

PIONEER NATURAL RESOURCES CO

Form 10-K

February 27, 2014

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, 2013

or

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

For the transition period from _____ to _____

Commission File Number: 1-13245

Pioneer Natural Resources Company

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of

incorporation or organization)

75-2702753

(I.R.S. Employer

Identification No.)

5205 N. O'Connor Blvd., Suite 200, Irving, Texas

(Address of principal executive offices)

75039

(Zip Code)

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

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

Title of each class

Common Stock, par value \$.01

Name of each exchange on which registered

New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) 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.

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

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes

No

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Aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter \$19,865,703,072

Number of shares of Common Stock outstanding as of February 20, 2014 142,916,619

DOCUMENTS INCORPORATED BY REFERENCE:

(1) Portions of the Definitive Proxy Statement for the Company's 2013 Annual Meeting of Shareholders to be held during May 2014 are incorporated into Part III of this report.

Table of Contents

TABLE OF CONTENTS

	Page
<u>Definitions of Certain Terms and Conventions Used Herein</u>	<u>4</u>
<u>Cautionary Statement Concerning Forward-Looking Statements</u>	<u>5</u>
<u>PART I</u>	
Item 1. <u>Business</u>	<u>6</u>
<u>General</u>	<u>6</u>
<u>Available Information</u>	<u>6</u>
<u>Mission and Strategies</u>	<u>6</u>
<u>Business Activities</u>	<u>6</u>
<u>Marketing of Production</u>	<u>9</u>
<u>Competition, Markets and Regulations</u>	<u>10</u>
Item 1A. <u>Risk Factors</u>	<u>17</u>
Item 1B. <u>Unresolved Staff Comments</u>	<u>30</u>
Item 2. <u>Properties</u>	<u>30</u>
<u>Reserve Estimation Procedures and Audits</u>	<u>30</u>
<u>Proved Reserves</u>	<u>33</u>
<u>Description of Properties</u>	<u>34</u>
<u>Selected Oil and Gas Information</u>	<u>38</u>
Item 3. <u>Legal Proceedings</u>	<u>43</u>
Item 4. <u>Mine Safety Disclosures</u>	<u>43</u>
<u>PART II</u>	
Item 5. <u>Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	<u>44</u>
<u>Purchases of Equity Securities by the Issuer and Affiliated Purchasers</u>	<u>44</u>
Item 6. <u>Selected Financial Data</u>	<u>45</u>
Item 7. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>46</u>
<u>Financial and Operating Performance</u>	<u>46</u>
<u>First Quarter 2014 Outlook</u>	<u>47</u>
<u>2014 Capital Budget</u>	<u>47</u>
<u>Acquisitions</u>	<u>48</u>
<u>Divestitures and Discontinued Operations</u>	<u>48</u>
<u>Results of Operations</u>	<u>49</u>
<u>Capital Commitments, Capital Resources and Liquidity</u>	<u>56</u>
<u>Critical Accounting Estimates</u>	<u>60</u>
<u>New Accounting Pronouncements</u>	<u>62</u>
Item 7A. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>63</u>
<u>Quantitative Disclosures</u>	<u>63</u>
<u>Qualitative Disclosures</u>	<u>66</u>
Item 8. <u>Financial Statements and Supplementary Data</u>	<u>67</u>
<u>Index to Consolidated Financial Statements</u>	<u>67</u>
<u>Report of Independent Registered Public Accounting Firm</u>	<u>68</u>
<u>Consolidated Financial Statements</u>	<u>69</u>
<u>Notes to Consolidated Financial Statements</u>	<u>76</u>
<u>Unaudited Supplementary Information</u>	<u>114</u>
Item 9. <u>Changes in and Disagreements With Accountants on Accounting and Financial Disclosure</u>	<u>124</u>
Item 9A. <u>Controls and Procedures</u>	<u>124</u>
<u>Management's Report on Internal Control Over Financial Reporting</u>	<u>124</u>
<u>Report of Independent Registered Public Accounting Firm</u>	<u>125</u>

Item 9B. Other Information

126

2

Table of Contents

TABLE OF CONTENTS

PART III

Item 10. <u>Directors, Executive Officers and Corporate Governance</u>	<u>126</u>
Item 11. <u>Executive Compensation</u>	<u>126</u>
Item 12. <u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	<u>126</u>
<u>Securities Authorized for Issuance Under Equity Compensation Plans</u>	<u>126</u>
Item 13. <u>Certain Relationships and Related Transactions, and Director Independence</u>	<u>127</u>
Item 14. <u>Principal Accounting Fees and Services</u>	<u>127</u>

PART IV

Item 15. <u>Exhibits, Financial Statement Schedules</u>	<u>127</u>
<u>Signatures</u>	<u>134</u>
<u>Exhibit Index</u>	<u>136</u>

Table of Contents

Definitions of Certain Terms and Conventions Used Herein

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

•"BBL" means a standard barrel containing 42 United States gallons.

•"BCF" means one billion cubic feet.

"BOE" means a barrel of oil equivalent and is a standard convention used to express oil and gas volumes on a comparable oil equivalent basis. Gas equivalents are determined under the relative energy content method by using the ratio of six thousand cubic feet of gas to one BBL of oil or natural gas liquid.

•"BOEPD" means BOE per day.

•"BTU" means British thermal unit, which is a measure of the amount of energy required to raise the temperature of one pound of water one degree Fahrenheit.

•"CBM" means coal bed methane.

"Conway" means the daily average natural gas liquids components as priced in Oil Price Information Services ("OPIS") in the table "U.S. and Canada LP – Gas Weekly Averages" at Conway, Kansas.

•"DD&A" means depletion, depreciation and amortization.

"Proved developed reserves" mean reserves that can be expected to be recovered through existing wells with existing equipment and operating methods or in which the cost of the required equipment is relatively minor compared to the cost of a new well.

•"Field fuel" means gas consumed to operate field equipment (primarily compressors) prior to the gas being delivered to a sales point.

•"GAAP" means accounting principles that are generally accepted in the United States of America.

•"LIBOR" means London Interbank Offered Rate, which is a market rate of interest.

•"MBBL" means one thousand BBLs.

•"MBOE" means one thousand BOEs.

•"MCF" means one thousand cubic feet and is a measure of gas volume.

•"MMBBL" means one million BBLs.

•"MMBOE" means one million BOEs.

•"MMBTU" means one million BTUs.

•"MMCF" means one million cubic feet.

•"Mont Belvieu" means the daily average natural gas liquids components as priced in OPIS in the table "U.S. and Canada LP – Gas Weekly Averages" at Mont Belvieu, Texas.

•"NGL" means natural gas liquid.

•"NYMEX" means the New York Mercantile Exchange.

•"NYSE" means the New York Stock Exchange.

•"Pioneer" or the "Company" means Pioneer Natural Resources Company and its subsidiaries.

•"Pioneer Southwest" means Pioneer Southwest Energy Partners L.P. and its subsidiaries.

"Proved reserves" mean the quantities of oil and gas, which, by analysis of geosciences and engineering data, can be estimated with reasonable certainty to be economically producible – from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations – prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation. The project to extract the hydrocarbons must have commenced or the operator must be reasonably certain that it will commence the project within a reasonable time.

(i) The area of the reservoir considered as proved includes: (A) The area identified by drilling and limited by fluid contacts, if any, and (B) Adjacent undrilled portions of the reservoir that can, with reasonable certainty, be judged to be continuous with it and to contain economically producible oil or gas on the basis of available geoscience and engineering data.

(ii) In the absence of data on fluid contacts, proved quantities in a reservoir are limited by the lowest known hydrocarbons ("LKH") as seen in a well penetration unless geoscience, engineering, or performance data and reliable technology establishes a lower contact with reasonable certainty.

(iii) Where direct observation from well penetrations has defined a highest known oil ("HKO") elevation and the potential exists for an associated gas cap, proved oil reserves may be assigned in the structurally higher portions of the reservoir only if geoscience, engineering or performance data and reliable technology establish the higher contact with reasonable certainty.

Table of Contents

(iv) Reserves which can be produced economically through application of improved recovery techniques (including, but not limited to, fluid injection) are included in the proved classification when: (A) Successful testing by a pilot project in an area of the reservoir with properties no more favorable than in the reservoir as a whole, the operation of an installed program in the reservoir or an analogous reservoir, or other evidence using reliable technology establishes the reasonable certainty of the engineering analysis on which the project or program was based; and (B) The project has been approved for development by all necessary parties and entities, including governmental entities.

(v) Existing economic conditions include prices and costs at which economic producibility from a reservoir is to be determined. The price shall be the average during the 12-month period prior to the ending date of the period covered by the report, determined as an unweighted arithmetic average of the first-day-of-the-month price for each month within such period, unless prices are defined by contractual arrangements, excluding escalations based upon future conditions.

•"SEC" means the United States Securities and Exchange Commission.

"Standardized Measure" means the after-tax present value of estimated future net cash flows of proved reserves, determined in accordance with the rules and regulations of the SEC, using prices and costs employed in the determination of proved reserves and a ten percent discount rate.

•"Proved undeveloped reserves" means 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.

(i) Reserves on undrilled acreage shall be limited to those directly offsetting development spacing areas that are reasonably certain of production when drilled, unless evidence using reliable technology exists that establishes reasonable certainty of economic producibility at greater distances.

(ii) Undrilled locations can be classified as having proved undeveloped reserves only if a development plan has been adopted indicating that they are scheduled to be drilled within five years, unless the specific circumstances, justify a longer time.

(iii) Under no circumstances shall 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 projects in the same reservoir or an analogous reservoir, or by other evidence using reliable technology establishing reasonable certainty.

•"U.S." means United States.

•"VPP" means volumetric production payment.

•"WTI" means West Texas intermediate, a light, sweet blend of oil produced from fields in western Texas.

With respect to information on the working interest in wells, drilling locations and acreage, "net" wells, drilling locations and acres are determined by multiplying "gross" wells, drilling locations and acres by the Company's working interest in such wells, drilling locations or acres. Unless otherwise specified, wells, drilling locations and acreage statistics quoted herein represent gross wells, drilling locations or acres.

•Unless otherwise indicated, all currency amounts are expressed in U.S. dollars.

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K (this "Report") contains forward-looking statements that involve risks and uncertainties. When used in this document, the words "believes," "plans," "expects," "anticipates," "forecasts," "intends," "continue," "may," "will," "could," "should," "future," "potential," "estimate," or the negative of such terms and similar expressions as they relate to the Company are intended to identify forward-looking statements, which are generally not historical in nature. The forward-looking statements are based on the Company's current expectations, assumptions, estimates and projections about the Company and the industry in which the Company operates. Although the Company believes that the expectations and assumptions reflected in the forward-looking statements are reasonable as and when made, they involve risks and uncertainties that are difficult to predict and, in many cases, beyond the Company's control. In addition, the Company may be subject to currently unforeseen risks that may have a materially adverse effect on it. Accordingly, no assurances can be given that the actual events and results will not be materially different from the anticipated results described in the forward-looking statements. See "Item 1. Business — Competition, Markets and Regulations," "Item 1A. Risk Factors," "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Item 7A. Quantitative and Qualitative Disclosures About Market

Risk" for a description of various factors that could materially affect the ability of Pioneer to achieve the anticipated results described in the forward-looking statements. Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date hereof. The Company undertakes no duty to publicly update these statements except as required by law.

Table of Contents

PIONEER NATURAL RESOURCES COMPANY

PART I

ITEM 1. BUSINESS

General

The Company is a large independent oil and gas exploration and production company with operations in the United States. Pioneer is a holding company whose assets consist of direct and indirect ownership interests in, and whose business is conducted substantially through, its subsidiaries. Pioneer's common stock is listed and traded on the NYSE under the ticker symbol "PXD."

The Company is a Delaware corporation formed in 1997. The Company's executive offices are located at 5205 N. O'Connor Blvd., Suite 200, Irving, Texas 75039. The Company's telephone number is (972) 444-9001. The Company maintains other offices in Anchorage, Alaska; Denver, Colorado; and Midland, Texas. At December 31, 2013, the Company had 4,203 employees, 1,985 of whom were employed in other field and plant operations and 894 of whom were employed in vertical integration activities.

Available Information

Pioneer files or furnishes annual, quarterly and current reports, proxy statements and other documents with the SEC under the Securities Exchange Act of 1934 (the "Exchange Act"). The public may read and copy any materials that Pioneer files with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Also, the SEC maintains an Internet website that contains reports, proxy and information statements, and other information regarding issuers, including Pioneer, that file electronically with the SEC. The public can obtain any documents that Pioneer files with the SEC at <http://www.sec.gov>.

The Company also makes available free of charge through its internet website (www.pxd.com) its Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and, if applicable, amendments to those reports filed or furnished pursuant to Section 13(a) of the Exchange Act as soon as reasonably practicable after it electronically files such material with, or furnishes it to, the SEC.

Mission and Strategies

The Company's mission is to enhance shareholder investment returns through strategies that maximize Pioneer's long-term profitability and net asset value. The strategies employed to achieve this mission are predicated on maintaining financial flexibility, capital allocation discipline and enhancing net asset value through accretive drilling programs, joint ventures and acquisitions. These strategies are anchored by the Company's interests in the long-lived Spraberry/Wolfcamp oil field; the liquid-rich Eagle Ford Shale play; the Hugoton and West Panhandle fields; and the Raton gas field; which together have an estimated remaining productive life in excess of 40 years. Underlying these fields are 92 percent of the Company's total proved oil and gas reserves as of December 31, 2013.

Business Activities

The Company is an independent oil and gas exploration and production company. Pioneer's purpose is to competitively and profitably explore for, develop and produce oil and gas reserves. In so doing, the Company sells homogenous oil, NGL and gas units that, except for geographic and relatively minor quality differences, cannot be significantly differentiated from units offered for sale by the Company's competitors. Competitive advantage is gained in the oil and gas exploration and development industry by employing well-trained and experienced personnel who make prudent capital investment decisions based on management direction, embrace technological innovation and are focused on price and cost management.

Petroleum industry. North American oil prices have been fairly consistent during the past three years despite the significant increase in United States oil production from unconventional shale plays. The growth in North American oil production has been offset by reduced oil imports, keeping supply and demand fairly balanced. Continued oil production growth in United States from unconventional shale plays is expected to outpace the decline in oil imports and increase oil price volatility. The growth of unconventional shale drilling has also substantially increased the supply of NGLs, resulting in a significant decline in NGL component prices as the supply of such products has grown. While more export facilities have been built and NGL exports are increasing, the overall United States demand for

NGL products has not kept pace with the remaining supply of such products; consequently, prices for NGL products have generally declined over the past three years. North American gas prices have remained

6

Table of Contents

PIONEER NATURAL RESOURCES COMPANY

volatile and they trended lower from 2009 through 2012, but improved steadily throughout 2013. The decline in North American gas prices was primarily a result of significant discoveries of gas and associated gas reserves in United States gas, oil and liquid-rich shale plays, combined with the warmer than normal recent winters, which resulted in gas storage levels being at historically high levels, and minimal economic demand growth in the United States. The increases in gas prices during 2013 were primarily related to reduced drilling activity in gas shale plays and demand increases in the latter part of the year as a result of colder weather.

Oil prices continue to be primarily driven by world supply and demand fundamentals; however, recent increases in United States oil, NGL and gas production volumes from the Permian Basin, Eagle Ford, Bakken and Marcellus areas have been met with lower demand, higher storage levels and pipeline, gas plant and NGL fractionation infrastructure capacity limitations, which has led to a reduction in United States NYMEX oil, NGL and gas prices compared to international prices for similar commodities, including Brent oil prices.

Since 2010, the economies in the United States and certain other countries have continued to stabilize with resulting improvements in industrial demand and consumer confidence. However, other economies, such as those of certain European and Asian nations, continue to face economic struggles or slowing economic growth. While the outlook for a continued worldwide economic recovery remains cautiously optimistic, it is still uncertain; therefore, the sustainability of the recovery in worldwide demand for energy is difficult to predict. As a result, the Company believes it is likely that commodity prices will continue to be volatile during 2014.

Significant factors that will affect 2014 commodity prices include: the ongoing effect of economic stimulus initiatives; fiscal challenges facing the United States federal government and potential changes to the tax laws in the United States; continuing economic struggles in European and Asian nations; political and economic developments in North Africa and the Middle East; demand from Asian and European markets; the extent to which members of the Organization of Petroleum Exporting Countries ("OPEC") and other oil exporting nations are able to manage oil supply through export quotas; the capacity of United States refiners to absorb increasing domestic supplies of oil and condensate; potential export regulatory changes in the United States; the supply and demand fundamentals for NGLs in the United States and the pace at which export capacity grows; and overall North American gas supply and demand fundamentals, including refilling gas storage that is anticipated to be lower than normal at the end of the winter draw season.

Pioneer uses commodity derivative contracts to mitigate the effect of commodity price volatility on the Company's net cash provided by operating activities and its net asset value. Although the Company has entered into commodity derivative contracts for a large portion of its forecasted production through 2015, a sustained lower commodity price environment would result in lower realized prices for unprotected volumes and reduce the prices at which the Company could enter into derivative contracts on additional volumes in the future. As a result, the Company's internal cash flows would be reduced for affected periods. A sustained decline in commodity prices could result in a shortfall in expected cash flows, which could negatively affect the Company's liquidity, financial position and future results of operations. See "Item 7A. Quantitative and Qualitative Disclosures About Market Risk" and Note E of Notes to Consolidated Financial Statements included in "Item 8. Financial Statements and Supplementary Data" for information regarding the Company's open derivative positions as of December 31, 2013.

The Company. The Company's growth plan is primarily anchored by horizontal drilling in the Spraberry/Wolfcamp oil field located in West Texas and the liquid-rich Eagle Ford Shale field located in South Texas. Complementing these growth areas, the Company has oil and gas production activities and development opportunities in the Raton gas field located in southern Colorado, the Hugoton gas and liquid field located in southwest Kansas, the West Panhandle gas and liquid field located in the Texas Panhandle and the Edwards gas field located in South Texas. Combined, these assets create a portfolio of resources and opportunities that are well balanced and diversified among oil, NGL and gas, and that are also well balanced among long-lived, dependable production and lower-risk exploration and development opportunities. The Company has a team of dedicated employees who represent the professional disciplines and sciences that the Company believes are necessary to allow Pioneer to maximize the long-term profitability and net asset value inherent in its physical assets.

Production. The Company focuses its efforts towards maximizing its average daily production of oil, NGLs and gas through development drilling, production enhancement activities and acquisitions of producing properties, while minimizing the controllable costs associated with the production activities. For the year ended December 31, 2013, the Company's production from continuing operations of 58.9 MMBOE, excluding field fuel usage, represented a 12 percent increase over production from continuing operations during 2012. Production, price and cost information with respect to the Company's properties for 2013, 2012 and 2011 is set forth in "Item 2. Properties — Selected Oil and Gas Information — Production, price and cost data."

Development activities. The Company seeks to increase its proved oil and gas reserves, production and cash flow through development drilling and by conducting other production enhancement activities, such as well recompletions. During the three years ended December 31, 2013, the Company drilled 1,850 gross (1,655 net) development wells, 99 percent of which were successfully completed as productive wells, at a total drilling cost (net to the Company's interest) of \$4.8 billion.

Table of Contents

PIONEER NATURAL RESOURCES COMPANY

The Company believes that its current property base provides a substantial inventory of prospects for future reserve, production and cash flow growth. The Company's proved reserves as of December 31, 2013 include proved undeveloped reserves and proved developed reserves that are behind pipe of 102.5 MMBBLs of oil, 41.9 MMBBLs of NGLs and 328.9 BCF of gas. The Company believes that its proved reserves represent a significant portfolio of development opportunities. The timing of the development of these reserves will be dependent upon commodity prices, drilling and operating costs and the Company's expected operating cash flows and financial condition. Exploratory activities. The Company has devoted significant efforts and resources to hiring and developing a highly skilled geoscience staff as well as acquiring a significant portfolio of lower-risk exploration opportunities that are expected to be evaluated and tested over the next decade and beyond. Exploratory and extension drilling involve greater risks of dry holes or failure to find commercial quantities of hydrocarbons than development drilling or enhanced recovery activities. See "Item 1A. Risk Factors — Exploration and development drilling may not result in commercially productive reserves" below.

Integrated services. The Company continues to expand its integrated services to control drilling and operating costs and support the execution of its drilling program and operating activities. The Company has Company-owned fracture stimulation fleets totaling approximately 300,000 horsepower supporting drilling operations in the Spraberry/Wolfcamp and Eagle Ford Shale areas. The Company also owns other field service equipment, including pulling units, fracture stimulation tanks, water transport trucks, hot oilers, blowout preventers, construction equipment and fishing tools. In April 2012, Pioneer acquired a large U.S. industrial sands company, which was renamed Premier Silica (see Note C of Notes to Consolidated Financial Statements included in "Item 8. Financial Statements and Supplementary Data" for more information about the acquisition of Premier Silica). That acquisition secured a high-quality, low-cost and logistically advantaged brown sand supply for Pioneer to use for its growing fracture stimulation requirements in the Spraberry field.

Acquisition activities. The Company regularly seeks to acquire properties that complement its operations, provide exploration and development opportunities and potentially provide superior returns on investment. In addition, the Company pursues strategic acquisitions that will allow the Company to expand into new geographical areas that provide future exploration/exploitation opportunities. During 2013, 2012 and 2011, the Company spent \$76.0 million, \$157.5 million and \$131.9 million, respectively, to purchase primarily undeveloped acreage for future exploitation and exploration activities.

In addition, on December 17, 2013, the Company completed the acquisition of all of the outstanding common units of Pioneer Southwest not already owned by the Company, through a merger of a wholly-owned subsidiary of the Company into Pioneer Southwest, the result of which was that Pioneer Southwest became a wholly-owned subsidiary of the Company. The Pioneer Southwest merger was effected pursuant to an Agreement and Plan of Merger dated August 9, 2013, as amended on October 25, 2013 (as amended, the "Merger Agreement"), and was approved by the holders of the common units of Pioneer Southwest at a special meeting held on December 17, 2013. Pursuant to the Merger Agreement, all of the common units outstanding as of the closing of the merger were canceled and converted into the right to receive 0.2325 of a share of common stock of the Company per common unit. In December 2013 the Company issued an aggregate of 3.96 million shares of its common stock to Pioneer Southwest unitholders. The merger is expected to facilitate the Company's plans to fully and optimally develop the Company's Spraberry/Wolfcamp properties in the Midland Basin in West Texas utilizing horizontal drilling and is expected to enhance the Company's organizational, operational and administrative efficiencies.

The Company periodically evaluates and pursues acquisition opportunities (including opportunities to acquire particular oil and gas assets or entities owning oil and gas assets and opportunities to engage in mergers, consolidations or other business combinations with such entities) and at any given time may be in various stages of evaluating such opportunities. Such stages may take the form of internal financial analyses, oil and gas reserve analyses, due diligence, the submission of indications of interest, preliminary negotiations, negotiation of letters of intent or negotiation of definitive agreements. The success of any acquisition is uncertain and depends on a number of factors, some of which are outside the Company's control. See "Item 1A. Risk Factors — The Company may be unable to make attractive acquisitions and any acquisition it completes is subject to substantial risks that could adversely

affect its business."

Asset divestitures and discontinued operations. The Company regularly reviews its asset base for the purpose of identifying nonstrategic assets, the disposition of which would increase capital resources available for other activities and create organizational and operational efficiencies. While the Company generally does not dispose of assets solely for the purpose of reducing debt, such dispositions can have the result of furthering the Company's objective of increasing financial flexibility through reduced debt levels.

During the fourth quarter of 2013, the Company committed to a plan to sell 100 percent of the capital stock in Pioneer's Alaska subsidiary, representing all the Company's net assets in Alaska ("Pioneer Alaska"). The sale of Pioneer Alaska continues to be subject to ongoing negotiations and certain other conditions, such as governmental approvals and buyer's arrangement of financing. Associated with the planned sale of Pioneer Alaska, the Company recorded a noncash impairment charge of \$539.8

8

Table of Contents

PIONEER NATURAL RESOURCES COMPANY

million during December 2013 to reduce the carrying value of Pioneer Alaska to its estimated fair value less costs to sell of \$350.6 million. The Company has classified Pioneer Alaska assets and liabilities as held for sale in the accompanying consolidated balance sheet as of December 31, 2013 and has reported Pioneer Alaska's historical results of operations, and the related impairment loss, as discontinued operations, net of tax in the Company's accompanying consolidated statements of operations.

During the fourth quarter of 2013, the Company also committed to a plan to divest of its net assets in the Barnett Shale field in North Texas. The plan is expected to result in the sale of the Barnett Shale net assets during 2014. Associated with the plan to sell the Company's net assets in the Barnett Shale field, the Company recorded a noncash impairment charge of \$189.5 million during December 2013 to reduce the carrying value of the Barnett Shale field net assets to their estimated fair value less costs to sell. The Company has classified Barnett Shale assets and liabilities as held for sale in the accompanying consolidated balance sheet as of December 31, 2013 and has reported Barnett Shale historical results of operations, and the related impairment loss, as discontinued operations, net of tax in the Company's accompanying consolidated statements of operations.

During December 2013, the Company committed to a plan to sell its majority interest in Sendero Drilling Company, LLC ("Sendero"), the Company's vertical drilling rig subsidiary, to Sendero's minority interest owner for \$31.0 million, subject to negotiating a definitive sales agreement and the buyer completing its financing arrangements. Associated with the planned sale of Sendero, the Company recorded a noncash loss of \$25.5 million during December 2013 to reduce the carrying value of Sendero's net assets to their estimated fair value. As part of the sales negotiations, the Company plans to commit to lease 12 Sendero rigs through December 31, 2015 and to lease eight Sendero rigs in 2016. The Company has classified Sendero assets and liabilities as held for sale in the accompanying consolidated balance sheet as of December 31, 2013.

The Company's plans to sell Pioneer Alaska, the Barnett Shale net assets and Sendero are in various stages of marketing or negotiation. No assurance can be given that the sales will be completed in accordance with the Company's plans.

In January 2013, the Company signed an agreement with Sinochem Petroleum USA LLC ("Sinochem"), a U.S. subsidiary of the Sinochem Group, an unaffiliated third party, to sell 40 percent of Pioneer's interest in 207,000 net acres leased by the Company in the horizontal Wolfcamp Shale play in the southern portion of the Spraberry field for consideration of \$1.8 billion. In May 2013, the Company completed the sale to Sinochem for net cash proceeds of \$623.8 million, resulting in a gain of \$181.3 million related to the unproved property interests conveyed to Sinochem. Sinochem is paying the remaining \$1.2 billion of the transaction price by carrying 75 percent of Pioneer's portion of ongoing drilling and facilities costs attributable to the Company's joint operations with Sinochem in the horizontal Wolfcamp Shale play.

During December 2011, the Company committed to a plan to exit South Africa and initiated a process to divest its net assets in South Africa ("Pioneer South Africa"). During the first quarter of 2012, the Company agreed to sell Pioneer South Africa to an unaffiliated third party, effective January 1, 2012, for \$60.0 million of cash proceeds before normal closing and other adjustments, and the buyer's assumption of certain liabilities of the Company's South Africa subsidiaries. In August 2012, the Company completed the sale of Pioneer South Africa for net cash proceeds of \$15.9 million, including normal closing adjustments for cash revenues and costs and expenses from the effective date through the date of the sale, resulting in a gain of \$28.6 million. The Company classified Pioneer South Africa's results of operations as discontinued operations, net of tax in the accompanying consolidated statements of operations.

In February 2011, the Company sold 100 percent of the Company's share holdings in Pioneer Natural Resources Tunisia Ltd. and Pioneer Natural Resources Anaguid Ltd. (referred to in the aggregate as "Pioneer Tunisia") to an unaffiliated third party for cash proceeds of \$802.5 million, excluding cash and cash equivalents sold, resulting in a gain of \$645.2 million. The Company classified the results of operations of Pioneer Tunisia as discontinued operations, net of tax in the accompanying consolidated statements of operations.

The Company anticipates that it will continue to sell nonstrategic properties or other assets from time to time to increase capital resources available for other activities, to achieve operating and administrative efficiencies and to improve profitability. See Note C of Notes to Consolidated Financial Statements included in "Item 8. Financial

Statements and Supplementary Data" for specific information regarding the Company's asset divestitures and discontinued operations. Also see "Item 1A. Risk Factors - The Company's ability to complete dispositions of assets, or interests in assets, may be subject to factors beyond its control, and in certain cases the Company may be required to retain liabilities for certain matters" for discussion of risk factors associated with the completion of divestitures.

Marketing of Production

General. Production from the Company's properties is marketed using methods that are consistent with industry practices. Sales prices for oil, NGL and gas production are negotiated based on factors normally considered in the industry, such as an index or spot price, price regulations, distance from the well to the pipeline, commodity quality and prevailing supply and demand

Table of Contents

PIONEER NATURAL RESOURCES COMPANY

conditions. See "Item 7A. Quantitative and Qualitative Disclosures About Market Risk" for additional discussion of operations and price risk.

Significant purchasers. During 2013, the Company's significant purchasers of oil, NGLs and gas were Plains Marketing LP (26 percent), Enterprise Products Partners L.P. (12 percent) and Occidental Energy Marketing Inc. (12 percent). The Company believes that the loss of a significant purchaser or an inability to secure adequate pipeline, gas plant and NGL fractionation infrastructure in its key producing areas could have a material adverse effect on its ability to sell its oil, NGL and gas production. See "Item 1A. Risk Factors" and Note L of Notes to Consolidated Financial Statements included in "Item 8. Financial Statements and Supplementary Data" for more information about significant customer and infrastructure capacity risks.

Derivative risk management activities. The Company primarily utilizes commodity swap contracts, collar contracts and collar contracts with short puts to (i) reduce the effect of price volatility on the commodities the Company produces and sells or consumes, (ii) support the Company's annual capital budgeting and expenditure plans and (iii) reduce commodity price risk associated with certain capital projects. The Company also, from time to time, utilizes interest rate contracts to reduce the effect of interest rate volatility on the Company's indebtedness. The Company accounts for its derivative contracts using the mark-to-market ("MTM") method of accounting. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" for a description of the Company's derivative risk management activities, "Item 7A. Quantitative and Qualitative Disclosures About Market Risk," and Note E of Notes to Consolidated Financial Statements included in "Item 8. Financial Statements and Supplementary Data" for information about the impact of commodity derivative activities on oil, NGL and gas revenues and net derivative gains and losses during 2013, 2012 and 2011, as well as the Company's open commodity derivative positions at December 31, 2013.

Competition, Markets and Regulations

Competition. The oil and gas industry is highly competitive. A large number of companies, including major integrated and other independent companies, and individuals engage in the exploration for and development of oil and gas properties, and there is a high degree of competition for oil and gas properties suitable for development or exploration. Acquisitions of oil and gas properties have been an important element of the Company's growth. The Company intends to continue acquiring oil and gas properties that complement its operations, provide exploration and development opportunities and potentially provide superior returns on investment. The principal competitive factors in the acquisition of oil and gas properties include the staff and data necessary to identify, evaluate and acquire such properties and the financial resources necessary to acquire and develop the properties. Some of the Company's competitors are substantially larger and have financial and other resources greater than those of the Company.

Markets. The Company's ability to produce and market oil, NGLs and gas profitably depends on numerous factors beyond the Company's control. The effect of these factors cannot be accurately predicted or anticipated. Although the Company cannot predict the occurrence of events that may affect these commodity prices or the degree to which these prices will be affected, the prices for any commodity that the Company produces will generally approximate current market prices in the geographic region of the production.

Securities regulations. Enterprises that sell securities in public markets are subject to regulatory oversight by agencies such as the SEC and the NYSE. This regulatory oversight imposes on the Company the responsibility for establishing and maintaining disclosure controls and procedures and internal controls over financial reporting, and ensuring that the financial statements and other information included in submissions to the SEC do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made in such submissions not misleading. Failure to comply with the rules and regulations of the SEC could subject the Company to litigation from public or private plaintiffs. Failure to comply with the rules of the NYSE could result in the de-listing of the Company's common stock, which would have an adverse effect on the market price and liquidity of the Company's common stock. Compliance with some of these rules and regulations is costly, and regulations are subject to change or reinterpretation.

Environmental and occupational health and safety matters. The Company's operations are subject to stringent and complex federal, state and local laws and regulations governing environmental protection, worker health and safety,

and the discharge of materials into the environment. Numerous governmental entities, including the U.S. Environmental Protection Agency (the "EPA") and analogous state agencies have the power to enforce compliance with these laws and regulations and the permits issued under them, often requiring difficult and costly actions to achieve and maintain compliance and imposing sanctions, including administrative, civil and criminal penalties, for any failure to comply.

These laws and regulations may, among other things:

- require the acquisition of various permits before drilling or other regulated activity commences;

- enjoin some or all of the operations of facilities deemed in noncompliance with permits;

- restrict the types, quantities and concentration of various substances that can be released into the environment in connection with oil and gas drilling, production and transportation activities;

Table of Contents

PIONEER NATURAL RESOURCES COMPANY

- limit or prohibit drilling activities on certain lands lying within wilderness, wetlands and other protected areas;
- impose specific criteria addressing worker protection;
- require remedial measures to mitigate pollution from former and ongoing operations, such as requirements to close pits and plug abandoned wells; and
- impose substantial liabilities for pollution resulting from operations.

These laws and regulations may also restrict the rate of oil and gas production below the rate that would otherwise be possible. The regulatory burden on the oil and gas industry increases the cost of doing business in the industry and consequently affects profitability. Additionally, the U.S. Congress, state legislatures and federal and state regulatory agencies frequently revise environmental laws and regulations, and the trend in environmental regulation is to place more restrictions and limitations on activities that may affect the environment. Any changes that result in more stringent and costly drilling, completion, construction or water management activities, or waste handling, disposal and cleanup requirements for the oil and gas industry could have a significant effect on the Company's capital and operating costs.

The following is a summary of some of the more significant laws and regulations to which the Company's business operations are or may be subject.

Waste handling. The federal Resource Conservation and Recovery Act ("RCRA") and comparable state statutes regulate the generation, transportation, treatment, storage, disposal and cleanup of hazardous and non-hazardous wastes. Under the auspices of the EPA, the individual states administer some or all of the provisions of RCRA, sometimes in conjunction with their own, more stringent requirements. Drilling fluids, produced waters and most of the other wastes associated with the exploration, development and production of oil or gas are currently regulated under RCRA's non-hazardous waste provisions. It is possible that certain oil and gas exploration and production wastes now classified as non-hazardous could be classified as hazardous wastes in the future. Any such change could result in an increase in the Company's costs to manage and dispose of wastes, which could have a material adverse effect on the Company's results of operations and financial position. In the course of its operations, the Company generates some amounts of ordinary industrial wastes, such as paint wastes, waste solvents and waste oils that may be regulated as hazardous wastes.

Wastes containing naturally occurring radioactive materials ("NORM") may also be generated in connection with the Company's operations. NORM is subject primarily to individual state radiation control regulations. In addition, NORM handling and management activities are governed by regulations promulgated by the Occupational Safety and Health Administration ("OSHA"). These state and OSHA regulations impose certain requirements concerning worker protection, with respect to NORM, the treatment, storage and disposal of NORM waste, the management of waste piles, containers and tanks containing NORM and restrictions on the uses of land with NORM contamination. Comprehensive Environmental Response, Compensation, and Liability Act. The federal Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), also known as the Superfund law, and analogous state laws impose joint and several liability, without regard to fault or legality of conduct, on classes of persons who are considered to be responsible for the release of a "hazardous substance" into the environment. These persons include the current and past owner or operator of the site where the release occurred, and anyone who disposed or arranged for the disposal of a hazardous substance released at the site. Under CERCLA, such persons may be subject to joint and several liability for the costs of cleaning up the hazardous substances that have been released into the environment, for damages to natural resources and for the costs of certain health studies. CERCLA also authorizes the EPA and, in some instances, third parties to act in response to threats to the public health or the environment and to seek to recover from the responsible classes of persons the costs they incur. In addition, it is not uncommon for neighboring landowners and other third-parties to file claims for personal injury and property damage allegedly caused by the hazardous substances released into the environment.

The Company currently owns or leases numerous properties that have been used for oil and gas exploration and production for many years. Although the Company believes it has used operating and waste disposal practices that were standard in the industry at the time, hazardous substances, wastes or petroleum hydrocarbons may have been released on or under the properties owned or leased by the Company, or on or under other locations, including off-site

locations, where such substances have been taken for recycling or disposal. In addition, some of the Company's properties have been operated by previous owners or operators whose treatment and disposal of hazardous substances, wastes or petroleum hydrocarbons were not under the Company's control. Certain of these properties have had historical petroleum spills or releases. All of such properties and the substances disposed or released on them may be subject to CERCLA, RCRA and analogous state laws. Under such laws, the Company could be required to remove previously disposed substances and wastes, remediate contaminated property or perform remedial plugging or pit closure operations to prevent future contamination. If a surface spill or release were to occur, the Company expects that it would be controlled, contained and remediated in accordance with the applicable requirements of state oil and gas commissions and by using the Company's spill prevention, control and countermeasure ("SPCC") plans or other spill or emergency contingency plans that it maintains in accordance with EPA requirements.

Table of Contents

PIONEER NATURAL RESOURCES COMPANY

Water discharges and use. The federal Water Pollution Control Act, also known as the Clean Water Act (the "CWA"), and analogous state laws impose restrictions and strict controls with respect to the discharge of pollutants, including spills and leaks of oil and other substances, into waters of the United States and state waters. The discharge of pollutants into regulated waters is prohibited, except in accordance with the terms of a permit issued by the EPA or an analogous state agency. The CWA and regulations implemented thereunder also prohibit the discharge of dredge and fill material into regulated waters, including wetlands, unless authorized by an appropriately issued permit. SPCC planning requirements of federal laws require appropriate containment berms and similar structures to help prevent the contamination of navigable waters by a petroleum hydrocarbon tank spill, rupture or leak. Federal and state regulatory agencies can impose administrative, civil and criminal penalties for noncompliance with discharge permits or other requirements of the CWA and analogous state laws and regulations.

The primary federal law imposing liability for oil spills is the Oil Pollution Act ("OPA"), which sets minimum standards for prevention, containment and cleanup of oil spills. OPA applies to vessels, offshore facilities and onshore facilities, including exploration and production facilities that may affect waters of the United States. Under OPA, responsible parties, including owners and operators of onshore facilities, may be subject to oil spill cleanup costs and natural resource damages as well as a variety of public and private damages that may result from oil spills. If an oil spill subject to the requirements of OPA were to occur at a Company property, the Company expects that it would be controlled, contained and remediated in accordance with the applicable requirements of OPA and by using the Company's OPA spill response plan together with the assistance of trained first responders and any oil spill response contractor that the Company would have engaged pursuant to OPA to address such oil spills.

Operations associated with the Company's properties also produce wastewaters that are disposed by injection in underground wells. These injection wells are regulated by the federal Safe Drinking Water Act (the "SDWA") and analogous state and local laws. The underground injection well program under the SDWA requires permits from the EPA or analogous state agency for the Company's disposal wells, establishes minimum standards for injection well operations, and restricts the types and quantities of fluids that may be injected. Currently, the Company believes that disposal well operations on the Company's properties substantially comply with all applicable requirements under the SDWA. However, a change in the regulations or the inability to obtain permits for new injection wells in the future may affect the Company's ability to dispose of produced waters and ultimately increase the cost of the Company's operations. For example, in some areas of Texas, there has been concern that certain formations into which disposal wells are injecting produced waters could become over-pressured after many years of injection, and the governing Texas regulatory agency is reviewing the data to determine whether any action is necessary to address this issue. If the Texas state agency were to decline to issue permits for new injection wells into the formations currently utilized by the Company, the Company may be required to seek alternative methods of disposing of produced waters, including injecting into deeper formations, which could increase its costs. In addition, in response to recent seismic events near underground injection wells used for the disposal of wastewaters, some federal and state agencies have been investigating whether such wells have caused increased seismic activity. It is possible that federal or state agencies will seek to regulate more stringently the underground injection of oil and gas wastewaters as a result of these events. Nevertheless, the Company is not aware of any imminent actions by federal or state agencies that would affect its use or operation of underground injection wells due to the concern about seismic activity.

The Company also uses hydraulic fracturing techniques in virtually all of its drilling and completion programs and development of its properties is dependent on the Company's ability to hydraulically fracture the producing formations. The process involves the injection of water, sand and additives under pressure into targeted subsurface formations to stimulate oil and gas production. The process is typically regulated by state oil and gas commissions, but, the EPA has asserted federal regulatory authority over hydraulic fracturing involving diesel fuels under the SDWA Underground Injection Control Program and published final permitting guidance in February 2014 addressing the performance of such activities. In 2011, the EPA announced its intent to develop and issue regulations under the Toxic Substances Control Act to require companies to disclose information regarding the chemicals used in hydraulic fracturing, and in its Semi-annual Regulatory Agenda published in July 2013, the agency continues to project the future issuance of an Advance Notice of Proposed Rulemaking that would seek public input on the design and scope

of such disclosure regulations. The EPA published final rules under the federal Clean Air Act ("CAA") that, among other things, require producers to reduce volatile organic compound emissions from certain subcategories of fractured and refractured gas wells for which well completion operations are being conducted by routing flowback emissions to a gathering line or capturing and combusting flowback emissions using a combustion device, such as a flare, until January 1, 2015 and performing reduced emission completions, also known as "green completions," with or without combustion devices, on or after January 1, 2015. Also, in May 2013, the federal Bureau of Land Management (the "BLM") published a supplemental notice of proposed rulemaking governing hydraulic fracturing on federal and Indian oil and gas leases that would require public disclosure of chemicals used in hydraulic fracturing, confirmation that wells used in fracturing operations meet appropriate construction standards, and development of appropriate plans for managing flowback water that returns to the surface. In addition, the U.S. Congress, from time to time, has considered adopting legislation intended to provide for federal regulation of hydraulic fracturing and to require disclosure of the chemicals used in the hydraulic-fracturing process.

Certain states in which the Company operates, including Colorado and Texas, have adopted, and other states are considering adopting, regulations that could impose new or more stringent permitting, disclosure and well-construction requirements on

Table of Contents

PIONEER NATURAL RESOURCES COMPANY

hydraulic fracturing operations. In addition to state laws, local land use restrictions, such as city ordinances, may restrict or prohibit drilling in general or hydraulic fracturing in particular. The Company believes that it follows applicable standard industry practices and legal requirements for groundwater protection in its hydraulic fracturing activities. Nonetheless, in the event federal, state or local restrictions are adopted in areas where the Company is currently conducting, or in the future plans to conduct operations, the Company may incur additional costs to comply with such requirements that may be significant in nature, experience delays or curtailment in the pursuit of exploration, development or production activities, and be limited or precluded in the drilling of wells or in the amounts that the Company is ultimately able to produce from its reserves.

Certain governmental reviews were recently conducted or are underway that focus on environmental aspects of hydraulic fracturing practices. The White House Council on Environmental Quality is coordinating an administration-wide review of hydraulic fracturing practices. The EPA has commenced a study of the potential environmental effects of hydraulic fracturing on drinking water and groundwater and a draft report is expected to be available for public comments and peer review in 2014. Moreover, the EPA is developing effluent limitations for the treatment and discharge of wastewater resulting from hydraulic fracturing activities and is expected to propose these standards in 2014. These studies, or future studies, depending on their degree of pursuit and any meaningful results obtained, could spur initiatives to further regulate hydraulic fracturing under the SDWA or other regulatory mechanisms.

The water produced by the Company's CBM operations also may be subject to the state laws and regulations of regulatory bodies regarding the ownership and use of water. For example, in connection with the Company's CBM operations in the Raton Basin in Colorado, water is removed from coal seams to reduce pressure and allow the methane to be recovered. Historically, these operations have been regulated by the state agency responsible for regulating oil and gas activity in the state. Nevertheless, in 2009, the Colorado Supreme Court affirmed a state court holding that water produced in connection with the CBM operations should be subject to state water-use regulations administered by a different agency that regulates other uses of water in the state, including requirements to obtain permits for diversion and use of surface and subsurface water, an evaluation of potential competing uses of the water, and a possible requirement to provide mitigation water for other water users. The Colorado legislature and state agency adopted laws and regulations in response to this ruling. These and other resulting changes in the regulation of water produced from CBM operations may have an adverse effect on the costs of doing business and the ability to expand operations by the Company or other CBM producers.

Air emissions. The CAA and comparable state laws regulate emissions of various air pollutants through air emissions permitting programs and the imposition of other requirements. Such laws and regulations may require a facility to obtain pre-approval for the construction or modification of certain projects or facilities expected to produce air emissions or result in the increase of existing air emissions; obtain or strictly comply with air permits containing various emissions and operational limitations; or utilize specific emission control technologies to limit emissions of certain air pollutants. In addition, the EPA has developed, and continues to develop, stringent regulations governing emissions of toxic air pollutants at specified sources. Moreover, states may impose their own air emissions limitations, which may be more stringent than the federal standards imposed by the EPA. Federal and state regulatory agencies can also impose administrative, civil and criminal penalties for noncompliance with air permits or other requirements of the CAA and associated state laws and regulations. The adoption of laws, regulations, orders or other legally enforceable mandates governing oil and gas drilling and operating activities in the areas where the Company conducts business that result in more stringent drilling or operating conditions or limit or prohibit the drilling of new wells for any extended period of time could increase the Company's costs or reduce its production, which could have a material adverse effect on the Company's results of operations and cash flows.

Permits and related compliance obligations under the CAA, as well as changes to state implementation plans for controlling air emissions in regional non-attainment areas, may require the Company to incur future capital expenditures in connection with the addition or modification of existing air emission control equipment and strategies for oil and gas exploration and production operations. For example, in 2012, the EPA published final rules under the CAA that subject oil and gas production, processing, transmission and storage operations to regulation under the New

Source Performance Standards and National Emission Standards for Hazardous Air Pollutants programs. With regard to production activities, these final rules require, among other things, the reduction of volatile organic compound emissions from three subcategories of fractured and refractured gas wells for which well completion operations are conducted: wildcat (exploratory) and delineation gas wells; low reservoir pressure non-wildcat and non-delineation gas wells; and all "other" fractured and refractured gas wells. All three subcategories of wells must route flowback emissions to a gathering line or capture and combust flowback emissions using a combustion device, such as a flare. However, the "other" wells must use reduced emission completions, also known as "green completions," with or without combustion devices, on or after January 1, 2015. These regulations also establish specific new requirements regarding emissions from production-related wet seal and reciprocating compressors, effective October 15, 2012 and from pneumatic controllers and storage vessels, beginning as early as October 15, 2013. Compliance with these requirements could increase the Company's costs of development and production, which costs could be significant.

Table of Contents

PIONEER NATURAL RESOURCES COMPANY

Endangered species. The federal Endangered Species Act (the "ESA") and analogous state laws regulate activities that could have an adverse effect on threatened or endangered species. Some of the Company's operations are conducted in areas where protected species or their habitats are known to exist. In these areas, the Company may be obligated to develop and implement plans to avoid potential adverse effects to protected species and their habitats, and the Company may be prohibited from conducting operations in certain locations or during certain seasons, such as breeding and nesting seasons, when the Company's operations could have an adverse effect on the species. It is also possible that a federal or state agency could order a complete halt to drilling activities in certain locations if it is determined that such activities may have a serious adverse effect on a protected species. The presence of a protected species in areas where the Company performs activities could result in increased costs or limitations on the Company's ability to perform operations and thus have an adverse effect on the Company's business.

Moreover, as a result of a settlement approved by the U.S. District Court for the District of Columbia in September 2011, the U.S. Fish and Wildlife Service is required to make a determination on the potential listing of numerous species as endangered or threatened under the ESA before completion of the agency's 2017 fiscal year. The designation of previously unprotected species as threatened or endangered in areas where the Company operates could cause the Company to incur increased costs arising from species protection measures or could result in limitations on the Company's drilling and production activities that could have an adverse effect on the Company's ability to develop and produce its proved reserves.

Activities on Federal Lands. Oil and gas exploration, development and production activities on federal lands, including Indian lands and lands administered by the BLM, are subject to the National Environmental Policy Act, as amended ("NEPA"). NEPA requires federal agencies, including the BLM, to evaluate major agency actions having the potential to significantly impact the environment. In the course of such evaluations, an agency will prepare an Environmental Assessment that assesses the potential direct, indirect and cumulative impacts of a proposed project and, if necessary, will prepare a more detailed Environmental Impact Statement that may be made available for public review and comment. Currently, the Company has minimal exploration and production activities on federal lands. However, for those current activities as well as for future or proposed exploration and development plans on federal lands, governmental permits or authorizations that are subject to the requirements of NEPA are required. This process has the potential to delay or limit, or increase the cost of, the development of oil and gas projects. Authorizations under NEPA are also subject to protest, appeal or litigation, any or all of which may delay or halt projects.

Occupational health and safety. The Company's operations are subject to the requirements of OSHA and comparable state statutes. These laws and the related regulations strictly govern the protection of the health and safety of employees. The OSHA hazard communication standard, EPA community right-to-know regulations under Title III of CERCLA and similar state statutes require that the Company organize or disclose information about hazardous materials used or produced in the Company's operations. In addition, the Company's sand mining operations are subject to the Federal Mine Safety and Health Act of 1977, as amended by the Mine Improvement and New Emergency Response Act of 2006, which imposes stringent health and safety standards on numerous aspects of mineral extraction and processing operations, including the training of personnel, operating procedures, operating equipment and other matters. The Company believes that it is in substantial compliance with these applicable standards and with OSHA and comparable requirements.

Climate change. In 2009, the EPA published its findings that emissions of carbon dioxide, methane and other greenhouse gases ("GHGs") present an endangerment to public health and the environment because emissions of such gases are, according to the EPA, contributing to warming of the Earth's atmosphere and other climatic changes. Based on these findings, the EPA has adopted regulations under the CAA establishing Title V and Prevention of Significant Deterioration ("PSD") permitting requirements for large sources of GHGs. The Company could become subject to these permitting requirements and be required to install "best available control technology" to limit emissions of GHGs from any new or significantly modified facilities that the Company may seek to construct in the future if they would otherwise emit large volumes of GHGs. The EPA has also adopted rules requiring the reporting of GHG emissions on an annual basis from specified GHG emission sources in the United States, including certain oil and gas production facilities, which includes certain of the Company's facilities. The Company is monitoring GHG emissions

from its operations in accordance with these GHG emissions reporting rules and believes its monitoring activities are in substantial compliance with applicable reporting obligations.

While the U.S. Congress has from time to time considered legislation to reduce emissions of GHGs, there has not been significant activity in the form of adopted legislation to reduce GHG emissions at the federal level in recent years. In the absence of federal climate legislation in the United States, a number of state and regional efforts have emerged that are aimed at tracking or reducing GHG emissions by means of cap and trade programs that typically require major sources of GHG emissions, such as electric power plants, to acquire and surrender emission allowances in return for emitting those GHGs. If the U.S. Congress undertakes comprehensive tax reform in the coming year, it is possible that such reform may include a carbon tax, which could impose additional direct costs on the Company's operations.

Although it is not possible at this time to predict how legislation or new regulations that may be adopted to address GHG emissions would affect the Company's business, any such future laws and regulations could require the Company to incur increased

Table of Contents

PIONEER NATURAL RESOURCES COMPANY

operating costs, such as costs to purchase and operate emissions control systems, acquire emissions allowances or comply with new regulatory or reporting requirements including the imposition of a carbon tax. Any such legislation or regulatory programs could also increase the cost to the consumer, and thereby reduce demand for oil and gas, which could reduce the demand for the oil and gas the Company produces. Consequently, legislation and regulatory programs to reduce emissions of GHGs could have an adverse effect on the Company's business, financial condition and results of operations.

Some scientists have concluded that increasing concentrations of GHGs in the Earth's atmosphere may produce climate changes that have significant physical effects, such as increased frequency and severity of storms, droughts, floods and other climatic events. If any such effects were to occur, they could have an adverse effect on the Company's financial condition and results of operations.

Other regulation of the oil and gas industry. The oil and gas industry is regulated by numerous federal, state and local authorities. Legislation affecting the oil and gas industry is under constant review for amendment or expansion, frequently increasing the regulatory burden. Also, numerous federal and state departments and agencies are authorized by statute to issue rules and regulations binding on the oil and gas industry and its individual members, some of which carry substantial penalties for failure to comply. Although the regulatory burden on the oil and gas industry may increase the Company's cost of doing business by increasing the cost of production, the Company believes that these burdens generally do not affect the Company any differently or to any greater or lesser extent than they affect other companies in the industry with similar types, quantities and locations of production.

Development and production. Development and production operations are subject to various types of regulation at federal, state and local levels. These types of regulation include requiring permits for the drilling of wells, the posting of bonds in connection with various types of activities and filing reports concerning operations. Most states, and some counties and municipalities, in which the Company operates also regulate one or more of the following:

- the location of wells;
- the method of drilling and casing wells;
- the method and ability to fracture stimulate wells;
- the surface use and restoration of properties upon which wells are drilled;
- the plugging and abandoning of wells; and
- notice to surface owners and other third parties.

State laws regulate the size and shape of drilling and spacing units or proration units governing the pooling of oil and gas properties. Some states allow forced pooling or integration of tracts to facilitate development while other states rely on voluntary pooling of lands and leases. In some instances, forced pooling or unitization may be implemented by third parties and may reduce the Company's interest in the unitized properties. In addition, state conservation laws establish maximum rates of production from oil and gas wells, generally prohibit the venting or flaring of gas and impose requirements regarding the ratable production. These laws and regulations may limit the amount of oil and gas the Company can produce from the Company's wells or limit the number of wells or the locations at which the Company can drill. Moreover, each state generally imposes a production or severance tax with respect to the production and sale of oil, NGL and gas within its jurisdiction. States do not regulate wellhead prices or engage in other similar direct regulation, but there can be no assurance that they will not do so in the future. The effect of such future regulations may be to limit the amounts of oil and gas that may be produced from the Company's wells, negatively affect the economics of production from these wells, or limit the number of locations the Company can drill.

Regulation of transportation and sale of gas. The availability, terms and cost of transportation significantly affect sales of gas. Federal and state regulations govern the price and terms for access to gas pipeline transportation. Intrastate gas pipeline transportation activities are subject to various state laws and regulations, as well as orders of state regulatory bodies. The interstate transportation and sale of gas is subject to federal regulation, including regulation of the terms, conditions and rates for interstate transportation, storage and various other matters, primarily by the Federal Energy Regulatory Commission ("FERC"). FERC endeavors to make gas transportation more accessible to gas buyers and sellers on an open-access and non-discriminatory basis.

Pursuant to the Energy Policy Act of 2005 ("EPAAct 2005") it is unlawful for "any entity," including producers such as the Company, that are otherwise not subject to FERC's jurisdiction under the Natural Gas Act (the "NGA"), to use any deceptive or manipulative device or contrivance in connection with the purchase or sale of gas or the purchase or sale of transportation services subject to regulation by FERC, in contravention of rules prescribed by FERC. FERC's rules implementing this provision make it unlawful, in connection with the purchase or sale of gas subject to the jurisdiction of FERC, or the purchase or sale of transportation services subject to the jurisdiction of FERC, for any entity, directly or indirectly, to use or employ any device, scheme or artifice to defraud; to make any untrue statement of material fact or omit to make any such statement necessary to make the statements made not misleading; or to engage in any act or practice that operates as a fraud or deceit upon any person. EPAAct 2005 also gives FERC authority to impose civil penalties of up to \$1.0 million per day for each violation of the NGA or the Natural Gas Policy

Table of Contents

PIONEER NATURAL RESOURCES COMPANY

Act of 1978. The anti-manipulation rule applies to activities of entities not otherwise subject to FERC's jurisdiction to the extent the activities are conducted "in connection with" gas sales, purchases or transportation subject to FERC jurisdiction, which includes the annual reporting requirements under Order 704 (defined below).

In December 2007, FERC issued a final rule on the annual gas transaction reporting requirements, as amended by subsequent orders on rehearing ("Order 704"). Under Order 704, any market participant, including a producer such as the Company, that engages in wholesale sales or purchases of gas that equal or exceed 2.2 million MMBTUs of physical gas in the previous calendar year must annually report such sales and purchases to FERC on Form No. 552 on May 1 of each year. Form No. 552 contains aggregate volumes of gas purchased or sold at wholesale in the prior calendar year to the extent such transactions utilize, contribute to or may contribute to the formation of price indices. It is the responsibility of the reporting entity to determine which individual transactions should be reported based on the guidance of Order 704. Order 704 is intended to increase the transparency of the wholesale gas markets and to assist FERC in monitoring those markets and in detecting market manipulation.

Additional proposals and proceedings that might affect the gas industry are considered from time to time by the U.S. Congress, FERC, state regulatory bodies and the courts. The Company cannot predict when or if any such proposals might become effective or their effect, if any, on its operations. The Company does not believe that it will be affected by any action taken in a materially different way than other gas producers, gatherers and marketers with which it competes.

Natural gas processing. The Company's gas processing operations are not subject to FERC or state regulation. There can be no assurance that the Company's processing operations will continue to be exempt from regulation in the future. However, although the processing facilities may not be directly related, other laws and regulations may affect the availability of gas for processing, such as state regulation of production rates and maximum daily production allowable from gas wells, which could impact the Company's processing business.

Gas gathering. Section 1(b) of the NGA exempts gas gathering facilities from FERC's jurisdiction. The Company believes that its gathering facilities meet the traditional tests FERC has used to establish a pipeline system's status as a non-jurisdictional gatherer. There is, however, no bright-line test for determining the jurisdictional status of pipeline facilities. Moreover, the distinction between FERC-regulated transmission services and federally unregulated gathering services is the subject of litigation from time to time, so the classification and regulation of some of the Company's gathering facilities may be subject to change based on future determinations by FERC and the courts. Thus, the Company cannot guarantee that the jurisdictional status of its gas gathering facilities will remain unchanged. While the Company owns or operates some gas gathering facilities, the Company also depends on gathering facilities owned and operated by third parties to gather production from its properties, and therefore the Company is affected by the rates charged by these third parties for gathering services. To the extent that changes in federal or state regulation affect the rates charged for gathering services, the Company also may be affected by these changes. Accordingly, the Company does not anticipate that the Company would be affected any differently than similarly situated gas producers.

Regulation of transportation and sale of oil and NGLs. The liquids industry is also extensively regulated by numerous federal, state and local authorities. In a number of instances, the ability to transport and sell such products on interstate pipelines is dependent on pipelines whose rates, terms and conditions of service are subject to FERC jurisdiction under the Interstate Commerce Act (the "ICA"). The Company does not believe these regulations affect it any differently than other producers.

The ICA requires that pipelines maintain a tariff on file with FERC. The tariff sets forth the established rates as well as the rules and regulations governing the service. The ICA requires, among other things, that rates and terms and conditions of service on interstate common carrier pipelines be "just and reasonable." Such pipelines must also provide jurisdictional service in a manner that is not unduly discriminatory or unduly preferential. Shippers have the power to challenge new and existing rates and terms and conditions of service before FERC.

Rates of interstate liquids pipelines are currently regulated by FERC primarily through an annual indexing methodology, under which pipelines increase or decrease their rates in accordance with an index adjustment specified by FERC. For the five-year period beginning in 2010, FERC established an annual index adjustment equal to the

change in the producer price index for finished goods plus 2.65 percent. This adjustment is subject to review every five years. Under FERC's regulations, a liquids pipeline can request a rate increase that exceeds the rate obtained through application of the indexing methodology by using a cost-of-service approach, but only after the pipeline establishes that a substantial divergence exists between the actual costs experienced by the pipeline and the rates resulting from application of the indexing methodology. Increases in liquids transportation rates may result in lower revenue and cash flows for the Company.

In addition, due to common carrier regulatory obligations of liquids pipelines, capacity must be prorated among shippers in an equitable manner in the event there are nominations in excess of capacity by current shippers or capacity requests are received from a new shipper. Therefore, new shippers or increased volume by existing shippers may reduce the capacity available to the

Table of Contents

PIONEER NATURAL RESOURCES COMPANY

Company. Any prolonged interruption in the operation or curtailment of available capacity of the pipelines that the Company relies upon for liquids transportation could have a material adverse effect on its business, financial condition, results of operations and cash flows. However, the Company believes that access to liquids pipeline transportation services generally will be available to it to the same extent as to its similarly-situated competitors. Intrastate liquids pipeline transportation rates are subject to regulation by state regulatory commissions. The basis for intrastate liquids pipeline regulation, and the degree of regulatory oversight and scrutiny given to intrastate liquids pipeline rates, varies from state to state. The Company believes that the regulation of liquids pipeline transportation rates will not affect its operations in any way that is materially different from the effects on its similarly-situated competitors.

In November 2009, the Federal Trade Commission ("FTC") issued regulations pursuant to the Energy Independence and Security Act of 2007 intended to prohibit market manipulation in the petroleum industry. Violators of the regulations face civil penalties of up to \$1.0 million per violation per day. In July 2010, the U.S. Congress passed the Dodd-Frank Wall Street Reform and Consumer Protection Act, which incorporated an expansion of the authority of the Commodity Futures Trading Commission ("CFTC") to prohibit market manipulation in the markets regulated by the CFTC. This authority, with respect to oil swaps and futures contracts, is similar to the anti-manipulation authority granted to the FERC with respect to anti-manipulation in the gas industry and the FTC with respect to oil purchases and sales, as described above. In July 2011, the CFTC issued final rules to implement their new anti-manipulation authority. The rules subject violators to a civil penalty of up to the greater of \$1.0 million or triple the monetary gain to the person for each violation.

Energy commodity prices. Sales prices of oil, condensate, NGLs and gas are not currently regulated and are made at market prices. Although prices of these energy commodities are currently unregulated, the U.S. Congress historically has been active in their regulation. The Company cannot predict whether new legislation to regulate oil and gas might actually be enacted by the U.S. Congress or the various state legislatures, and what effect, if any, the proposals might have on the Company's operations.

Transportation of hazardous materials. The federal Department of Transportation has adopted regulations requiring that certain entities transporting designated hazardous materials develop plans to address security risks related to the transportation of hazardous materials. The Company does not believe that these requirements will have an adverse effect on the Company or its operations. The Company cannot provide any assurance that the security plans required under these regulations would protect against all security risks and prevent an attack or other incident related to the Company's transportation of hazardous materials.

ITEM 1A. RISK FACTORS

The nature of the business activities conducted by the Company subjects it to certain hazards and risks. The following is a summary of some of the material risks relating to the Company's business activities. Other risks are described in "Item 1. Business — Competition, Markets and Regulations," "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Item 7A. Quantitative and Qualitative Disclosures About Market Risk." These risks are not the only risks facing the Company. The Company's business could also be affected by additional risks and uncertainties not currently known to the Company or that it currently deems to be immaterial. If any of these risks actually occurs, it could materially harm the Company's business, financial condition or results of operations and impair the Company's ability to implement business plans or complete development activities as scheduled. In that case, the market price of the Company's common stock could decline.

The prices of oil, NGL and gas are highly volatile. A sustained decline in these commodity prices could adversely affect the Company's financial condition and results of operations.

The Company's revenues, profitability, cash flow and future rate of growth are highly dependent on commodity prices. Commodity prices may fluctuate widely in response to relatively minor changes in the supply of and demand for oil, NGL and gas, market uncertainty and a variety of additional factors that are beyond the Company's control, such as:

- domestic and worldwide supply of and demand for oil, NGL and gas;
- inventory levels at Cushing, Oklahoma, the benchmark for WTI oil prices;
- oil, NGL and gas inventory levels in the United States;

the capacity of U.S. refiners to absorb increasing domestic supplies of oil and condensate;
weather conditions;
overall domestic and global political and economic conditions, including laws, regulations and administrative policies that restrict the export of the Company's products;
actions of OPEC, its members and other state-controlled oil companies relating to oil price and production controls;
the effect of liquefied natural gas deliveries to and exports from the United States;
technological advances affecting energy consumption and energy supply;
domestic and foreign governmental regulations and taxation;

Table of Contents

PIONEER NATURAL RESOURCES COMPANY

the effect of energy conservation efforts;
the proximity, capacity, cost and availability of pipelines and other transportation facilities; and
the price and availability of alternative fuels.

In the past, commodity prices have been extremely volatile, and the Company expects this volatility to continue. For example, during 2013, oil prices fluctuated from a low of \$86.68 per BBL in April to a high of \$110.53 per BBL in September, while gas prices fluctuated from a low of \$3.11 per MCF in January to a high of \$4.46 per MCF in December. During 2012, oil prices fluctuated from a high of \$109.77 per BBL in February to a low of \$77.69 per BBL in June, while gas prices fluctuated from a low of \$1.91 per MCF in April to a high of \$3.90 per MCF in November. The Company makes price assumptions that are used for planning purposes, and a significant portion of the Company's cash outlays, including rent, salaries and noncancelable capital commitments, are largely fixed in nature. Accordingly, if commodity prices are below the expectations on which these commitments were based, the Company's financial results are likely to be adversely and disproportionately affected because these cash outlays are not variable in the short term and cannot be quickly reduced to respond to unanticipated decreases in commodity prices.

Significant or extended price declines could also adversely affect the amount of oil, NGL and gas that the Company can produce economically. A reduction in production could result in a shortfall in expected cash flows and require the Company to reduce capital spending or borrow funds to cover any such shortfall. Any of these factors could negatively affect the Company's ability to replace its production and its future rate of growth.

The Company could experience periods of higher costs if commodity prices rise. These increases could reduce the Company's profitability, cash flow and ability to complete development activities as planned.

Historically, the Company's capital and operating costs have risen during periods of increasing oil, NGL and gas prices. These cost increases result from a variety of factors beyond the Company's control, such as increases in the cost of electricity, steel and other raw materials that the Company and its vendors rely upon; increased demand for labor, services and materials as drilling activity increases; and increased taxes. Increased levels of drilling activity in the oil and gas industry in recent periods have led to increased costs of some drilling equipment, materials and supplies. Such costs may rise faster than increases in the Company's revenue, thereby negatively impacting the Company's profitability, cash flow and ability to complete development activities as scheduled and on budget. This impact may be magnified to the extent that the Company's ability to participate in the commodity price increases is limited by its derivative risk management activities.

The Company's derivative risk management activities could result in financial losses.

To mitigate the effect of commodity price volatility on the Company's net cash provided by operating activities, support the Company's annual capital budgeting and expenditure plans and reduce commodity price risk associated with certain capital projects, the Company's strategy is to enter into derivative arrangements covering a portion of its oil, NGL and gas production. These derivative arrangements are subject to MTM accounting treatment, and the changes in fair market value of the contracts are reported in the Company's statements of operations each quarter, which may result in significant noncash gains or losses. These derivative contracts may also expose the Company to risk of financial loss in certain circumstances, including when:

production is less than the contracted derivative volumes;
the counterparty to the derivative contract defaults on its contract obligations; or
the derivative contracts limit the benefit the Company would otherwise receive from increases in commodity prices. On the other hand, failure to protect against declines in commodity prices exposes the Company to reduced liquidity when prices decline.

The failure by counterparties to the Company's derivative risk management activities to perform their obligations could have a material adverse effect on the Company's results of operations.

The use of derivative risk management transactions involves the risk that the counterparties will be unable to meet the financial terms of such transactions. If any of these counterparties were to default on its obligations under the Company's derivative arrangements, such a default could have a material adverse effect on the Company's results of operations, and could result in a larger percentage of the Company's future production being subject to commodity price changes.

Exploration and development drilling may not result in commercially productive reserves.

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

- unexpected drilling conditions;

Table of Contents

PIONEER NATURAL RESOURCES COMPANY

unexpected pressure or irregularities in formations;

equipment failures or accidents;

fracture stimulation accidents or failures;

adverse weather conditions;

restricted access to land for drilling or laying pipelines; and

access to, and the cost and availability of, the equipment, services, resources and personnel required to complete the Company's drilling, completion and operating activities.

The Company's future drilling activities may not be successful and, if unsuccessful, such failure could have an adverse effect on the Company's future results of operations and financial condition. While all drilling, whether developmental, extension or exploratory, involves these risks, exploratory and extension drilling involves greater risks of dry holes or failure to find commercial quantities of hydrocarbons. The Company expects that it will continue to experience exploration and abandonment expense in 2014.

Future price declines could result in a reduction in the carrying value of the Company's proved oil and gas properties, which could adversely affect the Company's results of operations.

Declines in commodity prices may result in the Company having to make substantial downward adjustments to its estimated proved reserves. If this occurs, or if the Company's estimates of production or economic factors change, accounting rules may require the Company to impair, as a noncash charge to earnings, the carrying value of the Company's oil and gas properties. The Company is required to perform impairment tests on proved oil and gas properties whenever events or changes in circumstances indicate that the carrying value of proved properties may not be recoverable. To the extent such tests indicate a reduction of the estimated useful life or estimated future cash flows of the Company's oil and gas properties, the carrying value may not be recoverable and therefore an impairment charge would be required to reduce the carrying value of the proved properties to their fair value. For example, during 2013, 2012 and 2011, the Company recognized impairment charges of \$1.5 billion, \$532.6 million and \$354.4 million, respectively, due to the impairment of the Company's Raton field, Barnett Shale field, and Edwards and Austin Chalk gas fields in South Texas, respectively, due to declines in long-term gas prices and downward adjustments to the economically recoverable resource potential. The Company may incur impairment charges in the future, which could materially affect the Company's results of operations in the period incurred.

The Company periodically evaluates its unproved oil and gas properties and could be required to recognize noncash charges in the earnings of future periods.

At December 31, 2013, the Company carried unproved oil and gas property costs of \$123.4 million. GAAP requires periodic evaluation of these costs on a project-by-project basis. These evaluations are affected by the results of exploration activities, commodity price outlooks, planned future sales or expiration of all or a portion of the leases, and contracts and permits appurtenant to such projects. If the quantity of potential reserves determined by such evaluations is not sufficient to fully recover the cost invested in each project, the Company will recognize noncash charges in the earnings of future periods.

The Company periodically evaluates its goodwill for impairment and could be required to recognize noncash charges in the earnings of future periods.

At December 31, 2013, the Company carried goodwill of \$274.3 million. Goodwill is assessed for impairment annually during the third quarter and whenever facts or circumstances indicate that the carrying value of the Company's goodwill may be impaired, which may require an estimate of the fair values of the reporting unit's assets and liabilities. Those assessments may be affected by (a) additional reserve adjustments both positive and negative, (b) results of drilling activities, (c) management's outlook for commodity prices and costs and expenses, (d) changes in the Company's market capitalization, (e) changes in the Company's weighted average cost of capital and (f) changes in income taxes. If the fair value of the reporting unit's net assets is not sufficient to fully support the goodwill balance in the future, the Company will reduce the carrying value of goodwill for the impaired value, with a corresponding noncash charge to earnings in the period in which goodwill is determined to be impaired.

The Company may be unable to make attractive acquisitions, and any acquisition it completes is subject to substantial risks that could adversely affect its business.

Acquisitions of producing oil and gas properties have from time to time contributed to the Company's growth. The Company's growth following the full development of its existing property base could be impeded if it is unable to acquire additional oil and gas reserves on a profitable basis. Acquisition opportunities in the oil and gas industry are very competitive, which can increase the cost of, or cause the Company to refrain from, completing acquisitions. The success of any acquisition will depend on a number of factors and involves potential risks, including among other things:

19

Table of Contents

PIONEER NATURAL RESOURCES COMPANY

the inability to estimate accurately the costs to develop the reserves, the recoverable volumes of reserves, rates of future production and future net cash flows attainable from the reserves;

the assumption of unknown liabilities, losses or costs for which the Company is not indemnified or for which the indemnity the Company receives is inadequate;

the validity of assumptions about costs, including synergies;

the effect on the Company's liquidity or financial leverage of using available cash or debt to finance acquisitions;

the diversion of management's attention from other business concerns; and

an inability to hire, train or retain qualified personnel to manage and operate the Company's growing business and assets.

All of these factors affect whether an acquisition will ultimately generate cash flows sufficient to provide a suitable return on investment. Even though the Company 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. As a result, among other risks, the Company's initial estimates of reserves may be subject to revision following an acquisition, which may materially and adversely affect the desired benefits of the acquisition.

The Company's ability to complete dispositions of assets, or interests in assets, may be subject to factors beyond its control, and in certain cases the Company may be required to retain liabilities for certain matters.

From time to time, the Company sells an interest in a strategic asset for the purpose of assisting or accelerating the asset's development. In addition, the Company regularly reviews its property base for the purpose of identifying nonstrategic 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 the Company to dispose of such interests or nonstrategic assets or complete announced dispositions, including the receipt of approvals of governmental agencies or third parties and the availability of purchasers willing to acquire the interests or purchase the nonstrategic assets on terms and at prices acceptable to the Company.

Sellers typically retain certain liabilities or indemnify buyers for certain matters. The magnitude of any such retained liability or indemnification obligation may be difficult to quantify at the time of the transaction and ultimately may be material. Also, as is typical in divestiture transactions, third parties may be unwilling to release the Company from guarantees or other credit support provided prior to the sale of the divested assets. As a result, after a divestiture, the Company may remain secondarily liable for the obligations guaranteed or supported to the extent that the buyer of the assets fails to perform these obligations.

The Company's gas processing operations are subject to operational risks, which could result in significant damages and the loss of revenue.

As of December 31, 2013, the Company owned interests in six gas processing plants and nine treating facilities. The Company is the operator of two of the gas processing plants and all nine of the treating facilities. There are significant risks associated with the operation of gas processing plants. Gas and NGLs are volatile and explosive and may include carcinogens. Damage to or improper operation of a 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.

The Company's operations involve many operational risks, some of which could result in unforeseen interruptions to the Company's operations and substantial losses to the Company for which the Company may not be adequately insured.

The Company's operations, including well stimulation and completion activities, such as hydraulic fracturing, are subject to all the risks normally incident to the oil and gas development and production business, including:

blowouts, cratering, explosions and fires;

adverse weather effects;

environmental hazards, such as gas leaks, oil spills, pipeline and vessel ruptures, encountering NORM, and

unauthorized discharges of toxic gases, brine, well stimulation and completion fluids or other pollutants into the surface and subsurface environment;

high costs, shortages or delivery delays of equipment, labor or other services or water for hydraulic fracturing;

facility or equipment malfunctions, failures or accidents;

title problems;
pipe or cement failures or casing collapses;
compliance with environmental and other governmental requirements;
lost or damaged oilfield workover and service tools;
unusual or unexpected geological formations or pressure or irregularities in formations; and
natural disasters.

20

Table of Contents

PIONEER NATURAL RESOURCES COMPANY

The Company's overall exposure to operational risks may increase as its drilling activity expands and as it seeks to directly provide drilling, fracture stimulation and other services internally. Any of these risks could result in substantial losses to the Company 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. The Company is not fully insured against certain of the risks described above, either because such insurance is not available or because of the high premium costs and deductibles associated with obtaining such insurance. Additionally, the Company relies to a large extent on facilities owned and operated by third-parties, and damage to or destruction of those third-party facilities could affect the ability of the Company to produce, transport and sell its hydrocarbons.

Part of the Company's strategy involves using some of the latest available horizontal drilling and completion techniques, which involve risks and uncertainties in their application.

The Company's operations involve utilizing some of the latest drilling and completion techniques as developed by it and its service providers. Risks that the Company faces while drilling horizontal wells include, but are not limited to, the following:

- landing the wellbore in the desired drilling zone;
- staying in the desired drilling zone while drilling horizontally through the formation;
- running casing the entire length of the wellbore; and
- being able to run tools and other equipment consistently through the horizontal wellbore.

Risks that the Company faces while completing wells include, but are not limited to, the following:

- the ability to fracture stimulate the planned number of stages;
- the ability to run tools the entire length of the wellbore during completion operations; and
- the ability to successfully clean out the wellbore after completion of the final fracture stimulation stage.

The results of drilling in emerging areas are more uncertain initially than drilling results in areas that are more developed and have a longer history of established production. New discoveries and emerging formations have limited or no production history and, consequently, the Company is more limited in assessing future drilling results in these areas. If the Company's drilling results are worse than anticipated, the return on investment for a particular project may not be as attractive as anticipated and the Company may recognize noncash impairment charges to reduce the carrying value of its unproved properties.

The Company's expectations for future drilling activities will be realized over several years, making them susceptible to uncertainties that could materially alter the occurrence or timing of such activities.

The Company has identified drilling locations and prospects for future drilling opportunities, including development, exploratory and infill drilling activities. These drilling locations and prospects represent a significant part of the Company's future drilling plans. For example, the Company's proved reserves as of December 31, 2013 include proved undeveloped reserves and proved developed reserves that are behind pipe of 102.5 MMBBLs of oil, 41.9 MMBBLs of NGLs and 328.9 BCF of gas. The Company's ability to drill and develop these locations depends on a number of factors, including the availability of capital, seasonal conditions, regulatory approvals, negotiation of agreements with third parties, commodity prices, costs, access to and availability of equipment, services, resources and personnel and drilling results. Changes in the laws or regulations on which the Company relies in planning and executing its drilling programs could adversely impact the Company's ability to successfully complete those programs. For example, under current Texas laws and regulations the Company may receive permits to drill, and may drill and complete, certain horizontal wells that traverse one or more units and/or leases; a change in those laws or regulations could adversely impact the Company's ability to drill those wells. Because of these uncertainties, the Company cannot give any assurance as to the timing of these activities or that they will ultimately result in the realization of proved reserves or meet the Company's expectations for success. As such, the Company's actual drilling activities may materially differ from the Company's current expectations, which could have a significant adverse effect on the Company's proved reserves, financial condition and results of operations.

The Company may not be able to obtain access on commercially reasonable terms or otherwise to pipelines and storage facilities, gas gathering systems and other transportation, processing, fractionation and refining facilities to

market its oil, NGL and gas production; the Company relies on a limited number of purchasers for a majority of its products.

The marketing of oil, NGL and gas production depends in large part on the availability, proximity and capacity of pipelines and storage facilities, gas gathering systems and other transportation, processing, fractionation and refining facilities, as well as the existence of adequate markets. If there were insufficient capacity available on these systems, if these systems were unavailable to the Company, or if access to these systems were to become commercially unreasonable, the price offered for the Company's production could be significantly depressed, or the Company could be forced to shut in some production or delay or discontinue

Table of Contents

PIONEER NATURAL RESOURCES COMPANY

drilling plans and commercial production following a discovery of hydrocarbons while it constructs its own facility or awaits the availability of third party facilities. The Company also relies (and expects to rely in the future) on facilities developed and owned by third parties in order to store, process, transport, fractionate and sell its oil, NGL and gas production. The Company's plans to develop and sell its oil and gas reserves could be materially and adversely affected by the inability or unwillingness of third parties to provide sufficient transportation, storage or processing and fractionation facilities to the Company, especially in areas of planned expansion where such facilities do not currently exist.

For example, following Hurricanes Gustav and Ike in 2008, certain Permian Basin gas processors were forced to shut down their plants due to the shutdown of the Texas Gulf Coast NGL fractionators. The Company was able to produce its oil wells and vent or flare the associated gas; however, there is no certainty the Company will be able to vent or flare gas in the future due to potential changes in regulations. The amount of oil and gas that can be produced is subject to limitation in certain circumstances, such as pipeline interruptions due to scheduled and unscheduled maintenance, excessive pressure, physical damage to the gathering, transportation, refining or processing facilities, or lack of capacity on such facilities. The Company has periodically experienced high line pressure at its tank batteries, which has occasionally led to the flaring of gas due to the inability of the gas gathering systems in the areas to support the increased gas production. The curtailments arising from these and similar circumstances may last from a few days to several months, and in many cases, the Company may be provided only limited, if any, notice as to when these circumstances will arise and their duration.

To the extent that the Company enters into transportation contracts with gas pipelines that are subject to FERC regulation, the Company is subject to FERC requirements related to use of such capacity. Any failure on the Company's part to comply with FERC's regulations and policies or with an interstate pipeline's tariff could result in the imposition of civil and criminal penalties.

A limited number of companies purchase a majority of the Company's oil, NGLs and gas. The loss of a significant purchaser could have a material adverse effect on the Company's ability to sell its production.

The Company is growing production in areas of high industry activity, which may affect its ability to obtain the personnel, equipment, services, resources and facilities access needed to complete its development activities as planned or result in increased costs.

The Company's operations and drilling activity are concentrated in areas in which industry activity has increased rapidly, particularly in the Spraberry field in West Texas and the Eagle Ford Shale play in South Texas. As a result, demand for personnel, equipment, power, services and resources, as well as access to transportation, processing and refining facilities in these areas, has increased, as have the costs for those items. In addition, hydraulic fracturing and other operations require significant quantities of water, which supply may be affected by drought conditions. Any delay or inability to secure the personnel, equipment, power, services, resources and facilities access necessary for the Company to complete its planned development activities, including the result of any changes in laws or regulations applicable to the Company's operations relating to water usage, could result in oil and gas production volumes being below the Company's forecasted volumes. In addition, any such negative effect on production volumes, or significant increases in costs, could have a material adverse effect on the Company's cash flow and profitability.

The refining industry may be unable to absorb rising U.S. oil and condensate production; in such a case, the resulting surplus could depress prices and restrict the availability of markets.

Under U.S. law and regulations, the export of oil and certain condensates is restricted. Absent a change in this law or an expansion of U.S. refining capacity, rising U.S. production of oil and condensate could result in a surplus of these products, which would likely cause prices for these commodities to fall and markets to constrict. In such circumstances, the returns on the Company's capital projects would decline, possibly to levels that would make execution of the Company's drilling plans uneconomical, and a lack of market for the Company's products could require that the Company shut in some portion of its production. If this were to occur, the Company's production and cash flow could decrease, or could increase less than forecasted, which could have a material adverse effect on the Company's cash flow and profitability.

The nature of the Company's assets and production operations exposes it to significant costs and liabilities with respect to environmental and occupational health and safety matters.

The oil and gas business involves the production, handling, sale and disposal of environmentally sensitive materials and is subject to environmental hazards, such as oil spills, produced water spills, gas leaks, pipeline and vessel ruptures and unauthorized discharges of substances or gases, that could expose the Company to substantial liability due to pollution and other environmental damage. Pollution and similar environmental risks generally are not fully insurable either because such insurance is not available or because of the high premium costs and deductible associated with obtaining such insurance. A variety of federal, state and local laws and regulations govern the environmental aspects of the oil and gas business. Noncompliance with these laws and regulations may subject the Company to administrative, civil or criminal penalties, remedial cleanups, and natural resource damages or other liabilities, and compliance with these laws and regulations may increase the cost of the Company's operations. Such laws and

Table of Contents

PIONEER NATURAL RESOURCES COMPANY

regulations may also affect the costs of acquisitions. See "Item 1. Business — Competition, Markets and Regulations — Environmental and occupational health and safety matters" above for additional discussion related to environmental risks.

Environmental laws and regulations are subject to amendment or replacement by more stringent laws and regulations and no assurance can be given that continued compliance with existing or future environmental laws and regulations will not result in a curtailment of production or processing activities, result in a material increase in the costs of production, development, exploration or processing operations or adversely affect the Company's future operations and financial condition.

The Company could incur significant costs and liabilities in responding to contamination that occurs at its properties or as a result of its operations.

There is inherent risk of incurring significant environmental costs and liabilities in operations upon the Company's properties due to its handling of petroleum hydrocarbons and wastes, because of air emissions and water discharges related to its operations, and as a result of historical operations and waste disposal practices by prior owners and operators. The Company currently owns, leases or operates properties that for many years have been used for oil and gas exploration and production activities, and petroleum hydrocarbons, hazardous substances and wastes have been released on or under such properties and could be released during future operations. Joint and several strict liabilities may be incurred in connection with such releases of petroleum hydrocarbons and wastes on, under or from the Company's properties. Private parties, including lessors of properties on which the Company operates and the owners or operators of properties adjacent to the Company's operations and facilities where the Company's petroleum hydrocarbons or wastes are taken for reclamation or disposal, may also have the right to pursue legal actions to enforce compliance as well as seek damages for noncompliance with environmental laws and regulations or for personal injury or property damage. The Company may not be able to recover some or any of these costs from insurance or other sources of contractual indemnity.

The Company's credit facility and debt instruments have substantial restrictions and financial covenants that may restrict its business and financing activities.

The Company is a borrower under fixed rate senior notes and a credit facility. The terms of the Company's borrowings specify scheduled debt repayments and require the Company to comply with certain associated covenants and restrictions. The Company's ability to comply with the debt repayment terms, associated covenants and restrictions is dependent on, among other things, factors outside the Company's direct control, such as commodity prices and interest rates. See Note G of Notes to Consolidated Financial Statements included in "Item 8. Financial Statements and Supplementary Data" for information regarding the Company's outstanding debt as of December 31, 2013 and the terms associated therewith.

The Company's ability to obtain additional financing is also affected by the Company's debt credit ratings and competition for available debt financing.

The Company faces significant competition, and some of its competitors have resources in excess of the Company's available resources.

The oil and gas industry is highly competitive. The Company competes with a large number of companies, producers and operators in a number of areas such as:

- seeking to acquire oil and gas properties suitable for development or exploration;
- marketing oil, NGL and gas production; and
- seeking to acquire the equipment and expertise, including trained personnel, necessary to evaluate, operate and develop properties.

Some of the Company's competitors are larger and have substantially greater financial and other resources than the Company. See "Item 1. Business — Competition, Markets and Regulations" for additional discussion regarding competition.

The Company is subject to regulations that may cause it to incur substantial costs.

The Company's business is regulated by a variety of federal, state and local laws and regulations. For instance, in connection with the Company's CBM operations in the Raton Basin in Colorado, the Colorado Supreme Court

affirmed a state water court holding that water produced in connection with CBM operations should be subject to state water-use regulations, including regulations requiring permits for diversion and use of surface and subsurface water, an evaluation of potential competing permits, possible uses of the water and a possible requirement to provide augmentation water supplies for water rights owners with more senior rights. As another example, the underground injection well program under the SDWA requires permits from the EPA or an analogous state agency for the Company's disposal wells, establishes minimum standards for injection well operations, and restricts the types and quantities of fluids that may be injected. In some areas of Texas, there has been concern that certain formations into which disposal wells are injecting produced waters could become over-pressured after many years of injection, and the governing Texas regulatory agency is reviewing the data to determine whether any action is necessary to address this issue. If the Texas state

Table of Contents

PIONEER NATURAL RESOURCES COMPANY

agency were to decline to issue permits for new injection wells into the formations currently utilized by the Company, the Company may be required to seek alternative methods of disposing of produced waters, including injecting into deeper formations, which could increase its costs. There can be no assurance that present or future regulations will not adversely affect the Company's business and operations, including that the Company may be required to suspend drilling operations or shut in production pending compliance. See "Item 1. Business — Competition, Markets and Regulations" for additional discussion regarding government regulation.

The Company's sales of oil, gas, NGLs or other energy commodities, and any derivative activities related to such energy commodities, expose the Company to potential regulatory risks.

FERC, the FTC and the CFTC hold statutory authority to monitor certain segments of the physical and futures energy commodities markets relevant to the Company's business. These agencies have imposed broad regulations prohibiting fraud and manipulation of such markets. With regard to the Company's physical sales of oil, gas, NGLs or other energy commodities, and any derivative activities related to these energy commodities, the Company is required to observe the market-related regulations enforced by these agencies, which hold substantial enforcement authority. Failure to comply with such regulations, as interpreted and enforced, could materially and adversely affect the Company's business results of operations and financial condition.

Estimates of proved reserves and future net cash flows are not precise. The actual quantities and net cash flows of the Company's proved reserves may prove to be lower than estimated.

Numerous uncertainties exist in estimating quantities of proved reserves and future net cash flows therefrom. The estimates of proved reserves and related future net cash flows set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate.

Petroleum engineering is a subjective process of estimating underground accumulations of oil and gas that cannot be measured in an exact manner. Estimates of economically recoverable oil and gas reserves and estimates of future net cash flows depend upon a number of variable factors and assumptions, including the following:

- historical production from the area compared with production from other producing areas;
- the quality and quantity of available data;
- the interpretation of that data;
- the assumed effects of regulations by governmental agencies;
- assumptions concerning future commodity prices; and
- assumptions concerning future operating costs, severance, ad valorem and excise taxes, development costs, transportation costs and workover and remedial costs.

Because all proved reserve estimates are to some degree subjective, each of the following items may differ materially from those assumed in estimating proved reserves:

- the quantities of oil and gas that are ultimately recovered;
- the production costs incurred to recover the reserves;
- the amount and timing of future development expenditures; and
- future commodity prices.

Furthermore, different reserve engineers may make different estimates of proved reserves and cash flows based on the same available data. The Company's actual production, revenues and expenditures with respect to proved reserves will likely be different from estimates, and the differences may be material.

As required by the SEC, the estimated discounted future net cash flows from proved reserves are based on average prices preceding the date of the estimate and costs as of the date of the estimate, while actual future prices and costs may be materially higher or lower. Actual future net cash flows also will be affected by factors such as:

- the amount and timing of actual production;
- levels of future capital spending;
- increases or decreases in the supply of or demand for oil, NGLs and gas; and
- changes in governmental regulations or taxation.

Standardized Measure is a reporting convention that provides a common basis for comparing oil and gas companies subject to the rules and regulations of the SEC. In general, it requires the use of commodity prices that are based upon

a 12-month unweighted average, as well as operating and development costs being incurred at the end of the reporting period. Consequently, it may not reflect the prices ordinarily received or that will be received for oil and gas production because of seasonal price fluctuations or other varying market conditions, nor may it reflect the actual costs that will be required to produce or develop the

Table of Contents

PIONEER NATURAL RESOURCES COMPANY

oil and gas properties. Accordingly, estimates included herein of future net cash flows may be materially different from the future net cash flows that are ultimately received. In addition, the ten percent discount factor, which is required by the SEC to be used in calculating discounted future net cash flows for reporting purposes, may not be the most appropriate discount factor based on interest rates in effect from time to time and risks associated with the Company or the oil and gas industry in general. Therefore, the estimates of discounted future net cash flows or Standardized Measure in this Report should not be construed as accurate estimates of the current market value of the Company's proved reserves.

The Company's actual production could differ materially from its forecasts.

From time to time, the Company provides forecasts of expected quantities of future oil and gas production. These forecasts are based on a number of estimates, including expectations of production from existing wells and the outcome of future drilling activity. Should these estimates prove inaccurate, actual production could be adversely affected. In addition, the Company's forecasts assume that none of the risks associated with the Company's oil and gas operations summarized in this "Item 1A. Risk Factors" occur, such as facility or equipment malfunctions, adverse weather effects, or downturns in commodity prices or significant increases in costs, which could make certain drilling activities or production uneconomical.

The Company's business could be negatively affected by security threats, including cybersecurity threats, and other disruptions.

As an oil and gas producer, the Company faces various security threats, including cybersecurity threats to gain unauthorized access to sensitive information or to render data or systems unusable; threats to the security of the Company's facilities and infrastructure or third party facilities and infrastructure, such as processing plants and pipelines; and threats from terrorist acts. The potential for such security threats has subjected the Company's operations to increased risks that could have a material adverse effect on the Company's business. In particular, the Company's implementation of various procedures and controls to monitor and mitigate security threats and to increase security for the Company's information, facilities and infrastructure may result in increased capital and operating costs. Moreover, there can be no assurance that such procedures and controls will be sufficient to prevent security breaches from occurring. If any of these security breaches were to occur, they could lead to losses of sensitive information, critical infrastructure or capabilities essential to the Company's operations and could have a material adverse effect on the Company's reputation, financial position, results of operations or cash flows. Cybersecurity attacks in particular are becoming more sophisticated and include, but are not limited to, malicious software, attempts to gain unauthorized access to data and systems, and other electronic security breaches that could lead to disruptions in critical systems, unauthorized release of confidential or otherwise protected information, and corruption of data. These events could damage the Company's reputation and lead to financial losses from remedial actions, loss of business or potential liability.

A failure by purchasers of the Company's production to perform their obligations to the Company could require the Company to recognize a pre-tax charge in earnings and have a material adverse effect on the Company's results of operation.

The Company relies on a limited number of purchasers to purchase a majority of its products. To the extent that purchasers of the Company's production rely on access to the credit or equity markets to fund their operations, there is a risk that those purchasers could default in their contractual obligations to the Company if such purchasers were unable to access the credit or equity markets for an extended period of time. If for any reason the Company were to determine that it was probable that some or all of the accounts receivable from any one or more of the purchasers of the Company's production were uncollectible, the Company would recognize a pre-tax charge in the earnings of that period for the probable loss.

Declining general economic, business or industry conditions could have a material adverse effect on the Company's results of operations.

The worldwide economic outlook has been improving steadily since 2010, but if there are renewed concerns about global economic growth or government debt in Europe or the United States, there could be a significant adverse effect on global financial markets and commodity prices. If the economic climate in the United States or abroad were to

deteriorate, demand for petroleum products could diminish, which could depress the prices at which the Company could sell its oil, NGLs and gas and ultimately decrease the Company's net revenue and profitability.

Certain U.S. federal income tax deductions currently available with respect to oil and gas exploration and development may be eliminated as a result of future legislation.

In recent years, legislation has been proposed that would, if enacted into law, make significant changes to U.S. tax laws, including the elimination of certain key U.S. federal income tax incentives currently available to oil and gas companies. Such tax legislation changes include, but are not limited to, (i) the repeal of the percentage depletion allowance for oil and gas properties, (ii) the elimination of current deductions for intangible drilling and development costs, (iii) the elimination of the deduction for certain domestic production activities and (iv) an extension of the amortization period for certain geological and geophysical

Table of Contents

PIONEER NATURAL RESOURCES COMPANY

expenditures. It is unclear whether these or similar changes will be enacted and, if enacted, how soon any such changes could become effective. The passage of any legislation as a result of these proposals or any other similar changes in U.S. federal income tax laws could eliminate or postpone certain tax deductions that are currently available with respect to oil and gas exploration and development, and any such change could have an adverse effect on the Company's financial position, results of operations and cash flows.

Climate change legislation and regulatory initiatives restricting emissions of GHGs could result in increased operating costs and reduced demand for the oil, NGLs and gas the Company produces.

In 2009, the EPA officially published its findings that emissions of GHGs present an endangerment to public health and the environment because emissions of such gases are, according to the EPA, contributing to warming of the Earth's atmosphere and other climatic changes. Based on these findings, the EPA adopted regulations under the CAA establishing Title V and PSD permitting requirements for large sources of GHGs. The Company could become subject to these permitting requirements and be required to install "best available control technology" to limit emissions of GHGs from any new or significantly modified facilities that the Company may seek to construct in the future if they would otherwise emit large volumes of GHGs. The EPA has also adopted rules requiring the reporting of GHG emissions on an annual basis from specified GHG emission sources in the United States, including certain oil and gas production facilities, which include certain of the Company's facilities. While the U.S. Congress has from time to time considered legislation to reduce emissions of GHGs, there has not been significant activity in the form of adopted legislation to reduce GHG emissions at the federal level in recent years. In the absence of federal climate legislation in the United States, a number of state and regional efforts have emerged that are aimed at tracking or reducing GHG emissions by means of cap and trade programs that typically require major sources of GHG emissions, such as electric power plants, to acquire and surrender emission allowances in return for emitting those GHGs. If the U.S. Congress undertakes comprehensive tax reform in the coming year, it is possible that such reform may include a carbon tax, which could impose additional direct costs on the Company's operations. Although it is not possible at this time to predict how legislation or new regulations that may be adopted to address GHG emissions would affect the Company's business, any such future laws and regulations could require the Company to incur increased operating costs, such as costs to purchase and operate emissions control systems, acquire emissions allowances or comply with new regulatory or reporting requirements, including the imposition of a carbon tax. Any such legislation or regulatory programs could also increase the cost to the consumer, and thereby reduce demand for oil and gas, which could reduce the demand for the oil and gas the Company produces. Consequently, legislation and regulatory programs to reduce emissions of GHGs could have an adverse effect on the Company's business, financial condition and results of operations. See "Item 1. Business - Competition, Markets and Regulations - Environmental and occupational health and safety matters - Climate change" for additional discussion relating to climate change.

The enactment of derivatives legislation could have an adverse effect on the Company's ability to use derivative instruments to reduce the effect of commodity price, interest rate and other risks associated with its business.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") enacted on July 21, 2010, established federal oversight and regulation of the over-the-counter derivatives market and entities, such as the Company, that participate in that market. The Dodd-Frank Act requires the CFTC and the SEC to promulgate rules and regulations for its implementation. In October 2011, the CFTC issued regulations to set position limits for certain futures and option contracts in the major energy markets and for swaps that are their economic equivalents. The initial position limits rule was vacated by the United States District Court for the District of Columbia in September 2012.

However, in November 2013, the CFTC proposed new rules that would place limits on positions in certain core futures and equivalent swaps contracts for or linked to certain physical commodities, subject to exceptions for certain bona fide derivative transactions. As these new position limit rules are not yet final, the impact of those provisions on the Company is uncertain at this time. The CFTC has designated certain interest rate swaps and credit default swaps for mandatory clearing and the associated rules also will require the Company, in connection with covered derivative activities, to comply with clearing and trade-execution requirements or take steps to qualify for an exemption to such requirements. Although the Company believes it qualifies for the end-user exception from the mandatory clearing requirements for swaps entered to mitigate its commercial risks, the application of the mandatory clearing and trade

execution requirements to other market participants, such as swap dealers, may change the cost and availability of the Company's derivatives. Although the CFTC has finalized certain regulations, others remain to be finalized or implemented and it is not possible at this time to predict when this will be accomplished or what the effect of any such regulations will be on the Company. For example, for uncleared swaps, the CFTC or federal banking regulators may require end-users to enter into credit support documentation and/or post initial and variation margin. Posting of collateral could impact liquidity and reduce cash available to the Company for capital expenditures, therefore reducing its ability to execute derivatives to reduce risk and protect cash flows. The proposed margin rules are not yet final, and therefore the impact of those provisions to the Company is uncertain at this time. The Dodd-Frank Act also may require the counterparties to the Company's derivative instruments to spin off some of their derivatives activities to a separate entity, which may not be as creditworthy as the current counterparty. The full impact of the Dodd-Frank Act and related regulatory requirements upon the Company's business will not be known until the regulations are implemented and the market for derivatives contracts has adjusted. The Dodd-Frank Act and any new regulations could significantly increase the cost of derivative contracts, materially

Table of Contents

PIONEER NATURAL RESOURCES COMPANY

alter the terms of derivative contracts, reduce the availability of derivatives to protect against risks the Company encounters, reduce the Company's ability to monetize or restructure its existing derivative contracts, and increase the Company's exposure to less creditworthy counterparties. If the Company reduces its use of derivatives as a result of the Dodd-Frank Act and regulations, the Company's results of operations may become more volatile and its cash flows may be less predictable, which could adversely affect the Company's ability to plan for and fund capital expenditures. Finally, the Dodd-Frank Act was intended, in part, to reduce the volatility of oil and gas prices, which some legislators attributed to speculative trading in derivatives and commodity instruments related to oil and gas. The Company's revenues could therefore be adversely affected if a consequence of the Dodd-Frank Act and implementing regulations is to lower commodity prices. Any of these consequences could have a material adverse effect on the Company, its financial condition and its results of operations.

Federal, state and local legislative and regulatory initiatives relating to hydraulic fracturing, as well as governmental reviews of such activities, could result in increased costs and additional operating restrictions or delays and adversely affect the Company's production.

Hydraulic fracturing is a common practice that is used to stimulate production of hydrocarbons from tight formations. The Company routinely utilizes hydraulic fracturing techniques in the majority of its drilling and completion programs. The process involves the injection of water, sand and additives under pressure into targeted subsurface formations to stimulate oil and gas production. The process is typically regulated by state oil and gas commissions, but the EPA has asserted federal regulatory authority over hydraulic fracturing involving diesel fuels under the SDWA's Underground Injection Control Program and published final permitting guidance in February 2014 addressing the performance of such activities. In 2011, the EPA announced its intent to develop and issue regulations under the Toxic Substances Control Act to require companies to disclose information regarding the chemicals used in hydraulic fracturing, and in its Semi-annual Regulatory agenda published in July 2013, the agency continues to project the future issuance of an Advance Notice of Proposed Rulemaking that would seek public input on the design and scope of such disclosure regulations. The EPA has published final rules under the CAA that, among other things, require producers to reduce volatile organic compound emissions from certain subcategories of fractured and refractured gas wells for which well completion operations are being conducted by routing flowback emissions to a gathering line or capturing and combusting flowback emissions using a combustion device, such as a flare, until January 1, 2015 and performing green completions, with or without combustion devices, on or after January 1, 2015. Also, in May 2013, the BLM published a supplemental notice of proposed rulemaking governing hydraulic fracturing on federal and Indian oil and gas leases that would require public disclosure of chemicals used in hydraulic fracturing, confirmation that wells used in fracturing operations meet appropriate construction standards, and development of appropriate plans for managing flowback water that returns to the surface.

In addition, the U.S. Congress, from time to time, has considered adopting legislation intended to provide for federal regulation of hydraulic fracturing and to require disclosure of the chemicals used in the hydraulic-fracturing process. Certain states in which the Company operates, including Colorado and Texas have adopted, and other states are considering adopting, regulations that could impose new or more stringent permitting, disclosure, and well-construction requirements on hydraulic-fracturing operations. In addition, local land use restrictions, such as city ordinances, may restrict or prohibit drilling in general or hydraulic fracturing in particular. In the event federal, state or local restrictions are adopted in areas where the Company is currently conducting, or in the future plan to conduct operations, the Company may incur additional costs to comply with such requirements that may be significant in nature, experience delays or curtailment in the pursuit of exploration, development, or production activities, and perhaps be limited or precluded in the drilling of wells or in the amounts that the Company is ultimately able to produce from its reserves.

Certain governmental reviews were recently conducted or are underway that focus on environmental aspects of hydraulic fracturing practices. The White House Council on Environmental Quality is coordinating an administration-wide review of hydraulic fracturing practices. The EPA has commenced a study of the potential environmental effects of hydraulic fracturing on drinking water and groundwater and a draft report is expected to be available for public comment and peer review in 2014. Moreover, the EPA is developing effluent limitations for the

treatment and discharge of wastewater resulting from hydraulic fracturing activities and is expected to propose these standards in 2014. These studies, or future studies, depending on their degree of pursuit and any meaningful results obtained, could spur initiatives to further regulate hydraulic fracturing under the SDWA or other regulatory mechanisms. See "Item 1. Business - Competition, Markets and Regulations - Environmental and occupational health and safety matters" for additional discussion related to environmental risks associated with the Company's hydraulic fracturing activities.

Laws and regulations pertaining to threatened and endangered species could delay or restrict the Company's operations and cause it to incur substantial costs.

Various federal and state statutes prohibit certain actions that adversely affect endangered or threatened species and their habitats, migratory birds, wetlands and natural resources. These statutes include the ESA, the Migratory Bird Treaty Act, the CWA and CERCLA. The U.S. Fish and Wildlife Service may designate critical habitat and suitable habitat areas that it believes are

Table of Contents

PIONEER NATURAL RESOURCES COMPANY

necessary for survival of threatened or endangered species. A critical habitat or suitable habitat designation could result in further material restrictions to federal land use and private land use and could delay or prohibit land access or oil and gas development. If harm to species or damages to wetlands, habitat or natural resources occur or may occur, government entities or, at times, private parties may act to prevent oil and gas exploration or development activities or seek damages for harm to species, habitat or natural resources resulting from drilling or construction or releases of oil, wastes, hazardous substances or other regulated materials, and, in some cases, may seek criminal penalties. Moreover, as a result of a settlement approved by the U.S. District Court for the District of Columbia in September 2011, the U.S. Fish and Wildlife Service is required to make a determination on the listing of numerous species as endangered or threatened under the ESA before completion of the agency's 2017 fiscal year. The designation of previously unprotected species as threatened or endangered in areas where the Company conducts operations could cause the Company to incur increased costs arising from species protection measures or could result in limitations on its development and production activities that could have an adverse effect on the Company's ability to develop and produce reserves.

Provisions of the Company's charter documents and Delaware law may inhibit a takeover, which could limit the price investors might be willing to pay in the future for the Company's common stock.

Provisions in the Company's certificate of incorporation and bylaws may have the effect of delaying or preventing an acquisition of the Company or a merger in which the Company is not the surviving company and may otherwise prevent or slow changes in the Company's board of directors and management. In addition, because the Company is incorporated in Delaware, it is governed by the provisions of Section 203 of the Delaware General Corporation Law. These provisions could discourage an acquisition of the Company or other change in control transaction and thereby negatively affect the price that investors might be willing to pay in the future for the Company's common stock.

The Company's sand mining operations are subject to operating risks that are often beyond the Company's control, and such risks may not be covered by insurance.

Ownership of industrial sand mining operations are subject to risks, many of which are beyond the Company's control. These risks include:

- unusual or unexpected geological formations or pressures;
- cave-ins, pit wall failures or rock falls;
- unanticipated ground, grade or water conditions;
- inclement or hazardous weather conditions, including flooding, and the physical impacts of climate change;
- environmental hazards, such as unauthorized spills, releases and discharges of wastes, vessel ruptures and emission of unpermitted levels of pollutants;
- changes in laws and regulations;
- inability to acquire or maintain necessary permits or mining or water rights;
- restrictions on blasting operations;
- inability to obtain necessary production equipment or replacement parts;
- reduction in the amount of water available for processing;
- technical difficulties or failures;
- labor disputes;
- late delivery of supplies;
- fires, explosions or other accidents; and
- facility interruptions or shutdowns in response to environmental regulatory actions.

Any of these risks could result in damage to, or destruction of, the Company's mining properties or production facilities, personal injury, environmental damage, delays in mining or processing, losses or possible legal liability. Not all of these risks are insurable, and the Company's insurance coverage contains limits, deductibles, exclusions and endorsements. The Company's insurance coverage may not be sufficient to meet its needs in the event of loss and any such loss may have a material adverse effect on the Company.

The Company's estimates of sand reserves and resource deposits are imprecise and actual reserves could be less than estimated.

The Company bases its sand reserve and resource estimates on engineering, economic and geological data assembled and analyzed by engineers and geologists, which are periodically reviewed by outside firms. However, commercial sand reserve estimates are necessarily imprecise and depend to some extent on statistical inferences drawn from available drilling data, which may prove unreliable. There are numerous uncertainties inherent in estimating quantities and qualities of commercial sand reserves and costs to mine recoverable reserves, including many factors beyond the Company's control. Estimates of economically recoverable commercial sand reserves necessarily depend on a number of factors and assumptions, all of which may vary considerably from actual results, such as:

28

Table of Contents

PIONEER NATURAL RESOURCES COMPANY

geological and mining conditions or effects from prior mining that may not be fully identified by available data or that may differ from experience;

assumptions concerning future prices of commercial sand products, operating costs, mining technology improvements, development costs and reclamation costs; and

assumptions concerning future effects of regulation, including the issuance of required permits and taxes by governmental agencies.

The Company's sand mining operations are subject to extensive environmental and occupational health and safety regulations that impose significant costs and potential liabilities.

The Company's sand mining operations are subject to a variety of federal, state and local environmental requirements affecting the mining and mineral processing industry, including, among others, those relating to employee health and safety, environmental permitting and licensing, air emissions and water discharges, GHG emissions, water pollution, waste management and disposal, remediation of soil and groundwater contamination, land use restrictions, reclamation and restoration of properties, hazardous materials and natural resources. Some environmental laws impose substantial penalties for noncompliance, and others, such as the CERCLA, impose strict, retroactive and joint and several liability for the remediation of releases of hazardous substances. Failure to properly handle, transport, store or dispose of hazardous materials or otherwise conduct the Company's sand mining operations in compliance with environmental laws could expose the Company to liability for governmental penalties, cleanup costs and civil or criminal liability associated with releases of such materials into the environment, damages to property or natural resources and other damages, as well as potentially impair the Company's ability to conduct its sand mining operations. In addition, environmental laws and regulations are subject to amendment, replacement or interpretation by more stringent and comprehensive legal requirements. The Company's continued compliance with existing or future laws and regulations could restrict the Company's ability to expand its facilities or extract mineral deposits or could require the Company to acquire costly equipment or to incur other significant expenses in connection with its sand mining operations, which restrictions or costs could have a material adverse effect on the Company's sand mining operations.

Any failure by the Company to comply with applicable environmental laws and regulations in connection with its sand mining operations may cause governmental authorities to take actions that could adversely affect the Company, including:

issuance of administrative, civil and criminal penalties;

denial, modification or revocation of permits or other authorizations;

imposition of injunctive obligations or other limitations on the Company's operations, including interruptions or cessation of operations; and

requirements to perform site investigatory, remedial or other corrective actions.

In addition to environmental regulation, the Company's sand mining operations are subject to laws and regulations relating to worker health and safety, including such matters as human exposure to crystalline silica dust. Several federal and state regulatory authorities, including the U.S. Mining Safety and Health Administration, may continue to propose changes in their regulations regarding workplace exposure to crystalline silica, such as permissible exposure limits and required controls and personal protective equipment.

The Company's sand mining operations are subject to the Federal Mine Safety and Health Act of 1977, which imposes stringent health and safety standards on numerous aspects of the Company's sand mining operations.

The Company's sand mining operations are subject to the Federal Mine Safety and Health Act of 1977, as amended by the Mine Improvement and New Emergency Response Act of 2006, which imposes stringent health and safety standards on numerous aspects of mineral extraction and processing operations, including the training of personnel, operating procedures, operating equipment and other matters. The Company's failure to comply with such standards, or changes in such standards or the interpretation or enforcement thereof, could have a material adverse effect on the Company's sand mining operations or otherwise impose significant restrictions on the Company's ability to conduct mineral extraction and processing operations.

The Company's sand mining operations are subject to extensive other regulations that impose significant costs and liabilities.

In addition to the environmental and occupational health and safety regulation discussed above, the Company's sand mining operations are also subject to extensive governmental regulation on matters such as permitting and licensing requirements, reclamation and restoration of mining properties after mining is completed, and the effects that mining have on groundwater quality and availability. Also, the Company's sand mining operations require numerous governmental, environmental, mining and other permits, water rights and approvals authorizing operations at each sand mining facility.

In order to obtain permits and renewals of permits in the future for its sand mining operations, the Company may be required to prepare and present data to governmental authorities pertaining to the effect that any such activities may have on the environment.

Table of Contents

PIONEER NATURAL RESOURCES COMPANY

Obtaining or renewing required permits may be delayed or prevented due to opposition by neighboring property owners, members of the public or other third parties and other factors beyond the Company's control. A decision by a governmental agency or other third party to deny or delay issuing a new or renewed permit or approval, or to revoke or substantially modify an existing permit or approval, could have a material adverse effect on the Company's sand mining operations at the affected facility. Current or future regulations could have a material adverse effect on the Company's sand mining operations and the Company may not be able to renew or obtain permits in the future. The Company's sand mining operations entail silica-related health issues and litigation that could have a material adverse effect on the Company.

The inhalation of respirable crystalline silica dust is associated with the lung disease silicosis. There is evidence of an association between crystalline silica exposure or silicosis and lung cancer and a possible association with other diseases, including immune system disorders, such as scleroderma. These health risks have been, and may continue to be, a significant issue confronting the commercial sand industry. The actual or perceived health risks of mining, processing and handling sand could materially and adversely affect the Company through the threat of product liability or employee lawsuits and increased scrutiny by federal, state and local regulatory authorities.

Premier Silica is named as a defendant, usually among many defendants, in numerous products liability lawsuits brought by or on behalf of current or former employees of Premier Silica's customers alleging damages caused by silica exposure. As of December 31, 2013, Premier Silica was the subject of approximately 2,200 silica exposure claims, the great majority of which have been inactive for many years due to the plaintiffs' failure to meet specific legal requirements to advance their claims. Almost all of the claims pending against Premier Silica arise out of the alleged use of Premier Silica's sand products in foundries or as an abrasive blast media and have been filed in the states of Texas, Florida and Missouri, although some cases have been brought in many other jurisdictions over the years.

It is possible that Premier Silica will continue to have silica-related products liability claims filed against it, including claims that allege silica exposure for periods for which there is not insurance coverage. Any pending or future claims or inadequacies of insurance coverage or indemnification from the seller could have a material adverse effect on the Company's results of operations.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Reserve Estimation Procedures and Audits

The information included in this Report about the Company's proved reserves as of December 31, 2013, 2012 and 2011 is based on evaluations prepared by the Company's engineers and (i) audited by Netherland, Sewell & Associates, Inc. ("NSAI"), with respect to the Company's major properties included in its continuing operations for all periods, and (ii) with respect to the Company's Ooguruk field properties in Alaska, audited by Ryder Scott Company, L.P. ("RSC"), as of December 31, 2012. The Company has no oil and gas reserves from non-traditional sources.

Additionally, the Company does not provide optional disclosure of probable or possible reserves.

Reserve estimation procedures. The Company has established internal controls over reserve estimation processes and procedures to support the accurate and timely preparation and disclosure of reserve estimates in accordance with SEC and GAAP requirements. These controls include oversight of the reserves estimation reporting processes by Pioneer's Corporate Reserves Group ("Corporate Reserves"), and annual external audits of substantial portions of the Company's proved reserves by NSAI.

Individual asset teams are responsible for the day-to-day management of the oil and gas activities in each of the Company's Permian Basin, Rockies, Mid-Continent, South Texas, Barnett Shale and Alaska asset areas (the "Asset Teams"). The Company's Asset Teams are each staffed with reservoir engineers and geoscientists who prepare reserve estimates at the end of each calendar quarter for the assets that they manage, using reservoir engineering information technology. There is shared oversight of the Asset Teams' reservoir engineers by the Asset Teams' managers and the Vice President of Corporate Reserves, each of whom is in turn subject to direct or indirect oversight by the Company's

management committee ("MC"). The Company's MC is comprised of its Chief Executive Officer, Chief Operating Officer, Chief Financial Officer and other Executive Vice Presidents. The Asset Teams' reserve estimates are reviewed by the Asset Team reservoir engineers before being submitted to Corporate Reserves for further review. The reserve estimates are summarized in reserve reconciliations that quantify reserve changes since the previous year end as revisions of previous estimates, purchases of minerals-in-place, improved recovery, extensions and discoveries, production and sales of minerals-in-place. All reserve estimates, material assumptions and inputs used in reserve estimates and significant changes in reserve estimates are reviewed for engineering and financial appropriateness and compliance with SEC and GAAP standards

Table of Contents

PIONEER NATURAL RESOURCES COMPANY

by Corporate Reserves, in consultation with the Company's accounting and financial management personnel. Annually, the MC reviews the reserve estimates and any differences with the reserve auditors (for the portion of the reserves audited by NSAI or RSC) on a consolidated basis before these estimates are approved. The engineers and geoscientists who participate in the reserve estimation and disclosure process periodically attend training provided by external consultants and/or through internal Pioneer programs. Additionally, Corporate Reserves has prepared and maintains written policies and guidelines for the Asset Teams to reference on reserve estimation and preparation to promote objectivity in the preparation of the Company's reserve estimates and SEC and GAAP compliance in the reserve estimation and reporting process.

Proved reserves audits. The proved reserve audits performed by NSAI for 2013, 2012 and 2011, and by RSC for 2012, in the aggregate represented 94 percent, 95 percent and 90 percent of the Company's 2013, 2012 and 2011 proved reserves, respectively; and 92 percent, 99 percent and 91 percent of the Company's 2013, 2012 and 2011 associated pre-tax present value of proved reserves discounted at ten percent, respectively.

NSAI follows the general principles set forth in the "Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserve Information" promulgated by the Society of Petroleum Engineers (the "SPE"). A reserve audit as defined by the SPE is not the same as a financial audit. The SPE's definition of a reserve audit includes the following concepts:

A reserve audit is an examination of reserve information that is conducted for the purpose of expressing an opinion as to whether such reserve information, in the aggregate, is reasonable and has been presented in conformity with the 2007 SPE publication entitled "Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information."

The estimation of reserves is an imprecise science due to the many unknown geologic and reservoir factors that cannot be estimated through sampling techniques. Since reserves are only estimates, they cannot be audited for the purpose of verifying exactness. Instead, reserve information is audited for the purpose of reviewing in sufficient detail the policies, procedures and methods used by a company in estimating its reserves so that the reserve auditors may express an opinion as to whether, in the aggregate, the reserve information furnished by a company is reasonable.

The methods and procedures used by a company, and the reserve information furnished by a company, must be reviewed in sufficient detail to permit the reserve auditor, in its professional judgment, to express an opinion as to the reasonableness of the reserve information. The auditing procedures require the reserve auditor to prepare its own estimates of reserve information for the audited properties.

In conjunction with the audit of the Company's proved reserves and associated pre-tax present value discounted at ten percent, Pioneer provided to NSAI its external and internal engineering and geoscience technical data and analyses. Following NSAI's review of that data, it had the option of honoring Pioneer's interpretations, or making its own interpretations. No data was withheld from NSAI. NSAI accepted without independent verification the accuracy and completeness of the historical information and data furnished by Pioneer with respect to ownership interest, oil and gas production, well test data, commodity prices, operating and development costs, and any agreements relating to current and future operations of the properties and sales of production. However, if in the course of its evaluations something came to its attention that brought into question the validity or sufficiency of any such information or data, NSAI did not rely on such information or data until it had satisfactorily resolved its questions relating thereto or had independently verified such information or data.

In the course of its evaluations, NSAI prepared, for all of the audited properties, its own estimates of the Company's proved reserves and the pre-tax present values of such reserves discounted at ten percent. NSAI reviewed its audit differences with the Company, and, in a number of cases, held meetings with the Company to review additional reserves work performed by the Company's technical teams and any updated performance data related to the proved reserve differences. Such data was incorporated, as appropriate, by both parties into the proved reserve estimates. NSAI's estimates, including any adjustments resulting from additional data, of those proved reserves and the pre-tax present value of such reserves discounted at ten percent did not differ from Pioneer's estimates by more than ten percent in the aggregate. However, when compared on a lease-by-lease, field-by-field or area-by-area basis, some of the Company's estimates were greater than those of the reserve auditors and some were less than the estimates of the

reserve auditors. When such differences do not exceed ten percent in the aggregate and NSAI is satisfied that the proved reserves and pre-tax present values of such reserves discounted at ten percent are reasonable and that its audit objectives have been met, NSAI will issue an unqualified audit opinion. Remaining differences are not resolved due to the limited cost benefit of continuing such analyses by the Company and the reserve auditors. At the conclusion of the audit process, it was NSAI's opinion, as set forth in its audit letter, which is included as an exhibit to this Report, that Pioneer's estimates of the Company's proved oil and gas reserves and associated pre-tax present values discounted at ten percent are, in the aggregate, reasonable and have been prepared in accordance with the "Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information" promulgated by the SPE.

Table of Contents

PIONEER NATURAL RESOURCES COMPANY

See "Item 1A. Risk Factors," "Critical Accounting Estimates" in "Item 7. Management's Discussion and Analysis and Results of Operations" and "Item 8. Financial Statements and Supplementary Data" for additional discussions regarding proved reserves and their related cash flows.

Qualifications of reserves preparers and auditors. Corporate Reserves is staffed by petroleum engineers with extensive industry experience and is managed by the Vice President of Corporate Reserves, the technical person that is primarily responsible for overseeing the Company's reserves estimates. These individuals meet the professional qualifications of reserves estimators and reserves auditors as defined by the "Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information," promulgated by the SPE. The qualifications of the Vice President of Corporate Reserves include 36 years of experience as a petroleum engineer, with 29 years focused on reserves reporting for independent oil and gas companies, including Pioneer. His educational background includes an undergraduate degree in Chemical Engineering and a Masters of Business Administration degree in Finance. He is also a Chartered Financial Analyst Charterholder.

NSAI provides worldwide petroleum property analysis services for energy clients, financial organizations and government agencies. NSAI was founded in 1961 and performs consulting petroleum engineering services under Texas Board of Professional Engineers Registration No. F-2699. The technical person primarily responsible for auditing the Company's reserves estimates has been a practicing consulting petroleum engineer at NSAI since 1983 and has over 35 years of practical experience in petroleum engineering, including over 33 years of experience in the estimation and evaluation of proved reserves. He graduated with a Bachelor of Science degree in Chemical Engineering in 1978 and meets or exceeds the education, training and experience requirements set forth in the "Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information" promulgated by the board of directors of the SPE.

RSC provides worldwide petroleum property analysis services for energy clients, financial organizations and government agencies. RSC was founded in 1937 and performs consulting petroleum engineering services under Texas Board of Professional Engineers Registration No. F-1580. The technical person primarily responsible for auditing the Company's Alaska reserves estimates in 2012 was a practicing consulting petroleum engineer at RSC since 2000 with over 29 years of practical experience in petroleum engineering. He graduated with a Bachelor of Science degree in Petroleum Engineering and a Master of Business Administration degree and at the time of the reserves audit he met or exceeded the education, training and experience requirements set forth in the "Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information" promulgated by the board of directors of the SPE.

Technologies used in reserves estimates. Proved undeveloped reserves include those 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 completion. Undeveloped reserves may be classified as proved reserves on undrilled acreage directly offsetting development areas that are reasonably certain of production when drilled, or where reliable technology provides reasonable certainty of economic producibility. Undrilled locations may be classified as having undeveloped proved reserves only if an ability and intent has been established to drill the reserves within five years, unless specific circumstances justify a longer time period.

In the context of reserves estimations, reasonable certainty means a high degree of confidence that the quantities will be recovered and reliable technology means a grouping of one or more technologies (including computational methods) that has been field-tested and has been demonstrated to provide reasonable certain results with consistency and repeatability in the formation being evaluated or in an analogous formation. In estimating proved reserves, the Company uses several different traditional methods such as performance-based methods, volumetric-based methods and analogy with similar properties. In addition, the Company utilizes additional technical analysis such as seismic interpretation, wireline formation tests, geophysical logs and core data to provide incremental support for more complex reservoirs. Information from this incremental support is combined with the traditional technologies outlined above to enhance the certainty of the Company's proved reserve estimates.

Table of Contents

PIONEER NATURAL RESOURCES COMPANY

Proved Reserves

As of December 31, 2013 and 2012, the Company's oil and gas proved reserves are located entirely in the United States. The Company's proved reserves as of December 31, 2011 were almost exclusively located in the United States, except for less than one percent that were associated with discontinued operations in South Africa. See Note C of Notes to Consolidated Financial Statements included in "Item 8. Financial Statements and Supplementary Data" for additional details of the Company's discontinued operations. The following table provides information regarding the Company's proved reserves as of December 31, 2013, 2012 and 2011:

	Summary of Oil and Gas Reserves as of Fiscal Year-End Based on Average Fiscal-Year Prices				
	Reserve Volumes				
	Oil (MBBLs)	NGLs (MBBLs)	Gas (MMCF) (a)	Total (MBOE)	%
December 31, 2013:					
Developed	256,638	148,161	1,703,667	688,743	81 %
Undeveloped	85,467	37,261	202,674	156,507	19 %
Total proved reserves	342,105	185,422	1,906,341	845,250	100 %
Less proved reserves associated with discontinued operations	24,128	10,210	80,113	47,690	6 %
Total proved reserves associated with continuing operations	317,977	175,212	1,826,228	797,560	94 %
December 31, 2012:					
Developed	230,700	134,637	1,605,209	632,872	58 %
Undeveloped	256,138	97,939	592,271	452,789	42 %
Total proved reserves	486,838	232,576	2,197,480	1,085,661	100 %
Less proved reserves associated with discontinued operations	48,274	24,137	158,307	98,796	9 %
Total proved reserves associated with continuing operations	438,564	208,439	2,039,173	986,865	91 %
December 31, 2011:					
Developed	190,206	120,405	1,853,363	619,506	58 %
Undeveloped	239,799	90,630	677,675	443,375	42 %
Total proved reserves	430,005	211,035	2,531,038	1,062,881	100 %
Less proved reserves associated with discontinued operations	32,301	13,011	117,299	64,862	6 %
Total proved reserves associated with continuing operations	397,704	198,024	2,413,739	998,019	94 %

Total proved gas reserves contain 240,093 MMCF, 280,344 MMCF and 301,123 MMCF of gas that the Company (a) expected to be produced and used as field fuel (primarily for compressors) before the gas is delivered to a sales point, as of December 31, 2013, 2012 and 2011, respectively.

The Company's Standardized Measure of total proved reserves as of December 31, 2013 was \$7.3 billion, including \$6.3 billion and \$1.0 billion of proved developed and proved undeveloped, respectively. The Company's Standardized Measure of total proved reserves as of December 31, 2012 was \$6.4 billion, including \$5.0 billion and \$1.4 billion of

proved developed and proved undeveloped, respectively. The Company's Standardized Measure of total proved reserves as of December 31, 2011 was \$7.8 billion, including \$5.5 billion and \$2.3 billion of proved developed and proved undeveloped, respectively.

See the "Unaudited Supplementary Information" section included in "Item 8. Financial Statements and Supplementary Data" for additional details of the estimated quantities of the Company's proved reserves, including explanations for material changes in proved developed and proved undeveloped reserves.

Table of Contents

PIONEER NATURAL RESOURCES COMPANY

Description of Properties

The following tables summarize the Company's development and exploration/extension drilling activities during 2013:

	Development Drilling		Successful Wells	Unsuccessful Wells	Ending Wells In Progress
	Beginning Wells In Progress	Spud			
Permian Basin	136	311	387	1	59
South Texas—Eagle Ford Shale	11	45	40	—	16
Mid-Continent	—	11	11	—	—
Total continuing operations	147	367	438	1	75
Barnett Shale	—	4	3	—	1
Alaska	4	3	3	—	4
Total including discontinued operations	151	374	444	1	80

	Exploration/Extension Drilling					Ending Wells In Progress
	Beginning Wells In Progress	Spud	Successful Wells	Unsuccessful Wells	Wells Sold	
Permian Basin	17	128	114	—	—	31
South Texas—Eagle Ford Shale	21	95	92	—	—	24
South Texas—Edwards and Austin Chalk	—	1	1	—	—	—
Other	—	5	—	2	—	3
Total continuing operations	38	229	207	2	—	58
Barnett Shale	9	52	37	6	1	17
Alaska	2	1	—	1	—	2
Total including discontinued operations	49	282	244	9	1	77

The following table summarizes the Company's average daily oil, NGL, gas and total production by asset area during 2013:

	Oil (BBLs)	NGLs (BBLs)	Gas (MCF) (a)	Total (BOE)
Permian Basin	52,596	15,196	70,766	79,586
South Texas—Eagle Ford Shale	13,737	10,421	80,458	37,568
Raton Basin	—	—	134,591	22,432
Mid-Continent	3,020	6,801	40,475	16,567
South Texas—Edwards and Austin Chalk	171	2	30,685	5,287
Other	3	2	69	16
Total continuing operations	69,527	32,422	357,044	161,456
Barnett Shale	1,492	3,193	23,443	8,592
Alaska	4,201	—	—	4,201
Total including discontinued operations	75,220	35,615	380,487	174,249

(a) Gas production excludes gas produced and used as field fuel.

Table of Contents

PIONEER NATURAL RESOURCES COMPANY

The following table summarizes the Company's costs incurred by asset area during 2013:

	Property Acquisition Costs		Exploration Costs	Development Costs	Asset Retirement Obligations		Total
	Proved	Unproved					
	(in thousands)						
Permian Basin	\$3,550	\$50,082	\$677,528	\$1,043,600	\$28,921		\$1,803,681
Mid-Continent	18	218	2,633	17,561	983		21,413
Raton Basin	—	—	5,119	7,582	(15,847)		(3,146)
South Texas—Eagle Ford Shale	35	1,711	372,065	208,507	589		582,907
South Texas—Edwards and Austin Chalk	(32)	(17)	3,171	3,892	3,032		10,046
Other	10	3,527	23,351	1	74		26,963
Total continuing operations	\$3,581	\$55,521	\$1,083,867	\$1,281,143	\$17,752		\$2,441,864
Barnett Shale	9,280	7,641	135,441	49,664	(109)		201,917
Alaska	—	—	68,604	140,557	(a) (5,129)		204,032
Total including discontinued operations	\$12,861	\$63,162	\$1,287,912	\$1,471,364	\$12,514		\$2,847,813

(a) Includes \$7.1 million of capitalized interest associated with the Oooguruk development project.

Permian Basin

Spraberry field. The Spraberry field was discovered in 1949, encompasses eight counties in West Texas and the Company believes it is the largest oil field in the United States. The field is approximately 150 miles long and 75 miles wide at its widest point. The oil produced is West Texas Intermediate Sweet, and the gas produced is casinghead gas with an average energy content of 1,400 BTU. The oil and gas are produced primarily from six formations, the upper and lower Spraberry, the Dean, the Wolfcamp, the Strawn and the Atoka, at depths ranging from 6,700 feet to 11,300 feet. The Company believes the Spraberry and Wolfcamp formations offer excellent horizontal drilling opportunities to grow oil and gas production because of the significant resource in place and numerous undeveloped drilling locations. The Company expects to improve the incremental recovery rates in the Spraberry field through horizontal, infill and deeper formation drilling while containing operating expenses and drilling costs through economies of scale and vertical integration of field services.

During 2013, the Company drilled 502 wells in the Spraberry field and its total acreage position now approximates 823,000 gross acres (717,000 net acres). The Company currently has 29 rigs operating in the Spraberry field, of which 11 are drilling vertical wells and 18 are drilling horizontal wells, and has plans to add an additional six horizontal drilling rigs by the end of the first quarter of 2014. During 2014, the Company expects to drill approximately 200 vertical wells and 255 horizontal wells, with the horizontal wells being principally drilled in the Wolfcamp Shale horizon. The Company expects to spend \$2.4 billion of drilling capital in the Spraberry field during 2014.

The Company believes it has significant resource potential within its acreage based on its extensive geologic data covering the Spraberry and Wolfcamp A, B, C and D intervals and its drilling results to-date. During 2013, the Company completed 21 wells in the northern portion of the play and 100 horizontal wells in the southern portion of the play. In 2014, the Company expects to drill 140 horizontal wells in the northern portion of the play and 115 horizontal wells in the southern portion of the play.

During 2013, the Company initiated horizontal Wolfcamp Shale drilling activities in the northern portion of its Spraberry acreage position to delineate the area. Wells drilled in the northern portion of the play were expected to benefit from greater original oil in place and higher reservoir pressures associated with deeper drilling depths. During 2013, the Company placed on production nine Wolfcamp B interval wells, four Wolfcamp D interval wells, five Lower Spraberry Shale interval wells, two Jo Mill Shale interval wells and one Wolfcamp A interval well with

encouraging results. The Company's drilling is currently focused in Midland, Martin, Glasscock and Andrews counties. The wells in these areas are expected to be drilled on three-well pads to gain efficiencies; therefore, the wells will not be completed until after the last well on each pad is drilled and, accordingly, production from these wells is not expected until all wells on the pad are ready to produce. With the addition of drilling rigs during the first quarter of 2014, combined with the effects of pad drilling, the Company expects production growth to be weighted towards the second half of 2014.

The Company continues to drill vertically to deeper intervals in the Spraberry field below the Wolfcamp interval, including the Strawn and Atoka intervals. The 2013 drilling program reflected 90 percent of the vertical wells being deepened below the Wolfcamp interval. The Company expects to drill approximately 200 vertical wells targeting deeper intervals during 2014. These wells are also being drilled to meet continuous drilling obligations.

Table of Contents

PIONEER NATURAL RESOURCES COMPANY

In January 2013, the Company signed an agreement with Sinochem, an unaffiliated third party, to sell 40 percent of Pioneer's interest in 207,000 net acres leased by the Company in the horizontal Wolfcamp Shale play in the southern portion of the Spraberry field for consideration of \$1.8 billion. In May 2013, the Company completed the sale to Sinochem for net cash proceeds of \$623.8 million, resulting in a 2013 gain of \$181.3 million related to the unproved property interests conveyed to Sinochem. Sinochem is paying the remaining \$1.2 billion of the transaction price by carrying 75 percent of Pioneer's portion of ongoing drilling and facilities costs attributable to the Company's joint operations with Sinochem in the horizontal Wolfcamp Shale play. Associated with the closing of the joint venture transaction, the Company conveyed a 40 percent interest in the producing horizontal Wolfcamp Shale wells in the joint venture area.

The Company plans to drill 115 horizontal wells during 2014 in the joint interest area. The Company drilled 100 horizontal Wolfcamp Shale wells during 2013 and had capital expenditures of \$454.1 million in 2013. The 2014 drilling program will be focused on drilling in the higher return areas in northern Upton and Reagan counties, with approximately two-thirds of the wells being completed in the Wolfcamp B interval and the remainder being a mix of Wolfcamp A, C and D interval wells.

Sinochem also elected to participate in certain vertical wells that were drilled in the joint interest area after the December 1, 2012 effective date and received its share of production and costs from the Wolfcamp and deeper horizons based on the reserve contribution from the Wolfcamp and deeper intervals relative to reserves from all completed intervals. Pioneer's and Sinochem's participation in vertical wells is based on each party's interest without any drilling carry applied. Pioneer retained 100 percent of its vertical production in the joint interest area for wells drilled before the December 1, 2012 effective date. Pioneer also retained its current working interests in all horizons shallower than the Wolfcamp horizon and continues as operator of the properties in the joint interest area.

The Company continues to benefit from its integrated services to control drilling and operating costs and support the execution of its drilling and production activities in the Spraberry field. The Company owns 15 vertical drilling rigs and is currently utilizing seven Company-owned fracture stimulation fleets totaling approximately 170,000 horsepower in the Spraberry field (see Note C of Notes to Consolidated Financial Statements included in "Item 8. Financial Statements and Supplementary Data" for additional information about the Company's plan to sell its vertical drilling rig business). To support its growing operations, the Company also owns other field service equipment, including pulling units, fracture stimulation tanks, water transport trucks, hot oilers, blowout preventers, construction equipment and fishing tools. In addition, Premier Silica (the Company's wholly-owned sand mining subsidiary) is supplying brown sand for proppant, which is being used to fracture stimulate vertical and horizontal wells in the Spraberry and Wolfcamp Shale intervals.

Mid-Continent

Hugoton field. The Hugoton field in southwest Kansas is one of the largest producing gas fields in the continental United States. The gas is produced from the Chase and Council Grove formations at depths ranging from 2,700 feet to 3,000 feet. The Company's Hugoton properties are located on 268,000 gross acres (235,000 net acres), covering approximately 400 square miles. The Company has working interests in approximately 1,200 wells in the Hugoton field, approximately 1,000 of which it operates.

The Company operates substantially all of the gathering and processing facilities, including the Satanta plant, which processes the production from the Hugoton field. In January 2011, the Company sold a 49 percent interest in the Satanta plant to an unaffiliated third party for the third party's commitment to dedicate gas volumes to the Satanta plant. This agreement has increased the Satanta plant's processing volumes and is expected to increase its economic longevity. The Company is also exploring opportunities to process other gas production in the Hugoton area at the Satanta plant. By maintaining operatorship of the gathering and processing facilities, the Company is able to control the production, gathering, processing and sale of its Hugoton field gas and NGL production.

West Panhandle field. The West Panhandle properties are located in the panhandle region of Texas. These stable, long-lived reserves are attributable to the Red Cave, Brown Dolomite, Granite Wash and fractured Granite formations at depths no greater than 3,500 feet. The Company's gas has an average energy content of 1,365 BTU and is produced from approximately 700 wells on more than 246,000 gross acres (239,000 net acres) covering over 375 square miles.

The Company controls 100 percent of the wells, production equipment, gathering system and the Fain gas processing plant for the field. As this field is characterized by very low reservoir pressure, Pioneer continually works to improve compressor and gathering system efficiency.

Raton Basin

The Raton Basin properties are located in the southeast portion of Colorado. The Company owns 198,000 gross acres (178,000 net acres) in the center of the Raton Basin and produces CBM gas from the coal seams in the Vermejo and Raton formations from approximately 2,300 wells. The Company owns the majority of the well servicing and fracture stimulation equipment that it utilizes in the Raton field, allowing it to control costs and ensure availability. See Note D of Notes to Consolidated Financial

Table of Contents

PIONEER NATURAL RESOURCES COMPANY

Statements included in "Item 8. Financial Statements and Supplementary Data" for additional information about the impairment charge recorded during 2013 to reduce the carrying value of the Company's gas properties in the Raton field.

South Texas Eagle Ford Shale

The Company's drilling activities in the South Texas area during 2013 continued to be primarily focused on delineation and development of Pioneer's substantial acreage position in the Eagle Ford Shale play. The 2013 drilling program was focused on liquids-rich drilling, with no wells drilled in dry gas acreage.

The Company completed 132 horizontal Eagle Ford Shale wells during 2013, all of which were successful, with average lateral lengths of 5,300 feet and, on average, 15-stage fracture stimulations. Additionally, the Company completed its first successful Upper Eagle Ford Shale well and estimates that approximately 25 percent of the Company's acreage is prospective for this interval in the Eagle Ford Shale play. The Company plans to spend \$545 million of drilling capital in 2014 to drill approximately 110 Eagle Ford Shale wells. The Company has been using two Pioneer-owned fracture stimulation fleets during 2013 in the Eagle Ford Shale area and plans to continue that usage in 2014.

The Company's drilling operations in the Eagle Ford Shale continue to focus on improving drilling efficiencies. The Company has added approximately 300 drilling locations in the liquids-rich area of the play as a result of downspacing from 1,000 feet between wells (120-acre spacing) to 500 feet (60-acre spacing) between wells. Further downspacing and staggered testing to 175 feet between wells is underway in the liquids-rich areas where the 500-foot spacing was successful. Some areas will include testing of the Lower Eagle Ford Shale interval only, while others will include a combination of the Lower and Upper intervals. Early results from the initial 300-foot downspacing and staggered test in the Lower Eagle Ford Shale continue to be encouraging with five downspaced wells performing consistently with offset 500-foot spaced wells. The number of wells drilled from pads, as opposed to single-well locations, increased from about 45 percent of the Eagle Ford Shale wells during 2012 to about 80 percent in 2013, reflecting that most of the Company's acreage is now held by production. Pad drilling saves the Company a significant amount of capital costs per well, as compared to single-well location drilling. Pad sizes generally range from two wells to six wells. In 2014, most Eagle Ford Shale wells will be drilled utilizing three-well and four-well pads. None of the wells are completed until all of the wells on a pad are drilled. Therefore, the time between when the first well on a pad is spud and when the pad is placed on production is dependent on how many wells are drilled from the pad. Over the past two years, the Company has been testing the use of lower-cost white sand instead of ceramic proppant to fracture stimulate wells drilled in shallower areas of the field. The Company is expanding the use of white sand proppant to deeper areas of the field to further define its performance limits. Early well performance has been similar to direct offset ceramic-stimulated wells. The Company fracture stimulated 100 wells with white sand proppant during 2013, with significant capital savings per well. The Company is continuing to monitor the performance of these wells and expects that the majority of its 2014 drilling program in the Eagle Ford Shale area will use lower-cost white sand proppant.

During June 2010, the Company entered into an Eagle Ford Shale joint venture transaction. Pursuant to the transaction, the Company entered into a purchase and sale agreement to sell 45 percent of its Eagle Ford Shale proved and unproved oil and gas properties to an unaffiliated third party for \$212.0 million of cash proceeds. Under the terms of the transaction, the purchaser also paid a 75 percent carry obligation of \$886.8 million to cover a portion of the Company's share of exploration, drilling and completion costs attributable to the Eagle Ford Shale assets during the period from June 2010 through December 2012. As of December 31, 2012, the purchaser's carry obligation was satisfied.

The Company owns a 50.1 percent member interest in EFS Midstream LLC ("EFS Midstream"), an entity formed by the Company to own and operate gas and liquids gathering, treating and transportation assets in the Eagle Ford Shale play. The Company does not have control of EFS Midstream and accounts for its investment in EFS Midstream under the equity method of accounting for investments in unconsolidated affiliates. EFS Midstream is obligated to construct midstream assets in the Eagle Ford Shale area. The majority of the construction of the midstream assets has been completed. Eleven of the 13 planned central gathering plants were completed as of December 31, 2013. EFS

Midstream is providing gathering, treating and transportation services for the Company during a 20-year contractual term. During 2011, EFS Midstream entered into a \$300 million, five-year revolving credit facility that is available to fund infrastructure investments, distributions or working capital needs to the extent such uses exceed EFS Midstream's operating cash flows.

Barnett Shale

During the fourth quarter of 2013, the Company committed to a plan to divest of its net assets in the Barnett Shale field in North Texas. The plan is expected to result in the sale of the Barnett Shale net assets during 2014. The Company classified the Barnett Shale field assets and liabilities as held for sale in the Company's accompanying consolidated balance sheet as of December 31, 2013. Associated with the plan to sell the Barnett Shale field, the Company recorded a noncash impairment charge of \$189.5 million during December 2013 to reduce the carrying value of the Barnett Shale net assets to their estimated fair value less costs

Table of Contents

PIONEER NATURAL RESOURCES COMPANY

to sell. Historical results of operations from the Company's Barnett Shale field, and the related impairment loss, are reported as discontinued operations, net of tax in the Company's accompanying consolidated statements of operations. See Note C of Notes to Consolidated Financial Statements included in "Item 8. Financial Statements and Supplementary Data" for additional information about the Company's plan to sell its Barnett Shale assets.

Alaska

During the fourth quarter of 2013, the Company committed to a plan to sell 100 percent of the capital stock in Pioneer Alaska, representing all the Company's net assets in Alaska including the Company's 70 percent working interest in the Ooguruk project. The sale of Pioneer Alaska continues to be subject to ongoing negotiations and certain other conditions, such as governmental approvals and buyer's arrangement of financing. The assets and liabilities of Pioneer Alaska are classified as held for sale in the Company's accompanying consolidated balance sheet as of December 31, 2013. Associated with the planned sale of Pioneer Alaska, the Company recorded a noncash impairment charge of \$539.8 million during December 2013 to reduce the carrying value of the Pioneer Alaska assets to their estimated fair value less costs to sell of \$350.6 million. Pioneer Alaska's historical results of operations, and the related impairment loss, are reported as discontinued operations, net of tax in the Company's accompanying consolidated statements of operations.

See Notes C and F of Notes to Consolidated Financial Statements included in "Item 8. Financial Statements and Supplementary Data" for additional information about the Company's planned divestiture and exploration projects in Alaska, respectively.

The Company's plans to sell the Barnett Shale net assets and Pioneer Alaska are in differing stages of marketing and negotiation. No assurance can be given that the sales will be completed in accordance with the Company's plans.

International

During August 2012 and February 2011, the Company completed the sales of Pioneer South Africa and Pioneer Tunisia, respectively, to different unaffiliated third parties. See Note C of Notes to Consolidated Financial Statements included in "Item 8. Financial Statements and Supplementary Data" for information regarding the sale of Pioneer South Africa and Pioneer Tunisia. As a result of these sales, the Company no longer has operations outside the United States.

Selected Oil and Gas Information

The following tables set forth selected oil and gas information for the Company as of and for each of the years ended December 31, 2013, 2012 and 2011. Because of normal production declines, increased or decreased drilling activities and the effects of acquisitions or divestitures, the historical information presented below should not be interpreted as being indicative of future results.

Production, price and cost data. The price that the Company receives for the oil and gas it produces is largely a function of market supply and demand. Demand is affected by general economic conditions, weather and other seasonal conditions, including hurricanes and tropical storms. Over or under supply of oil or gas can result in substantial price volatility. Historically, commodity prices have been volatile and the Company expects that volatility to continue in the future. A substantial or extended decline in oil or gas prices or poor drilling results could have a material adverse effect on the Company's financial position, results of operations, cash flows, quantities of oil and gas reserves that may be economically produced and the Company's ability to access capital markets.

The following tables set forth production, price and cost data with respect to the Company's properties for 2013, 2012 and 2011. These amounts represent the Company's historical results from operations without making pro forma adjustments for any acquisitions, divestitures or drilling activity that occurred during the respective years. The production amounts will not match the proved reserve volume tables in the "Unaudited Supplementary Information" section included in "Item 8. Financial Statements and Supplementary Data" because field fuel volumes are included in the proved reserve volume tables.

Table of Contents

PIONEER NATURAL RESOURCES COMPANY

PRODUCTION, PRICE AND COST DATA

	Year Ended December 31, 2013					
	Included in Continuing Operations			Total Company Fields	Included in Discontinued Operations	Total
	Spraberry Field	Eagle Ford Shale Field	Raton Field		United States	
Production information:						
Annual sales volumes:						
Oil (MBBLs)	19,176	5,014	—	25,377	2,078	27,455
NGLs (MBBLs)	5,410	3,804	—	11,834	1,165	12,999
Gas (MMCF)	24,679	29,367	49,126	130,321	8,557	138,878
Total (MBOE)	28,699	13,712	8,188	58,931	4,669	63,601
Average daily sales volumes:						
Oil (BBLs)	52,537	13,737	—	69,527	5,693	75,220
NGLs (BBLs)	14,822	10,421	—	32,422	3,193	35,615
Gas (MCF)	67,614	80,458	134,591	357,044	23,443	380,487
Total (BOE)	78,627	37,568	22,432	161,456	12,793	174,249
Average prices:						
Oil (per BBL)	\$93.30	\$91.74	\$—	\$92.62	\$98.81	\$93.09
NGL (per BBL)	\$30.34	\$26.72	\$—	\$30.24	\$25.31	\$29.79
Gas (per MCF)	\$3.23	\$3.63	\$3.27	\$3.43	\$3.00	\$3.41
Revenue (per BOE)	\$70.84	\$48.73	\$19.61	\$53.55	\$55.79	\$53.71
Average costs (per BOE):						
Production costs:						
Lease operating	\$11.38	\$3.23	\$6.25	\$8.00	\$15.93	\$8.58
Third-party transportation charges	0.24	3.86	3.02	1.56	1.67	1.57
Net natural gas plant/gathering	(1.11)	0.01	1.90	0.10	(0.95)	0.02
Workover	1.45	0.20	—	0.77	2.70	0.91
Total	\$11.96	\$7.30	\$11.17	\$10.43	\$19.35	\$11.08
Production and ad valorem taxes:						
Ad valorem	\$1.70	\$0.65	\$0.42	\$1.22	\$1.68	\$1.25
Production	3.45	1.31	0.35	2.20	0.50	2.07
Total	\$5.15	\$1.96	\$0.77	\$3.42	\$2.18	\$3.32
Depletion expense	\$18.47	\$8.80	\$18.97	\$14.70	\$21.49	\$15.20

Table of Contents

PIONEER NATURAL RESOURCES COMPANY

PRODUCTION, PRICE AND COST DATA - (Continued)

	Year Ended December 31, 2012						
	Included in Continuing Operations				Included in Discontinued Operations		Total
	Spraberry Field	Eagle Ford Shale Field	Raton Field	Total Company Fields	United States	South Africa	
Production information:							
Annual sales volumes:							
Oil (MBBLs)	16,096	3,613	—	20,922	2,006	157	23,085
NGLs (MBBLs)	4,451	2,683	—	9,904	1,009	—	10,913
Gas (MMCF)	21,345	23,182	54,822	131,132	7,351	3,784	142,267
Total (MBOE)	24,104	10,160	9,137	52,682	4,239	787	57,708
Average daily sales volumes:							
Oil (BBLs)	43,978	9,871	—	57,165	5,480	428	63,073
NGLs (BBLs)	12,160	7,332	—	27,060	2,756	—	29,816
Gas (MCF)	58,319	63,338	149,787	358,284	20,085	10,340	388,709
Total (BOE)	65,858	27,759	24,965	143,939	11,583	2,151	157,673
Average prices, including hedge results and amortization of deferred VPP revenue (a):							
Oil (per BBL)	\$90.57	\$93.84	\$—	\$90.67	\$93.20	\$108.62	\$91.01
NGL (per BBL)	\$32.23	\$31.81	\$—	\$34.04	\$30.86	\$—	\$33.75
Gas (per MCF)	\$2.58	\$2.81	\$2.41	\$2.60	\$2.49	\$8.50	\$2.75
Revenue (per BOE)	\$68.72	\$48.18	\$14.48	\$48.88	\$55.75	\$62.48	\$49.57
Average prices, excluding hedge results and amortization of deferred VPP revenue (a):							
Oil (per BBL)	\$87.95	\$93.84	\$—	\$88.81	\$93.20	\$108.62	\$89.32
NGL (per BBL)	\$32.23	\$31.81	\$—	\$34.04	\$30.86	\$—	\$33.75
Gas (per MCF)	\$2.58	\$2.81	\$2.41	\$2.60	\$2.49	\$8.50	\$2.75
Revenue (per BOE)	\$66.97	\$48.18	\$14.48	\$48.15	\$55.75	\$62.48	\$48.90
Average costs (per BOE):							
Production costs:							
Lease operating	\$11.33	\$3.21	\$6.47	\$7.91	\$16.28	\$2.86	\$8.46
Third-party transportation charges	0.17	3.00	3.12	1.31	1.33	—	1.29
Net natural gas plant/gathering	(0.49)	—	1.82	0.54	(0.40)	—	0.47
Workover	1.71	0.08	—	0.83	1.10	—	0.84
Total	\$12.72	\$6.29	\$11.41	\$10.59	\$18.31	\$2.86	\$11.06
Production and ad valorem taxes:							
Ad valorem	\$1.78	\$0.71	\$0.17	\$1.22	\$1.69	\$—	\$1.24
Production	3.47	2.00	0.11	2.17	0.44	—	2.01
Total	\$5.25	\$2.71	\$0.28	\$3.39	\$2.13	\$—	\$3.25
Depletion expense	\$15.58	\$5.51	\$19.52	\$12.82	\$23.37	\$—	\$13.42

The Company records the amortization of deferred VPP revenue at a field level but does not record the results of its (a) hedging activities at a field level. As of December 31, 2012, the Company had no further obligation to deliver oil under the VPP and did not have any hedging activities.

Table of Contents

PIONEER NATURAL RESOURCES COMPANY

PRODUCTION, PRICE AND COST DATA - (Continued)

	Year Ended December 31, 2011							
	Included in Continuing Operations				Included in Discontinued Operations			
	Spraberry Field	Eagle Ford Shale Field	Raton Field	Total Company Fields	United States	South Africa	Tunisia	Total
Production information:								
Annual sales volumes:								
Oil (MBBLs)	10,011	1,600	—	12,989	1,836	193	201	15,219
NGLs (MBBLs)	3,844	1,088	—	7,708	500	—	—	8,208
Gas (MMCF)	15,899	10,227	58,601	121,496	4,020	7,508	181	133,205
Total (MBOE)	16,505	4,393	9,767	40,947	3,006	1,445	229	45,627
Average daily sales volumes:								
Oil (BBLs)	27,428	4,383	—	35,587	5,031	530	547	41,695
NGLs (BBLs)	10,530	2,982	—	21,119	1,368	—	—	22,487
Gas (MCF)	43,559	28,020	160,550	332,866	11,013	20,570	496	364,945
Total (BOE)	45,218	12,035	26,758	112,184	8,234	3,958	630	125,006
Average prices, including hedge results and amortization of deferred VPP revenue (a):								
Oil (per BBL)	\$95.93	\$89.02	\$—	\$96.60	\$96.58	\$108.14	\$99.03	\$96.78
NGL (per BBL)	\$42.38	\$48.21	\$—	\$46.31	\$45.64	\$—	\$—	\$46.27
Gas (per MCF)	\$3.44	\$3.93	\$3.81	\$3.86	\$3.41	\$7.62	\$13.04	\$4.07
Revenue (per BOE)	\$71.37	\$53.51	\$22.86	\$50.80	\$71.15	\$54.09	\$96.29	\$52.48
Average prices, excluding hedge results and amortization of deferred VPP revenue (a):								
Oil (per BBL)	\$91.44	\$89.02	\$—	\$90.61	\$96.58	\$108.14	\$99.03	\$91.67
NGL (per BBL)	\$42.38	\$48.21	\$—	\$46.31	\$45.64	\$—	\$—	\$46.27
Gas (per MCF)								