

PIONEER NATURAL RESOURCES CO
Form 10-Q
May 09, 2007
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2007

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)

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

(Address of principal executive offices)

(972) 444-9001

75-2702753

(I.R.S. Employer

Identification No.)

75039

(Zip Code)

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(Registrant's telephone number, including area code)

Not applicable

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer **Accelerated filer** **Non-accelerated filer**

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

Yes No

Number of shares of Common Stock outstanding as of May 4, 2007

123,443,862

PIONEER NATURAL RESOURCES COMPANY

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Cautionary Statement Concerning Forward-Looking Statements	

The information in this Quarterly Report on Form 10-Q (the "Report") contains forward-looking statements that involve risks and uncertainties. When used in this document, the words "believes," "plans," "expects," "anticipates," "intends," "continue," "may," "will," "could," "should," "future," "potential," "estimate," or the negative of such terms and similar expressions as they relate to Pioneer Natural Resources Company ("Pioneer" or the "Company") are intended to identify forward-looking statements. 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, they involve risks and uncertainties that are difficult to predict and, in many cases, beyond the Company's control. Accordingly, no assurances can be given that the actual events and results will not be materially different than the anticipated results described in the forward-looking statements. See "Part I, Item 3. Quantitative and Qualitative Disclosures About Market Risk" and "Part II, Item 1A. Risk Factors" in this Report and "Item 1. Business Competition, Markets and Regulations", "Item 1A. Risk Factors" and "Item 7A. Quantitative and Qualitative Disclosures About Market Risk" in the Company's Annual Report on Form 10-K for the year ended December 31, 2006 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. The Company undertakes no duty to publicly update these statements except as required by law

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 6.0 Mcf of gas to 1.0 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.

"**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 natural gas volume.

"**MMBbl**" means one million Bbls.

"**MMBOE**" means one million BOEs.

"**MMBtu**" means one million Btus.

"**MMcfpd**" means one million cubic feet per day.

"**NGL**" means natural gas liquid.

"**NYMEX**" means the New York Mercantile Exchange.

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

"**proved reserves**" mean the estimated quantities of crude oil, natural gas and natural gas liquids which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions, *i.e.*, prices and costs as of the date the estimate is made. Prices include consideration of changes in existing prices provided only by contractual arrangements, but not on escalations based upon future conditions.

i Reservoirs are considered proved if economic producibility is supported by either actual production or conclusive formation test. The area of a reservoir considered proved includes (A) that portion delineated by drilling and defined by gas-oil and/or oil-water contacts, if any; and (B) the immediately adjoining portions not yet drilled, but which can be reasonably judged as economically productive on the basis of available geological and engineering data. In the absence of information on fluid contacts, the lowest known structural occurrence of hydrocarbons controls the lower proved limit of the reservoir.

ii Reserves which can be produced economically through application of improved recovery techniques (such as fluid injection) are included in the "proved" classification when successful testing by a pilot project, or the operation of an installed program in the reservoir, provides support for the engineering analysis on which the project or program was based.

iii Estimates of proved reserves do not include the following: (A) oil that may become available from known reservoirs but is classified separately as "indicated additional reserves"; (B) crude oil, natural gas and natural gas liquids, the recovery of which is subject to reasonable doubt because of uncertainty as to geology, reservoir characteristics or economic factors; (C) crude oil, natural gas and natural gas liquids, that may occur in undrilled prospects; and (D) crude oil, natural gas and natural gas liquids, that may be recovered from oil shales, coal, gilsonite and other such sources.

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

"**VPP**" means volumetric production payment.

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"U.S." means United States.

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.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

PIONEER NATURAL RESOURCES COMPANY

CONSOLIDATED BALANCE SHEETS

(in thousands)

	March 31, 2007 (Unaudited)	December 31, 2006
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 13,350	\$ 7,033
Accounts receivable:		
Trade, net of allowance for doubtful accounts of \$7,294 and \$6,999 as of March 31, 2007 and December 31, 2006, respectively	211,571	195,534
Due from affiliates	2,813	3,837
Income taxes receivable	12,135	24,693
Inventories	95,654	95,131
Prepaid expenses	10,353	11,509
Deferred income taxes	93,202	82,927
Other current assets:		
Derivatives	22,480	63,665
Other	52,256	52,229
Total current assets	513,814	536,558
Property, plant and equipment, at cost:		
Oil and gas properties, using the successful efforts method of accounting:		
Proved properties	8,427,587	7,967,708
Unproved properties	209,880	210,344
Accumulated depletion, depreciation and amortization	(1,983,181)	(1,895,408)
Total property, plant and equipment	6,654,286	6,282,644
Deferred income taxes	2,261	345
Goodwill	309,869	309,908
Other property and equipment, net	135,444	131,840
Other assets:		
Derivatives	935	4,333
Other, net of allowance for doubtful accounts of \$4,038 and \$4,045 as of March 31, 2007 and December 31, 2006, respectively	83,708	89,771
	\$ 7,700,317	\$ 7,355,399

The financial information included as of March 31, 2007 has been prepared by management

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without audit by independent registered public accountants.

The accompanying notes are an integral part of these consolidated financial statements.

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PIONEER NATURAL RESOURCES COMPANY

CONSOLIDATED BALANCE SHEETS (Continued)

(in thousands, except share data)

	March 31, 2007 (Unaudited)	December 31, 2006
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable:		
Trade	\$ 386,985	\$ 332,795
Due to affiliates	5,424	17,025
Interest payable	27,538	31,008
Income taxes payable	19,679	12,865
Other current liabilities:		
Derivatives	134,299	141,898
Deferred revenue	175,676	181,232
Other	182,768	170,156
Total current liabilities	932,369	886,979
Long-term debt		
Derivatives	1,859,255	1,497,162
Deferred income taxes	92,734	125,459
Deferred revenue	1,193,070	1,172,507
Other liabilities and minority interests	443,801	483,279
Other liabilities and minority interests	196,308	205,342
Stockholders equity:		
Common stock, \$.01 par value; 500,000,000 shares authorized; 123,209,194 and 122,686,073 shares issued at March 31, 2007 and December 31, 2006, respectively	1,232	1,227
Additional paid-in capital	2,663,290	2,654,047
Treasury stock, at cost: 1,867,328 and 1,183,909 shares at March 31, 2007 and December 31, 2006, respectively	(79,154)	(53,274)
Retained earnings	507,798	497,488
Accumulated other comprehensive income (loss):		
Net deferred hedge losses, net of tax	(165,950)	(167,220)
Cumulative translation adjustment	55,564	52,403
Total stockholders equity	2,982,780	2,984,671
Commitments and contingencies		
	\$ 7,700,317	\$ 7,355,399

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PIONEER NATURAL RESOURCES COMPANY

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)

(Unaudited)

	Three Months Ended	
	March 31,	
	2007	2006
Revenues and other income:		
Oil and gas	\$ 391,918	\$ 379,468
Interest and other	13,916	13,111
Gain (loss) on disposition of assets, net	260	(73)
	406,094	392,506
Costs and expenses:		
Oil and gas production	104,413	94,683
Depletion, depreciation and amortization	92,138	82,406
Exploration and abandonments	76,372	82,642
General and administrative	34,444	32,247
Accretion of discount on asset retirement obligations	2,058	1,148
Interest	28,494	36,576
Hurricane activity, net	13,548	38,000
Other	8,413	5,054
	359,880	372,756
Income from continuing operations	46,214	19,750
Income tax provision	(15,919)	(20,717)
Income (loss) from continuing operations	30,295	(967)
Income (loss) from discontinued operations, net of tax	(702)	544,174
Net income	\$ 29,593	\$ 543,207
Basic earnings per share:		
Income (loss) from continuing operations	\$ 0.25	\$ (0.01)
Income (loss) from discontinued operations, net of tax	(0.01)	4.29
Net income	\$ 0.24	\$ 4.28
Diluted earnings per share:		
Income (loss) from continuing operations	\$ 0.25	\$ (0.01)
Income (loss) from discontinued operations, net of tax	(0.01)	4.29
Net income	\$ 0.24	\$ 4.28
Weighted average shares outstanding:		
Basic	121,523	126,944
Diluted	122,794	126,944
Dividends declared per share	\$ 0.13	\$ 0.12

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PIONEER NATURAL RESOURCES COMPANY

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(in thousands, except dividends per share)

(Unaudited)

	Shares Outstanding	Common Stock	Additional Paid-in Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss) Net Deferred Hedge Losses, Net of Tax	Cumulative Total Translation Adjustment	Stockholders' Equity
Balance as of January 1, 2007	121,502	\$ 1,227	\$ 2,654,047	\$ (53,274)	\$ 497,488	\$ (167,220)	\$ 52,403	\$ 2,984,671