

PIONEER NATURAL RESOURCES CO
Form 8-K
October 18, 2012

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

FORM 8-K
CURRENT REPORT

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

Date of Report (Date of earliest event reported): October 18, 2012

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

Delaware
(State or other jurisdiction of
incorporation)

1-13245
(Commission
File Number)

75-2702753
(I.R.S. Employer
Identification No.)

5205 N. O'Connor Blvd., Suite 200, Irving, Texas
(Address of principal executive offices)

75039
(Zip Code)

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

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

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

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02. Results of Operations and Financial Condition

Explanatory note: Pioneer Natural Resources Company and its subsidiaries ("Pioneer" or the "Company") presents in this Item 2.02 certain information regarding the impact of changes in the fair values of derivative instruments on its results of operations for the three and nine months ended September 30, 2012 and certain other information regarding its derivative instruments.

The following table summarizes net derivative gains and losses that Pioneer expects to record in its earnings for the three and nine months ended September 30, 2012:

DERIVATIVE GAINS (LOSSES), NET
(in thousands)

	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2012
Noncash changes in fair value:		
Oil derivative gains (losses)	\$(73,766)	) \$193,844
NGL derivative gains (losses)	(6,265)	) 5,095
Gas derivative losses	(179,798)	) (292,611)
Diesel derivative losses	(236)	) (270)
Marketing derivative losses	(183)	) (110)
Interest rate derivative gains	23,160	4,121
Total noncash derivative losses, net	(237,088)	) (89,931)
Cash settled changes in fair value:		
Oil derivative losses	(620)	) (9,323)
NGL derivative gains	4,627	11,092
Gas derivative gains (a)	135,677	356,403
Diesel derivative gains (a)	1,633	3,497
Marketing derivative gains	136	189
Interest rate derivative losses (a)	(28,359)	) (28,359)
Total cash derivative gains, net	113,094	333,499
Total derivative gains (losses), net	\$(123,994)	) \$243,568

During the nine months ended September 30, 2012, the Company terminated (i) swap, collar, three-way and basis swap derivative contracts for 2014 and 2015 gas production, (ii) swap derivative contracts for 2012 and 2013 diesel (a) fuel and (iii) \$200 million notional amount of interest rate derivative contracts. As a result of these transactions, the Company realized \$44.5 million of net proceeds during the third quarter of 2012 and \$118.2 million of net proceeds during the nine months ended September 30, 2012.

Item 7.01 Regulation FD Disclosure

Oil, NGL and gas price derivatives. The following table presents Pioneer's open commodity oil, NGL and gas derivative positions as of October 16, 2012:

	2012 Fourth Quarter	Twelve Months Ending December 31,		
		2013	2014	2015
Average Daily Oil Production Associated with Derivatives (Bbls):				
Collar contracts with short puts:				
Volume	53,110	62,029	60,000	26,000
Price:				
Ceiling	\$118.85	\$119.73	\$117.06	\$104.45
Floor	\$85.09	\$91.04	\$92.67	\$95.00
Short put	\$69.44	\$74.15	\$76.58	\$80.00
Collar contracts:				
Volume	2,000	—	—	—
Price:				
Ceiling	\$127.00	\$—	\$—	\$—
Floor	\$90.00	\$—	\$—	\$—
Swap contracts:				
Volume	11,000	12,000	—	—
Price	\$89.34	\$95.42	\$—	\$—
Rollfactor swap contracts:				
Volume	—	6,000	—	—
NYMEX roll price (a)	\$—	\$0.43	\$—	\$—
Basis swap contracts:				
Index swap volume	20,000	—	—	—
Price (b)	\$(1.15)	\$—	\$—	\$—
Average Daily NGL Production Associated with Derivatives (Bbls):				
Collar contracts with short puts:				
Volume	3,000	1,000	1,000	—
Price:				
Ceiling	\$79.99	\$112.00	\$109.50	\$—
Floor	\$67.70	\$95.00	\$95.00	\$—
Short put	\$55.76	\$80.00	\$80.00	\$—
Swap contracts:				
Volume	2,750	—	—	—
Price (c)	\$67.85	\$—	\$—	\$—
Average Daily Gas Production Associated with Derivatives (MMBtus):				
Collar contracts with short puts:				
Volume	—	—	—	205,000
Price:				
Ceiling	\$—	\$—	\$—	\$5.07
Floor	\$—	\$—	\$—	\$4.00
Short put	\$—	\$—	\$—	\$3.00
Collar contracts:				
Volume	65,000	150,000	—	—

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Price:				
Ceiling	\$6.60	\$6.25	\$—	\$—
Floor	\$5.00	\$5.00	\$—	\$—
Swap contracts:				
Volume	275,000	162,500	105,000	—
Price (d)	\$4.97	\$5.13	\$4.03	\$—
Basis swap contracts:				
Permian Basin index swap volume (e)	32,500	52,500	—	—
Price differential (\$/MMBtu)	\$(0.38)	\$(0.23)	\$—	\$—
Mid-Continent index swap volume (e)	50,000	30,000	—	—
Price differential (\$/MMBtu)	\$(0.53)	\$(0.38)	\$—	\$—
Gulf Coast index swap volume (e)	53,500	60,000	—	—
Price differential (\$/MMBtu)	\$(0.15)	\$(0.14)	\$—	\$—

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- (a) Represent swaps that fix the difference between (i) each day's price per Bbl of West Texas Intermediate oil "WTI" for the first nearby month less (ii) the price per Bbl of WTI for the second nearby NYMEX month, multiplied by .6667; plus (iii) each day's price per Bbl of WTI for the first nearby month less (iv) the price per Bbl of WTI for the third nearby NYMEX month, multiplied by .3333.
- (b) Represent swaps that fix the basis differential between Midland WTI and Cushing WTI.
- (c) Represents the weighted average index price per Bbl of each NGL component.
- (d) Represents the NYMEX Henry Hub ("NYMEX HH") index price on the derivative trade date.
- (e) Represent swaps that fix the basis differentials between the indices prices at which the Company sells its Permian Basin, Mid-Continent and Gulf Coast gas and the NYMEX HH index price used in gas swap and collar contracts.
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Interest rate derivatives. As of October 16, 2012, the Company had interest rate derivative contracts that lock in a fixed forward annual interest rate of 3.21%, for a 10-year period ending in December 2025, on a notional amount of \$250 million. These derivative contracts mature and settle by their terms during December 2015.

Marketing and basis transfer derivatives. Periodically, the Company enters into gas buy and sell marketing arrangements to fulfill firm pipeline transportation commitments. Associated with these gas marketing arrangements, the Company may enter into gas index swaps to mitigate price risk.

From time to time, the Company also enters into long and short gas swap contracts that transfer gas basis risk from one sales index to another sales index. The following table presents Pioneer's open marketing and basis transfer derivative positions as of October 16, 2012:

	2012 Fourth Quarter	Twelve Months Ending December 31, 2013
Average Daily Gas Production Associated with Marketing Derivatives (MMBtu):		
Basis swap contracts:		
Index swap volume	43,370	9,863
Price differential (\$/MMBtu)	\$0.24	\$0.25
Average Daily Gas Production Associated with Basis Transfer Derivatives (MMBtu):		
Basis swap contracts:		
Short index swap volume	1,685	—
NGI-So Cal Border Monthly price differential (\$/MMBtu)	\$0.12	\$—
Long index swap volume	(1,685)	) —
IF-HSC price differential (\$/MMBtu)	\$(0.05	) \$—

Cautionary Statement Concerning Forward-Looking Statements

Except for historical information contained herein, the statements in this Current Report on Form 8-K are forward-looking statements that are made pursuant to the Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements and the business prospects of the Company are subject to a number of risks and uncertainties that may cause the Company's actual results in future periods to differ materially from the forward-looking statements. These risks and uncertainties include, among other things, volatility of commodity prices, product supply and demand, competition, the ability to obtain environmental and other permits and the timing thereof, other government regulation or action, the ability to obtain approvals from third parties and negotiate agreements (including joint venture agreements) with third parties on mutually acceptable terms, litigation, the costs and results of drilling and operations, availability of equipment, services and personnel required to complete the Company's operating activities, access to and availability of transportation, processing and refining facilities, Pioneer's ability to replace reserves, implement its business plans (including its plan to complete certain asset divestments) or complete its development activities as scheduled, access to and cost of capital, the financial strength of counterparties to Pioneer's credit facility, derivative contracts and joint ventures and the purchasers of Pioneer's oil, NGL and gas production, uncertainties about estimates of reserves and the ability to add proved reserves in the future, the assumptions underlying production forecasts, quality of technical data, environmental and weather risks, including the possible impacts of climate change, the risks associated with the ownership and operation of an industrial sand mining business and acts of war or terrorism. These and other risks are described in the Company's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and other filings with the Securities and Exchange Commission. In addition,

the Company may be subject to currently unforeseen risks that may have a materially adverse impact on it. Accordingly, no assurances can be given that the actual events and results will not be materially different than the anticipated results described in the forward-looking statements. The Company undertakes no duty to publicly update these statements except as required by law.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

PIONEER NATURAL RESOURCES COMPANY

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

Dated: October 18, 2012