

Pioneer Natural Resources Reports Second Quarter 2022 Financial and Operating Results

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[Pioneer Natural Resources Company](#) (NYSE:PXD) ("Pioneer" or "the Company") today reported financial and operating results for the quarter ended June 30, 2022. Pioneer reported second quarter net income attributable to common stockholders of \$2.4 billion, or \$9.30 per diluted share. These results include the effects of noncash mark-to-market adjustments and certain other unusual items. Excluding these items, non-GAAP adjusted income for the second quarter was \$2.4 billion, or \$9.36 per diluted share. Cash flow from operating activities for the second quarter was \$3.2 billion.

Highlights

- Generated strong second quarter free cash flow¹ of \$2.7 billion
- Declared quarterly base-plus-variable dividend of \$8.57 per share to be paid during the third quarter; includes increasing the quarterly base dividend by greater than 40%
- Repurchased \$750 million of shares since the end of the first quarter (3.3 million shares), includes \$250 million of shares repurchased during July
- Returning greater than 95% of second quarter free cash flow to shareholders

Chief Executive Officer Scott D. Sheffield stated, "Pioneer is focused on developing our top-tier assets, driving best-in-class margins and delivering the highest free cash flow per barrel oil equivalent produced. Our differentiated investment framework strategy generated \$2.7 billion of free cash flow during the second quarter, with greater than 95% of the free cash flow being returned to shareholders through our base-plus-variable dividend and opportunistic share repurchases.

"Pioneer's willingness to aggressively repurchase shares during market dislocations resulted in \$750 million of shares being repurchased since the end of the first quarter. Of this, \$250 million was purchased in July at an average price of \$213 per share.

"Pioneer's strong balance sheet provides the financial flexibility to return significant free cash flow to investors, while still growing annual oil volumes. This durable program, underpinned by our high-quality Permian drilling inventory, coupled with our peer-leading ESG strategy outlined in our recently published 2022 Sustainability Report, demonstrates why Pioneer is well positioned to create value for our shareholders for decades to come."

Financial Highlights

Pioneer maintains a strong balance sheet, with cash on hand at the end of the second quarter of \$2.6 billion and net debt of \$3.1 billion. The Company had \$5.1 billion of liquidity as of June 30, 2022, comprised of \$2.6 billion of cash, \$506 million of short-term commercial paper investments and a \$2.0 billion unsecured credit facility (undrawn as of June 30, 2022).

Cash flow from operating activities during the second quarter was \$3.2 billion, leading to free cash flow¹ of \$2.7 billion.

During the second quarter, the Company's drilling, completion and facilities capital expenditures totaled \$881 million, with total capital expenditures², including water infrastructure, totaling \$895 million.

For the third quarter of 2022, the Company's Board of Directors (Board) has declared a quarterly base-plus-variable dividend of \$8.57 per share, comprised of a \$1.10 base dividend and \$7.47 variable dividend. The dividend includes a greater than 40% increase to the base dividend and represents a total annualized dividend yield of approximately 15%³.

In addition to a strong dividend program, the Company continues to execute opportunistic share repurchases. During the second quarter of 2022, the Company repurchased \$500 million of common stock at an average share price of \$235. During July, the Company repurchased an additional \$250 million of common stock at an average share price of \$213. Pioneer believes this peer-leading return of capital strategy, which combines a strong base dividend, a substantial variable dividend and opportunistic share repurchases, creates significant value for shareholders⁴. The combination of third quarter dividends and second quarter share repurchases, on an annualized basis, represents a total stockholder return yield of approximately 19%⁵.

Financial Results

For the second quarter of 2022, the average realized price for oil was \$110.56 per barrel. The average realized price for natural gas liquids (NGLs) was \$44.21 per barrel, and the average realized price for gas was \$6.72 per thousand cubic feet. These prices exclude the effects of derivatives.

Production costs, including taxes, averaged \$12.81 per barrel of oil equivalent (BOE). Depreciation, depletion and amortization (DD&A) expense averaged \$10.60 per BOE. Exploration and abandonment costs were \$11 million. General and administrative (G&A) expense was \$88 million, or \$78 million when excluding \$10 million in humanitarian aid to Ukraine. Interest expense was \$33 million. The net cash flow impact related to purchases and sales of oil and gas, including firm transportation, was a loss of \$16 million. Other expense was \$5 million. Cash taxes totaled \$144 million, and the Company's effective tax rate was 22% for the quarter.

Operations Update

Pioneer continues to deliver strong operational performance in the Midland Basin. The Company has increased forecasted drilled lateral length per well in 2022, with an expected average length of approximately 10,500 feet, representing a 4% increase when compared to 2021. This increase includes adding approximately fifty 15,000-foot laterals to the 2022 program. Additionally, Pioneer has consistently increased completed feet per day for both simulfrac and zipper fleets. In 2021, the Company's completed feet per day increased over 20%, when compared to 2020, with further increases expected in 2022.

Drilling longer laterals, reducing drilling days per well and completing more feet per day, among other operational efficiency improvements, continue to benefit capital efficiency and dampen inflationary pressures.

These strong operational efficiencies enabled Pioneer to place 133 horizontal wells on production during the second quarter.

2022 Outlook

Based on the inflationary pressures seen in steel, diesel and chemical costs, among other items, the Company now expects its 2022 total capital budget² to range between \$3.6 billion to \$3.8 billion. Pioneer expects its capital program to be fully funded from 2022 cash flow⁶ of greater than \$13 billion.

During 2022, the Company plans to operate an average of 22 to 24 horizontal drilling rigs in the Midland Basin, including a three-rig average program in the southern Midland Basin joint venture area. The 2022 capital program is expected to place 475 to 505 wells on production. Pioneer expects 2022 oil production of 350 to 365 thousand barrels of oil per day (MBOPD) and total production of 623 to 648 thousand barrels of oil equivalent per day (MBOEPD).

Third Quarter 2022 Guidance

Third quarter 2022 oil production is forecasted to average between 345 to 360 MBOPD and total production is expected to average between 635 to 660 MBOEPD. Production costs are expected to average \$12.00 per BOE to \$13.50 per BOE. DD&A expense is expected to average \$10.50 per BOE to \$12.00 per BOE. Total exploration and abandonment expense is forecasted to be \$10 million to \$20 million. G&A expense is expected to be \$75 million to \$85 million. Interest expense is expected to be \$30 million to \$35 million. Other expense is forecasted to be \$20 million to \$40 million. Accretion of discount on asset retirement obligations is expected to be \$3 million to \$6 million. The cash flow impact related to purchases and sales of oil and gas, including firm transportation, is expected to be a loss of \$60 million to a loss of \$100 million, based on forward oil price estimates for the quarter. The Company's effective income tax rate is expected to be between 22% to 27%, with cash taxes expected to be \$300 million to \$350 million, representing estimated federal and state tax payments that will be paid based on forecasted 2022 taxable income.

Environmental, Social & Governance (ESG)

Pioneer views sustainability as a multidisciplinary effort that balances economic growth, environmental stewardship and social responsibility. The Company emphasizes developing natural resources in a manner that protects surrounding communities and preserves the environment.

Pioneer recently published its 2022 Sustainability Report highlighting the Company's focus and significant progress on ESG initiatives. The comprehensive report details the Company's leadership position on ESG metrics and targets during 2021, including enhanced disclosures on air emissions; water management practices; diversity, equity and inclusion (DEI); board of director governance and community engagement.

The Company has multiple initiatives underway that are expected to result in tangible progress towards Pioneer's net zero emissions ambition. Pioneer has made significant progress towards the Company's 2030 emissions intensity targets by achieving a 22% reduction in greenhouse gas emission intensity and a 50% reduction in methane emission intensity, when compared to a 2019 baseline. Additionally, Pioneer achieved a flaring intensity of 0.41% in 2021, well below the Company's goal to limit flaring to 1% of natural gas produced. Pioneer continues to prioritize environmental stewardship and accelerated the Company's target to end routine flaring by 2025, five years earlier than the Company's previous 2030 target.

Additionally, Pioneer has joined the Oil and Gas Methane Partnership (OGMP) 2.0 Initiative, which is considered the gold standard on methane emission measurement and reporting for the upstream energy industry. This decision demonstrates the Company's focus on increasing transparency in methane reporting and measurement.

Pioneer has also strengthened the Company's target to reduce the freshwater used in completions to 20% or less by 2026. The enhanced target reflects Pioneer's dedication to expanding the use of alternative water sources, including recycled water and reclaimed water from the cities of Midland and Odessa.

Within the past year, Pioneer has appointed three new directors to the Company's Board, with combined expertise in DEI, ESG and alternative energy, in addition to outstanding business experience. The appointments of Lori George Billingsley, Maria Jelescu Dreyfus and Jacinto Hernandez have expanded the diverse backgrounds of the Company's Board.

For more details, see Pioneer's 2022 Sustainability Report and 2021 Climate Risk Report at [pxd.com/sustainability](https://www.pxd.com/sustainability).

Earnings Conference Call

On Wednesday, August 3, 2022, at 9:00 a.m. Central Time, Pioneer will discuss its financial and operating results for the quarter ended June 30, 2022, with an accompanying presentation. Instructions for listening to the call and viewing the accompanying presentation are shown below.

Internet: www.pxd.com

Select "Investors," then "Earnings & Webcasts" to listen to the discussion, view the presentation and see

other related material.

Telephone: Dial (800) 263-0877 and enter confirmation code 8010753 five minutes before the call.

A replay of the webcast will be archived on Pioneer's website. This replay will be available through August 28, 2022. Click here to register for the call-in audio replay and you will receive the dial-in information.

Pioneer is a large independent oil and gas exploration and production company, headquartered in Dallas, Texas, with operations in the United States. For more information, visit www.pxd.com.

Except for historical information contained herein, the statements in this news release 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; the impact of a widespread outbreak of an illness, such as the COVID-19 pandemic, on global and U.S. economic activity and oil and gas demand; the impact of armed conflict and political instability on economic activity and oil and gas supply and demand; competition; the ability to obtain drilling, environmental and other permits and the timing thereof; the effect of future regulatory or legislative actions on Pioneer or the industry in which it operates, including potential changes to tax laws; the ability to obtain approvals from third parties and negotiate agreements with third parties on mutually acceptable terms; potential liability resulting from pending or future litigation; the costs, including the potential impact of increases due to supply chain disruptions and inflation, and results of drilling and operating activities; the risk of new restrictions with respect to development activities, including potential changes to regulations resulting in limitations on the Company's ability to dispose of produced water; availability of equipment, services, resources and personnel required to perform the Company's drilling and operating activities; access to and availability of transportation, processing, fractionation, refining, storage and export facilities; Pioneer's ability to replace reserves, implement its business plans or complete its development activities as scheduled; the Company's ability to achieve its emissions reductions, flaring and other ESG goals; access to and cost of capital; the financial strength of (i) counterparties to Pioneer's credit facility and derivative contracts, (ii) issuers of Pioneer's investment securities and (iii) purchasers of Pioneer's oil, NGL and gas production and downstream sales of purchased oil and gas; uncertainties about estimates of reserves, identification of drilling locations and the ability to add proved reserves in the future; the assumptions underlying forecasts, including forecasts of production, operating cash flow, well costs, capital expenditures, rates of return, expenses, and cash flow from downstream purchases and sales of oil and gas, net of firm transportation commitments; tax rates; quality of technical data; environmental and weather risks, including the possible impacts of climate change on the Company's operations and demand for its products; cybersecurity risks; the risks associated with the ownership and operation of the Company's water services business and acts of war or terrorism. These and other risks are described in the Company's Annual Report on Form 10-K for the year ended December 31, 2021, and other filings with the United States Securities and Exchange Commission. 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 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.

Footnote 1: Free cash flow is a non-GAAP financial measure. As used by the Company, free cash flow is defined as net cash provided by operating activities, adjusted for changes in operating assets and liabilities, less capital expenditures. See the supplemental schedules for a reconciliation of second quarter free cash flow to the comparable GAAP number. Forecasted free cash flow numbers are non-GAAP financial measures. Due to their forward-looking nature, management cannot reliably predict certain of the necessary components of the most directly comparable forward-looking GAAP measures, such as working capital changes. Accordingly, Pioneer is unable to present a quantitative reconciliation of such forward-looking non-GAAP financial measures to their most directly comparable forward-looking GAAP financial measures. Amounts excluded from this non-GAAP measure in future periods could be significant.

Footnote 2: Excludes acquisitions, asset retirement obligations, capitalized interest, geological and geophysical G&A, information technology and corporate facilities.

Footnote 3: Calculated by dividing the Company's annualized third quarter total dividend per share by the Company's closing stock price on July 27, 2022.

Footnote 4: Future dividends, whether base or variable, are authorized and determined by the Company's Board in its sole discretion. Decisions regarding the payment of dividends are subject to a number of considerations at the time, including without limitation the Company's liquidity and capital resources, the Company's results of operations and anticipated future results of operations, the level of cash reserves the Company maintains to fund future capital expenditures or other needs, and other factors that the Board deems relevant. The Company can provide no assurance that dividends will be authorized or declared in the future or the amount of any future dividends. Any future variable dividends, if declared and paid, will by their nature fluctuate based on the Company's free cash flow, which will depend on a number of factors beyond the Company's control, including commodities prices.

Footnote 5: Calculated by dividing the Company's annualized third quarter total dividend per share plus annualized second quarter share repurchases per share by the Company's closing stock price on July 27, 2022.

Footnote 6: Forecasted operating cash flow is a non-GAAP financial measure. The 2022 estimated operating cash flow number represents January through June 2022 cash flow (before working capital changes) plus July through December forecasted cash flow (before working capital changes) based on strip pricing and internal forecasts of 2022 production. Due to their forward-looking nature, management cannot reliably predict certain of the necessary components of the most directly comparable forward-looking GAAP measures, such as working capital changes. Accordingly, Pioneer is unable to present a quantitative reconciliation of such forward-looking non-GAAP financial measures to their most directly comparable forward-looking GAAP financial measures. Amounts excluded from this non-GAAP measure in future periods could be significant.

Note: Estimates of future results, including cash flow and free cash flow, are based on the Company's internal financial model prepared by management and used to assist in the management of its business. Pioneer's financial models are not prepared with a view to public disclosure or compliance with GAAP, any guidelines of the SEC or any other body. The financial models reflect numerous assumptions, in addition to those noted in this news release, with respect to general business, economic, market and financial conditions and other matters. These assumptions regarding future events are difficult, if not impossible to predict, and many are beyond Pioneer's control. Accordingly, there can be no assurance that the assumptions made by management in preparing the financial models will prove accurate. It is expected that there will be differences between actual and estimated or modeled results, and actual results may be materially greater or less than those contained in the Company's financial models.

PIONEER NATURAL RESOURCES COMPANY

CONDENSED CONSOLIDATED BALANCE SHEETS

(in millions)

June 30, 2022 December 31, 2021

(Unaudited)

ASSETS

Current assets:

Cash and cash equivalents	\$ 2,579	\$ 3,847
Restricted cash	6	37
Accounts receivable, net	2,344	1,685
Inventories	606	369
Investment in affiliate	167	135
Short-term investments, net	506	58
Other	113	42

Total current assets	6,321	6,173
Oil and gas properties, using the successful efforts method of accounting	42,119	40,517
Accumulated depletion, depreciation and amortization	(13,571)	(12,335)
Total oil and gas properties, net	28,548	28,182
Other property and equipment, net	1,679	1,694
Operating lease right-of-use assets	330	348
Goodwill	243	243
Other assets	180	171
	\$ 37,301	\$ 36,811

LIABILITIES AND EQUITY

Current liabilities:

Accounts payable	\$ 2,690	\$ 2,559
Interest payable	40	53
Income taxes payable	37	45
Current portion of long-term debt	1,117	244
Derivatives	513	538
Operating leases	123	121
Other	229	513
Total current liabilities	4,749	4,073
Long-term debt	4,576	6,688
Derivatives	-	25
Deferred income taxes	3,089	2,038
Operating leases	222	243
Other liabilities	875	907
Equity	23,790	22,837
	\$ 37,301	\$ 36,811

PIONEER NATURAL RESOURCES COMPANY

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in millions, except per share data)

Three Months Ended June 30, Six Months Ended June 30,

2022	2021	2022	2021
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Revenues and other income:

Oil and gas	\$ 4,639	\$ 2,682	\$ 8,570	\$ 4,505
Sales of purchased commodities	2,366	1,587	4,583	2,828
Interest and other income (loss), net	(56)	(20)	69	40
Derivative loss, net	(65)	(832)	(200)	(1,523)
Gain on disposition of assets, net	36	2	70	13
	6,920	3,419	13,092	5,863
Costs and expenses:				
Oil and gas production	478	316	894	568
Production and ad valorem taxes	271	153	495	266
Depletion, depreciation and amortization	620	648	1,234	1,121
Purchased commodities	2,382	1,627	4,534	2,882
Exploration and abandonments	11	10	24	29
General and administrative	88	75	161	143
Accretion of discount on asset retirement obligations	4	2	8	3
Interest	33	41	70	81
Other	5	47	83	351
	3,892	2,919	7,503	5,444
Income before income taxes	3,028	500	5,589	419
Income tax provision	(657)	(120)	(1,209)	(109)
Net income attributable to common stockholders	\$ 2,371	\$ 380	\$ 4,380	\$ 310
Net income per share attributable to common stockholders:				
Basic	\$ 9.78	\$ 1.62	\$ 18.03	\$ 1.39
Diluted	\$ 9.30	\$ 1.54	\$ 17.15	\$ 1.33
Weighted average shares outstanding:				
Basic	242	234	242	222
Diluted	254	247	255	235

PIONEER NATURAL RESOURCES COMPANY

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions)

Three Months Ended June 30, Six Mo

2022

2021

2022

Cash flows from operating activities:

Net income	\$ 2,371	\$ 380	\$ 4,38
Adjustments to reconcile net income to net cash provided by operating activities:			
Depletion, depreciation and amortization	620	648	1,23
Exploration expenses	1	-	6
Deferred income taxes	513	109	1,04
Gain on disposition of assets, net	(36)	(2)	(70
(Gain) loss on early extinguishment of debt, net	-	(3)	47
Accretion of discount on asset retirement obligations	4	2	8
Interest expense	2	2	5
Derivative-related activity	(27)	262	40
Amortization of stock-based compensation	20	17	39
Investment valuation adjustments	65	25	(49
Other	17	36	47
Changes in operating assets and liabilities, net of effects of acquisitions:			
Accounts receivable	38	(263)	(659
Inventories	(115)	(12)	(241
Operating lease right-of-use assets	(10)	25	18
Other assets	(34)	(18)	(62
Accounts payable	(90)	295	88
Interest payable	17	3	(13
Income taxes payable	(25)	7	(8
Operating leases	10	(26)	(19
Other liabilities	(120)	(21)	(31
Net cash provided by operating activities	3,221	1,466	5,80
Net cash used in investing activities	(758)	(1,694)	(2,07
Net cash used in financing activities	(2,272)	(354)	(5,03
Net increase (decrease) in cash, cash equivalents and restricted cash	191	(582)	(1,23
Cash, cash equivalents and restricted cash, beginning of period	2,394	724	3,88
Cash, cash equivalents and restricted cash, end of period	\$ 2,585	\$ 142	\$ 2,58

PIONEER NATURAL RESOURCES COMPANY

UNAUDITED SUMMARY PRODUCTION, PRICE AND MARGIN DATA

Three Months Ended June 30,

Six Months Ended June 30,

	2022	2021	2022	2021
Average Daily Sales Volume:				
Oil (Bbls)	347,964	363,046	351,597	322,258
Natural gas liquids ("NGLs") (Bbls)	160,183	147,135	156,576	126,520
Gas (Mcf)	808,181	715,719	792,847	620,124
Total (BOE)	642,844	629,468	640,314	552,132

Average Price:

Oil per Bbl	\$ 110.56	\$ 64.55	\$ 102.54	\$ 61.15
NGLs per Bbl	\$ 44.21	\$ 27.95	\$ 42.83	\$ 27.10
Gas per Mcf	\$ 6.72	\$ 2.69	\$ 5.79	\$ 2.83
Total per BOE	\$ 79.31	\$ 46.82	\$ 73.94	\$ 45.08

Three Months Ended June 30, Six Months Ended June 30,

	2022	2021	2022	2021
Margin Data (\$ per BOE):				
Average price	\$ 79.31	\$ 46.82	\$ 73.94	\$ 45.08
Production costs	(8.18)	(5.51)	(7.72)	(5.67)
Production and ad valorem taxes	(4.63)	(2.67)	(4.27)	(2.65)
	\$ 66.50	\$ 38.64	\$ 61.95	\$ 36.76

[Pioneer Natural Resources Company](#)UNAUDITED SUPPLEMENTARY EARNINGS PER SHARE INFORMATION
(in millions)

The Company uses the two-class method of calculating basic and diluted earnings per share. Under the two-class method of calculating earnings per share, generally acceptable accounting principles ("GAAP") provide that share-based awards with guaranteed dividend or distribution participation rights qualify as "participating securities" during their vesting periods. During periods in which the Company realizes net income attributable to common stockholders, the Company's basic net income per share attributable to common stockholders is computed as (i) net income attributable to common stockholders, (ii) less participating share-based earnings (iii) divided by weighted average basic shares outstanding. The Company's diluted net income per share attributable to common stockholders is computed as (i) basic net income attributable to common stockholders, (ii) plus the reallocation of participating earnings, if any, (iii) plus the after-tax interest expense associated with the Company's convertible senior notes that are assumed to be converted into shares (iv) divided by weighted average diluted shares outstanding. During periods in which the Company realizes a net loss attributable to common stockholders, securities or other contracts to issue common stock would be dilutive to loss per share; therefore, conversion into common stock is assumed not to occur.

The Company's net income attributable to common stockholders is reconciled to basic and diluted net income attributable to common stockholders as follows:

Three Months

Net income attributable to common stockholders	\$ 2,371
Participating share-based earnings	(6)
Basic net income attributable to common stockholders	2,365
Adjustment to after-tax interest expense to reflect the dilutive impact attributable to convertible senior notes	1
Diluted net income attributable to common stockholders	\$ 2,366
Basic weighted average shares outstanding	242
Contingently issuable stock-based compensation	-
Convertible senior notes dilution	12
Diluted weighted average shares outstanding	254
Net income per share attributable to common stockholders:	
Basic	\$ 9.78
Diluted	\$ 9.30

[Pioneer Natural Resources Company](#)

UNAUDITED SUPPLEMENTAL NON-GAAP FINANCIAL MEASURES
(in millions)

EBITDAX and discretionary cash flow ("DCF") (as defined below) are presented herein, and reconciled to the GAAP measures of net income and net cash provided by operating activities, because of their wide acceptance by the investment community as financial indicators of a company's ability to internally fund exploration and development activities and to service or incur debt. The Company also views the non-GAAP measures of EBITDAX and DCF as useful tools for comparisons of the Company's financial indicators with those of peer companies that follow the full cost method of accounting. EBITDAX and DCF should not be considered as alternatives to net income or net cash provided by operating activities, as defined by GAAP.

	Three Months Ended June 30, Six Months End		
	2022	2021	2022
Net income	\$ 2,371	\$ 380	\$ 4,380
Depletion, depreciation and amortization	620	648	1,234
Exploration and abandonments	11	10	24
Accretion of discount on asset retirement obligations	4	2	8
Interest expense	33	41	70
Income tax provision	657	120	1,209
Gain on disposition of assets, net	(36)	(2)	(70)
(Gain) loss on early extinguishment of debt, net	-	(3)	47
Derivative-related activity	(27)	262	40
Amortization of stock-based compensation	20	17	39
Investment valuation adjustments	65	25	(49)

Other	17	36	47
EBITDAX (a)	3,735	1,536	6,979
Cash interest expense	(31)	(39)	(65)
Current income tax provision	(144)	(11)	(164)
Discretionary cash flow (b)	3,560	1,486	6,750
Cash exploration expense	(10)	(10)	(18)
Changes in operating assets and liabilities, net of effects of acquisitions	(329)	(10)	(927)
Net cash provided by operating activities	\$ 3,221	\$ 1,466	\$ 5,805

"EBITDAX" represents earnings before depletion, depreciation and amortization expense; exploration and abandonments; accretion of discount on asset retirement obligations; interest expense; income taxes; net (a) gain on the disposition of assets; net gain or loss on early extinguishment of debt; noncash derivative-related activity; amortization of stock-based compensation; noncash valuation adjustments on investment in affiliate and short-term investments; and other noncash items.

(b) Discretionary cash flow equals cash flows from operating activities before changes in operating assets and liabilities, net of effects of acquisitions and cash exploration expense.

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UNAUDITED SUPPLEMENTAL NON-GAAP FINANCIAL MEASURES (continued)
(in millions, except per share data)

Adjusted income attributable to common stockholders excluding noncash mark-to-market ("MTM") adjustments and unusual items are presented in this earnings release and reconciled to the Company's net income attributable to common stockholders (determined in accordance with GAAP), as the Company believes these non-GAAP financial measures reflect an additional way of viewing aspects of the Company's business that, when viewed together with its GAAP financial results, provide a more complete understanding of factors and trends affecting its historical financial performance and future operating results, greater transparency of underlying trends and greater comparability of results across periods. In addition, management believes that these non-GAAP financial measures may enhance investors' ability to assess the Company's historical and future financial performance. These non-GAAP financial measures are not intended to be a substitute for the comparable GAAP financial measure and should be read only in conjunction with the Company's consolidated financial statements prepared in accordance with GAAP. Noncash MTM adjustments and unusual items may recur in future periods; however, the amount and frequency can vary significantly from period to period.

The Company's net income attributable to common stockholders as determined in accordance with GAAP is reconciled to income adjusted for noncash MTM adjustments, including (i) the Company's equity investment in ProPetro Holding Corp. ("ProPetro") and (ii) the Company's derivative positions, and unusual items is as follows:

	Three Months Ended June 30, 2022	
	After-tax Ref Amounts	Per Diluted Share
Net income attributable to common stockholders	\$ 2,371	\$ 9.30

Noncash MTM adjustments:

Investment loss (\$65 MM pretax)	51	0.20
Derivative gain (\$27 MM pretax)	(21)	(0.08)
Adjusted income excluding noncash MTM adjustments	2,401	9.42
Unusual items:		
Charitable contributions - Ukraine humanitarian support (\$10 MM pretax) (a)	8	0.03
Gain on disposition of assets (\$31 MM pretax) (b)	(24)	(0.09)
Adjusted income excluding noncash MTM adjustments and unusual items	\$ 2,385	\$ 9.36

(a) Represents charitable contributions to various Ukraine humanitarian aid organizations in response to the Russia/Ukraine conflict.

(b) Represents realized gains on the sale of certain producing wells and undeveloped acreage in the Midland Basin.

[Pioneer Natural Resources Company](#)

UNAUDITED SUPPLEMENTAL NON-GAAP FINANCIAL MEASURES (continued)
(in millions)

Free cash flow ("FCF") is a non-GAAP financial measure. As used by the Company, FCF is defined as net cash provided by operating activities, adjusted for changes in operating assets and liabilities, less capital expenditures. The Company believes this non-GAAP measure is a financial indicator of the Company's ability to internally fund acquisitions, debt maturities, dividends and share repurchases after capital expenditures.

	Three Months Ended June 30, 2022	Six Months Ended June 30, 2022
Net cash provided by operating activities	\$ 3,221	\$ 5,805
Changes in operating assets and liabilities	329	927
Less: Capital expenditures (a)	(895)	(1,747)
Free cash flow	\$ 2,655	\$ 4,985

(a) Capital expenditures are calculated as follows:

	Three Months Ended June 30, 2022	Six Months Ended June 30, 2022
Costs incurred	\$ 935	\$ 1,760
Excluded items (a)	(54)	(49)
Other property, plant and equipment capital (b)	14	36
Capital expenditures	\$ 895	\$ 1,747

(a) Comprised of proved and unproved acquisition costs, asset retirement obligations and geological and geophysical general and administrative costs for the three and six months ended June 30, 2022.

(b) Includes other property, plant and equipment additions related to water infrastructure and vehicles.

PIONEER NATURAL RESOURCES COMPANY

UNAUDITED SUPPLEMENTAL INFORMATION

Open Commodity Derivative Positions as of June 30, 2022

(Volumes are average daily amounts)

	2022	
	Third Quarter	Fourth Quarter
Average daily oil production associated with derivatives (Bbl):		
Midland/WTI basis swap contracts:		
Volume (a)	26,000	26,000
Price differential	\$ 0.50	\$ 0.50
Average daily gas production associated with derivatives (MMBtu):		
Dutch TTF swap contracts:		
Volume	30,000	30,000
Price	\$ 7.80	\$ 7.80

(a) The referenced basis swap contracts fix the basis differentials between the index price at which the Company sells a portion of its Midland Basin oil and the WTI index price.

Additionally, as of June 30, 2022, the Company has outstanding derivative contracts for 3,000 Bbls per day of Brent basis swaps for January 2024 through December 2024. The basis swap contracts fix the basis differential between the WTI index price (the price at which the Company buys Midland Basin oil for transport to the Gulf Coast) and the Brent index price (the price at which a portion of the Midland Basin purchased oil is sold in the Gulf Coast market) at a weighted average differential of \$4.33.

Marketing derivatives. The Company's marketing derivatives reflect long-term marketing contracts whereby the Company agreed to purchase and simultaneously sell barrels of oil at an oil terminal in Midland, Texas.

In October 2019, the Company agreed to purchase and simultaneously sell 50 thousand barrels of oil per day beginning January 1, 2021 and ending December 31, 2026.

In April 2022, the Company agreed to purchase and simultaneously sell (i) 40 thousand barrels of oil per day beginning May 1, 2022 and ending April 30, 2027 and (ii) 30 thousand barrels of oil per day beginning August 1, 2022 and ending July 31, 2027.

The price the Company pays to purchase the oil volumes under the purchase contract is based on a Midland WTI price and the price the Company receives for the oil volumes sold is a WASP that a non-affiliated counterparty receives for selling oil through a Gulf Coast storage and export facility at prices that are highly correlated with Brent oil prices during the same month of the purchase. Based on the form of the long-term marketing contracts, the Company determined the contracts should be accounted for as derivative

instruments.

PIONEER NATURAL RESOURCES COMPANY

UNAUDITED SUPPLEMENTAL INFORMATION (continued)

Derivative Loss, Net

(in millions)

	Three Months Ended June 30, 2022	Six Months Ended June 30, 2022
Noncash changes in fair value:		
Oil derivative gain (loss), net	\$ 1	\$ (2)
Gas derivative gain (loss), net	71	(37)
Marketing derivative loss, net	(68)	(24)
Conversion option derivative gain, net (a)	23	23
Total noncash derivative gain (loss), net	27	(40)
Net cash payments on settled derivative instruments:		
Oil derivative payments	(1)	(2)
Gas derivative payments, net	(74)	(129)
Marketing derivative payments	(17)	(29)
Total cash payments on settled derivative instruments, net	(92)	(160)
Total derivative loss, net	\$ (65)	\$ (200)

The Company's conversion option derivatives represent the change in the cash settlement obligation that occurs during the 25 trading day settlement period related to conversion options exercised by certain holders (a) of the Company's 0.250% Convertible Notes due 2025. The Company's election to settle an exercised conversion option in cash results in a forward contract during the settlement period and is accounted for as a derivative instrument not designated as a hedge.

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