations, partners' capital and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parker & Parsley Private Investment 86, Ltd. as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Dallas, Texas
March 9, 2001

PARKER & PARSLEY PRIVATE INVESTMENT 86, LTD.
(A Texas Limited Partnership)

BALANCE SHEETS
December 31

ASSETS

Current assets:

Cash
Accounts receivable - oil and gas sales

Total current assets

Oil and gas properties - at cost, based on
the successful efforts accounting method
Accumulated depletion

Net oil and gas properties

LIABILITIES AND PARTNERS' CAPITAL

Current liabilities:

Accounts payable - affiliate

Partners' capital:

Managing general partner
Limited partners (123 interests)

The accompanying notes are an integral part of these financial statements.

3

783

PARKER & PARSLEY PRIVATE INVESTMENT 86, LTD.
(A Texas Limited Partnership)

STATEMENTS OF OPERATIONS
For the years ended December 31

	2000	1999	1998
	-----	-----	-----
Revenues:			
Oil and gas	\$ 611,774	\$ 354,462	\$ 301,556
Interest	4,927	2,697	3,224
	-----	-----	-----
	616,701	357,159	304,780
	-----	-----	-----
Costs and expenses:			
Oil and gas production	287,563	236,129	213,042
General and administrative	12,235	7,089	6,031
Impairment of oil and gas properties	--	--	98,274
Depletion	49,103	65,740	151,842
	-----	-----	-----
	348,901	308,958	469,189
	-----	-----	-----
Net income (loss)	\$ 267,800	\$ 48,201	\$ (164,409)
	=====	=====	=====
Allocation of net income (loss):			
Managing general partner	\$ 2,678	\$ 482	\$ (1,644)
	=====	=====	=====
Limited partners	\$ 265,122	\$ 47,719	\$ (162,765)
	=====	=====	=====
Net income (loss) per limited partnership interest	\$2,155.46	\$ 387.96	\$ (1,323.29)
	=====	=====	=====

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The accompanying notes are an integral part of these financial statements.

4

784

PARKER & PARSLEY PRIVATE INVESTMENT 86, LTD.
(A Texas Limited Partnership)

STATEMENTS OF PARTNERS' CAPITAL

	Managing general partner	L p
	-----	-----
Partners' capital at January 1, 1998	\$ 13,138	\$
Distributions	(1,107)	
Net loss	(1,644)	
	-----	---
Partners' capital at December 31, 1998	10,387	
Distributions	(685)	
Net income	482	
	-----	---
Partners' capital at December 31, 1999	10,184	
Distributions	(2,761)	
Net income	2,678	
	-----	---
Partners' capital at December 31, 2000	\$ 10,101	\$
	=====	=====

The accompanying notes are an integral part of these financial statements.

PARKER & PARSLEY PRIVATE INVESTMENT 86, LTD.
(A Texas Limited Partnership)

STATEMENTS OF CASH FLOWS
For the years ended December 31

	2000	
	-----	-----
Cash flows from operating activities:		
Net income (loss)	\$ 267,800	\$
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Impairment of oil and gas properties	-	
Depletion	49,103	
Changes in assets and liabilities:		
Accounts receivable	(40,175)	
Accounts payable	(5,085)	
	-----	-----
Net cash provided by operating activities	271,643	
	-----	-----
Cash flows from investing activities:		
Additions to oil and gas properties	(10,643)	
Proceeds from asset dispositions	-	
	-----	-----
Net cash used in investing activities	(10,643)	
	-----	-----
Cash flows used in financing activities:		
Cash distributions to partners	(276,142)	
	-----	-----
Net increase (decrease) in cash	(15,142)	
Cash at beginning of year	72,318	
	-----	-----
Cash at end of year	\$ 57,176	\$
	=====	=====

The accompanying notes are an integral part of these financial statements.

6

786

PARKER & PARSLEY PRIVATE INVESTMENT 86, LTD.
(A Texas Limited Partnership)

NOTES TO FINANCIAL STATEMENTS
December 31, 2000, 1999 and 1998

NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS

Parker & Parsley Private Investment 86, Ltd. (the "Partnership") is a limited partnership organized in 1986 under the laws of the State of Texas. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA").

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Oil and gas properties - The Partnership utilizes the successful efforts method of accounting for its oil and gas properties and equipment. Under this method, all costs associated with productive wells and nonproductive development wells are capitalized while nonproductive exploration costs are expensed. Capitalized costs relating to proved properties are depleted using the unit-of-production method on a property-by-property basis based on proved oil (dominant mineral) reserves as evaluated by independent petroleum consultants. The carrying amounts of properties sold or otherwise disposed of and the related allowances for depletion are eliminated from the accounts and any gain or loss is included in results of operations.

Impairment of long-lived assets - In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the Partnership reviews its long-lived assets to be held and used on an individual property basis, including oil and gas properties accounted for under the successful efforts method of accounting, whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. An impairment loss is indicated if the sum of the expected future cash flows is less than the carrying amount of the assets. In this circumstance, the Partnership recognizes an impairment loss for the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset.

Use of estimates in the preparation of financial statements - Preparation of the accompanying financial statements in conformity with generally accepted accounting principles requires management to make estimates

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Net income (loss) per limited partnership interest - The net income (loss) per limited partnership interest is calculated by using the number of outstanding limited partnership interests.

7

787

Income taxes - A Federal income tax provision has not been included in the financial statements as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

Statements of cash flows - For purposes of reporting cash flows, cash includes depository accounts held by banks.

General and administrative expenses - General and administrative expenses are allocated in part to the Partnership by the managing general partner. Allocated expenses are determined by the managing general partner based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Reclassifications - Certain reclassifications may have been made to the 1999 and 1998 financial statements to conform to the 2000 financial statement presentations.

Environmental - The Partnership is subject to extensive federal, state and local environmental laws and regulations. These laws, which are constantly changing, regulate the discharge of materials into the environment and may require the Partnership to remove or mitigate the environmental effects of the disposal or release of petroleum or chemical substances at various sites. Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Liabilities for expenditures of a noncapital nature are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated. Such liabilities are generally undiscounted unless the timing of cash payments for the liability or component are fixed or reliably determinable. No such liabilities have been accrued as of December 31, 2000.

Revenue recognition - The Partnership uses the entitlements method of accounting for oil, natural gas liquids ("NGLs") and natural gas revenues.

NOTE 3. IMPAIRMENT OF LONG-LIVED ASSETS

In accordance with SFAS 121, the Partnership reviews its proved oil and gas properties for impairment whenever events and circumstances indicate a decline in the recoverability of the carrying value of the Partnership's oil and gas properties. The Partnership has estimated the expected future cash flows of its oil and gas properties as of December 31, 2000, 1999 and 1998, based on proved reserves, and compared such estimated future cash flows to the respective carrying amount of the oil and gas properties to determine if the carrying amounts were likely to be recoverable. For those proved oil and gas properties for which the carrying amount exceeded the estimated future cash flows, an

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

impairment was determined to exist; therefore, the Partnership adjusted the carrying amount of those oil and gas properties to their fair value as determined by discounting their expected future cash flows at a discount rate commensurate with the risks involved in the industry. As a result, the Partnership recognized a non-cash impairment provision of \$98,274 related to its proved oil and gas properties during 1998.

8

788

NOTE 4. INCOME TAXES

The financial statement basis of the Partnership's net assets and liabilities was \$209,861 greater than the tax basis at December 31, 2000.

The following is a reconciliation of net income (loss) per statements of operations with the net income per Federal income tax returns for the years ended December 31:

	2000	
Net income (loss) per statements of operations	\$ 267,800	\$
Depletion and depreciation provisions for tax reporting less than amounts for financial reporting purposes	43,051	
Impairment of oil and gas properties for financial reporting purposes	-	
Other, net	(688)	
	-----	-----
Net income per Federal income tax returns	\$ 310,163	\$
	-----	-----

NOTE 5. OIL AND GAS PRODUCING ACTIVITIES

The following is a summary of the costs incurred, whether capitalized or expensed, related to the Partnership's oil and gas producing activities for the years ended December 31:

	2000	
Development costs	\$ 10,643	\$
	-----	-----

Capitalized oil and gas properties consist of the following:

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Proved properties:	
Property acquisition costs	\$
Completed wells and equipment	---
Accumulated depletion	---
Net oil and gas properties	\$ ===

NOTE 6. RELATED PARTY TRANSACTIONS

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

	2000	
	-----	-----
Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$ 113,494	\$
Reimbursement of general and administrative expenses	\$ 10,107	\$

9

789

The Partnership participates in oil and gas activities through an income tax partnership (the "Program") pursuant to the Program agreement. Pioneer USA and the Partnership are parties to the Program agreement.

The costs and revenues of the Program are allocated to Pioneer USA and the Partnership as follows:

	Pioneer U -----
Revenues:	
Proceeds from disposition of depreciable properties	9.09
All other revenues	24.24
Costs and expenses:	
Lease acquisition costs, drilling and completion costs and all other costs	9.09
Operating costs, direct costs and general and administrative expenses	24.24

(1) Excludes Pioneer USA's 1% general partner ownership which is allocated at the Partnership level.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

NOTE 7. OIL AND GAS INFORMATION (UNAUDITED)

The following table presents information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities during the years then ended. All of the Partnership's reserves are proved developed and located within the United States. The Partnership's reserves are based on an evaluation prepared by Williamson Petroleum Consultants, Inc., an independent petroleum consultant, using criteria established by the Securities and Exchange Commission.

	Oil and NGLs (bbls)

Net proved reserves at January 1, 1998	268,312
Revisions	(79,340)
Production	(22,245)

Net proved reserves at December 31, 1998	166,727
Revisions	157,207
Production	(20,843)

Net proved reserves at December 31, 1999	303,091
Revisions	35,219
Production	(20,938)

Net proved reserves at December 31, 2000	317,372
	=====

As of December 31, 2000, the estimated present value of future net revenues of proved reserves, calculated using December 31, 2000 prices of \$26.64 per barrel of oil, \$13.44 per barrel of NGLs and \$7.89 per mcf of gas, discounted at 10% was approximately \$2,493,000 and undiscounted \$4,970,000.

Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves. The Partnership emphasizes that reserve estimates are inherently imprecise and, accordingly, the estimates are expected to change as future information becomes available.

Disclosures about Oil & Gas Producing Activities

Standardized Measure of Discounted Future Net Cash Flows

The standardized measure of discounted future net cash flows is computed

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

by applying year-end prices of oil and gas (with consideration of price changes only to the extent provided by contractual arrangements) to the estimated future production of proved oil and gas reserves less estimated future expenditures (based on year-end costs) to be incurred in developing and producing the proved reserves, discounted using a rate of 10% per year to reflect the estimated timing of the future cash flows. A Federal income tax provision has not been calculated as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

Discounted future cash flow estimates like those shown below are not intended to represent estimates of the fair value of oil and gas properties. Estimates of fair value should also consider anticipated future oil and gas prices, interest rates, changes in development and production costs and risks associated with future production. Because of these and other considerations, any estimate of fair value is necessarily subjective and imprecise.

	For the years e	
	----- 2000 -----	-----
Oil and gas producing activities:		
Future cash inflows	\$ 10,955	\$
Future production costs	(5,985)	
	-----	-----
	4,970	
10% annual discount factor	(2,477)	
	-----	-----
Standardized measure of discounted future net cash flows	\$ 2,493	\$
	=====	=====

	For the years ended	
	----- 2000 -----	199 ----- (in
Oil and Gas Producing Activities:		
Oil and gas sales, net of production costs	\$ (324)	\$
Net changes in prices and production costs	864	

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Revisions of previous quantity estimates	293	
Accretion of discount	164	
Changes in production rates, timing and other	(140)	
	-----	-----
Change in present value of future net revenues	857	
	-----	-----
Balance, beginning of year	1,636	
	-----	-----
Balance, end of year	\$ 2,493	\$
	=====	=====

NOTE 8. MAJOR CUSTOMERS

The following table reflects the major customers of the Partnership's oil and gas sales (a major customer is defined as a customer whose sales exceed 10% of total sales) during the years ended December 31:

	2000

Plains Marketing, L.P.	45%
Mobil Oil Corporation	19%
Genesis Crude Oil, L.P.	-
Western Gas Resources, Inc.	3%

At December 31, 2000, the amounts receivable from Plains Marketing, L.P. and Mobil Oil Corporation were \$23,848 and \$10,948, respectively, which are included in the caption "Accounts receivable - oil and gas sales" in the accompanying Balance Sheet.

Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on the ability of the Partnership to sell its oil, NGLs and gas production.

NOTE 9. PARTNERSHIP AGREEMENT

The following is a brief summary of the more significant provisions of the limited partnership agreement:

Managing general partner - The managing general partner of the Partnership is Pioneer USA. Pioneer USA has the power and authority to manage, control and administer all Partnership affairs. As managing general partner and operator of the Partnership's properties, all production expenses are incurred by Pioneer USA and billed to the Partnership. The majority of the Partnership's oil and gas revenues are received directly by the Partnership, however, a portion of the oil and gas revenue is initially received by Pioneer USA prior to being paid to the Partnership. Under the limited partnership agreement, the managing general partner pays 1% of the Partnership's acquisition, drilling and completion costs and 1% of its operating and general and administrative expenses. In return, it is allocated 1% of the Partnership's revenues.

Limited partner liability - The maximum amount of liability of any limited partner is the total contributions of such partner plus his share of any undistributed profits.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Initial capital contributions - The limited partners entered into subscription agreements for aggregate capital contributions of \$4,920,000. Pioneer USA is required to contribute amounts equal to 1% of initial Partnership capital less commission and organization and offering costs

12

792

allocated to the limited partners and to contribute amounts necessary to pay costs and expenses allocated to it under the Partnership agreement to the extent its share of revenues does not cover such costs.

13

793

PARKER & PARSLEY PRIVATE INVESTMENT 86, LTD.
(A TEXAS LIMITED PARTNERSHIP)

THIS REPORT CONTAINS FORWARD LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. ACCORDINGLY, NO ASSURANCES CAN BE GIVEN THAT THE ACTUAL EVENTS AND RESULTS WILL NOT BE MATERIALLY DIFFERENT THAN THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of operations

2000 compared to 1999

The Partnership's oil and gas revenues increased 73% to \$611,774 for 2000 as compared to \$354,462 in 1999. The increase in revenues resulted from higher average prices received and an increase in production. In 2000, 13,860 barrels of oil, 7,078 barrels of natural gas liquids ("NGLs") and 33,570 mcf of gas were sold, or 26,533 barrel of oil equivalents ("BOEs"). In 1999, 13,331 barrels of oil, 7,512 barrels of NGLs and 30,923 mcf of gas were sold, or 25,997 BOEs. Due to the decline characteristics of the Partnership's oil and gas properties, management expects a certain amount of decline in production in the future until the Partnership's economically recoverable reserves are fully depleted.

The average price received per barrel of oil increased \$12.11, or 70%, from \$17.34 in 1999 to \$29.45 in 2000. The average price received per barrel of NGLs increased \$5.74, or 62%, from \$9.27 in 1999 to \$15.01 in 2000. The average price received per mcf of gas increased 68% from \$1.73 in 1999 to \$2.90 in 2000. The market price for oil and gas has been extremely volatile in the past decade, and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received in 2000.

Total costs and expenses increased in 2000 to \$348,901 as compared to \$308,958 in 1999, an increase of \$39,943, or 13%. The increase was primarily due to increases in production costs and general and administrative expenses ("G&A"), offset by a decline in depletion.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Production costs were \$287,563 in 2000 and \$236,129 in 1999, resulting in a \$51,434 increase, or 22%. The increase was primarily due to higher production taxes associated with higher oil and gas prices and additional well maintenance costs incurred to stimulate well production.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 73% from \$7,089 in 1999 to \$12,235 in 2000, primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 2% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$10,107 in 2000 and \$3,583 in 1999 for G&A incurred on behalf of the Partnership. The remaining G&A was paid directly by the Partnership. The managing general partner determines the allocated expenses based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Depletion was \$49,103 in 2000 as compared to \$65,740 in 1999, representing a decrease of \$16,637, or 25%. This decrease was primarily due to a 34,384 barrels of oil increase in proved reserves during 2000 as a result of higher commodity prices.

1999 compared to 1998

The Partnership's 1999 oil and gas revenues increased 18% to \$354,462 from \$301,556 in 1998. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 1999, 13,331 barrels of oil, 7,512 barrels of NGLs and 30,923 mcf of gas were sold, or 25,997 BOEs. In 1998, 14,914 barrels of oil, 7,331 barrels of NGLs and 33,219 mcf of gas were sold, or 27,782 BOEs.

794

The average price received per barrel of oil increased \$4.00, or 30%, from \$13.34 in 1998 to \$17.34 in 1999. The average price received per barrel of NGLs increased \$2.58, or 39%, from \$6.69 in 1998 to \$9.27 in 1999. The average price received per mcf of gas increased 7% from \$1.61 in 1998 to \$1.73 in 1999.

Total costs and expenses decreased in 1999 to \$308,958 as compared to \$469,189 in 1998, a decrease of \$160,231, or 34%. The decrease was primarily due to declines in the impairment of oil and gas properties and depletion, offset by increases in production costs and G&A.

Production costs were \$236,129 in 1999 and \$213,042 in 1998, resulting in a \$23,087 increase, or 11%. The increase was due to increased workover costs and well maintenance costs incurred to stimulate well production, offset by a decrease in ad valorem taxes.

During this period, G&A increased 18% from \$6,031 in 1998 to \$7,089 in 1999 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 2% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$3,583 in 1999 and \$4,004 in 1998 for G&A incurred on behalf of the Partnership.

In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the managing general partner reviews the

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Partnership's oil and gas properties for impairment whenever events or circumstances indicate a decline in the recoverability of the carrying value of the Partnership's assets may have occurred. As a result of the review and evaluation of its long-lived assets for impairment, the Partnership recognized a non-cash charge of \$98,274 related to its oil and gas properties during 1998.

Depletion was \$65,740 in 1999 compared to \$151,842 in 1998, representing a decrease of \$86,102, or 57%. This decrease was the result of a combination of factors that included an increase in proved reserves of 97,690 barrels of oil during 1999 as a result of higher commodity prices, a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 1998 and a decline in oil production of 1,583 barrels for the period ended December 31, 1999 compared to the same period in 1998.

Petroleum Industry

The petroleum industry has been characterized by volatile oil, NGL and natural gas commodity prices and relatively stable supplier costs during the three years ended December 31, 2000. During 1998, weather patterns, regional economic recessions and political matters combined to cause worldwide oil supplies to exceed demand resulting in a substantial decline in oil prices. Also during 1998, but to a lesser extent, market prices for natural gas declined. During 1999 and 2000, the Organization of Petroleum Exporting Countries ("OPEC") and certain other crude oil exporting nations announced reductions in their planned export volumes. Those announcements, together with the enactment of the announced reductions in export volumes, had a positive impact on world oil prices, as have overall natural gas supply and demand fundamentals on North American natural gas prices. Although the favorable commodity price environment and stable field service cost environment is expected to continue during 2001, there is no assurance that commodity prices will not return to a less favorable level or that field service costs will not escalate in the future, both of which could negatively impact the Partnership's future results of operations and cash distributions.

Liquidity and capital resources

Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$170,228 during the year ended December 31, 2000 from 1999. This increase was due to an increase in oil and gas sales receipts of \$259,542, offset by increases in production costs paid of \$51,434, G&A expenses paid of \$5,146 and working capital of \$32,734. The increase in oil and gas receipts resulted from the increase in commodity prices during 2000 which contributed an additional \$242,798 to oil and gas receipts and an increase of \$16,744 resulting from the increase in production during 2000. The increase in production costs was primarily due to increased production taxes associated with higher oil and gas prices and well maintenance costs incurred to stimulate well production. The increase in G&A was primarily due to higher percentage of the managing general partner's G&A being allocated (limited to 2% of oil and gas revenues) as a result of increased oil and gas revenues.

795

Net Cash Used in Investing Activities

The Partnership's principal investing activities during 2000 and 1999 included expenditures related to equipment upgrades on various oil and gas properties.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Proceeds from asset dispositions in 1999 of \$701 were from equipment credits received on two wells.

Net Cash Used in Financing Activities

In 2000, cash distributions to the partners were \$276,142, of which \$2,761 was distributed to the managing general partner and \$273,381 to the limited partners. In 1999, cash distributions to the partners were \$68,473, of which \$685 was distributed to the managing general partner and \$67,788 to the limited partners.

796

PARKER & PARSLEY PRIVATE INVESTMENT 86, LTD.

SELECTED FINANCIAL DATA

The following selected financial data for the Partnership should be read in connection with Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements included in the attached supplemental information.

	Six months ended June 30,		Years ended December		
	2001	2000	2000	1999	1998
Operating results:					
Oil and gas sales	\$ 306,293	\$ 286,086	\$ 611,774	\$ 354,462	\$ 301,556
Impairment of oil and gas properties	\$ --	\$ --	\$ --	\$ --	\$ 98,274
Gain on litigation settlement, net	\$ --	\$ --	\$ --	\$ --	\$ --
Net income (loss)	\$ 131,869	\$ 101,422	\$ 267,800	\$ 48,201	\$ (164,409)
Allocation of net income (loss):					
Managing general partner	\$ 1,319	\$ 1,014	\$ 2,678	\$ 482	\$ (1,644)
Limited partners	\$ 130,550	\$ 100,408	\$ 265,122	\$ 47,719	\$ (162,765)

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Limited partners' net income (loss) per limited partnership interest	\$ 1,061.38	\$ 816.33	\$ 2,155.46	\$ 387.96	\$ (1,323.29)
Limited partners' cash distributions per limited partnership interest	\$ 906.86	\$ 936.98	\$ 2,222.61	\$ 551.12	\$ 891.21
As of period ended:					
Total assets	\$ 945,926	\$ 924,433	\$ 918,400	\$ 931,827	\$ 946,558

 (a) Including litigation settlement per limited partnership interest of \$1,474.06 in 1996.

797

PIONEER NATURAL RESOURCES COMPANY
 PIONEER NATURAL RESOURCES USA, INC.
 5205 NORTH O'CONNOR BLVD., SUITE 1400
 IRVING, TEXAS 75039

SUPPLEMENTAL INFORMATION

OF

PARKER & PARSLEY 87-A CONV., LTD., A TEXAS LIMITED PARTNERSHIP

TO

PROXY STATEMENT/PROSPECTUS DATED _____, 2001

THE DATE OF THIS SUPPLEMENT IS _____, 2001

 This document contains important information specific to Parker & Parsley 87-A Conv., Ltd. and supplements the proxy statement/prospectus dated _____, 2001, of Pioneer Natural Resources Company and Pioneer Natural Resources USA, Inc., by which Pioneer USA is soliciting proxies to be voted at a special meeting of limited partners of the partnership. The purpose of the special meeting is for you to vote upon the merger of the partnership with and into Pioneer USA that, if completed, will result in your receiving common stock of Pioneer Natural Resources Company for your partnership interests.

This document contains the following information concerning Parker & Parsley 87-A Conv., Ltd.:

- o A table containing:
 - the aggregate initial investment by the limited partners

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

- the aggregate historical limited partner distributions through July 31, 2001
- the merger value attributable to partnership interests of limited partners, excluding Pioneer USA
- the merger value per \$1,000 limited partner investment
- the merger value per \$1,000 limited partner investment as a multiple of distributions for the past four quarterly distributions including the distribution in July 2001
- the book value per \$1,000 limited partner investment as of June 30, 2001 and as of December 31, 2000
- the going concern value per \$1,000 limited partner investment
- the liquidation value per \$1,000 limited partner investment
- the ordinary tax loss per \$1,000 limited partner investment in year of initial investment
- o Information about:
 - the legal opinion for the limited partners
 - the term of the partnership
- o The partnership's financial statements, including management's discussion and analysis of financial condition and results of operations, for the six months ended June 30, 2001
- o The partnership's financial statements, including management's discussion and analysis of financial condition and results of operations, for the year ended December 31, 2000
- o Selected historical financial data for the partnership for the six months ended June 30, 2001 and 2000 and the five years ended December 31, 2000

-1-

798

PARKER & PARSLEY 87-A CONV., LTD.

SUPPLEMENTAL INFORMATION TABLE

Aggregate Initial Investment by the Limited Partners(a)

Aggregate Historical Limited Partner Distributions through July 31, 2001(a)

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Merger Value Attributable to Partnership Interests of Limited Partners, Excluding Pioneer USA(a), (b) \$

Merger Value per \$1,000 Limited Partner Investment (b), (c) \$

Merger Value per \$1,000 Limited Partner Investment as a Multiple of Distributions for the past four quarterly distributions including the distribution in July 2001(b), (c)

Book Value per \$1,000 Limited Partner Investment:

-- as of June 30, 2001(c) \$

-- as of December 31, 2000(c) \$

Going Concern Value per \$1,000 Limited Partner Investment (c), (d) \$

Liquidation Value per \$1,000 Limited Partner Investment (c), (e) \$

Ordinary Tax Loss per \$1,000 Limited Partner Investment in Year of Initial Investment (c), (f) \$

(a) Stated in thousands.

(b) The merger value for the partnership is equal to the sum of the present value of estimated future net revenues from the partnership's estimated oil and gas reserves and its net working capital, in each case as of March 31, 2001, less its pro rata share, based on its reserve value, of the estimated expenses and fees of the mergers of all of the partnerships and less the cash distribution on July 13, 2001, by the partnership to its partners.

(c) Interests in some partnerships were sold in units at prices other than \$1,000. We have presented this information based on a \$1,000 initial investment for ease of use and comparison among partnerships. You should not assume that the amount shown per \$1,000 investment is the same as the value or amount attributable to a single unit investment.

(d) The going concern value for the partnership is based upon: (1) the sum of (A) the estimated net cash flow from the sale of the partnership's reserves during a 10-year operating period and (B) the estimated residual value from the sale of the partnership's remaining reserves at the end of the operating period, in each case using the same pricing and discount rate as in the merger value calculation, less (2) (A) partnership level general and administrative expenses, and (B) the cash distribution on July 13, 2001 by the partnership to its partners.

(e) The liquidation value for the partnership is based upon the sale of the partnership's reserves at the reserve value, less (1) liquidation expenses which are estimated to be the sum of (A) the partnership's pro rata share of the merger expenses and fees described in footnote (b) above and (B) 3% of the partnership's reserve value, and (2) the cash distribution on July 13, 2001 by the partnership to its partners. The liquidation expenses represent estimated costs to retain an investment banker or broker to sell the assets of the partnership and the legal and other closing costs associated with such transaction, including the wind-down costs of the

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

partnership.

- (f) Your ability to use your distributive share of the partnership's loss to offset your other income may have been subject to certain limitations at your level as a partner, and you may therefore wish to consult your tax advisor to determine the additional value, if any, actually realized by you in your particular circumstances.

INFORMATION ABOUT THE LEGAL OPINION FOR THE LIMITED PARTNERS

The partnership agreement for the partnership requires that special legal counsel render an opinion on behalf of the limited partners to Pioneer USA that (1) neither the grant nor the exercise of the right to approve the merger of the partnership by its limited partners will adversely affect the federal income tax classification of the partnership or any of its limited partners; and (2) neither the grant nor exercise of such right will result in the loss of any limited partner's limited liability. In addition, the counsel designated to render the opinion must be counsel other than counsel to Pioneer USA or the partnership. Both the designated counsel and the legal opinion must be approved by the limited partners. Pioneer USA has retained _____ of Dallas, Texas for the purpose of rendering this legal opinion on behalf of the limited partners to Pioneer USA. The merger proposals include an approval of that counsel and the form of its opinion. A copy of the opinion is attached as an exhibit to the merger proposals.

INFORMATION ABOUT THE TERM OF THE PARTNERSHIP

The term of the partnership is until December 31, 2037, unless the partnership is earlier terminated in accordance with the applicable provisions of its partnership agreement.

-2-

799

PARKER & PARSLEY 87-A CONV., LTD.

(A Texas Limited Partnership)

FINANCIAL STATEMENTS

June 30, 2001 and December 31, 2000

(Unaudited)

800

PARKER & PARSLEY 87-A CONV., LTD.

(A Texas Limited Partnership)

BALANCE SHEETS

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	June 30, 2001	December 31, 2000
	----- (Unaudited)	-----
ASSETS		
Current assets:		
Cash	\$ 99,031	\$ 42,044
Accounts receivable - oil and gas sales	47,720	58,386
	-----	-----
Total current assets	146,751	100,430
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	2,608,971	2,703,338
Accumulated depletion	(2,278,301)	(2,357,166)
	-----	-----
Net oil and gas properties	330,670	346,172
	-----	-----
	\$ 477,421	\$ 446,602
	=====	=====
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable - affiliate	\$ 6,256	\$ 5,133
Partners' capital:		
Managing general partner	4,714	4,417
Limited partners (3,856 interests)	466,451	437,052
	-----	-----
	471,165	441,469
	-----	-----
	\$ 477,421	\$ 446,602
	=====	=====

The financial information included as of June 30, 2001 has been prepared by the managing general partner without audit by independent public accountants.

The accompanying notes are an integral part of these financial statements.

PARKER & PARSLEY 87-A CONV., LTD.
(A Texas Limited Partnership)

STATEMENTS OF OPERATIONS
(Unaudited)

Three months ended
June 30,

Six months ended
June 30,

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	2001	2000	2001	2000
Revenues:				
Oil and gas	\$ 83,576	\$ 94,529	\$ 187,285	\$ 181,312
Interest	729	952	1,458	1,645
Gain on disposition of assets	5,588	-	5,909	784
	89,893	95,481	194,652	183,741
Costs and expenses:				
Oil and gas production	36,798	35,010	74,815	70,536
General and administrative	2,508	2,836	5,619	5,439
Depletion	5,824	5,961	15,718	12,899
Abandoned property	3,134	-	3,134	-
	48,264	43,807	99,286	88,874
Net income	\$ 41,629	\$ 51,674	\$ 95,366	\$ 94,867
Allocation of net income:				
Managing general partner	\$ 417	\$ 517	\$ 954	\$ 949
Limited partners	\$ 41,212	\$ 51,157	\$ 94,412	\$ 93,918
Net income per limited partnership interest	\$ 10.68	\$ 13.27	\$ 24.48	\$ 24.36

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

The accompanying notes are an integral part of these financial statements.

3

802

PARKER & PARSLEY 87-A CONV., LTD.
(A Texas Limited Partnership)

STATEMENT OF PARTNERS' CAPITAL
(Unaudited)

	Managing general partner	Limited partners	Total
Balance at January 1, 2001	\$ 4,417	\$ 437,052	\$ 441,469
Distributions	(657)	(65,013)	(65,670)

803

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Net income	954	94,412	95,366
	-----	-----	-----
Balance at June 30, 2001	\$ 4,714	\$ 466,451	\$ 471,165
	=====	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

The accompanying notes are an integral part of these financial statements.

4

803

PARKER & PARSLEY 87-A CONV., LTD.
(A Texas Limited Partnership)

STATEMENTS OF CASH FLOWS
(Unaudited)

	Six months ended June 30,	
	2001	2000
	-----	-----
Cash flows from operating activities:		
Net income	\$ 95,366	\$ 94,867
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion	15,718	12,899
Gain on disposition of assets	(5,909)	(784)
Changes in assets and liabilities:		
Accounts receivable	10,666	(17,100)
Accounts payable	4,259	3,710
	-----	-----
Net cash provided by operating activities	120,100	93,592
	-----	-----
Cash flows from investing activities:		
Additions to oil and gas properties	(531)	(1,130)
Proceeds from asset dispositions	3,088	1,015
	-----	-----
Net cash provided by (used in) investing activities	2,557	(115)
	-----	-----
Cash flows used in financing activities:		
Cash distributions to partners	(65,670)	(104,242)
	-----	-----
Net increase (decrease) in cash	56,987	(10,765)
Cash at beginning of period	42,044	53,265
	-----	-----
Cash at end of period	\$ 99,031	\$ 42,500

804

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

The accompanying notes are an integral part of these financial statements.

5

804

PARKER & PARSLEY 87-A CONV., LTD.
(A Texas Limited Partnership)

NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Unaudited)

Note 1. Organization and nature of operations

Parker & Parsley 87-A Conv., Ltd. (the "Partnership") was organized in 1987 as a general partnership under the laws of the State of Texas and was converted to a Texas limited partnership in 1989.

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

Note 2. Basis of presentation

In the opinion of management, the unaudited financial statements of the Partnership as of June 30, 2001 and for the three and six months ended June 30, 2001 and 2000 include all adjustments and accruals consisting only of normal recurring accrual adjustments which are necessary for a fair presentation of the results for the interim period. These interim results are not necessarily indicative of results for a full year. Certain reclassifications may have been made to the June 30, 2000 financial statements to conform to the June 30, 2001 financial statement presentations.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in these interim financial statements. The financial statements should be read in conjunction with the financial statements and the notes thereto contained in the Partnership's report for the year ended December 31, 2000, a copy of which is available upon request by writing to Rich Dealy, Vice President and Chief Accounting Officer, 5205 North O'Connor Boulevard, Suite 1400, Irving, Texas 75039-3746.

Management's Discussion and Analysis of Financial Condition
and Results of Operations (1)

Results of Operations

Six months ended June 30, 2001 compared with six months ended June 30, 2000

Revenues:

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The Partnership's oil and gas revenues increased 3% to \$187,285 for the six months ended June 30, 2001 as compared to \$181,312 for the same period in 2000. The increase in revenues resulted from higher average prices received, offset by a decrease in production. For the six months ended June 30, 2001, 3,828 barrels

6

805

of oil, 2,015 barrels of natural gas liquids ("NGLs") and 10,345 mcf of gas were sold, or 7,567 barrel of oil equivalents ("BOEs"). For the six months ended June 30, 2000, 4,349 barrels of oil, 2,563 barrels of NGLs and 11,375 mcf of gas were sold, or 8,808 BOEs.

The average price received per barrel of oil increased slightly from \$27.41 for the six months ended June 30, 2000 to \$27.45 for the same period in 2001. The average price received per barrel of NGLs increased \$2.10, or 14%, from \$14.63 during the six months ended June 30, 2000 to \$16.73 for the same period in 2001. The average price received per mcf of gas increased 116% from \$2.17 during the six months ended June 30, 2000 to \$4.69 for the same period in 2001. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received during the six months ended June 30, 2001.

Gain on disposition of assets of \$5,909 was received during the six months ended June 30, 2001 of which \$5,123 was from disposal of equipment on two wells plugged and abandoned during the current period and \$786 was from equipment credits received on one fully depleted well. Expenses to plug and abandon these wells were \$3,134. For the six months ended June 30, 2000, a gain of \$784 was recognized due to equipment credits received on one fully depleted well.

Costs and Expenses:

Total costs and expenses increased to \$99,286 for the six months ended June 30, 2001 as compared to \$88,874 for the same period in 2000, an increase of \$10,412, or 12%. This increase was due to increases in production costs, abandoned property costs, depletion and general and administrative expenses ("G&A").

Production costs were \$74,815 for the six months ended June 30, 2001 and \$70,536 for the same period in 2000, resulting in a \$4,279 increase, or 6%. The increase was due to additional well maintenance and workover costs incurred to stimulate well production and higher production taxes due to higher oil and gas prices.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 3% from \$5,439 for the six months ended June 30, 2000 to \$5,619 for the same period in 2001, primarily due to an increase in audit and tax fees.

Depletion was \$15,718 for the six months ended June 30, 2001 as compared to \$12,899 for the same period in 2000, an increase of \$2,819 or 22%. This increase was due to a decrease in proved reserves during the period ended June 30, 2001 due to lower commodity prices, offset by a decrease in oil production of 521 barrels for the six months ended June 30, 2001 as compared to the same period in 2000.

7

806

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Three months ended June 30, 2001 compared with three months ended June 30, 2000

Revenues:

The Partnership's oil and gas revenues decreased 12% to \$83,576 for the three months ended June 30, 2001 as compared to \$94,529 for the same period in 2000. The decrease in revenues resulted from a decrease in production and a lower average price received for oil, offset by higher average prices received for gas and NGLs. For the three months ended June 30, 2001, 1,918 barrels of oil, 993 barrels of NGLs and 4,627 mcf of gas were sold, or 3,682 BOEs. For the three months ended June 30, 2000, 2,163 barrels of oil, 1,381 barrels of NGLs and 5,950 mcf of gas were sold, or 4,536 BOEs.

The average price received per barrel of oil decreased \$.58, or 2%, from \$27.64 for the three months ended June 30, 2000 to \$27.06 for the three months ended June 30, 2001. The average price received per barrel of NGLs increased \$.57, or 4%, from \$14.21 during the three months ended June 30, 2000 to \$14.78 for the same period in 2001. The average price received per mcf of gas increased 44% to \$3.67 during the three months ended June 30, 2001 from \$2.55 during the same period in 2000.

Gain on disposition of assets of \$5,588 was received during the three months ended June 30, 2001 of which \$5,123 was from disposal of equipment on two wells plugged and abandoned during the current period and \$465 was from equipment credits received on one fully depleted well. Expenses to plug and abandon these wells were \$3,134.

Costs and Expenses:

Total costs and expenses increased to \$48,264 for the three months ended June 30, 2001 as compared to \$43,807 for the same period in 2000, an increase of \$4,457, or 10%. This increase was due to higher production costs and abandoned property costs, offset by declines in G&A and depletion.

Production costs were \$36,798 for the three months ended June 30, 2001 and \$35,010 for the same period in 2000, resulting in a \$1,788 increase, or 5%. The increase was primarily due to additional well maintenance costs incurred to stimulate well production.

During this period, G&A decreased 12%, from \$2,836 for the three months ended June 30, 2000 to \$2,508 for the same period in 2001, due to a decrease in audit and tax fees.

Depletion was \$5,824 for the three months ended June 30, 2001 as compared to \$5,961 for the same period in 2000, a decrease of \$137, or 2%. This decrease was attributable to a decrease in oil production of 245 barrels for the three months ended June 30, 2001 as compared to the same period in 2000.

Liquidity and Capital Resources

Net Cash Provided by Operating Activities

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Net cash provided by operating activities increased \$26,508 during the six months ended June 30, 2001 from the same period ended June 30, 2000. This increase was due to an increase in oil and gas sales receipts of \$5,786 and a reduction in working capital of \$28,315, offset by increases in production costs of \$4,279, abandoned property costs of \$3,134 and G&A expenses of \$180. The increase in oil and gas receipts resulted from the increase in commodity prices during 2001 which contributed an additional \$34,082 to oil and gas receipts, offset by \$28,296 resulting from the decline in production during 2001 as compared to the same period in 2000. The increase in production costs was primarily due to additional well maintenance costs incurred to stimulate well production and higher production taxes associated with increased oil and gas prices. The increase in G&A was due to an increase in audit and tax fees.

Net Cash Provided by (Used in) Investing Activities

The Partnership's investing activities for the six months ended June 30, 2001 and 2000 included expenditures related to equipment upgrades on various oil and gas properties.

Proceeds from asset dispositions of \$3,088 and \$1,015 received during the six months ended June 30, 2001 and 2000, respectively, were comprised of \$786 and \$784, respectively, received from the salvage of equipment on one fully depleted well and \$316 and \$231, respectively, from equipment salvage on active properties. A gain of \$1,986 was recognized during the six months ended June 30, 2001 due to salvage income received on two wells plugged and abandoned.

Net Cash Used in Financing Activities

For the six months ended June 30, 2001, cash distributions to the partners were \$65,670, of which \$657 was distributed to the managing general partner and \$65,013 to the limited partners. For the same period ended June 30, 2000, cash distributions to the partners were \$104,242, of which \$1,042 was distributed to the managing general partner and \$103,200 to the limited partners.

For the three months ended June 30, 2001, no distributions were made by the partnership to its partners. Subsequent to June 30, 2001 the cash distribution that otherwise would have been mailed to partners in late June was made to holders of record as of July 9, 2001 and was mailed on July 13, 2001. For further information, see "Proposal to acquire partnerships" below.

Proposal to acquire partnerships

On June 29, 2001, Pioneer Natural Resources Company ("Pioneer") filed with the Securities and Exchange Commission Amendment No. 1 to the Form S-4 Registration Statement (File No. 333- 59094) (the "preliminary proxy statement/prospectus"), which proposes an agreement and plan of merger among Pioneer, Pioneer Natural Resources USA, Inc. ("Pioneer USA"), a wholly-owned subsidiary of Pioneer, and 46 Parker & Parsley limited partnerships. Each partnership that approves the agreement and plan of merger and the other related merger proposals will merge

with and into Pioneer USA upon the closing of the transactions described in the preliminary proxy statement/prospectus, and the partnership interests of each such partnership will be converted into the right to receive Pioneer common stock. The Partnership is one of the 46 Parker & Parsley limited partnerships that will be asked to approve the agreement and plan of merger. The preliminary

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

proxy statement/prospectus is non-binding and is subject to, among other things, consideration of offers from third parties to purchase any partnership or its assets and the majority approval of the limited partnership interests in each partnership.

Pioneer USA will solicit proxies from limited partners to approve the mergers only when the proxy statement/prospectus is final and declared effective. No solicitation will be made using preliminary materials. Nonetheless, copies of the preliminary proxy statement/prospectus may be obtained without charge upon request from Pioneer Natural Resources Company, 5205 North O'Connor Blvd., Suite 1400, Irving, Texas 75039, Attention: Investor Relations.

The limited partners are urged to read the proxy statement/prospectus of Pioneer filed with the Securities and Exchange Commission, when it is finalized, because it contains important information about the proposed mergers, including information about the direct and indirect interests of Pioneer USA and Pioneer in the mergers. The limited partners may also obtain the preliminary and (when filed) final proxy statement/prospectus and other relevant documents relating to the proposed mergers free through the internet web site that the Securities and Exchange Commission maintains at www.sec.gov.

- (1) "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" contains forward looking statements that involve risks and uncertainties. Accordingly, no assurances can be given that the actual events and results will not be materially different than the anticipated results described in the forward looking statements.

10

809

PARKER & PARSLEY 87-A CONV., LTD.
(A Texas Limited Partnership)

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT

December 31, 2000 and 1999

810

INDEPENDENT AUDITORS' REPORT

The Partners
Parker & Parsley 87-A Conv., Ltd.
(A Texas Limited Partnership):

We have audited the balance sheets of Parker & Parsley 87-A Conv., Ltd. as of December 31, 2000 and 1999, and the related statements of operations, partners' capital and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parker & Parsley 87-A Conv., Ltd. as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Dallas, Texas
March 9, 2001

2

811

PARKER & PARSLEY 87-A CONV., LTD.
(A Texas Limited Partnership)

BALANCE SHEETS
December 31

	2000	1999
ASSETS	-----	-----
Current assets:		
Cash	\$ 42,044	\$ 53,265
Accounts receivable - oil and gas sales	58,386	34,510
	-----	-----
Total current assets	100,430	87,775
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	2,703,338	2,701,261
Accumulated depletion	(2,357,166)	(2,326,550)
	-----	-----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Net oil and gas properties	346,172	374,711
	-----	-----
	\$ 446,602	\$ 462,486
	=====	=====
 LIABILITIES AND PARTNERS' CAPITAL		

Current liabilities:		
Accounts payable - affiliate	\$ 5,133	\$ 6,175
Partners' capital:		
Managing general partner	4,417	4,565
Limited partners (3,856 interests)	437,052	451,746
	-----	-----
	441,469	456,311
	-----	-----
	\$ 446,602	\$ 462,486
	=====	=====

The accompanying notes are an integral part of these financial statements.

PARKER & PARSLEY 87-A CONV., LTD.
(A Texas Limited Partnership)

STATEMENTS OF OPERATIONS
For the years ended December 31

	2000	1999	1998
	-----	-----	-----
Revenues:			
Oil and gas	\$ 380,908	\$ 234,259	\$ 194,541
Interest	3,744	2,131	2,599

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Gain on disposition of assets	857	1,184	102
	-----	-----	-----
	385,509	237,574	197,242
	-----	-----	-----
Costs and expenses:			
Oil and gas production	150,075	126,927	143,008
General and administrative	11,235	6,978	5,727
Impairment of oil and gas properties	5,726	--	63,814
Depletion	24,890	35,270	83,255
	-----	-----	-----
	191,926	169,175	295,804
	-----	-----	-----
Net income (loss)	\$ 193,583	\$ 68,399	\$ (98,562)
	=====	=====	=====
Allocation of net income (loss):			
Managing general partner	\$ 1,936	\$ 684	\$ (986)
	=====	=====	=====
Limited partners	\$ 191,647	\$ 67,715	\$ (97,576)
	=====	=====	=====
Net income (loss) per limited partnership interest	\$ 49.70	\$ 17.56	\$ (25.30)
	=====	=====	=====

The accompanying notes are an integral part of these financial statements.

PARKER & PARSLEY 87-A CONV., LTD.
(A Texas Limited Partnership)

STATEMENTS OF PARTNERS' CAPITAL

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	Managing general partner -----	Limited partners -----	Total -----
Partners' capital at January 1, 1998	\$ 6,329	\$ 626,350	\$ 632,679
Distributions	(761)	(75,346)	(76,107)
Net loss	(986)	(97,576)	(98,562)
	-----	-----	-----
Partners' capital at December 31, 1998	4,582	453,428	458,010
Distributions	(701)	(69,397)	(70,098)
Net income	684	67,715	68,399
	-----	-----	-----
Partners' capital at December 31, 1999	4,565	451,746	456,311
Distributions	(2,084)	(206,341)	(208,425)
Net income	1,936	191,647	193,583
	-----	-----	-----
Partners' capital at December 31, 2000	\$ 4,417 =====	\$ 437,052 =====	\$ 441,469 =====

The accompanying notes are an integral part of these financial statements.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

STATEMENTS OF CASH FLOWS
For the years ended December 31

	2000 -----	1999 -----	1998 -----
Cash flows from operating activities:			
Net income (loss)	\$ 193,583	\$ 68,399	\$ (98,562)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Impairment of oil and gas properties	5,726	--	63,814
Depletion	24,890	35,270	83,255
Gain on disposition of assets	(857)	(1,184)	(102)
Changes in assets and liabilities:			
Accounts receivable	(23,876)	(12,786)	17,191
Accounts payable	(1,042)	1,263	(2,930)
	-----	-----	-----
Net cash provided by operating activities	198,424	90,962	62,666
	-----	-----	-----
Cash flows from investing activities:			
Additions to oil and gas properties	(2,560)	(5,634)	(2,338)
Proceeds from disposition of assets	1,340	1,238	2,095
	-----	-----	-----
Net cash used in investing activities	(1,220)	(4,396)	(243)
	-----	-----	-----
Cash flows used in financing activities:			
Cash distributions to partners	(208,425)	(70,098)	(76,107)
	-----	-----	-----
Net increase (decrease) in cash	(11,221)	16,468	(13,684)
Cash at beginning of year	53,265	36,797	50,481
	-----	-----	-----
Cash at end of year	\$ 42,044	\$ 53,265	\$ 36,797
	=====	=====	=====

The accompanying notes are an integral part of these financial statements.

PARKER & PARSLEY 87-A CONV., LTD.
(A Texas Limited Partnership)

NOTES TO FINANCIAL STATEMENTS
December 31, 2000, 1999 and 1998

NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS

Parker & Parsley 87-A Conv., Ltd. (the "Partnership") was organized in 1987 as a general partnership under the laws of the State of Texas and was converted to a Texas limited partnership in 1989. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA").

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Oil and gas properties - The Partnership utilizes the successful efforts method of accounting for its oil and gas properties and equipment. Under this method, all costs associated with productive wells and nonproductive development wells are capitalized while nonproductive exploration costs are expensed. Capitalized costs relating to proved properties are depleted using the unit-of-production method on a property-by-property basis based on proved oil (dominant mineral) reserves as evaluated by independent petroleum consultants. The carrying amounts of properties sold or otherwise disposed of and the related allowances for depletion are eliminated from the accounts and any gain or loss is included in results of operations.

Impairment of long-lived assets - In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the Partnership reviews its long-lived assets to be held and used on an individual property basis, including oil and gas properties accounted for under the successful efforts method of accounting, whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. An impairment loss is indicated if the sum of the expected future cash flows is less than the carrying amount of the assets. In this circumstance, the Partnership recognizes an impairment loss for the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset.

Use of estimates in the preparation of financial statements - Preparation of the accompanying financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Net income (loss) per limited partnership interest - The net income (loss) per limited partnership interest is calculated by using the number of outstanding limited partnership interests.

Income taxes - A Federal income tax provision has not been included in the financial statements as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

Statements of cash flows - For purposes of reporting cash flows, cash includes depository accounts held by banks.

General and administrative expenses - General and administrative expenses are allocated in part to the Partnership by the managing general partner. Allocated expenses are determined by the managing general partner based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Reclassifications - Certain reclassifications may have been made to the 1999 and 1998 financial statements to conform to the 2000 financial statement presentations.

Environmental - The Partnership is subject to extensive federal, state and local environmental laws and regulations. These laws, which are constantly changing, regulate the discharge of materials into the environment and may require the Partnership to remove or mitigate the environmental effects of the disposal or release of petroleum or chemical substances at various sites. Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Liabilities for expenditures of a noncapital nature are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated. Such liabilities are generally undiscounted unless the timing of cash payments for the liability or component are fixed or reliably determinable. No such liabilities have been accrued as of December 31, 2000.

Revenue recognition - The Partnership uses the entitlements method of accounting for oil, natural gas liquids ("NGLs") and natural gas revenues.

NOTE 3. IMPAIRMENT OF LONG-LIVED ASSETS

In accordance with SFAS 121, the Partnership reviews its proved oil and gas properties for impairment whenever events and circumstances indicate a decline in the recoverability of the carrying value of the Partnership's oil and gas properties. The Partnership has estimated the expected future cash flows of its oil and gas properties as of December 31, 2000, 1999 and 1998, based on proved reserves, and compared such estimated future cash flows to the respective carrying amount of the oil and gas properties to determine if the carrying amounts were likely to be recoverable. For those proved oil and gas properties for which the carrying amount exceeded the estimated future cash flows, an impairment was determined to exist; therefore, the Partnership adjusted the carrying amount of those oil and gas properties to their fair value as determined by discounting their expected future

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

817

cash flows at a discount rate commensurate with the risks involved in the industry. As a result, the Partnership recognized non-cash impairment provisions of \$5,726 and \$63,814 related to its proved oil and gas properties during 2000 and 1998, respectively.

NOTE 4. INCOME TAXES

The financial statement basis of the Partnership's net assets and liabilities was \$34,055 less than the tax basis at December 31, 2000.

The following is a reconciliation of net income (loss) per statements of operations with the net income per Federal income tax returns for the years ended December 31:

	2000 -----	1999 -----	1998 -----
Net income (loss) per statements of operations	\$ 193,583	\$ 68,399	\$ (98,562)
Depletion and depreciation provisions for tax reporting purposes less than amounts for financial reporting purposes	21,481	31,994	77,835
Impairment of oil and gas properties for financial reporting purposes	5,726	--	63,814
Salvage income	--	--	1,795
Other, net	(320)	(923)	1,074
	-----	-----	-----
Net income per Federal income tax returns	\$ 220,470 =====	\$ 99,470 =====	\$ 45,956 =====

NOTE 5. OIL AND GAS PRODUCING ACTIVITIES

The following is a summary of the costs incurred, whether capitalized or expensed, related to the Partnership's oil and gas producing activities for the years ended December 31:

	2000 -----	1999 -----	1998 -----
Development costs	\$ 2,560 =====	\$ 5,634 =====	\$ 2,338 =====

Capitalized oil and gas properties consist of the following:

	2000 -----	1999 -----
Proved properties:		
Property acquisition costs	\$ 126,683	\$ 126,683
Completed wells and equipment	2,576,655 -----	2,574,578 -----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	2,703,338	2,701,261
Accumulated depletion	(2,357,166)	(2,326,550)
	-----	-----
Net oil and gas properties	\$ 346,172	\$ 374,711
	=====	=====

9

818

NOTE 6. RELATED PARTY TRANSACTIONS

Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31:

	2000	1999	1998
	-----	-----	-----
Payment of lease operating and supervision charges in accordance with standard industry operating agreements	\$ 57,269	\$ 58,965	\$ 59,200
Reimbursement of general and administrative expenses	\$ 9,809	\$ 4,592	\$ 4,507

The Partnership participates in oil and gas activities through an income tax partnership (the "Program") pursuant to the Program agreement. Pioneer USA, Parker & Parsley 87-A, Ltd. and the Partnership (the "Partnerships") are parties to the Program agreement.

The costs and revenues of the Program are allocated to Pioneer USA and the Partnerships as follows:

	Pioneer USA (1)	Partnerships (2)
	-----	-----
Revenues:		
Proceeds from disposition of depreciable properties	9.09091%	90.90909%
All other revenues	24.242425%	75.757575%
Costs and expenses:		
Lease acquisition costs, drilling and completion costs and all other costs	9.09091%	90.90909%
Operating costs, direct costs and general and administrative expenses	24.242425%	75.757575%

(1) Excludes Pioneer USA's 1% general partner ownership which is allocated at the Partnership level and 35 limited partner interests owned by

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Pioneer USA.

- (2) The allocation between the Partnership and Parker & Parsley 87-A, Ltd. is 11.80396% and 88.19604%, respectively.

NOTE 7. OIL AND GAS INFORMATION (UNAUDITED)

The following table presents information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities during the years then ended. All of the Partnership's reserves are proved developed and located within the United States. The Partnership's reserves are based on an evaluation prepared by Williamson Petroleum Consultants, Inc., an independent petroleum consultant, using criteria established by the Securities and Exchange Commission.

10

819

	Oil and NGLs (bbls)	Gas (mcf)
	-----	-----
Net proved reserves at January 1, 1998	173,242	260,824
Revisions	(70,303)	(79,797)
Production	(14,371)	(24,025)
	-----	-----
Net proved reserves at December 31, 1998	88,568	157,002
Revisions	121,459	218,318
Production	(13,578)	(24,503)
	-----	-----
Net proved reserves at December 31, 1999	196,449	350,817
Revisions	(1,562)	(40,268)
Production	(13,096)	(20,355)
	-----	-----
Net proved reserves at December 31, 2000	181,791	290,194
	=====	=====

As of December 31, 2000, the estimated present value of future net revenues of proved reserves, calculated using December 31, 2000 prices of \$26.64 per barrel of oil, \$13.38 per barrel of NGLs and \$7.67 per mcf of gas, discounted at 10% was approximately \$1,465,000 and undiscounted was \$2,903,000.

Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves. The Partnership emphasizes that reserve estimates are inherently imprecise and, accordingly, the estimates are expected to change as future information becomes available.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Disclosures about Oil & Gas Producing Activities

Standardized Measure of Discounted Future Net Cash Flows

The standardized measure of discounted future net cash flows is computed by applying year-end prices of oil and gas (with consideration of price changes only to the extent provided by contractual arrangements) to the estimated future production of proved oil and gas reserves less estimated future expenditures (based on year-end costs) to be incurred in developing and producing the proved reserves, discounted using a rate of 10% per year to reflect the estimated timing of the future cash flows. A Federal income tax provision has not been calculated as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

Discounted future cash flow estimates like those shown below are not intended to represent estimates of the fair value of oil and gas properties. Estimates of fair value should also consider anticipated future oil and gas prices, interest rates, changes in development and production costs and risks associated with future production. Because of these and other considerations, any estimate of fair value is necessarily subjective and imprecise.

11

820

	For the years ended December 31,		
	2000	1999	1998
	(in thousands)		
Oil and gas producing activities:			
Future cash inflows	\$ 6,182	\$ 4,834	\$ 964
Future production costs	(3,279)	(2,837)	(754)
	2,903	1,997	210
10% annual discount factor	(1,438)	(931)	(61)
	\$ 1,465	\$ 1,066	\$ 149
Standardized measure of discounted future net cash flows	\$ 1,465	\$ 1,066	\$ 149

	For the years ended December 31,		
	2000	1999	1998
	(in thousands)		
Oil and Gas Producing Activities:			
Oil and gas sales, net of production costs	\$ (231)	\$ (107)	\$ (52)
Net changes in prices and production costs	663	480	(462)

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Revisions of previous quantity estimates	(56)	878	(87)
Accretion of discount	106	15	71
Changes in production rates, timing and other	(83)	(349)	(26)
	-----	-----	-----
Change in present value of future net revenues	399	917	(556)
	-----	-----	-----
Balance, beginning of year	1,066	149	705
	-----	-----	-----
Balance, end of year	\$ 1,465	\$ 1,066	\$ 149
	=====	=====	=====

NOTE 8. MAJOR CUSTOMERS

The following table reflects the major customers of the Partnership's oil and gas sales (a major customer is defined as a customer whose sales exceed 10% of total sales) during the years ended December 31:

	2000	1999	1998
	----	----	----
Plains Marketing, L.P.	43%	40%	--
Phillips Petroleum Company	10%	--	--
Genesis Crude Oil, L.P.	--	--	54%
Western Gas Resources, Inc.	4%	7%	29%
NGTS LLC	8%	--	--

At December 31, 2000, the amounts receivable from Plains Marketing, L.P. and Phillips Petroleum Company were \$16,353 and \$3,196, respectively, which are included in the caption "Accounts receivable - oil and gas sales" in the accompanying Balance Sheet.

Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on the ability of the Partnership to sell its oil, NGLs and gas production.

NOTE 9. PARTNERSHIP AGREEMENT

The following is a brief summary of the more significant provisions of the limited partnership agreement:

Managing general partner - The managing general partner of the Partnership is Pioneer USA. Pioneer USA has the power and authority to manage, control and administer all Program and Partnership affairs. As managing general partner and operator of the Partnership's properties, all production expenses are incurred by Pioneer USA and billed to the Partnership. The majority of the Partnership's oil and gas revenues are

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

received directly by the Partnership, however, a portion of the oil and gas revenue is initially received by Pioneer USA prior to being paid to the Partnership. Under the limited partnership agreement, the managing general partner pays 1% of the Partnership's acquisition, drilling and completion costs and 1% of its operating and general and administrative expenses. In return, it is allocated 1% of the Partnership's revenues.

Limited partner liability - The maximum amount of liability of any limited partner is the total contributions of such partner plus his share of any undistributed profits.

Initial capital contributions - The partners entered into subscription agreements for aggregate capital contributions of \$3,856,000. Pioneer USA is required to contribute amounts equal to 1% of initial Partnership capital less commission and organization and offering costs allocated to the limited partners and to contribute amounts necessary to pay costs and expenses allocated to it under the Partnership agreement to the extent its share of revenues does not cover such costs.

13

822

PARKER & PARSLEY 87-A CONV., LTD.
(A TEXAS LIMITED PARTNERSHIP)

THIS REPORT CONTAINS FORWARD LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. ACCORDINGLY, NO ASSURANCES CAN BE GIVEN THAT THE ACTUAL EVENTS AND RESULTS WILL NOT BE MATERIALLY DIFFERENT THAN THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of operations

2000 compared to 1999

The Partnership's oil and gas revenues increased 63% to \$380,908 for 2000 as compared to \$234,259 in 1999. The increase in revenues resulted from higher average prices received, offset by a decrease in production. In 2000, 8,407 barrels of oil, 4,689 barrels of natural gas liquids ("NGLs") and 20,355 mcf of gas were sold, or 16,489 barrel of oil equivalents ("BOEs"). In 1999, 8,263 barrels of oil, 5,315 barrels of NGLs and 24,503 mcf of gas were sold, or 17,662 BOEs. Due to the decline characteristics of the Partnership's oil and gas properties, management expects a certain amount of decline in production in the future until the Partnership's economically recoverable reserves are fully depleted.

The average price received per barrel of oil increased \$12.40, or 73%, from \$17.06 in 1999 to \$29.46 in 2000. The average price received per barrel of NGLs increased \$6.20, or 63%, from \$9.81 in 1999 to \$16.01 in 2000. The average price received per mcf of gas increased 70% from \$1.68 in 1999 to \$2.86 in 2000. The market price for oil and gas has been extremely volatile in the past decade, and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received in 2000.

Total costs and expenses increased in 2000 to \$191,926 as compared to \$169,175 in 1999, an increase of \$22,751, or 13%. The increase was primarily due to

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

increases in production costs, impairment of oil and gas properties and general and administrative expenses ("G&A"), offset by a decline in depletion.

Gains on disposition of assets of \$857 and \$1,184 were due to equipment credits received on one well during 2000 and 1999, respectively.

Production costs were \$150,075 in 2000 and \$126,927 in 1999, resulting in a \$23,148 increase, or 18%. The increase was primarily due to higher production taxes associated with higher oil and gas prices and additional workover and well maintenance costs incurred to stimulate well production.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 61% from \$6,978 in 1999 to \$11,235 in 2000, primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$9,809 in 2000 and \$4,592 in 1999 for G&A incurred on behalf of the Partnership. The remaining G&A was paid directly by the Partnership. The managing general partner determines the allocated expenses based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the managing general partner reviews the Partnership's oil and gas properties for impairment whenever events or circumstances indicate a decline in the recoverability of the carrying value of the Partnership's assets may have occurred. As a result of the review and evaluation of its long-lived assets for impairment, the Partnership recognized a non-cash charge of \$5,726 related to its oil and gas properties during 2000.

823

Depletion was \$24,890 in 2000 as compared to \$35,270 in 1999, representing a decrease of \$10,380, or 29%. This decrease was primarily due to an 8,116 barrels of oil increase in proved reserves during 2000 as a result of higher commodity prices.

1999 compared to 1998

The Partnership's 1999 oil and gas revenues increased 20% to \$234,259 from \$194,541 in 1998. The increase in revenues resulted from higher average prices received, offset by a decrease in production. In 1999, 8,263 barrels of oil, 5,315 barrels of NGLs and 24,503 mcf of gas were sold, or 17,662 BOEs. In 1998, 9,354 barrels of oil, 5,017 barrels of NGLs and 24,025 mcf of gas were sold, or 18,375 BOEs.

The average price received per barrel of oil increased \$3.84, or 29%, from \$13.22 in 1998 to \$17.06 in 1999. The average price received per barrel of NGLs increased \$3.05, or 45%, from \$6.76 in 1998 to \$9.81 in 1999. The average price received per mcf of gas increased 9% from \$1.54 in 1998 to \$1.68 in 1999.

Total costs and expenses decreased in 1999 to \$169,175 as compared to \$295,804 in 1998, a decrease of \$126,629, or 43%. The decrease was primarily due to declines in the impairment of oil and gas properties, depletion and production costs, offset by an increase in G&A.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Production costs were \$126,927 in 1999 and \$143,008 in 1998, resulting in a \$16,081 decrease, or 11%. The decrease was due to declines in well maintenance costs, workover expenses and ad valorem taxes, offset by an increase in production taxes due to increased oil and gas revenues.

During this period, G&A increased 22% from \$5,727 in 1998 to \$6,978 in 1999 primarily due to a higher allocation of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$4,592 in 1999 and \$4,507 in 1998 for G&A incurred on behalf of the Partnership.

The Partnership recognized a non-cash SFAS 121 charge of \$63,814 related to its oil and gas properties during 1998.

Depletion was \$35,270 in 1999 compared to \$83,255 in 1998, representing a decrease of \$47,985, or 58%. This decrease was primarily due to an increase in proved reserves of 71,246 barrels of oil during 1999 as a result of higher commodity prices, a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 1998 and a decline in oil production of 1,091 barrels for the period ended December 31, 1999 compared to the same period in 1998.

Petroleum industry

The petroleum industry has been characterized by volatile oil, NGL and natural gas commodity prices and relatively stable supplier costs during the three years ended December 31, 2000. During 1998, weather patterns, regional economic recessions and political matters combined to cause worldwide oil supplies to exceed demand resulting in a substantial decline in oil prices. Also during 1998, but to a lesser extent, market prices for natural gas declined. During 1999 and 2000, the Organization of Petroleum Exporting Countries ("OPEC") and certain other crude oil exporting nations announced reductions in their planned export volumes. Those announcements, together with the enactment of the announced reductions in export volumes, had a positive impact on world oil prices, as have overall natural gas supply and demand fundamentals on North American natural gas prices. Although the favorable commodity price environment and stable field service cost environment is expected to continue during 2001, there is no assurance that commodity prices will not return to a less favorable level or that field service costs will not escalate in the future, both of which could negatively impact the Partnership's future results of operations and cash distributions.

824

Liquidity and capital resources

Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$107,462 during the year ended December 31, 2000 from 1999. This increase was due to an increase in oil and gas sales receipts of \$148,262, offset by increases in production costs paid of \$23,148, G&A expenses paid of \$4,257 and working capital of \$13,395. The increase in oil and gas receipts resulted from the increase in commodity prices during 2000 which contributed an additional \$165,908 to oil and gas receipts, offset by \$17,646 resulting from the decline in production during 2000. The increase in production costs was primarily due to increased production taxes associated with higher oil and gas prices and workover and well maintenance

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

costs incurred to stimulate well production. The increase in G&A was primarily due to higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues.

Net Cash Used in Investing Activities

The Partnership's investing activities during 2000 and 1999 were related to upgrades of equipment on active properties.

Proceeds from asset dispositions of \$1,340 and \$1,238 received during 2000 and 1999, respectively, were primarily due to equipment credits received on active properties.

Net Cash Used in Financing Activities

In 2000, cash distributions to the partners were \$208,425, of which \$2,084 was distributed to the managing general partner and \$206,341 to the limited partners. In 1999, cash distributions to the partners were \$70,098, of which \$701 was distributed to the managing general partner and \$69,397 to the limited partners.

825

PARKER & PARSLEY 87-A CONV., LTD.

SELECTED FINANCIAL DATA

The following selected financial data for the Partnership should be read in connection with Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements included in the attached supplemental information.

	Six months ended June 30,		Years ended December		
	2001	2000	2000	1999	1998
Operating results:					
Oil and gas sales	\$ 187,285	\$ 181,312	\$ 380,908	\$ 234,259	\$ 194,541
Impairment of oil and gas properties	\$ --	\$ --	\$ 5,726	\$ --	\$ 63,814
Gain on litigation settlement, net	\$ --	\$ --	\$ --	\$ --	\$ --
Net income (loss)	\$ 95,366	\$ 94,867	\$ 193,583	\$ 68,399	\$ (98,562)

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Allocation of net income (loss):					
Managing general partner	\$ 954	\$ 949	\$ 1,936	\$ 684	\$ (986)
	=====	=====	=====	=====	=====
Limited partners	\$ 94,412	\$ 93,918	\$ 191,647	\$ 67,715	\$ (97,576)
	=====	=====	=====	=====	=====
Limited partners' net income (loss) per limited partnership interest	\$ 24.48	\$ 24.36	\$ 49.70	\$ 17.56	\$ (25.30)
	=====	=====	=====	=====	=====
Limited partners' cash distributions per limited partnership interest	\$ 16.86	\$ 26.76	\$ 53.51	\$ 18.00	\$ 19.54
	=====	=====	=====	=====	=====
As of period ended:					
Total assets	\$ 477,421	\$ 456,821	\$ 446,602	\$ 462,486	\$ 462,922
	=====	=====	=====	=====	=====

(a) Including litigation settlement per limited partnership interest of \$29.44 in 1996.

826

PIONEER NATURAL RESOURCES COMPANY
PIONEER NATURAL RESOURCES USA, INC.
5205 NORTH O'CONNOR BLVD., SUITE 1400
IRVING, TEXAS 75039

SUPPLEMENTAL INFORMATION

OF

PARKER & PARSLEY 87-A, LTD., A TEXAS LIMITED PARTNERSHIP

TO

PROXY STATEMENT/PROSPECTUS DATED _____, 2001

THE DATE OF THIS SUPPLEMENT IS _____, 2001

This document contains important information specific to Parker & Parsley 87-A, Ltd. and supplements the proxy statement/prospectus dated _____, 2001, of Pioneer Natural Resources Company and Pioneer Natural Resources USA, Inc., by which Pioneer USA is soliciting proxies to be voted at a special meeting of limited partners of the partnership. The purpose of the special meeting is for you to vote upon the merger of the partnership with and into Pioneer USA that, if completed, will result in your receiving common stock of Pioneer Natural Resources Company for your partnership interests.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

This document contains the following information concerning Parker & Parsley 87-A, Ltd.:

- o A table containing:
 - the aggregate initial investment by the limited partners
 - the aggregate historical limited partner distributions through July 31, 2001
 - the merger value attributable to partnership interests of limited partners, excluding Pioneer USA
 - the merger value per \$1,000 limited partner investment
 - the merger value per \$1,000 limited partner investment as a multiple of distributions for the past four quarterly distributions including the distribution in July 2001
 - the book value per \$1,000 limited partner investment as of June 30, 2001 and as of December 31, 2000
 - the going concern value per \$1,000 limited partner investment
 - the liquidation value per \$1,000 limited partner investment
 - the ordinary tax loss per \$1,000 limited partner investment in year of initial investment
- o Information about:
 - the legal opinion for the limited partners
 - the term of the partnership
- o The partnership's quarterly report on Form 10-Q, including management's discussion and analysis of financial condition and results of operations, for the six months ended June 30, 2001
- o The partnership's annual report on Form 10-K, including management's discussion and analysis of financial condition and results of operations, for the year ended December 31, 2000
- o Selected historical financial data for the partnership for the six months ended June 30, 2001 and 2000 and the five years ended December 31, 2000

-1-

827

PARKER & PARSLEY 87-A, LTD.

SUPPLEMENTAL INFORMATION TABLE

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Aggregate Initial Investment by the Limited Partners(a)	\$
Aggregate Historical Limited Partner Distributions through July 31, 2001(a)	\$
Merger Value Attributable to Partnership Interests of Limited Partners, Excluding Pioneer USA(a), (b)	\$
Merger Value per \$1,000 Limited Partner Investment(b), (c)	\$
Merger Value per \$1,000 Limited Partner Investment as a Multiple of Distributions for the past four quarterly distributions including the distribution in July 2001(b), (c)	
Book Value per \$1,000 Limited Partner Investment:	
-- as of June 30, 2001(c)	\$
-- as of December 31, 2000(c)	\$
Going Concern Value per \$1,000 Limited Partner Investment(c), (d)	\$
Liquidation Value per \$1,000 Limited Partner Investment(c), (e)	\$
Ordinary Tax Loss per \$1,000 Limited Partner Investment in Year of Initial Investment(c), (f)	\$

- (a) Stated in thousands.
- (b) The merger value for the partnership is equal to the sum of the present value of estimated future net revenues from the partnership's estimated oil and gas reserves and its net working capital, in each case as of March 31, 2001, less its pro rata share, based on its reserve value, of the estimated expenses and fees of the mergers of all of the partnerships and less the cash distribution on July 13, 2001, by the partnership to its partners.
- (c) Interests in some partnerships were sold in units at prices other than \$1,000. We have presented this information based on a \$1,000 initial investment for ease of use and comparison among partnerships. You should not assume that the amount shown per \$1,000 investment is the same as the value or amount attributable to a single unit investment.
- (d) The going concern value for the partnership is based upon: (1) the sum of (A) the estimated net cash flow from the sale of the partnership's reserves during a 10-year operating period and (B) the estimated residual value from the sale of the partnership's remaining reserves at the end of the operating period, in each case using the same pricing and discount rate as in the merger value calculation, less (2) (A) partnership level general and administrative expenses, and (B) the cash distribution on July 13, 2001 by the partnership to its partners.
- (e) The liquidation value for the partnership is based upon the sale of the partnership's reserves at the reserve value, less (1) liquidation expenses which are estimated to be the sum of (A) the partnership's pro rata share of the merger expenses and fees described in footnote (b) above and (B) 3%

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

of the partnership's reserve value, and (2) the cash distribution on July 13, 2001 by the partnership to its partners. The liquidation expenses represent estimated costs to retain an investment banker or broker to sell the assets of the partnership and the legal and other closing costs associated with such transaction, including the wind-down costs of the partnership.

- (f) Your ability to use your distributive share of the partnership's loss to offset your other income may have been subject to certain limitations at your level as a partner, and you may therefore wish to consult your tax advisor to determine the additional value, if any, actually realized by you in your particular circumstances.

INFORMATION ABOUT THE LEGAL OPINION FOR THE LIMITED PARTNERS

The partnership agreement for the partnership requires that special legal counsel render an opinion on behalf of the limited partners to Pioneer USA that (1) neither the grant nor the exercise of the right to approve the merger of the partnership by its limited partners will adversely affect the federal income tax classification of the partnership or any of its limited partners; and (2) neither the grant nor exercise of such right will result in the loss of any limited partner's limited liability. In addition, the counsel designated to render the opinion must be counsel other than counsel to Pioneer USA or the partnership. Both the designated counsel and the legal opinion must be approved by the limited partners. Pioneer USA has retained _____ of Dallas, Texas for the purpose of rendering this legal opinion on behalf of the limited partners to Pioneer USA. The merger proposals include an approval of that counsel and the form of its opinion. A copy of the opinion is attached as an exhibit to the merger proposals.

INFORMATION ABOUT THE TERM OF THE PARTNERSHIP

The term of the partnership is until December 31, 2037, unless the partnership is earlier terminated in accordance with the applicable provisions of its partnership agreement.

-2-

828

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 2001

Commission File No. 33-12244-01

PARKER & PARSLEY 87-A, LTD.
(Exact name of Registrant as specified in its charter)

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Texas	75-2185148
-----	-----
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
5205 N. O'Connor Blvd., Suite 1400, Irving, Texas	75039
-----	-----
(Address of principal executive offices)	(Zip code)
Registrant's Telephone Number, including area code : (972) 444-9001	

Not applicable
(Former name, former address and former fiscal year,
if changed since last report)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes / x / No / /

829

PARKER & PARSLEY 87-A, LTD.

TABLE OF CONTENTS

	Page
Part I. Financial Information	
Item 1. Financial Statements	
Balance Sheets as of June 30, 2001 and December 31, 2000.....	3
Statements of Operations for the three and six months ended June 30, 2001 and 2000.....	4
Statement of Partners' Capital for the six months ended June 30, 2001.....	5
Statements of Cash Flows for the six months ended June 30, 2001 and 2000.....	6
Notes to Financial Statements.....	7

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations..... 7

Part II. Other Information

Item 6. Exhibits and Reports on Form 8-K..... 11
 Signatures..... 12

PARKER & PARSLEY 87-A, LTD.
 (A Texas Limited Partnership)

Part I. Financial Information

Item 1. Financial Statements

BALANCE SHEETS

	June 30, 2001	December 31, 2000
	-----	-----
	(Unaudited)	
ASSETS		
Current assets:		
Cash	\$ 746,861	\$ 321,340
Accounts receivable - oil and gas sales	355,540	435,508
	-----	-----
Total current assets	1,102,401	756,848
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	19,493,557	20,198,629
Accumulated depletion	(17,022,826)	(17,611,694)
	-----	-----
Net oil and gas properties	2,470,731	2,586,935
	-----	-----
	\$ 3,573,132	\$ 3,343,783
	=====	=====
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable - affiliate	\$ 45,917	\$ 37,865
Partners' capital:		
Managing general partner	35,245	33,032
Limited partners (28,811 interests)	3,491,970	3,272,886
	-----	-----

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	3,527,215	3,305,918
	-----	-----
	\$ 3,573,132	\$ 3,343,783
	=====	=====

The financial information included as of June 30, 2001 has been prepared by the managing general partner without audit by independent public accountants.

The accompanying notes are an integral part of these financial statements.

3

831

PARKER & PARSLEY 87-A, LTD.
(A Texas Limited Partnership)

STATEMENTS OF OPERATIONS
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2001	2000	2001	2000
	-----	-----	-----	-----
Revenues:				
Oil and gas	\$ 624,236	\$ 708,134	\$1,399,068	\$1,357,075
Interest	5,550	7,074	11,014	12,302
Gain on disposition of assets	41,754	-	44,153	5,861
	-----	-----	-----	-----
	671,540	715,208	1,454,235	1,375,238
	-----	-----	-----	-----
Costs and expenses:				
Oil and gas production	274,936	261,610	559,015	527,318
General and administrative	18,727	20,848	41,972	40,316
Depletion	43,530	44,465	117,815	96,209
Abandoned property	23,416	-	23,416	-
	-----	-----	-----	-----
	360,609	326,923	742,218	663,843
	-----	-----	-----	-----
Net income	\$ 310,931	\$ 388,285	\$ 712,017	\$ 711,395
	=====	=====	=====	=====
Allocation of net income:				
Managing general partner	\$ 3,109	\$ 3,883	\$ 7,120	\$ 7,114
	=====	=====	=====	=====
Limited partners	\$ 307,822	\$ 384,402	\$ 704,897	\$ 704,281
	=====	=====	=====	=====
Net income per limited partnership interest	\$ 10.69	\$ 13.34	\$ 24.47	\$ 24.44
	=====	=====	=====	=====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

The accompanying notes are an integral part of these financial statements.

4

832

PARKER & PARSLEY 87-A, LTD.
(A Texas Limited Partnership)

STATEMENT OF PARTNERS' CAPITAL
(Unaudited)

	Managing general partner -----	Limited partners -----	Total -----
Balance at January 1, 2001	\$ 33,032	\$3,272,886	\$ 3,305,918
Distributions	(4,907)	(485,813)	(490,720)
Net income	7,120	704,897	712,017
	-----	-----	-----
Balance at June 30, 2001	\$ 35,245 =====	\$3,491,970 =====	\$ 3,527,215 =====

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

The accompanying notes are an integral part of these financial statements.

5

833

PARKER & PARSLEY 87-A, LTD.
(A Texas Limited Partnership)

STATEMENTS OF CASH FLOWS

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

(Unaudited)

	Six months ended June 30,	
	2001	2000
Cash flows from operating activities:		
Net income	\$ 712,017	\$ 711,395
Adjustments to reconcile net income to net cash provided by operating activities:		
Depletion	117,815	96,209
Gain on disposition of assets	(44,153)	(5,861)
Changes in assets and liabilities:		
Accounts receivable	79,968	(62,891)
Accounts payable	31,488	26,863
Net cash provided by operating activities	897,135	765,715
Cash flows from investing activities:		
Additions to oil and gas properties	(3,969)	(8,446)
Proceeds from asset dispositions	23,075	7,591
Net cash provided by (used in) investing activities	19,106	(855)
Cash flows used in financing activities:		
Cash distributions to partners	(490,720)	(778,868)
Net increase (decrease) in cash	425,521	(14,008)
Cash at beginning of period	321,340	339,531
Cash at end of period	\$ 746,861	\$ 325,523

The financial information included herein has been prepared by the managing general partner without audit by independent public accountants.

The accompanying notes are an integral part of these financial statements.

6

834

PARKER & PARSLEY 87-A, LTD.
(A Texas Limited Partnership)

NOTES TO FINANCIAL STATEMENTS
June 30, 2001
(Unaudited)

Note 1. Organization and nature of operations

834

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Parker & Parsley 87-A, Ltd. (the "Partnership") is a limited partnership organized in 1987 under the laws of the State of Texas.

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

Note 2. Basis of presentation

In the opinion of management, the unaudited financial statements of the Partnership as of June 30, 2001 and for the three and six months ended June 30, 2001 and 2000 include all adjustments and accruals consisting only of normal recurring accrual adjustments which are necessary for a fair presentation of the results for the interim period. These interim results are not necessarily indicative of results for a full year. Certain reclassifications may have been made to the June 30, 2000 financial statements to conform to the June 30, 2001 financial statement presentations.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in this Form 10-Q pursuant to the rules and regulations of the Securities and Exchange Commission. The financial statements should be read in conjunction with the financial statements and the notes thereto contained in the Partnership's Report on Form 10-K for the year ended December 31, 2000, as filed with the Securities and Exchange Commission, a copy of which is available upon request by writing to Rich Dealy, Vice President and Chief Accounting Officer, 5205 North O'Connor Boulevard, Suite 1400, Irving, Texas 75039-3746.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (1)

Results of Operations

Six months ended June 30, 2001 with six months ended June 30, 2000

Revenues:

The Partnership's oil and gas revenues increased 3% to \$1,399,068 for the six months ended June 30, 2001 as compared to \$1,357,075 for the same period in 2000. The increase in revenues resulted from higher average prices received, offset by a decrease in production. For the six months ended June 30, 2001, 28,595 barrels of oil, 15,052 barrels of natural gas liquids ("NGLs") and 77,315

7

835

mcf of gas were sold, or 56,533 barrel of oil equivalents ("BOEs"). For the six months ended June 30, 2000, 32,573 barrels of oil, 19,149 barrels of NGLs and 84,978 mcf of gas were sold, or 65,885 BOEs.

The average price received per barrel of oil increased slightly from \$27.41 for the six months ended June 30, 2000 to \$27.45 for the same period in 2001. The average price received per barrel of NGLs increased \$2.10, or 14%, from \$14.63 during the six months ended June 30, 2000 to \$16.73 for the same period in 2001. The average price received per mcf of gas increased 116% from \$2.17 during the six months ended June 30, 2000 to \$4.69 for the same period in 2001. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received during the six months ended June 30, 2001.

Gain on disposition of assets of \$44,153 was received during the six months ended June 30, 2001 of which \$38,277 was from disposal of equipment on two wells plugged and abandoned during the current period and \$5,876 was from equipment credits received on one fully depleted well. Expenses to plug and abandon these wells were \$23,416. For the six months ended June 30, 2000, a gain of \$5,861 was recognized due to equipment credits received on a fully depleted well.

Costs and Expenses:

Total costs and expenses increased to \$742,218 for the six months ended June 30, 2001 as compared to \$663,843 for the same period ended June 30, 2000, an increase of \$78,375, or 12%. This increase was due to increases in production costs, abandoned property costs, depletion and general and administrative expenses ("G&A").

Production costs were \$559,015 for the six months ended June 30, 2001 and \$527,318 for the same period in 2000 resulting in an increase of \$31,697, or 6%. The increase was primarily due to additional well maintenance and workover costs incurred to stimulate well production and higher production taxes associated with higher oil and gas prices.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 4% from \$40,316 for the six months ended June 30, 2000 to \$41,972 for the same period in 2001, primarily due to an increase in audit and tax fees.

Depletion was \$117,815 for the six months ended June 30, 2001 as compared to \$96,209 for the same period in 2000, an increase of \$21,606, or 22%. This increase was due to a decline in proved reserves during the period ended June 30, 2001 due to lower commodity prices, offset by a decline in oil production of 3,978 barrels for the six months ended June 30, 2001 as compared to the same period in 2000.

8

836

Three months ended June 30, 2001 compared with three months ended June 30, 2000

Revenues:

The Partnership's oil and gas revenues decreased 12% to \$624,236 for the three months ended June 30, 2001 as compared to \$708,134 for the same period in 2000. The decrease in revenues resulted from a decrease in production and a lower average price received for oil, offset by higher average prices received for gas and NGLs. For the three months ended June 30, 2001, 14,328 barrels of oil, 7,417 barrels of NGLs and 34,560 mcf of gas were sold, or 27,505 BOEs. For the three months ended June 30, 2000, 16,239 barrels of oil, 10,298 barrels of NGLs and 44,352 mcf of gas were sold, or 33,929 BOEs.

The average price received per barrel of oil decreased \$.58, or 2%, from \$27.64 for the three months ended June 30, 2000 to \$27.06 for the same period in 2001. The average price received per barrel of NGLs increased \$.57, or 4%, from \$14.21 during the three months ended June 30, 2000 to \$14.78 for the same period in 2001. The average price received per mcf of gas increased 44% from \$2.55 during the three months ended June 30, 2000 to \$3.67 for the same period in 2001.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Gain on disposition of assets of \$41,754 was received during the three months ended June 30, 2001 of which \$38,277 was from disposal of equipment on two wells plugged and abandoned during the current period and \$3,477 was from equipment credits received on one fully depleted well. Expenses to plug and abandon these wells were \$23,416.

Costs and Expenses:

Total costs and expenses increased to \$360,609 for the three months ended June 30, 2001 as compared to \$326,923 for the same period in 2000, an increase of \$33,686, or 10%. This increase was due to increases in abandoned property costs and production costs, offset by declines in G&A and depletion.

Production costs were \$274,936 for the three months ended June 30, 2001 and \$261,610 for the same period in 2000 resulting in a \$13,326 increase, or 5%. The increase was primarily due to additional well maintenance costs incurred to stimulate well production.

During this period, G&A decreased 10% from \$20,848 for the three months ended June 30, 2000 to \$18,727 for the same period in 2001, primarily due to a decrease in audit and tax fees.

Depletion was \$43,530 for the three months ended June 30, 2001 as compared to \$44,465 for the same period in 2000, a decrease of \$935, or 2%. This decrease was primarily due to a decline in oil production of 1,911 barrels for the three months ended June 30, 2001 as compared to the same period in 2000.

9

837

Liquidity and Capital Resources

Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$131,420 during the six months ended June 30, 2001 from the same period ended June 30, 2000. This increase was primarily due to an increase of \$40,705 in oil and gas sales receipts and a reduction in working capital of \$147,484, offset by increases in production costs of \$31,697, G&A expenses of \$1,656 and abandoned property costs of \$23,416. The increase in oil and gas receipts resulted from the increase in commodity prices during 2001 which contributed an additional \$254,340 to oil and gas receipts, offset by \$213,635 resulting from the decline in production during 2001 as compared to the same period in 2000. The increase in production costs was primarily due to additional well maintenance and workover costs incurred to stimulate well production and higher production taxes associated with higher oil and gas prices. The increase in G&A was primarily due to an increase in audit and tax fees.

Net Cash Provided by (Used in) Investing Activities

The Partnership's principal investing activities during the six months ended June 30, 2001 and 2000 were related to the upgrades of oil and gas equipment on active properties.

Proceeds from asset dispositions of \$23,075 and \$7,591 were received during the six months ended June 30, 2001 and 2000, respectively. Proceeds recognized

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

during the period in 2001 were related to \$14,840 from salvage income received on two wells plugged and abandoned and \$8,235 from equipment credits received on a fully depleted well. Proceeds recognized during the period in 2000 were from equipment credits received on fully depleted properties.

Net Cash Used in Financing Activities

For the six months ended June 30, 2001, cash distributions to the partners were \$490,720, of which \$4,907 was distributed to the managing general partner and \$485,813 to the limited partners. For the same period ended June 30, 2000, cash distributions to the partners were \$778,868, of which \$7,789 was distributed to the managing general partner and \$771,079 to the limited partners.

For the three months ended June 30, 2001, no distributions were made by the partnership to its partners. Subsequent to June 30, 2001 the cash distribution that otherwise would have been mailed to partners in late June was made to holders of record as of July 9, 2001 and was mailed on July 13, 2001. For further information, see "Proposal to acquire partnerships" below.

Proposal to acquire partnerships

On June 29, 2001, Pioneer Natural Resources Company ("Pioneer") filed with the Securities and Exchange Commission Amendment No. 1 to the Form S-4 Registration Statement (File No. 333- 59094) (the "preliminary proxy statement/prospectus"), which proposes an agreement and plan of merger among Pioneer, Pioneer Natural Resources USA, Inc. ("Pioneer USA"), a wholly-owned subsidiary of Pioneer, and 46 Parker & Parsley limited partnerships. Each partnership that approves the agreement and plan of merger and the other related merger proposals will merge

10

838

with and into Pioneer USA upon the closing of the transactions described in the preliminary proxy statement/prospectus, and the partnership interests of each such partnership will be converted into the right to receive Pioneer common stock. The Partnership is one of the 46 Parker & Parsley limited partnerships that will be asked to approve the agreement and plan of merger. The preliminary proxy statement/prospectus is non-binding and is subject to, among other things, consideration of offers from third parties to purchase any partnership or its assets and the majority approval of the limited partnership interests in each partnership.

Pioneer USA will solicit proxies from limited partners to approve the mergers only when the proxy statement/prospectus is final and declared effective. No solicitation will be made using preliminary materials. Nonetheless, copies of the preliminary proxy statement/prospectus may be obtained without charge upon request from Pioneer Natural Resources Company, 5205 North O'Connor Blvd., Suite 1400, Irving, Texas 75039, Attention: Investor Relations.

The limited partners are urged to read the proxy statement/prospectus of Pioneer filed with the Securities and Exchange Commission, when it is finalized, because it contains important information about the proposed mergers, including information about the direct and indirect interests of Pioneer USA and Pioneer in the mergers. The limited partners may also obtain the preliminary and (when filed) final proxy statement/prospectus and other relevant documents relating to the proposed mergers free through the internet web site that the Securities and Exchange Commission maintains at www.sec.gov.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

- (1) "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" contains forward looking statements that involve risks and uncertainties. Accordingly, no assurances can be given that the actual events and results will not be materially different than the anticipated results described in the forward looking statements.

Part II. Other Information

Item 6. Exhibits and Reports on Form 8-K

- (a) Exhibits - none
(b) Reports on Form 8-K - none

11

839

PARKER & PARSLEY 87-A, LTD.
(A Texas Limited Partnership)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

PARKER & PARSLEY 87-A, LTD.

By: Pioneer Natural Resources USA, Inc.,
Managing General Partner

Dated: August 8, 2001

By: /s/ Rich Dealy

Rich Dealy, Vice President and
Chief Accounting Officer

12

840

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-K

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Annual Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000

COMMISSION FILE NO. 33-12244-01

PARKER & PARSLEY 87-A, LTD.
(Exact name of Registrant as specified in its charter)

TEXAS	75-2185148
-----	-----
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
1400 WILLIAMS SQUARE WEST, 5205 N. O'CONNOR BLVD., IRVING, TEXAS	75039
-----	-----
(Address of principal executive offices)	(Zip code)

Registrant's Telephone Number, including area code : (972) 444-9001

Securities registered pursuant to Section 12(b) of the Act: NONE
Securities registered pursuant to Section 12(g) of the Act:
LIMITED PARTNERSHIP INTERESTS (\$1,000 PER UNIT)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES / X / NO / /

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. / X /

No market currently exists for the limited partnership interests of the Registrant. Based on the original purchase price, the aggregate market value of limited partnership interests owned by non-affiliates of the Registrant is \$28,636,000.

As of March 8, 2001, the number of outstanding limited partnership interests was 28,811.

The following documents are incorporated by reference into the indicated parts of this Annual Report on Form 10-K: None

PARTS I AND II OF THIS ANNUAL REPORT ON FORM 10-K (THE "REPORT") CONTAIN FORWARD LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. ACCORDINGLY, NO ASSURANCES CAN BE GIVEN THAT THE ACTUAL EVENTS AND RESULTS WILL NOT BE MATERIALLY DIFFERENT THAN THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS. SEE "ITEM 1. BUSINESS" FOR A DESCRIPTION OF VARIOUS FACTORS THAT COULD MATERIALLY AFFECT THE ABILITY OF THE PARTNERSHIP TO ACHIEVE THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS.

PART I

ITEM 1. BUSINESS

Parker & Parsley 87-A, Ltd. (the "Partnership") is a limited partnership organized in 1987 under the laws of the State of Texas. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA"). Pioneer USA is a wholly-owned subsidiary of Pioneer Natural Resources Company ("Pioneer"). As of March 8, 2001, the Partnership had 28,811 limited partnership interests outstanding.

The Partnership does not have any employees of its own. Pioneer USA employs 701 persons, many of whom dedicated a part of their time to the conduct of the Partnership's business during the period for which this Report is filed. Pioneer USA supplies all management functions.

The Partnership engages in oil and gas development and production and is not involved in any industry segment other than oil and gas. The Partnership's production is geographically concentrated in West Texas.

The principal markets during 2000 for the oil produced by the Partnership were refineries and oil transmission companies that have facilities near the Partnership's oil producing properties. During 2000, Pioneer USA marketed the Partnership's gas to a variety of purchasers. Of the Partnership's total oil and gas revenues for 2000, approximately 43% and 11% was attributable to sales made to Plains Marketing, L.P. and NGTS LLC, respectively. Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on its ability to sell its oil, natural gas liquids ("NGLs") and gas production.

The Partnership's revenues, profitability, cash flow and future rate of growth are highly dependent on the prevailing prices of oil and gas, which are affected by numerous factors beyond the Partnership's control. Oil and gas prices historically have been very volatile. A substantial or extended decline in the prices of oil or gas could have a material adverse effect on the Partnership's revenues, profitability and cash flow and could, under certain circumstances, result in a reduction in the carrying value of the Partnership's oil and gas properties.

Oil and gas production operations are subject to various types of regulations by local, state and federal agencies. The Partnership's operations are also subject to state conservation laws and regulations, including the establishment of maximum rates of production from wells and the regulation of spacing, plugging and abandonment of wells. Each state generally imposes a production or severance tax with respect to production and sale of oil and gas within their respective jurisdictions. Noncompliance with the laws and regulations may subject the Partnership to penalties, damages or other liabilities and compliance may increase the cost of the Partnership's operations.

The oil and gas business is also subject to environmental hazards such as oil spills, gas leaks and ruptures and discharges of toxic substances or gases that could expose the Partnership to substantial

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

liability due to pollution and other environmental damages. Although the Partnership believes that its business operations do not impair environmental quality and that its costs of complying with any applicable environmental regulations are not currently significant, the Partnership cannot predict what, if any, effect these environmental regulations may have on its current or future operations.

Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves.

No material part of the Partnership's business is seasonal and the Partnership conducts no foreign operations.

ITEM 2. PROPERTIES

The Partnership's properties consist of leasehold interests in properties on which oil and gas wells are located. Such property interests are often subject to landowner royalties, overriding royalties and other oil and gas leasehold interests.

Fractional working interests in developmental oil and gas prospects located primarily in the Spraberry Trend area of West Texas were acquired by the Partnership, resulting in the Partnership's participation in the drilling of 96 oil and gas wells. Two wells were dry holes. Six uneconomical wells were plugged and abandoned and 15 oil and gas wells have been sold. At December 31, 2000, 73 wells were producing.

For information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998, and changes in such quantities for the years then ended, see Note 7 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" below. Such reserves have been evaluated by Williamson Petroleum Consultants, Inc., an independent petroleum consultant.

ITEM 3. LEGAL PROCEEDINGS

The Partnership from time to time is a party to various legal proceedings incidental to its business involving claims in oil and gas leases or interests, other claims for damages in amounts not in excess of 10% of its current assets and other matters, none of which Pioneer USA believes to be material to the Partnership.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of the partners during the fourth quarter of 2000.

ITEM 5. MARKET FOR LIMITED PARTNERSHIP INTERESTS AND LIMITED PARTNERSHIP DISTRIBUTIONS

At March 8, 2001, the Partnership had 28,811 outstanding limited partnership

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

interests held of record by 2,148 subscribers. There is no established public trading market for the limited partnership interests. Under the limited partnership agreement, Pioneer USA has made certain commitments to purchase partnership interests at a computed value.

Revenues which, in the sole judgement of the managing general partner, are not required to meet the Partnership's obligations are distributed to the partners at least quarterly in accordance with the limited partnership agreement. During the years ended December 31, 2000 and 1999, distributions of \$1,541,726 and \$518,518, respectively, were made to the limited partners.

ITEM 6. SELECTED FINANCIAL DATA

The following table sets forth selected financial data for the years ended December 31:

	2000	1999	1998	1997	1996
	-----	-----	-----	-----	-----
Operating results:					
Oil and gas sales	\$ 2,845,556	\$ 1,750,425	\$ 1,453,492	\$ 2,232,898	\$ 2,620,000
	=====	=====	=====	=====	=====
Gain on litigation settlement, net	\$ -	\$ -	\$ -	\$ -	\$ 84,000
	=====	=====	=====	=====	=====
Impairment of oil and gas properties	\$ 42,807	\$ -	\$ 477,501	\$ 732,890	\$ 34,000
	=====	=====	=====	=====	=====
Net income (loss)	\$ 1,444,249	\$ 511,237	\$ (736,103)	\$ (49,528)	\$ 1,800,000
	=====	=====	=====	=====	=====
Allocation of net income (loss):					
Managing general partner	\$ 14,442	\$ 5,112	\$ (7,361)	\$ (495)	\$ 1,000,000
	=====	=====	=====	=====	=====
Limited partners	\$ 1,429,807	\$ 506,125	\$ (728,742)	\$ (49,033)	\$ 1,780,000
	=====	=====	=====	=====	=====
Limited partners' net income (loss) per limited partnership interest	\$ 49.63	\$ 17.57	\$ (25.29)	\$ (1.70)	\$ 1.00
	=====	=====	=====	=====	=====
Limited partners' cash distributions per limited partnership interest	\$ 53.51	\$ 18.00	\$ 19.54	\$ 42.52	\$ 0.00
	=====	=====	=====	=====	=====
At year end:					
Identifiable assets	\$ 3,343,783	\$ 3,464,619	\$ 3,466,459	\$ 4,793,102	\$ 6,170,000
	=====	=====	=====	=====	=====

(a) Including litigation settlement per limited partnership interest of \$29.15 in 1996.

4

844

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of operations

2000 compared to 1999

The Partnership's oil and gas revenues increased 63% to \$2,845,556 for 2000 as compared to \$1,750,425 in 1999. The increase in revenues resulted from higher average prices received, offset by a decrease in production. In 2000, 62,796 barrels of oil, 35,028 barrels of natural gas liquids ("NGLs") and 152,075 mcf of gas were sold, or 123,170 barrel of oil equivalents ("BOEs"). In 1999, 61,734 barrels of oil, 39,707 barrels of NGLs and 183,099 mcf of gas were sold, or 131,958 BOEs. Due to the decline characteristics of the Partnership's oil and gas properties, management expects a certain amount of decline in production in the future until the Partnership's economically recoverable reserves are fully depleted.

The average price received per barrel of oil increased \$12.40, or 73%, from \$17.06 in 1999 to \$29.46 in 2000. The average price received per barrel of NGLs increased \$6.20, or 63%, from \$9.81 in 1999 to \$16.01 in 2000. The average price received per mcf of gas increased 70% from \$1.68 in 1999 to \$2.86 in 2000. The market price received for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received in 2000.

Gains on disposition of assets of \$6,407 and \$8,848 were due to equipment credits received on one well during 2000 and 1999, respectively.

Total costs and expenses increased in 2000 to \$1,435,888 compared to \$1,264,233 in 1999, an increase of \$171,655, or 14%. The increase resulted from increases in production costs, the impairment of oil and gas properties and general and administrative expenses ("G&A"), offset by a decline in depletion.

Production costs were \$1,121,487 in 2000 and \$948,362 in 1999, resulting in an increase of \$173,125, or 18%. This increase was primarily due to higher production taxes associated with higher oil and gas prices and additional well maintenance and workover costs incurred to stimulate well production.

G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 63% from \$52,563 in 1999 to \$85,559 in 2000 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$73,296 in 2000 and \$34,349 in 1999 for G&A incurred on behalf of the Partnership. The remaining G&A was paid directly by the Partnership. The managing general partner determines the allocated expenses based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

modifications incorporated to reflect changes in Pioneer USA's overall business activities.

5

845

In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the managing general partner reviews the Partnership's oil and gas properties for impairment whenever events or circumstances indicate a decline in the recoverability of the carrying value of the Partnership's assets may have occurred. As a result of the review and evaluation of its long-lived assets for impairment, the Partnership recognized a non-cash charge of \$42,807 related to its oil and gas properties during 2000.

Depletion was \$186,035 in 2000 as compared to \$263,308 in 1999, representing a decrease of \$77,273, or 29%. This decrease was primarily due to a 45,228 barrels of oil increase in proved reserves during 2000 as a result of higher commodity prices.

1999 compared to 1998

The Partnership's 1999 oil and gas revenues increased 20% to \$1,750,425 from \$1,453,492 in 1998. The increase in revenues resulted from higher average prices received, offset by a decrease in production. In 1999, 61,734 barrels of oil, 39,707 barrels of NGLs and 183,099 mcf of gas were sold, or 131,958 BOEs. In 1998, 69,905 barrels of oil, 37,470 barrels of NGLs and 179,494 mcf of gas were sold, or 137,291 BOEs.

The average price received per barrel of oil increased \$3.84, or 29%, from \$13.22 in 1998 to \$17.06 in 1999. The average price received per barrel of NGLs increased \$3.05, or 45%, from \$6.76 in 1998 to \$9.81 in 1999. The average price received per mcf of gas increased 9% from \$1.54 in 1998 to \$1.68 in 1999.

A gain on disposition of assets of \$8,848 was recognized during 1999 from equipment credits received on one fully depleted well. During 1998, a gain on disposition of assets of \$765 was received from the sale of equipment on one saltwater disposal well plugged and abandoned in a prior year.

Total costs and expenses decreased in 1999 to \$1,264,233 compared to \$2,210,330 in 1998, a decrease of \$946,097, or 43%. The decrease resulted from declines in the impairment of oil and gas properties, depletion and production costs, offset by an increase in G&A.

Production costs were \$948,362 in 1999 and \$1,068,450 in 1998, resulting in a \$120,088 decrease, or 11%. This decrease was primarily attributable to reductions in well maintenance costs, workover expenses and ad valorem taxes, offset by an increase in production taxes due to increased in oil and gas revenues.

During this period, G&A increased, in aggregate, 23% from \$42,787 in 1998 to \$52,563 in 1999 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner \$34,349 in 1999 and \$33,674 in 1998 for G&A incurred on behalf of the Partnership.

The Partnership recognized a non-cash SFAS 121 charge of \$477,501 related to its

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

oil and gas properties during 1998.

6

846

Depletion was \$263,308 in 1999 compared to \$621,592 in 1998. This represented a decrease of \$358,284, or 58%. This decrease was the result of a combination of factors that included an increase in proved reserves of 532,499 barrels of oil during 1999 as a result of higher commodity prices, a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 1998 and a decline in oil production of 8,171 barrels for the period ended December 31, 1999 compared to the same period in 1998.

Petroleum industry

The petroleum industry has been characterized by volatile oil, NGL and natural gas commodity prices and relatively stable supplier costs during the three years ended December 31, 2000. During 1998, weather patterns, regional economic recessions and political matters combined to cause worldwide oil supplies to exceed demand resulting in a substantial decline in oil prices. Also during 1998, but to a lesser extent, market prices for natural gas declined. During 1999 and 2000, the Organization of Petroleum Exporting Countries ("OPEC") and certain other crude oil exporting nations announced reductions in their planned export volumes. Those announcements, together with the enactment of the announced reductions in export volumes, had a positive impact on world oil prices, as have overall natural gas supply and demand fundamentals on North American natural gas prices. Although the favorable commodity price environment and stable field service cost environment is expected to continue during 2001, there is no assurance that commodity prices will not return to a less favorable level or that field service costs will not escalate in the future, both of which could negatively impact the Partnership's future results of operations and cash distributions.

Liquidity and capital resources

Net Cash Provided by Operating Activities

Net cash provided by operating activities increased \$934,385 during the year ended December 31, 2000 from 1999. This increase was due to an increase in oil and gas sales receipts of \$1,107,108 and a decline in working capital of \$33,398, offset by increases in production costs paid of \$173,125 and G&A expenses paid of \$32,996. The increase in oil and gas receipts resulted from the increase in commodity prices during 2000 which contributed an additional \$1,239,482 to oil and gas receipts, offset by \$132,374 resulting from the decline in production during 2000. The increase in production costs was primarily due to increased production taxes associated with higher oil and gas prices and additional well maintenance and workover costs incurred to stimulate well production. The increase in G&A was primarily due to higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues.

Net Cash Used in Investing Activities

The Partnership's investing activities during 2000 and 1999 were related to the upgrades of oil and gas equipment on active properties.

Proceeds from asset dispositions of \$10,011 and \$9,249 received during 2000 and 1999, respectively, were from equipment credits on one well in each year.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Net Cash Used in Financing Activities

847 7

In 2000, cash distributions to the partners were \$1,557,299, of which \$15,573 was distributed to the managing general partner and \$1,541,726 to the limited partners. In 1999, cash distributions to the partners were \$523,756, of which \$5,238 was distributed to the managing general partner and \$518,518 to the limited partners.

848 8

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO FINANCIAL STATEMENTS

	Page
Financial Statements of Parker & Parsley 87-A, Ltd:	
Independent Auditors' Report.....	10
Balance Sheets as of December 31, 2000 and 1999.....	11
Statements of Operations for the Years Ended December 31, 2000, 1999 and 1998.....	12
Statements of Partners' Capital for the Years Ended December 31, 2000, 1999 and 1998.....	13
Statements of Cash Flows for the Years Ended December 31, 2000, 1999 and 1998.....	14
Notes to Financial Statements.....	15

849 9

INDEPENDENT AUDITORS' REPORT

The Partners
Parker & Parsley 87-A, Ltd.
(A Texas Limited Partnership):

We have audited the balance sheets of Parker & Parsley 87-A, Ltd. as of December

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

31, 2000 and 1999, and the related statements of operations, partners' capital and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parker & Parsley 87-A, Ltd. as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

Ernst & Young LLP

Dallas, Texas
March 9, 2001

10

850

PARKER & PARSLEY 87-A, LTD.
(A Texas Limited Partnership)

BALANCE SHEETS
December 31

	2000 ----	1999 ----
ASSETS -----		
Current assets:		
Cash	\$ 321,340	\$ 339,531
Accounts receivable - oil and gas sales	435,508	324,832
	-----	-----
Total current assets	756,848	664,363
	-----	-----
Oil and gas properties - at cost, based on the successful efforts accounting method	20,198,629	20,183,108
Accumulated depletion	(17,611,694)	(17,382,852)
	-----	-----
Net oil and gas properties	2,586,935	2,800,256

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

	-----	-----
	\$ 3,343,783	\$ 3,464,619
	=====	=====
LIABILITIES AND PARTNERS' CAPITAL		

Current liabilities:		
Accounts payable - affiliate	\$ 37,865	\$ 45,651
Partners' capital:		
Managing general partner	33,032	34,163
Limited partners (28,811 interests)	3,272,886	3,384,805
	-----	-----
	3,305,918	3,418,968
	-----	-----
	\$ 3,343,783	\$ 3,464,619
	=====	=====

The accompanying notes are an integral part of these financial statements.

11

851

PARKER & PARSLEY 87-A, LTD.
(A Texas Limited Partnership)

STATEMENTS OF OPERATIONS
For the years ended December 31

	2000	1999	1998
	-----	-----	-----
Revenues:			
Oil and gas	\$ 2,845,556	\$ 1,750,425	\$ 1,453,492
Interest	28,174	16,197	19,970
Gain on disposition of assets	6,407	8,848	765
	-----	-----	-----
	2,880,137	1,775,470	1,474,227
	-----	-----	-----
Costs and expenses:			
Oil and gas production	1,121,487	948,362	1,068,450
General and administrative	85,559	52,563	42,787
Impairment of oil and gas properties	42,807	--	477,501
Depletion	186,035	263,308	621,592
	-----	-----	-----
	1,435,888	1,264,233	2,210,330

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

Net income (loss)	\$ 1,444,249	\$ 511,237	\$ (736,103)
Allocation of net income (loss):			
Managing general partner	\$ 14,442	\$ 5,112	\$ (7,361)
Limited partners	\$ 1,429,807	\$ 506,125	\$ (728,742)
Net income (loss) per limited partnership interest	\$ 49.63	\$ 17.57	\$ (25.29)

The accompanying notes are an integral part of these financial statements.

12

852

PARKER & PARSLEY 87-A, LTD.
(A Texas Limited Partnership)

STATEMENTS OF PARTNERS' CAPITAL

	Managing general partner	Limited partners	Total
	-----	-----	-----
Partners' capital at January 1, 1998	\$ 47,336	\$ 4,688,910	\$ 4,736,246
Distributions	(5,686)	(562,970)	(568,656)
Net loss	(7,361)	(728,742)	(736,103)
	-----	-----	-----
Partners' capital at December 31, 1998	34,289	3,397,198	3,431,487
Distributions	(5,238)	(518,518)	(523,756)
Net income	5,112	506,125	511,237
	-----	-----	-----
Partners' capital at December 31, 1999	34,163	3,384,805	3,418,968
Distributions	(15,573)	(1,541,726)	(1,557,299)
Net income	14,442	1,429,807	1,444,249
	-----	-----	-----
Partners' capital at December 31, 2000	\$ 33,032	\$ 3,272,886	\$ 3,305,918

850

=====

The accompanying notes are an integral part of these financial statements.

13

853

PARKER & PARSLEY 87-A, LTD.
(A Texas Limited Partnership)

STATEMENTS OF CASH FLOWS
For the years ended December 31

	2000	1999	1998
	-----	-----	-----
Cash flows from operating activities:			
Net income (loss)	\$ 1,444,249	\$ 511,237	\$ (736,103)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Impairment of oil and gas properties	42,807	--	477,501
Depletion	186,035	263,308	621,592
Gain on disposition of assets	(6,407)	(8,848)	(765)
Changes in assets and liabilities:			
Accounts receivable	(110,676)	(162,539)	128,574
Accounts payable	(7,786)	10,679	(21,884)
	-----	-----	-----
Net cash provided by operating activities	1,548,222	613,837	468,915
	-----	-----	-----
Cash flows from investing activities:			
Additions to oil and gas properties	(19,125)	(42,098)	(17,466)
Proceeds from disposition of assets	10,011	9,249	15,652
	-----	-----	-----
Net cash used in investing activities	(9,114)	(32,849)	(1,814)
	-----	-----	-----
Cash flows used in financing activities:			
Cash distributions to partners	(1,557,299)	(523,756)	(568,656)
	-----	-----	-----
Net increase (decrease) in cash	(18,191)	57,232	(101,555)
Cash at beginning of year	339,531	282,299	383,854
	-----	-----	-----
Cash at end of year	\$ 321,340	\$ 339,531	\$ 282,299
	=====	=====	=====

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

The accompanying notes are an integral part of these financial statements.

14

854

PARKER & PARSLEY 87-A, LTD.
(A Texas Limited Partnership)

NOTES TO FINANCIAL STATEMENTS
December 31, 2000, 1999 and 1998

NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS

Parker & Parsley 87-A, Ltd. (the "Partnership") is a limited partnership organized in 1987 under the laws of the State of Texas. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA").

The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

Oil and gas properties - The Partnership utilizes the successful efforts method of accounting for its oil and gas properties and equipment. Under this method, all costs associated with productive wells and nonproductive development wells are capitalized while nonproductive exploration costs are expensed. Capitalized costs relating to proved properties are depleted using the unit-of-production method on a property-by-property basis based on proved oil (dominant mineral) reserves as evaluated by independent petroleum consultants. The carrying amounts of properties sold or otherwise disposed of and the related allowances for depletion are eliminated from the accounts and any gain or loss is included in results of operations.

Impairment of long-lived assets - In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the Partnership reviews its long-lived assets to be held and used on an individual property basis, including oil and gas properties accounted for under the successful efforts method of accounting, whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. An impairment loss is indicated if the sum of the expected future cash flows is less than the carrying amount of the assets. In this circumstance, the Partnership recognizes an impairment loss for the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset.

Use of estimates in the preparation of financial statements - Preparation of the accompanying financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Net income (loss) per limited partnership interest - The net income (loss) per limited partnership interest is calculated by using the number of

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

outstanding limited partnership interests.

Income taxes - A Federal income tax provision has not been included in the financial statements as the income of the Partnership is included in the individual Federal income tax returns of the respective partners.

15

855

Statements of cash flows - For purposes of reporting cash flows, cash includes depository accounts held by banks.

General and administrative expenses - General and administrative expenses are allocated in part to the Partnership by the managing general partner. Allocated expenses are determined by the managing general partner based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities.

Reclassifications - Certain reclassifications may have been made to the 1999 and 1998 financial statements to conform to the 2000 financial statement presentations.

Environmental - The Partnership is subject to extensive federal, state and local environmental laws and regulations. These laws, which are constantly changing, regulate the discharge of materials into the environment and may require the Partnership to remove or mitigate the environmental effects of the disposal or release of petroleum or chemical substances at various sites. Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Liabilities for expenditures of a noncapital nature are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated. Such liabilities are generally undiscounted unless the timing of cash payments for the liability or component are fixed or reliably determinable. No such liabilities have been accrued as of December 31, 2000.

Revenue recognition - The Partnership uses the entitlements method of accounting for oil, natural gas liquids ("NGLs") and natural gas revenues.

NOTE 3. IMPAIRMENT OF LONG-LIVED ASSETS

In accordance with SFAS 121, the Partnership reviews its proved oil and gas properties for impairment whenever events and circumstances indicate a decline in the recoverability of the carrying value of the Partnership's oil and gas properties. The Partnership has estimated the expected future cash flows of its oil and gas properties as of December 31, 2000, 1999 and 1998, based on proved reserves, and compared such estimated future cash flows to the respective carrying amount of the oil and gas properties to determine if the carrying amounts were likely to be recoverable. For those proved oil and gas properties for which the carrying amount exceeded the estimated future cash flows, an impairment was determined to exist; therefore, the Partnership adjusted the carrying amount of those oil and gas properties to their fair value as determined by discounting their expected future cash flows at a discount rate commensurate with the risks involved in the industry. As a result, the Partnership recognized non-cash impairment provisions of \$42,807 and \$477,501 related to its proved oil and gas properties during 2000 and 1998, respectively.

Edgar Filing: PIONEER NATURAL RESOURCES CO - Form S-4/A

NOTE 4. INCOME TAXES

The financial statement basis of the Partnership's net assets and liabilities was \$254,091 less than the tax basis at December 31, 2000.

16

856

The following is a reconciliation of net income (loss) per statements of operations with the net income per Federal income tax returns for the years ended December 31:

	2000 -----	1999 -----	1998 -----
Net income (loss) per statements of operations	\$ 1,444,249	\$ 511,237	\$ (736,103)
Intangible development costs capitalized for financial reporting purposes and expensed for tax reporting purposes	--	--	(6)
Depletion and depreciation provisions for tax reporting purposes less than amount for financial reporting purposes	162,602	238,819	584,799
Impairment of oil and gas properties for financial reporting purposes	42,807	--	477,501
Salvage income	1,288	--	13,408
Other, net	(3,728)	(5,120)	6,254
	-----	-----	-----
Net income per Federal income tax returns	\$ 1,647,218 =====	\$ 744,936 =====	\$ 345,853 =====

NOTE 5. OIL AND GAS PRODUCING ACTIVITIES

The following is a summary of the costs incurred, whether capitalized or expensed, related to the Partnership's oil and gas producing activities for the years ended December 31:

	2000 -----	1999 -----	1998 -----
Development costs	\$ 19,125 =====	\$ 42,098 =====	\$ 17,466 =====

Capitalized oil and gas properties consist of the following:

