PIONEER NATURAL RESOURCES CO
Form DEF 14A
April 04, 2011

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

SCHEDULE 14A

PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES EXCHANGE ACT OF 1934 (AMENDMENT NO.)

Filed by the Registrant [X]
Filed by a Party other than the Registrant [ ]

Check the appropriate box:

[ ] Preliminary Proxy Statement
[ ] Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
[X] Definitive Proxy Statement
[ ] Definitive Additional Materials
[ ] Soliciting Material Pursuant to § 240.14a-12
[ ] Definitive Proxy Statement

Pioneer Natural Resources Company
(Name of Registrant as Specified in Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

[X] No fee required.
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(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

PIONEER NATURAL RESOURCES COMPANY
5205 North O'Connor Boulevard
Suite 200
Irving, Texas 75039

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To the Stockholders of Pioneer Natural Resources Company:

Notice is hereby given that the Annual Meeting of Stockholders of Pioneer Natural Resources Company (the "Company") will be held at 5205 North O’Connor Boulevard, Suite 250, Irving, Texas 75039, on Tuesday, May 17, 2011, at 9:00 a.m. Central Time (the "Annual Meeting"). The Annual Meeting is being held for the following purposes:

1. To elect three Class II Directors, each for a term of three years.

2. To ratify the selection of Ernst & Young LLP as the independent registered public accounting firm of the Company for 2011.

3. To hold an advisory vote on executive compensation.

4. To hold an advisory vote on the frequency of advisory votes on executive compensation.

5. To consider two stockholder proposals, if properly presented at the meeting.

6. To transact such other business as may properly come before the Annual Meeting.

These proposals are described in the accompanying proxy materials. You will be able to vote at the Annual Meeting only if you were a stockholder of record at the close of business on March 21, 2011. In the event there are not sufficient votes for a quorum or to approve the forgoing proposals at the time of the Annual Meeting, the Annual Meeting may be adjourned in order to permit further solicitation of proxies.

In accordance with rules approved by the Securities and Exchange Commission, beginning on or about April 4, 2011, the Company mailed a Notice of Internet Availability of Proxy Materials to its stockholders containing instructions on how to access the proxy statement and vote online and made proxy materials available to the stockholders over the Internet. Instructions for requesting a paper copy of the proxy materials are contained on the Notice of Internet Availability.

YOUR VOTE IS IMPORTANT

Please vote over the internet at www.cstproxyvote.com or by phone at 1-866-894-0537 promptly so that your shares may be voted in accordance with your wishes and so we may have a quorum at the Annual Meeting. If you received a paper copy of the proxy materials (which includes the proxy card), you may also vote by completing, signing and returning the paper proxy card by mail.

By Order of the Board of Directors

Mark H. Kleinman
Secretary

Irving, Texas
April 4, 2011

PIONEER NATURAL RESOURCES COMPANY
5205 North O'Connor Boulevard
Suite 200
Irving, Texas 75039

PROXY STATEMENT

2011 ANNUAL MEETING OF STOCKHOLDERS

The Board of Directors of the Company requests your Proxy for the Annual Meeting of Stockholders that will be held Tuesday, May 17, 2011, at 9:00 a.m. Central Time, at 5205 North O’Connor Boulevard, Suite 250, Irving, Texas 75039. By granting the Proxy, you authorize the persons named on the Proxy to represent you and vote your shares at the Annual Meeting. Those persons will also be authorized to vote your shares to adjourn the Annual Meeting from time to time and to vote your shares at any adjournments or postponements of the Annual Meeting.

If you attend the Annual Meeting, you may vote in person. If you are not present at the Annual Meeting, your shares may be voted only by a person to whom you have given a proper Proxy. You may revoke the Proxy in writing at any time before it is exercised at the Annual Meeting by delivering to the Secretary of the Company a written notice of the revocation, by submitting your vote electronically through the internet or by phone after the grant of the Proxy, or by signing and delivering to the Secretary of the Company a Proxy with a later date. Your attendance at the Annual Meeting will not revoke the Proxy unless you give written notice of revocation to the Secretary of the Company before the Proxy is exercised or unless you vote your shares in person at the Annual Meeting.

ELECTRONIC AVAILABILITY OF PROXY STATEMENT AND ANNUAL REPORT

As permitted under the rules of the Securities and Exchange Commission (the "SEC"), the Company is making this Proxy Statement and its Annual Report available to its stockholders electronically via the internet. The Company is sending on or about April 4, 2011, a Notice Regarding the Availability of Proxy Materials (the "Notice") to its stockholders of record as of the close of business on March 21, 2011. This Notice includes (i) instructions on how to access the Company's proxy materials electronically, (ii) the date, time and location of the Annual Meeting, (iii) a description of the matters intended to be acted upon at the Annual Meeting, (iv) a list of the materials being made available electronically, (v) instructions on how a stockholder can request to receive paper or e-mail copies of the Company's proxy materials, (vi) any control/identification numbers that a stockholder needs to access the Proxy, and (vii) information about attending the Annual Meeting and voting in person.

Stockholders of Record and Beneficial Owners

Most of the Company's stockholders hold their shares through a broker, bank or other nominee rather than directly in their own name. As summarized below, there are some distinctions between shares held of record and those owned beneficially.

Stockholders of Record. If your shares are registered directly in your name with the Company's transfer agent, you are considered the stockholder of record with respect to those shares, and the Notice is being sent directly to you by the Company’s agent. As a stockholder of record, you have the right to vote by proxy or to vote in person at the Annual Meeting. If you received a paper copy of the proxy materials by mail instead of the Notice, the proxy materials include a proxy card for the Annual Meeting.

Beneficial Owners. If your shares are held in a brokerage account or by a bank or other nominee, you are considered the beneficial owner of shares held in "street name," and the Notice will be forwarded to you by your broker or nominee. The broker or nominee is considered the stockholder of record with respect to those shares. As the beneficial owner, you have the right to direct your broker how to vote. Beneficial owners that receive the Notice by mail from the stockholder of record should follow the instructions included in the Notice to view the proxy statement and transmit voting instructions. If you received a paper copy of the proxy materials by mail instead of the Notice, the proxy materials include a proxy card for the Annual Meeting.

QUORUM AND VOTING

Voting Stock. The Company's common stock is the only class of securities that entitles holders to vote generally at meetings of the Company's stockholders. Each share of common stock outstanding on the record date is entitled to one vote. An automated system that the Company's transfer agent administers will tabulate the votes.

Record Date. The record date for stockholders entitled to notice of and to vote at the Annual Meeting was the close of business on March 21, 2011. As of the record date, 116,783,863 shares of common stock were outstanding and entitled to be voted at the Annual Meeting.

Quorum and Adjournments. The presence, in person or by Proxy, of the holders of a majority of the outstanding shares entitled to vote at the Annual Meeting is necessary to constitute a quorum at the Annual Meeting.

If a quorum is not present, the stockholders entitled to vote who are present in person or by Proxy at the Annual Meeting have the power to adjourn the Annual Meeting from time to time, without notice other than an announcement at the Annual Meeting, until a quorum is present. At any adjourned Annual Meeting at which a quorum is present, any business may be transacted that might have been transacted at the Annual Meeting as originally notified.

Effect of Broker Non-Votes and Abstentions; Vote Required. If you are a beneficial owner whose shares are held of record by a broker, you will receive instructions from your broker or other nominee describing how to vote your shares. If you do not instruct your broker or nominee how to vote your shares, they may vote your shares as they decide as to each matter for which they have discretionary authority under the rules of the New York Stock Exchange.

There are also non-discretionary matters for which brokers and other nominees do not have discretionary authority to vote unless they receive timely instructions from you. A “broker non-vote” results when a broker or other nominee does not have discretion to vote on a particular matter, you have not given timely instructions on how the broker or other nominee should vote your shares and the broker or other nominee indicates it does not have authority to vote such shares on its Proxy. Although broker non-vote will be counted as present at the meeting for purposes of determining a quorum, they will be treated as not entitled to vote with respect to non-discretionary matters.

If your shares are held in street name and you do not give voting instructions, pursuant to New York Stock Exchange Rule 452, the record holder will not be permitted to vote your shares with respect to the election of directors, the two advisory votes regarding executive compensation and the two stockholder proposals, and your shares will therefore be considered “broker non-votes” with respect to these proposals. If your shares are held in street name and you do not give voting instructions, the record holder will nevertheless be entitled to vote your shares in its discretion with respect to the ratification of selection of the independent registered public accounting firm.

Abstentions occur when stockholders are present at the Annual Meeting but fail to vote or voluntarily withhold their vote for any of the matters upon which the stockholders are voting.

To be elected, each nominee for election as a director must receive the affirmative vote of a plurality of the votes present and entitled to be voted at the Annual Meeting. This means that the three director nominees with the most votes are elected. Votes may be cast in favor of or withheld from the election of each nominee. Votes that are withheld from a director will be treated as an abstention and accordingly, those shares will not be voted either for or against the director but will be counted for quorum purposes. Broker non-votes will not be counted as votes, and, accordingly, will not affect the outcome of the election.

Ratification of the appointment of the Company’s independent registered public accounting firm, approval of the advisory vote on executive compensation and approval of the two stockholder proposals require the affirmative vote of the holders of a majority of the shares present and entitled to be voted at the Annual Meeting. Abstentions will be treated as votes against these proposals. Broker non-votes will not be voted either for or against approval of the advisory vote on executive compensation or approval of the two stockholder proposals, and therefore will not affect the outcome of these proposals.

With regard to the proposal as to whether to have the advisory vote on executive compensation on the agenda for future annual stockholders meetings every one, two or three years, the Proxy provides stockholders the ability to vote “For” any of the three alternatives, or to abstain from voting. Approval of this proposal requires the affirmative vote of the holders of a majority of the shares present and entitled to be voted at the Annual Meeting. Abstentions and broker non-votes will not be voted either for or against this proposal, and, accordingly, will not affect the outcome. Because this vote is advisory and non-binding, if none of the frequency options receives a majority of the votes, the choice receiving the greatest number of votes will be considered the frequency recommended by the Company’s stockholders.

Default Voting. A Proxy that is properly completed and submitted will be voted at the Annual Meeting in accordance with the instructions on the Proxy. If you properly complete and submit a Proxy, but do not indicate any contrary voting instructions, your shares will be voted as follows:

- FOR the election of the three persons named in this Proxy Statement as the Board of Directors' nominees for election as Class II Directors.

- FOR the ratification of the selection of Ernst & Young LLP as the Company's independent registered public accounting firm for 2011.

- FOR approval, on an advisory basis, of the compensation of the Company’s named executive officers.

- FOR approval of holding the advisory vote on executive compensation every year.

- AGAINST the two stockholder proposals.

If any other business properly comes before the stockholders for a vote at the meeting, your shares will be voted in accordance with the discretion of the holders of the Proxy. The Board of Directors knows of no matters, other than those previously stated, to be presented for consideration at the Annual Meeting.

PARTICIPANTS IN THE PIONEER NATURAL RESOURCES USA, INC. 401(k) AND MATCHING PLAN

Participants in the Pioneer Natural Resources USA, Inc. 401(k) and Matching Plan (the "401(k) Plan") who have shares of common stock credited to their plan account as of the record date will have the right to direct the 401(k) Plan trustee regarding how to vote those shares. The trustee will vote the shares in a participant's 401(k) Plan account in accordance with the participant's instructions or, if no instructions are received prior to May 12, 2011, the shares credited to that participant's account will be voted by the trustee in the same proportion as it votes shares for which it did receive timely instructions. Information as to how participants voted the shares credited to their 401(k) Plan account will not be disclosed to the Company.

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If a participant holds common stock outside of the 401(k) Plan, the participant will need to vote those shares separately.

ITEM ONE

ELECTION OF DIRECTORS

The Board of Directors has nominated the following individuals for election as Class II Directors of the Company to serve for a three year term to expire in 2014 and until either they are reelected or their successors are elected and qualified:

Edison C. Buchanan
R. Hartwell Gardner
Jim A. Watson

Messrs. Buchanan, Gardner and Watson are currently serving as Directors of the Company. Their biographical information is contained in the "Directors and Executive Officers" section below.

The Board of Directors has no reason to believe that any of its nominees will be unable or unwilling to serve if elected. If a nominee becomes unable or unwilling to accept nomination or election, either the number of the Company's directors will be reduced or the persons acting under the Proxy will vote for the election of a substitute nominee that the Board of Directors recommends.

The Board of Directors unanimously recommends that stockholders vote FOR the election of each of the nominees.

DIRECTORS AND EXECUTIVE OFFICERS

After the Annual Meeting, assuming the stockholders elect the nominees of the Board of Directors as set forth in "Item One - Election of Directors" above, the Board of Directors of the Company will be, and the executive officers of the Company are:

Name	Age	Position
Scott D. Sheffield	58	Chairman of the Board of Directors and Chief Executive Officer
Thomas D. Arthur	66	Director
Edison C. Buchanan	56	Director
Andrew F. Cates	40	Director
R. Hartwell Gardner	76	Director
Andrew D. Lundquist	50	Director
Charles E. Ramsey, Jr.	74	Director
Scott J. Reiman	46	Director
Frank A. Risch	68	Director
Jim A. Watson	72	Director
Timothy L. Dove	54	President and Chief Operating Officer
Mark S. Berg	52	Executive Vice President and General Counsel
Chris J. Cheatwood	50	Executive Vice President, Business Development and Technology
Richard P. Dealy	45	Executive Vice President and Chief Financial Officer
William F. Hannes	51	Executive Vice President, South Texas Operations

Danny L. Kellum	56	Executive Vice President, Permian Operations
David McManus	57	Executive Vice President, International Operations
Jay P. Still	49	Executive Vice President, Domestic Operations
Frank W. Hall	60	Vice President and Chief Accounting Officer

The Company has classified its Board of Directors into three classes. Directors in each class are elected to serve for three-year terms and until either they are reelected or their successors are elected and qualified. Each year, the directors of one class stand for reelection as their terms of office expire. Messrs. Arthur, Cates, Reiman and Sheffield are designated as Class III Directors, and their terms of office expire in 2012. Messrs. Lundquist, Ramsey and Risch are designated as Class I Directors, and their terms of office expire in 2013.

Set forth below is biographical information about each of the Company's Directors and nominees for Director.

Scott D. Sheffield. Mr. Sheffield, a distinguished graduate of The University of Texas with a Bachelor of Science degree in Petroleum Engineering, has held the position of Chief Executive Officer for the Company since August 1997 and assumed the position of Chairman of the Board of Directors for the Company in August 1999. Mr. Sheffield was elected Chief Executive Officer and Director of Pioneer Natural Resources GP LLC ("Pioneer GP"), the general partner of Pioneer Southwest Energy Partners L.P., a 61 percent-owned subsidiary of the Company ("Pioneer Southwest"), in June 2007 and Chairman of the Board of Pioneer GP in May 2008. He was President of the Company from August 1997 to November 2004. He was the Chairman of the Board of Directors and Chief Executive Officer of Parker & Parsley Petroleum Company, a predecessor of the Company ("Parker & Parsley"), from October 1990 until the Company was formed in August 1997. Mr. Sheffield joined Parker & Parsley Development Company ("PPDC"), a predecessor of Parker & Parsley, as a petroleum engineer in 1979. Mr. Sheffield served as Vice President - Engineering of PPDC from September 1981 until April 1985, when he was elected President and a Director. In March 1989, Mr. Sheffield was elected Chairman of the Board of Directors and Chief Executive Officer of PPDC. Before joining PPDC, Mr. Sheffield was employed as a production and reservoir engineer for Amoco Production Company. The Board believes that Mr. Sheffield is qualified to serve on the Company's Board of Directors based on his experience and education, as summarized above, and particularly, his role as Chief Executive Officer of the Company, his educational background and work experience in petroleum engineering, his deep knowledge of the Company resulting from his long tenure with the Company and its predecessor, and his extensive knowledge of the energy industry.

Thomas D. Arthur. Mr. Arthur became a Director of the Company in June 2009. Mr. Arthur received his undergraduate degree from the University of North Carolina at Chapel Hill in 1966, and a Master of Business Administration from East Carolina University in 1971. From 1966 to 1969, he served in the U.S. Army as an infantry lieutenant. From 1971 until 1974, Mr. Arthur was Vice President of a Florida based investment banking firm. He joined Havatampa Corporation in Tampa, Florida in 1974 as Chief Financial Officer, and then later served as Chief Operating Officer. In 1978, the cigar manufacturing business of Havatampa Corporation was purchased by Havatampa Incorporated, of which Mr. Arthur was President, Chief Executive Officer and majority shareholder until its sale in 1997. Since 1998, he has been engaged in private investments. He serves on the boards of numerous community organizations. Messrs. Arthur, Cates and Reiman were elected pursuant to an agreement with Southeastern Asset Management, Inc. ("Southeastern") under which the Company agreed to nominate three individuals for election to the Board at the Company's 2009 Annual Meeting of Stockholders. At the time of this agreement, Southeastern was the Company's largest stockholder. In reviewing Southeastern's recommendation of Mr. Arthur in 2009, the Board concluded, and currently believes, that his prior senior executive experience qualifies him to serve on the Board of Directors.

Edison C. Buchanan. Mr. Buchanan received a Bachelor of Science degree in Civil Engineering from Tulane University in 1977 and a Master of Business Administration in Finance and International Business from Columbia University Graduate School of Business in 1981. From 1981 to 1997, Mr. Buchanan was a Managing Director of various groups in the Investment Banking Division of Dean Witter Reynolds in their New York and Dallas offices. In 1997, Mr. Buchanan joined Morgan Stanley Dean Witter as a Managing Director in the Real Estate Investment Banking group. In 2000, Mr. Buchanan became Managing Director and head of the domestic Real Estate Investment Banking Group of Credit Suisse First Boston. Mr. Buchanan became a Director of the Company in 2002. Since 2004, Mr. Buchanan has also served on the Board of Directors of MFA Financial, Inc. The Board believes that Mr. Buchanan is qualified to serve on the Company's Board of Directors based on his experience and education, as summarized above,

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and particularly, his financial education, his extensive experience of over twenty years in investment banking, and his management experience as a senior executive with a large institution.

Andrew F. Cates. Mr. Cates became a Director of the Company in June 2009. Mr. Cates earned a Bachelor of Business Administration in Finance at the University of Texas at Austin. Mr. Cates founded RVC USA, LP, a developer and operator of outdoor resorts, and he is the President of its corporate general partner, RVC USA Management, LLC, which he owns and operates. He is also the Managing Member of Value Acquisition Fund, an acquisition, development, and asset management company founded by him in 2004. Mr. Cates has acquired and asset managed commercial real estate throughout the southeastern United States within various entities. In 1993, Mr. Cates began his real estate career in Dallas, Texas, where he worked as an Analyst at Trammell Crow Company Capital Markets Group, and in 1995, he became an Associate for Crow Family Holdings. Mr. Cates currently serves on numerous civic and charitable boards. Messrs. Arthur, Cates and Reiman were elected pursuant to the agreement with Southeastern under which the Company agreed to nominate three individuals for election to the Board at the Company's 2009 Annual Meeting of Stockholders. In reviewing Southeastern's recommendation of Mr. Cates in 2009, the Board, while noting that he is the brother of the President of Southeastern, concluded, and currently believes, that his senior executive experience and experience in business operations and asset management, as well as evaluating investments, qualifies him to serve on the Board of Directors.

R. Hartwell Gardner. Mr. Gardner became a Director of the Company in August 1997. He served as a Director of Parker & Parsley from November 1995 until August 1997. Mr. Gardner graduated from Colgate University with a Bachelor of Arts degree in Economics and then earned a Master of Business Administration from Harvard University. Until October 1995, Mr. Gardner was the Treasurer of Mobil Oil Corporation and Mobil Corporation from 1974 and 1976, respectively. Mr. Gardner is a member of Financial Executives International where he served as Chairman in 1986 and 1987 and is a Director and Chairman of the Investment Committee of Oil Investment Corporation Ltd. and Oil Casualty Investment Corporation Ltd. in Hamilton, Bermuda. The Board believes that Mr. Gardner is qualified to serve on the Company's Board of Directors based on his experience and education, as summarized above, and particularly, his graduate education, his deep knowledge of the Company resulting from his long tenure with the Company and its predecessor, and his knowledge of accounting and finance and management experience developed as an executive of a major integrated oil company.

Andrew D. Lundquist. Mr. Lundquist received a Bachelor of Science degree in Business Administration (Finance) from the University of Alaska and a Juris Doctorate from Catholic University Columbus School of Law. He joined the Company's Board of Directors in September 2004, in accordance with the terms of the Company's merger with Evergreen Resources, Inc. after having served as an independent director on the Board of Directors of Evergreen Resources, Inc. since November 2002. During 2001, Mr. Lundquist served as the Director of The White House National Energy Policy Development Group, which directed the cabinet-level task force created by the President and headed by the Vice President that produced the President's National Energy Policy. At that same time, he also served as Senior Advisor to the President and Vice President on energy issues. Mr. Lundquist was the Majority Staff Director of the U.S. Senate Energy and Natural Resources Committee from 1998 to 2001. Since March 2002, Mr. Lundquist has served as the Managing Partner of BlueWater Strategies LLC, a Washington, D.C.-based consulting firm that provides analytic and strategic advice to senior executives of corporations. Mr. Lundquist also serves as Director of Coeur d'Alene Mines Corporation, a company engaged in the operation, ownership, development and exploration of silver and gold mining property. The Board believes that Mr. Lundquist is qualified to serve on the Company's Board of Directors based on his experience and education, as summarized above, and particularly, his education in the law, and his experience in federal government service and in the provision of government relations advice, including over 20 years as an advisor on energy policy issues.

Charles E. Ramsey, Jr. Mr. Ramsey is a graduate of the Colorado School of Mines with a Petroleum Engineering degree and a graduate of the Smaller Company Management program at the Harvard Graduate School of Business

Administration. Mr. Ramsey has served as a Director of the Company since August 1997. Mr. Ramsey served as a Director of Parker & Parsley from October 1991 until August 1997. From June 1958

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until June 1986, Mr. Ramsey held various engineering and management positions in the oil and gas industry and, for six years before October 1991, was a Senior Vice President in the Corporate Finance Department of Dean Witter Reynolds Inc. in its Dallas, Texas office. His industry experience includes 12 years of senior management experience with May Petroleum Inc. in the positions of President, Chief Executive Officer and Executive Vice President. Mr. Ramsey is also a former director of MBank Dallas, the Dallas Petroleum Club and Lear Petroleum Corporation. The Board believes that Mr. Ramsey is qualified to serve on the Company's Board of Directors based on his experience and education, as summarized above, and particularly, his educational background in petroleum engineering and advanced degree in management, his deep knowledge of the Company resulting from his long tenure with the Company and its predecessor, his financial experience in the investment banking industry and his extensive knowledge of the energy industry through education as well as a career of over twenty-five years in operational and executive positions with oil and gas companies.

Scott J. Reiman. Mr. Reiman became a Director of the Company in June 2009. Mr. Reiman graduated from the University of Denver in 1987 with a Bachelor of Science in Business Administration in Finance. Mr. Reiman is the founder of Hexagon Investments, a private investment company, and has served as President since 1992. Mr. Reiman has been a member of the Board of Trustees at the University of Denver since 1999 and chairs its Investment Committee. Mr. Reiman also serves on many other civic boards of directors and is currently a member of the Mayor's Financial Management Task Force for the City of Denver. Messrs. Arthur, Cates and Reiman were elected pursuant to the agreement with Southeastern under which the Company agreed to nominate three individuals for election to the Board at the Company's 2009 Annual Meeting of Stockholders. In reviewing Southeastern's recommendation of Mr. Reiman in 2009, the Board concluded, and currently believes, that his experience founding his own investment company and analyzing investments qualifies him to serve on the Board of Directors.

Frank A. Risch. Mr. Risch holds a Bachelor of Science degree in Business Administration from Pennsylvania State University and a Master of Science degree in industrial administration from Carnegie Mellon University. Mr. Risch joined Exxon Corporation in 1966 as a financial analyst in New York and subsequently held various positions in finance, planning, marketing and general management with Exxon and its operating affiliates in the U.S. and abroad for nearly 38 years. Mr. Risch retired in 2004 as Vice President and Treasurer (and Principal Financial Officer) of Exxon Mobil Corporation. He was appointed to the Company's Board of Directors in August 2005. He is a member of the Business Board of Advisors of the Tepper School of Business at Carnegie Mellon University. He is active in civic and community organizations, serving as Chairman of the Board of the Dallas Theater Center and as a member of the Boards of the Communities Foundation of Texas, the Dallas Center for the Performing Arts and Dallas CASA (Court Appointed Special Advocates). He is a member of the Financial Executives International, the World Affairs Council of Greater Dallas and the Dallas Committee on Foreign Relations. The Board believes that Mr. Risch is qualified to serve on the Company's Board of Directors based on his experience and education, as summarized above, and particularly, his extensive experience as an employee and executive in the oil and gas industry for almost 40 years, including his role, at the time of his retirement, as principal financial officer of Exxon Mobil Corporation.

Jim A. Watson. Mr. Watson became a Director of the Company in September 2004. He earned a Bachelor of Arts degree from The University of Texas in 1962 and graduated, with honors, from The University of Texas School of Law in 1964. Mr. Watson has served as Senior Counsel for the law firm of Carrington, Coleman, Sloman, & Blumenthal, L.L.P. in Dallas, Texas since June 2003. Before then, he was a partner at the law firm of Vinson & Elkins L.L.P. in Dallas, Texas. From 1987 to 1995, he held the position of Adjunct Professor at The University of Texas School of Law and from 2000 to 2004, Mr. Watson was Chairman of the Advisory Board of the Clement Center for Southwestern Studies at Southern Methodist University. Since 1989, Mr. Watson has been included in The Best Lawyers in America. The Board believes that Mr. Watson is qualified to serve on the Company's Board of Directors based on his experience and education, as summarized above, and particularly, his education in the law, and his extensive experience of over 40 years as a corporate attorney.

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Set forth below is biographical information about each of the Company's executive officers, other than Mr. Sheffield. All of the Company's executive officers serve at the discretion of the Board of Directors.

Timothy L. Dove. Mr. Dove was elected the Company's President and Chief Operating Officer in November 2004. Mr. Dove was also elected President and Chief Operating Officer of Pioneer GP in June 2007. Mr. Dove held the positions for the Company of Executive Vice President and Chief Financial Officer from February 2000 to November 2004 and Executive Vice President - Business Development from August 1997 to January 2000. Mr. Dove joined Parker & Parsley in May 1994 as Vice President - International and was promoted to Senior Vice President - Business Development in October 1996, in which position he served until August 1997. Before joining Parker & Parsley, Mr. Dove was employed with Diamond Shamrock Corp., and its successor, Maxus Energy Corp., in various capacities in international exploration and production, marketing, refining, and planning and development. Mr. Dove earned a Bachelor of Science degree in Mechanical Engineering from Massachusetts Institute of Technology in 1979 and received his Master of Business Administration in 1981 from the University of Chicago.

Mark S. Berg. Mr. Berg was elected the Company's Executive Vice President and General Counsel when he joined the Company in April 2005. Mr. Berg was also elected Executive Vice President, General Counsel and Assistant Secretary of Pioneer GP in June 2007. Prior to joining the Company, Mr. Berg served as Executive Vice President, General Counsel and Secretary of American General Corporation, a Fortune 200 diversified financial services company, from 1997 through 2002. Subsequent to the sale of American General to American International Group, Inc., Mr. Berg joined Hanover Compressor Company as Senior Vice President, General Counsel and Secretary. He served in that capacity from May 2002 through April 2004. Mr. Berg began his career in 1983 with the Houston-based law firm of Vinson & Elkins L.L.P. He was a partner with the firm from 1990 through 1997. Mr. Berg graduated Magna Cum Laude and Phi Beta Kappa with a Bachelor of Arts degree from Tulane University in 1980. He earned his Juris Doctorate with honors from The University of Texas Law School in 1983.

Chris J. Cheatwood. Mr. Cheatwood was elected the Company's Executive Vice President, Business Development and Technology in February of 2010. Mr. Cheatwood also serves as Executive Vice President, Business Development and Technology of Pioneer GP. Mr. Cheatwood had previously served the Company as Executive Vice President, Geoscience since November 2007, as Executive Vice President - Worldwide Exploration from January 2002 until November 2007, as Senior Vice President - Exploration from December 2000 to January 2002, and as Vice President - Domestic Exploration from July 1998 to December 2000. Before joining the Company, Mr. Cheatwood spent ten years with Exxon Corporation. Mr. Cheatwood is a graduate of the University of Oklahoma with a Bachelor of Science degree in Geology and earned his Master of Science degree in Geology from the University of Tulsa.

Richard P. Dealy. Mr. Dealy was elected the Company's Executive Vice President and Chief Financial Officer in November 2004. Mr. Dealy was also elected Executive Vice President, Chief Financial Officer, Treasurer and Director of Pioneer GP in June 2007. Mr. Dealy held positions for the Company as Vice President and Chief Accounting Officer from February 1998 to November 2004, and Vice President and Controller from August 1997 to January 1998. Mr. Dealy joined Parker & Parsley in July 1992 and was promoted to Vice President and Controller in 1995, in which position he served until August 1997. He is a Certified Public Accountant, and before joining Parker & Parsley, he was employed by KPMG LLP. Mr. Dealy graduated with honors from Eastern New Mexico University with a Bachelor of Business Administration degree in Accounting and Finance.

William F. Hannes. Mr. Hannes was elected the Company's Executive Vice President - South Texas Operations in February 2010. Mr. Hannes had previously served the Company as Executive Vice President - Business Development since December 2007, and Executive Vice President - Worldwide Business Development from November 2005 to December 2007. Mr. Hannes joined Parker & Parsley in July 1997 as Director of Business Development, and continued to serve the Company in this capacity after the Company's formation in August 1997 until he was promoted to Vice President – Engineering and Development in June 2001, which position he held until November 2005. Prior to joining Parker &

Parsley, Mr. Hannes held engineering positions with Mobil and Superior Oil. He graduated from Texas A&M University in 1981 with a Bachelor of Science degree in Petroleum Engineering.

Danny L. Kellum. Mr. Kellum, who received a Bachelor of Science degree in Petroleum Engineering from Texas Tech University in 1979, was elected the Company’s Executive Vice President - Permian Operations in February 2010. Mr. Kellum also serves as a director and Executive Vice President, Permian Operations of Pioneer GP. Mr. Kellum had previously served the Company as Executive Vice President - Domestic Operations since May 2000, and as Vice President - Domestic Operations from January 2000 until May 2000, and Vice President - Permian Division from August 1997 until December 1999. Mr. Kellum joined Parker & Parsley as an operations engineer in 1981 after a brief career with Mobil Oil Corporation, and his service with Parker & Parsley included serving as Spraberry District Manager from 1989 until 1994 and as Vice President of the Spraberry and Permian Division until August 1997.

David McManus. Mr. McManus was elected the Company’s Executive Vice President, International Operations in November 2007. In January 2005, Mr. McManus joined the Company as Vice President, International Operations and continued to serve in that capacity until November 2007. Prior to joining the Company, Mr. McManus was Executive Vice President with the BG Group where he was responsible for developing technical and commercial capabilities and directing assets in the Eastern Hemisphere from April 2000 to October 2004. He also served as President of ARCO Europe from June 1994 to April 2000. Prior to that, Mr. McManus held senior positions with LASMO, Ultramar, Shell and Fluor. Since 2004, Mr. McManus has also served on the Board of Directors for Cape PLC as the Chairman and a member of the Compensation Committee. In October 2010, Mr. McManus became of member of the Board of Directors for Rockhopper Exploration PLC. Mr. McManus graduated from Heriott-Watt University in Edinburgh, Scotland, with a degree in civil engineering.

Jay P. Still. Mr. Still was elected the Company’s Executive Vice President - Domestic Operations in November 2007. Prior to that time, Mr. Still held the positions of Executive Vice President, Western Division from November 2005, Vice President, Western Division from September 2004 to November 2005, Vice President, Gulf of Mexico from July 2001 to September 2004 and Vice President of Operations for a former subsidiary of the Company located in Argentina from November 1997 to July 2001. Mr. Still joined Parker & Parsley in January 1995 as Director of Engineering Development and continued to serve the Company in this capacity after the Company's formation in August 1997. Prior to joining Parker & Parsley, Mr. Still spent ten years with Mobil in various drilling, operations and reservoir engineering assignments focusing on the Gulf of Mexico before moving into international business development activities. Mr. Still earned his Masters in Business Administration at Loyola University and a Bachelor of Science in Mechanical Engineering from Texas A&M University.

Frank W. Hall. Mr. Hall was elected the Company’s Vice President and Chief Accounting Officer in May 2008. Mr. Hall was also elected Vice President and Chief Accounting Officer of Pioneer GP in May 2008. Prior to that time, Mr. Hall held the positions for the Company of Corporate Controller from March 2007, Assistant Controller from January 2005 to March 2007 and Manager of Financial Reporting from September 1998 to January 2005. From 1989 to 1998, Mr. Hall was an employee of Oryx Energy Company, where he held Senior Financial Analyst positions in Financial Planning and Financial Reporting. He was a partner in the certified public accounting firm of Hall, Brock & Co. from 1983 to 1989; the Controller of Riddle Oil Company from 1980 to 1983; and a member of the audit staff of Touche Ross & Co. from 1977 to 1980. Mr. Hall graduated with highest honors from the University of Dallas with a Master of Business Administration in Corporate Finance and graduated from the University of Texas at San Antonio with a Bachelor of Business Administration, where he majored in accounting and business management.

MEETINGS AND COMMITTEES OF DIRECTORS

The Board of Directors of the Company held thirteen meetings during 2010, and its independent directors met in executive session four times during 2010. During 2010, each of the directors attended at least 75 percent of the aggregate of the total number of meetings of the Board of Directors and the total number of meetings of all committees of the Board of Directors on which that director served.

The Board of Directors has three standing committees: the Audit Committee, the Compensation and Management Development Committee and the Nominating and Corporate Governance Committee.

Audit Committee. Information regarding the functions performed by the Audit Committee and its membership is set forth in the "Audit Committee Report" included herein and also in the "Audit Committee Charter" that is posted on the Company's website at www.pxd.com. The members of the Audit Committee are Messrs. Gardner (Chairman), Arthur, Risch and Watson. The Audit Committee held nine meetings during 2010.

Compensation and Management Development Committee. Responsibilities of the Compensation and Management Development Committee (the "Compensation Committee"), which are discussed in detail in its charter that is posted on the Company's website at www.pxd.com, include among other duties, the responsibility to:

- periodically review the compensation, employee benefit plans and fringe benefits paid to, or provided for, executive officers of the Company,
- approve the annual salaries, bonuses and share-based awards paid to the Company's executive officers,
- periodically review and recommend to the full Board of Directors total compensation for each non-employee director for services as a member of the Board of Directors and its committees,
- administer the Company's equity plans, and
- oversee the Company's succession planning.

The Compensation Committee is delegated all authority of the Board of Directors as may be required or advisable to fulfill the purposes of the Compensation Committee. The Compensation Committee may form and delegate some or all of its authority to subcommittees when it deems appropriate. Meetings may, at the discretion of the Compensation Committee, include members of the Company's management, other members of the Board of Directors, consultants or advisors, and such other persons as the Compensation Committee or its chairperson may determine.

The Vice President, Administration and Risk Management of the Company, or such other officer as may from time to time be designated by the Compensation Committee, acts as the management liaison to the Compensation Committee and works with the Compensation Committee chairperson to prepare an agenda for regularly scheduled meetings. The Compensation Committee chairperson makes the final decision regarding the agenda for regularly scheduled meetings and develops the agenda for special meetings based on the information supplied by the persons requesting the special meeting. The Company's Chief Executive Officer (the "CEO") makes recommendations to the Compensation Committee regarding the compensation of other executive officers and provides information to the Compensation Committee regarding the executive officers' performance; however, the Compensation Committee makes all final decisions regarding the executive officers' compensation.

The Compensation Committee has the sole authority to retain, amend the engagement with, and terminate any compensation consultant to be used to assist in the evaluation of director, CEO or executive officer compensation. The Compensation Committee has sole authority to approve the consultant's fees and other retention terms and has authority to cause the Company to pay the fees and expenses of such consultants. During 2010, the Compensation Committee engaged the services of Meridian Compensation Partners LLC ("Meridian"). The terms of Meridian’s engagement are set forth in an engagement agreement

that provides, among other things, that Meridian is engaged by, and reports only to, the Compensation Committee and will perform the compensation advisory services requested by the Compensation Committee. Among the services Meridian was asked to perform were apprising the Compensation Committee of compensation-related trends, developments in the marketplace and industry best practices; informing the Compensation Committee of compensation-related regulatory developments; providing peer group survey data to establish compensation ranges for the various elements of compensation; providing an evaluation of the competitiveness of the Company's executive compensation and benefits programs; assessing the relationship between executive pay and performance; advising on the design of the Company's incentive compensation programs, including metric selection and target setting and the design and administration of the Company's performance unit award program; advising the Compensation Committee on director compensation; and providing such additional reports and analyses as requested by the Compensation Committee from time to time. Meridian does not provide any services to the Company other than its services to the Compensation Committee.

The members of the Compensation Committee are Messrs. Buchanan (Chairman), Cates, Lundquist, Ramsey and Reiman. The Compensation Committee held five meetings during 2010.

Nominating and Corporate Governance Committee. The Nominating and Corporate Governance Committee assists the Board of Directors in evaluating potential new members of the Board of Directors, recommending committee members and structure, and advising the Board of Directors about corporate governance practices. Additional information regarding the functions performed by the Nominating and Corporate Governance Committee is set forth in the "Corporate Governance" section included herein and also in the "Nominating and Corporate Governance Committee Charter" that is posted on the Company's website at www.pxd.com. The members of the Nominating and Corporate Governance Committee are Messrs. Arthur, Buchanan, Cates, Gardner, Lundquist, Reiman, Ramsey, Risch and Watson. The Nominating and Corporate Governance Committee held three meetings during 2010.

COMPENSATION

Compensation of Directors

2010 DIRECTOR COMPENSATION TABLE

The table below summarizes the compensation paid by the Company to non-employee directors during 2010.

Name	Fees Earned or Paid in Cash (1) ($)	Stock Awards (2) ($)	All Other Compensation (3) ($)	Total ($)
(a)	(b)	(c)	(g)	(h)
Thomas D. Arthur	$ 15	$ 249,985	$ 387	$ 250,387
Edison C. Buchanan	$ 30	$ 264,970	$ -	$ 265,000
Andrew F. Cates	$ 15	$ 249,985	$ 4,149	$ 254,149
R. Hartwell Gardner	$ 37,530	$ 264,970	$ -	$ 302,500
Andrew D. Lundquist	$ 15	$ 249,985	$ -	$ 250.000
Charles E. Ramsey, Jr.	$ 37,530	$ 264,970	$ -	$ 302,500
Scott J. Reiman	$ 15,015	$ 249,985	$ -	$ 265,000
Frank A. Risch	$ 33,765	$ 249,985	$ -	$ 283,750
Jim A. Watson	$ 33,765	$ 249,985	$ -	$ 283,750

(1) For the 2009-2010 director year equity awards, the non-employee directors could choose to be compensated for their annual directors' fees in (i) 100 percent cash, (ii) 100 percent restricted stock units or (iii) a 50/50 combination thereof. Amounts in this column represent fees elected to be received in cash for services as a director during 2010, and, for directors electing to receive fees in restricted stock units during 2010, any cash they received in lieu of fractional restricted stock units.

(2) Stock awards represent the aggregate grant date fair value attributable to restricted stock unit awards granted in 2010 determined in accordance with Financial Accounting Standards Board of Accounting Standards Codification Topic 718 ("FASB ASC 718"). Accordingly, the Company valued its restricted stock unit awards based on the market-quoted closing price of the Company's common stock on the last business day prior to the grant date of the awards. Additional detail regarding the Company's share-based awards is included in Note G of Notes to Consolidated Financial Statements included in "Item 8. Financial Statements and Supplementary Data" in the Company's Annual Report on Form 10-K for the year ended December 31, 2010. Aggregate director stock awards for which restrictions had not lapsed as of December 31, 2010, totaled (i) 5,675 shares for Messrs. Arthur, Reiman and Cates; (ii) 2,113 shares for Messrs. Buchanan, Gardner and Ramsey; and (iii) 1,994 shares for Messrs. Lundquist, Risch and Watson. In accordance with director elections, awards for which restrictions had lapsed but for which share issuance has been deferred totaled (i) 18,631 shares for Mr. Buchanan; (ii) 3,304 shares for Mr. Gardner; (iii) 8,184 shares for Mr. Lundquist; and (iv) 4,417 shares for Mr. Watson as of December 31, 2010. The Company did not issue to the directors any options to purchase the Company's common stock during 2010, and the directors did not hold unexercised stock options as of December 31, 2010.

(3) All other compensation includes travel and entertainment costs of directors' spouses.

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Commencing with the 2010-2011 director year, which began with the annual meeting of stockholders in May 2010, the compensation program for the Company's non-employee directors was changed so that the elements of the program are as follows:

- Each non-employee director receives an annual retainer of $250,000, all of which is payable in the form of restricted stock units.
- The lead director and the chairmen of the Audit Committee and the Compensation Committee each receives an additional annual retainer of $15,000, all of which is payable in the form of restricted stock units.

All of the restricted stock units received in payment of directors' fees vest quarterly on a pro rata basis during the director year, and the price that will be used to calculate the number of restricted stock units granted is based on an average of the closing stock prices over the 30 trading days prior to the date of the annual meeting of stockholders.

Prior to the annual meeting in May 2010, the elements of compensation for the Company's non-employee directors were as follows:

- Each non-employee director received an annual base retainer fee of $50,000 and an annual fee of $10,000 for service on one or more committees.
- Each non-employee director received an annual equity award of $120,000 in restricted stock units, which vested one year following the date of the award.
- Audit Committee members received an additional $7,500 annual fee.
- The lead director received an additional $15,000 annual fee.
- The chairman of the Audit Committee received an additional $7,500 annual fee.
- The chairman of the Compensation Committee received an additional $2,500 annual fee.

Under the 2009-2010 director compensation program, the non-employee directors could choose to be compensated for their annual directors' fees in (i) 100 percent cash, (ii) 100 percent restricted stock units or (iii) a 50/50 combination thereof. The restricted stock units received in payment of annual directors' fees vested quarterly on a pro rata basis during the director year. The price used to calculate the number of restricted stock units granted with respect to both the annual equity award and any fees that a director chose to receive in restricted stock units was based on an average of the closing stock prices over the 30 trading days prior to the date of the annual meeting of stockholders.

Non-employee directors may elect to defer settlement of their restricted stock units until the earliest to occur of (i) their death, (ii) a change in control, (iii) a date certain or (iv) the one-year anniversary of their retirement, resignation, or removal from the Board of Directors.

The vesting of ownership and the lapse of transfer restrictions on restricted stock units awarded to non-employee directors is accelerated in the event of the death or disability of the director or a change in control of the Company.

Additionally, each non-employee director is provided information technology support by the Company and is also reimbursed for travel expenses to attend meetings of the Board of Directors or its committees, travel and entertainment expenses for each director's spouse who is invited to accompany directors to meetings of the Board of Directors, director education, seminars and trade publications. No additional fees are paid for attendance at Board of Directors or committee meetings. The Company's CEO does not receive additional compensation for serving on the Board of Directors.

Stock Ownership Guidelines for Directors

To support the Company's commitment to significant stock ownership, the Company has established an ownership guideline that non-employee directors own stock with a value equal to at least $500,000. The non-employee directors have three years after joining the Board of Directors to meet this guideline. In evaluating compliance by directors with the stock ownership guidelines, the Compensation Committee has established procedures to minimize the effect of stock price fluctuations on the deemed value of the individual's holdings. All non-employee directors are in compliance with this ownership guideline.

Compensation of Executive Officers

COMPENSATION DISCUSSION AND ANALYSIS

The purpose of this Compensation Discussion and Analysis is to explain the Compensation Committee's philosophy for determining the compensation program for the Company's CEO, Chief Financial Officer and the three other most highly compensated executive officers for 2010 (the "NEOs") and to discuss why and how the 2010 compensation package for these executives was implemented. Following this discussion are tables that include compensation information for the NEOs. The NEOs for 2010 are as follows:

- Scott D. Sheffield, Chairman of the Board of Directors and Chief Executive Officer;
- Timothy L. Dove, President and Chief Operating Officer;
- Richard P. Dealy, Executive Vice President and Chief Financial Officer;
- Chris J. Cheatwood, Executive Vice President, Business Development and Technology; and
- Danny Kellum, Executive Vice President, Permian Operations.

Executive Summary

As described in more detail throughout this Compensation Discussion and Analysis, the Company's executive compensation program is designed primarily to "pay for performance" based on a combination of fixed and variable pay with long-term and short-term goals.

For 2010, the Company delivered some of the strongest operating and financial performance in the Company's history. The Compensation Committee believes the catalyst for these results was the leadership, vision and hard work of the executive team. The 2010 results include:

- Added proved reserves during 2010 totaling 104 million barrels oil equivalent (MMBOE) from drilling success and improved performance, thereby replacing 232 percent of the Company's full-year production (target was 150 percent to 190 percent).
- Reported 2010 drillbit finding and development cost of $9.96 per barrel oil equivalent (BOE) excluding price revisions (target was $13 per BOE to $17 per BOE) (see the table of performance metrics below for a definition of drillbit finding and development cost).
- Reduced net debt-to-book capitalization from 43 percent at year-end 2009 to 37 percent (target was 40 percent to 42 percent).
- Kept unit operating costs essentially flat compared to 2009 at $11.74 during a period of significant activity ramp up (target was $12.00 per BOE to $13.00 per BOE).
- Achieved production growth target of ten percent from the fourth quarter of 2009 to the fourth quarter of 2010 (including volumes reflected in discontinued operations associated with the sale of the Company's operations in Tunisia, and eleven percent excluding such volumes), in spite of the 2010 production impact of the lower capital spending level in 2009.

In addition to the strong performance against operating and financial goals, the Compensation Committee took note of the significant increase in net asset value on a proved-reserves basis the Company achieved during 2010. Also, the executive team delivered other results that created substantial value for the Company, including:

- Significantly ramped up drilling activity in the Spraberry filed while managing costs.
- Enhanced the Company's execution capability in the Spraberry field by expanding vertical services integration.
- Ramped up drilling activity and successfully executed a successful joint venture for the Company's interest in the Eagle Ford Shale play.

- Acquired a substantial acreage position in the Barnett Shale Combo play.

The Company's stock price at December 31, 2010 reflected an increase of 80 percent compared to year-end 2009, and, for the second straight year, the Company ranked in the top 15 companies in the S&P

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500 Index when comparing year-over-year stock price performance - 11th in 2010 and 14th in 2009. For this two-year period, the Company's year-over-year stock price performance ranked 7th best in the S&P 500 and the Company's stock was the top performing energy stock in the Index.

The Compensation Committee believes that the balanced, conservative compensation programs that were in place during 2010 operated as the Committee intended when it designed and implemented the programs, specifically:

- Base salary - designed to be a fixed portion of total compensation and established at or near the median level of base pay for the Company's peer group.

  o The Compensation Committee did not increase base salaries of the NEOs for 2010 or 2011.

- Annual bonus - payment is determined by the Compensation Committee based on its subjective evaluation of the Company's performance, with consideration given to the Company's performance against certain pre-established target goals and stretch goals and individual performance, and can range anywhere from 0 percent to 250 percent of the target bonus.

o The Compensation Committee awarded cash bonuses for 2010 from 210 percent to 250 percent of target to recognize the Company's outstanding achievements.

- Long-term incentive awards - the awards in any given year are made at approximately the median level for the Company's peer group and that level does not change based on performance. The value actually realized by an executive is directly related to how the Company's stock performs over the three-year period following the grant of the award. For example, amounts realized by the NEOs during 2010 were directly linked to the Company's stock price performance after the awards were granted in 2007 and 2008.

o The Compensation Committee granted long-term incentive awards valued at or near the median level of the Company's peers. To illustrate the long-term nature of this element of the compensation program, as a result of the significant value created for the Company's stockholders over the three-year period from 2008 to 2010, the Company's relative total stockholder return performance for that three-year period was second among the Company's peers; accordingly, on December 31, 2010, the NEOs earned a 200 percent payout on their performance units for this period.

Information regarding the Committee's compensation decisions and executive compensation is contained in the remainder of this Compensation Discussion and Analysis section.

Philosophy

The Company's executive compensation program is designed to provide a performance-driven compensation package that allows the Company to attract, retain and motivate its executives to achieve optimal results for the Company and its stockholders. The Compensation Committee strives to create the proper allocation among long-term and short-term goals while ensuring a proper balance of risks in achieving goals. There are three main components of this compensation program:

- Base salary, which is a stable and fixed amount near the median level as compared to the Company's peers;
- Annual cash bonus incentive target levels, which generally are targeted to be near the median level as compared to the Company's peers, with payouts determined based on Company and individual performance during the year; and

- Long-term incentive awards, which generally are targeted to be valued at or near the median level as compared to the Company's peers, with payout determined by the performance of the Company's stock over a three-year period.

As an executive's leadership role expands, the scope, duties and responsibilities of the executive's position increases. As this occurs, the Compensation Committee believes a greater portion of total compensation should be performance-driven and have a longer-term emphasis, and base salary should be a relatively smaller portion of total compensation. This structure supports the Compensation Committee's belief that the majority of the executive's compensation should be driven by the performance of the Company. If the Company performs above expectations, the executive's total annual cash bonus incentive payouts and realized value from long-term incentive awards will be above median levels, and if the performance is poor, that performance-related compensation will be below median levels.

The annual cash bonus incentive established for 2010 was based on the following philosophy:

- Payout should be determined by a subjective evaluation of the Company's performance, with consideration given to the Company's performance against certain pre-established target goals and stretch goals;
- The performance goals should be a group of internal operational and financial goals that support the Company's business plan for the year, and the goals should not be weighted in a formulaic way, but evaluated in light of industry conditions during that year;
- The executive group is held responsible as a team in the Committee's determination of bonus payouts. Individual executives may receive bonus payments above the team level if an individual's contribution adds significant value, or below the team level, if performance does not meet expectations, but the primary emphasis is team performance; and
- Bonus payouts within the oil and gas industry should be considered to confirm that the approved bonus payout levels are competitive relative to the Company's performance.

Regarding long-term incentive plan awards, the Compensation Committee believes:

- Long-term incentive awards are critical to the Company's ability to attract, motivate and retain the Company's key executives;
- These awards, with a significant but appropriate risk element so that the compensation realized largely depends on Company performance after the grant date, should make-up the majority of an executive's total compensation;
- The award values should be targeted at or near the median level compared to peer positions similar to the executive's position with consideration given to tenure, experience and internal equity;
- Stock ownership requirements, three year cliff vesting and the fact that a majority of an executive's compensation is paid in stock motivate the executive to provide a focus on long-term results and effectively align the interests of executives and stockholders; and
- Providing long-term incentive awards in a combination of restricted stock, stock options and performance units encourages executives to take the proper level of risk in developing and executing the Company's business plan with a true long-term focus.

The Compensation Committee takes a conservative approach in providing perquisites and retirement benefits, limiting perquisites to benefits that also provide both a direct and indirect benefit to the Company, and limiting the Company's retirement obligations to defined contribution-type plans so that future retirement liabilities are known and funding issues are avoided.

Role of the Compensation and Management Development Committee. As a part of its oversight of the Company's executive compensation program, the Compensation Committee:

- Administers the Company's executive compensation program;
- Establishes the Company's overall compensation philosophy and strategy; and

- Ensures the NEOs are rewarded appropriately in light of the guiding principles as described in the sections above.

In discharging its duties, the Compensation Committee:

- Determines the individual elements of the CEO’s total compensation and benefits;
- Approves specific annual corporate goals and objectives relative to the CEO’s compensation; and
- Reviews the CEO’s performance in meeting these corporate goals and objectives.

Prior to finalizing compensation for the CEO, the Compensation Committee reviews its intentions with the other independent directors of the Company and receives their input.

The CEO makes recommendations to the Compensation Committee regarding the compensation of the other NEOs, and provides information to the Committee regarding their performance. After considering the recommendations of the directors and the CEO, however, the Committee makes all final decisions regarding the NEOs' compensation.

The Compensation Committee utilizes tally sheets to review each NEO's total compensation and potential payouts in the event of a change in control and for various terminating events, including the NEO’s potential “walk-away” benefits, to determine if the compensation plan design is meeting the Committee's objectives of providing fair compensation and effective retention.

A further description of the duties and responsibilities of the Compensation Committee can be found in "Meetings and Committees of Directors - Compensation and Management Development Committee."

Role of Executive Officers. The Company's Administration and Human Resources Departments assist the Compensation Committee and the Committee's compensation consultant in gathering the information needed for their respective reviews of the Company's executive compensation program. This assistance includes assembling requested compensation data for the NEOs. As referenced in the section above, the CEO develops pay recommendations for the other NEOs for review and discussion with the Compensation Committee. The Committee, in executive session and without executive officers present, approves the CEO's pay levels.

Role of the Compensation Consultant. For 2010, the Compensation Committee retained Hewitt Associates LLC as its independent consultant on executive and director compensation. In October 2010, Hewitt separated a portion of its executive compensation consulting practice into Meridian as a separate, independent company, and the Committee continued its relationship with Meridian. Meridian’s engagement is to act as an independent advisor to the Compensation Committee to provide information and objective advice regarding executive compensation. All of the decisions with respect to the Company's executive compensation, however, are made by the Compensation Committee. The Committee did not direct Meridian to perform its services in any particular manner or under any particular method. The Committee has the final authority to hire and terminate the compensation consultant, and the Committee evaluates the compensation consultant annually. The Committee has retained Meridian as its independent consultant on executive and director compensation for 2011.

Meridian may, from time to time, contact the Company's executive officers for information necessary to fulfill its assignment and may make reports and presentations to and on behalf of the Compensation Committee that the Company's executive officers also receive.

Benchmarking. In conjunction with its independent consultant, the Compensation Committee annually benchmarks the competitiveness of its compensation programs to determine how well actual compensation levels compare to the Company’s overall philosophy and the external market. Each year a peer group is established consisting of independent oil and gas exploration companies that have similar operational and capital investment profiles as the

Company. The Committee believes these metrics are appropriate for

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determining peers because this peer group provides a reasonable point of reference for comparing the compensation of the Company's executives to others holding similar positions and having similar responsibilities. The Committee's objective is to construct a peer group with roughly equal numbers of companies that are larger than and smaller than the Company.

The Company's benchmarking consists of all components of direct compensation, including base salary, annual incentive bonus and long-term incentives. Information gathered from the proxy statements of the peer group companies and Meridian's proprietary databases are reviewed as a part of the benchmarking effort. The Compensation Committee reviews the peer group each year and makes changes as needed.

For the 2010 compensation decisions, the Compensation Committee used a peer group of 14 companies, and grouped those companies into three tiers as follows:

		Tier	
Company Name	1	2	3
Anadarko Petroleum Company			*
Devon Energy Corporation			*
Chesapeake Energy Corporation		*	*
Apache Corporation		*	*
EOG Resources, Inc.	*	*	*
Noble Energy, Inc.	*	*	*
Plains Exploration and Production Company	*	*	*
Newfield Exploration Company	*	*	*
Range Resources Corporation	*	*	*
Cimarex Energy Co.		*	*
Forest Oil Corporation		*	*
Quicksilver Resources Inc.		*	*
Whiting Petroleum Corporation			*
Ultra Petroleum Corp.			*

The companies grouped under tier one represent companies the Committee believes are most closely related to the Company in size and operations. The tier two group represents tier one companies plus the next five companies closest in size and operations to the Company. The tier three group includes all 14 peer companies to reflect a broader perspective of the market. The Committee believes this tiered approach to analyzing the benchmarking data provides additional insight to determine the most comparable levels of compensation for each NEO. For 2010, Range Resources Corporation replaced Forest Oil Corporation as a tier one company because the Committee believes that Range's size and operations are more closely aligned with the Company's than those of Forest.

Elements of the Company's Compensation Program

The following sections describe in greater detail each of the components of the Company's executive compensation program and how the amounts of each element were determined for 2010.

Base Salary

The Compensation Committee initially reviewed with Meridian its base salary survey data and analyzed how effectively the survey data matched each executive's position. The Committee determined that each NEO's 2009 base salary was at approximately the median level for the NEO's position for 2010. The Committee also determined that each NEO was performing at the high level expected of a Company executive officer. In accordance with the Company's executive compensation philosophy, the Committee determined each NEO's base salary was appropriately set and did not increase them for 2010. The Committee conducted a similar review of the NEOs' base salaries for 2011 and did not increase the NEOs' base salaries for 2011.

Annual Cash Bonus Incentives

In early 2010, the Compensation Committee established each NEO's target bonus level as a percent of the executive's base salary based on Meridian's peer group survey data. The Committee's compensation philosophy is to set each NEO's target bonus level near the median level of companies in the Company's competitive market. The 2009 benchmarking revealed that the levels of the target annual cash bonus incentive for Messrs. Sheffield and Dealy approximated the median level; however, the market data indicated that the target bonus levels for other senior executives were slightly below market. As a result, the Committee increased the target bonus percents for Messrs. Cheatwood, Dove and Kellum by five percentage points. The target bonus percents of each NEO's base salary for 2010 are reflected in the following table:

NEO	Target Bonus Percent
Scott D Sheffield	100%
Richard P. Dealy	85%
Chris J. Cheatwood	70%
Timothy L. Dove	95%
Danny Kellum	70%

The Compensation Committee also worked with senior management to establish appropriate metrics to assist the Committee in its evaluation of the Company's performance against its 2010 business plan, establishing target and stretch goals for each performance metric. Management of the Company then cascaded these goals down to the department and individual level with the intention to support achievement of Company goals. The goals also support the Company's budgeting and planning process. The CEO also worked with the NEOs to develop individual goals to support the Company's goals, and reviewed them with the Committee as part of its management development and succession planning function. However, ultimately, the Committee's decisions as to the annual cash bonus awards for 2010 were based on the Committee's judgment and discretion in evaluating the Company's performance in light of industry conditions and opportunities and the individual performance of each NEO.

The primary 2010 performance metrics, goal ranges and results were as follows:

Metric	Target Goal	Stretch Goal	Result
Production	41.5 MMBOE - 42.5 MMBOE	Greater than 42.5 MMBOE	41.9 MMBOE
Production/Share Growth	0% - 2%	Greater than 2%	(1)%
Debt-adjusted Production/Share Growth	2.0% - 3.0%	Greater than 5.0%	3%
Operating Costs ($/BOE)			
Base	$9.00 - $9.50	Less than $9.00	$9.06
Total Operating Cost	$12.00 - $13.00	Less than $12.00	$11.74
G&A Overhead ($/BOE)	$3.50 - $3.75	Less than $3.50	$3.71

Net Debt	$2.6 billion - $2.65 billion	Less than $2.6 billion	$2.5 billion
Net Debt/Book	40% - 42%	Less than 40%	37%
Debt/EBITDAX (1)	2.0 - 2.5 times	Less than 2.0 times	1.9 times
Finding Cost ($/BOE) (2)	$13.00 - $17.00	Less than $13.00	$11.42
Reserve Replacement Percentage (3)	150% - 190%	Greater than 190%	232%
Return on Equity	3.0% - 8.0%	Greater than 8.0%	11%
Return on Capital Employed	2.0% - 6.0%	Greater than 6.0%	8%

(1) "EBITDAX" represents earnings before depletion, depreciation and amortization expense; impairment of oil and gas properties; exploration and abandonments; noncash hurricane activity; accretion of discount on asset retirement obligations; interest expense; income taxes; gain or loss on the disposition of assets; gain or loss on extinguishment of debt; noncash effects from discontinued operations; noncash derivative related activity; amortization of stock-based compensation; amortization of deferred revenue; and other noncash items.

(2) "Finding Cost" is determined by dividing total costs incurred by the summation of annual proved reserves, on a BOE basis, attributable to revisions of previous estimates excluding price revisions, purchases of minerals-in-place and extensions and discoveries. “Drillbit finding and development cost” is determined by dividing the summation of exploration and development costs incurred by the summation of annual proved reserves, on a BOE basis, attributable to technical revisions of previous estimates, discoveries and extensions and improved recovery. Consistent with industry practice, future capital costs to develop proved undeveloped reserves are not included in costs incurred.
(3) "Reserve Replacement Percentage" is the summation of annual proved reserves, on a BOE basis, attributable to revisions of previous estimates, purchases of minerals-in-place and extensions and discoveries divided by annual production of oil, natural gas liquids and natural gas, on a BOE basis.

In early 2011, the Compensation Committee reviewed and discussed the Company’s 2010 results with management as part of the Committee’s evaluation of the Company’s and the NEOs’ performance, including in relation to the above pre-established goals and stretch goals, and concluded 2010 performance was outstanding, producing some of the best overall results in the Company’s history. The Committee did not apply a particular weighting to any achievement or goal, but it did believe that the following achievements merited particular attention:

- Significantly exceeded the stretch goal for reserves replacement percentage (232 percent compared to the stretch goal of 190 percent).
- Significantly exceeded the stretch goal for finding cost ($11.42 compared to the stretch goal of less than $13.00).
- Exceeded the stretch goal for the ratio of net debt-to-book capitalization (37 percent compared to the stretch goal of less than 40 percent).
- Exceeded the stretch goal for total operating costs per BOE ($11.74 compared to the stretch goal of less than $12.00).
- Met the goal for debt-adjusted production per share growth of three percent. Also, although it was not one of the listed goals, the Committee believed that the Company’s production growth of ten percent from the fourth quarter of 2009 to the fourth quarter of 2010 (including volumes reflected in discontinued operations associated with the sale of the Company’s operations in Tunisia), in spite of the 2010 production impact of the lower capital spending level in 2009, was a significant achievement.

In addition to the above goals, the Compensation Committee reviews each year with management the Company’s net asset value per share calculation based on a constant price model to understand changes to net asset value. Changes in net asset value are important in the Committee’s overall subjective assessment of the Company’s performance and one of the factors in the Committee’s discretionary determination of annual incentive bonus awards. The Committee determined that the Company achieved a significant increase in net asset value on a proved-reserves basis during 2010. The Compensation Committee also was pleased with the improvement in the safety and environmental performance of the Company compared to prior years' experience.

Overall, in exercising its discretion with respect to the annual cash bonus, the Compensation Committee concluded that the Company’s 2010 performance was outstanding, that management implemented the right strategies for 2010 and that management successfully implemented its business plan. Accordingly, the Committee set the general bonus level for 2010 at 200 percent of target, subject to increased amounts based on individual performance.

The Compensation Committee then reviewed the individual performance of the NEOs with Mr. Sheffield and concluded that each should receive a bonus award above the 200 percent general award level for the following reasons:

- Mr. Dove led the Company’s efforts in achieving the outstanding operational success and was a key contributor to the Eagle Ford Shale joint venture transaction. Mr. Dove received an additional ten percent of his target bonus level.

- Mr. Dealy was recognized for his efforts in negotiating the Eagle Ford Shale joint venture transaction, reducing the Company’s debt level and contributing to expanding the Company’s vertical integration strategy. Mr. Dealy received an additional ten percent of his target bonus level.
- Mr. Cheatwood was primarily responsible for the efforts of the team that discovered the Company’s Eagle Ford Shale play, and received an additional 50 percent of his target bonus level.
- Mr. Kellum was primarily responsible for the efforts of the team in accelerating the drilling program in the Spraberry Field and leading the Company’s expansion of vertical services in the area. Mr. Kellum received an additional 50 percent of his target bonus level.

The Committee met with the full Board to review Mr. Sheffield’s performance and concluded he provided excellent leadership and strategic direction for the Company in 2010, provided the vision that positioned the Company as one of the top performing E&P companies and created a corporate culture where employees are fully engaged and goal-focused. Accordingly, Mr. Sheffield received an additional ten percent of his target bonus level.

Long-Term Equity Incentives

To determine the total dollar amount of the 2010 long-term incentive awards to be granted to each NEO, the Compensation Committee began the process by meeting with Meridian at the end of 2009 to determine the appropriate median long-term award level in accordance with the Company’s compensation philosophy. In February 2010, the Committee then reviewed each NEO’s total compensation level and each NEO’s performance to determine if unique performance issues, positive or negative, existed that should affect the value of the 2010 long-term incentive award. The Committee did not consider the size or current value of prior long-term incentive awards in determining the 2010 long-term incentive award for the NEOs. The Committee believes that prior years’ awards were a component of those specific years’ total compensation and were not excessive, and future awards should be competitive with the NEO’s current peer group positions in order to retain and motivate the NEO. After completing this review, the Committee concluded there were no unique performance issues and that each NEO should be eligible for a long-term incentive award targeted at the median level for the NEO’s position.

Regarding Mr. Sheffield’s 2010 long-term incentive award, the Compensation Committee noted that in 2009, the Compensation Committee recognized Mr. Sheffield was significantly below median for long-term incentive award value, but because of economic uncertainties and the plunge in commodity prices, the Compensation Committee and Mr. Sheffield agreed that the value of his long-term incentive award should not be increased at that time. With the economic recovery and improvement in commodity prices, the Committee increased Mr. Sheffield’s long-term incentive award grant for 2010 to a value slightly below the median level of the peer companies.

The Compensation Committee next reviewed the Company's approach for delivering long-term incentives to NEOs. As a part of its review, the Committee considered the balance of risk in the long-term incentive program, peer company practices, and input from senior management and Meridian. The Compensation Committee approved retaining the mix of long-term incentives for NEOs for 2010 at 25 percent performance units, 25 percent stock options, and 50 percent restricted shares. The Committee believes this mix of long-term incentive awards provides a good balance of risk, where restricted stock awards are time-based, full value awards, which avoid an “all or nothing” mentality; stock options provide benefits based on the appreciation of the Company’s stock price on an absolute basis; and performance units provide benefits based on the performance of the Company’s stock price in relation to the Company’s peer group stock price. Also, this mix effectively aligns the NEOs' interests with the Company’s stockholders and is consistent with the Company’s compensation philosophy of focusing on stockholder value creation.

For 2010, the dollar amounts of the long-term incentive awards granted to each NEO, and the allocation among the different types of awards, were as follows:

		Allocation Among Awards		
NEO	Total Value	Restricted Stock Awards	Performance Units	Stock Options
Scott D. Sheffield	$ 5,500,000	$ 2,750,000	$ 1,375,000	$ 1,375,000
Richard P. Dealy	1,500,000	750,000	375,000	375,000
Chris J. Cheatwood	950,000	475,000	237,500	237,500
Timothy L. Dove	2,460,000	1,230,000	615,000	615,000
Danny Kellum	900,000	450,000	225,000	225,000

With regard to the awards to Messrs. Sheffield, Dealy and Kellum and in recognition of their substantial involvement in the management of Pioneer Southwest, the Committee desired that, of the 50 percent allocated to restricted stock awards, 40 percent be allocated to restricted stock of the Company and 10 percent be allocated to restricted common units of Pioneer Southwest. Accordingly, the Committee recommended to the Board of Directors of the general partner of Pioneer Southwest that it consider the grant to those executives, who are also executive officers of the general partner, of awards payable in common units of Pioneer Southwest, having substantially similar terms to the Company's restricted stock awards. The Board of Directors of the general partner approved those awards in March 2010.

To arrive at the resulting number of restricted stock shares (or Pioneer Southwest common units) and target performance units awarded, the dollar value of the award was divided by the 30 trading day average closing price of the Company's common stock (or Pioneer Southwest common units) prior to February 1, 2010. To arrive at the number of stock options awarded, the dollar value of the award was divided by a Black Scholes value of the Company's stock, which was provided by Meridian.

For the 2010 performance units award program, as it has since it began awarding performance units in 2007, the Compensation Committee determined that performance should be measured objectively rather than subjectively and should be based on relative total stockholder return ("TSR") over a three-year performance period. The Committee believes relative TSR is an appropriate long-term performance metric because it generally reflects all elements of a company's performance and provides the best alignment of the interests of management and the Company's stockholders. The Committee also believes that the performance unit program provides a good balance to the stock option and restricted stock programs.

The peer group used in measuring relative TSR with respect to the grants in 2010 was the group of the ten tier two peer companies shown in the "Benchmarking" section above plus Devon Energy Corporation. Payouts range from zero percent to 250 percent of a target number of units based on relative ranking in the peer group at the end of the three-year performance period ending December 31, 2012. A target award payout corresponds to the Company's ranking at approximately the middle of the peer group. Any earned units will be paid in stock, although the Committee has the discretion to cause the Company to pay earned units in cash. Dividends declared during the performance period will be paid at the end of the three-year performance period only as to shares paid for earned units up to a maximum of target shares. Please see the 2010 Grants of Plan Based Awards table below, and the description of the performance units following the table, for additional information regarding the performance units.

The performance unit awards provide additional balance of risk to the long-term incentive award program because a new three-year performance period starts at the beginning of each year. As depicted in the table below, for the period January 1, 2008 to December 31, 2010, the Company's TSR resulted in a

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ranking of second place, providing a payout of 200 percent of target. Accordingly, the performance shares earned by the NEOs for the 2008 to 2010 performance period were as follows: Mr. Sheffield, 76,956 shares; Mr. Dealy, 25,286 shares; Mr. Cheatwood, 17,040 shares; Mr. Dove, 42,876 shares; and Mr. Kellum, 17,040 shares.

Ranking	Company Name	TSR (%)
1	Cimarex Energy Co.	114
2	Pioneer Natural Resources Company	72
3	Newfield Exploration Company	33
4	Noble Energy, Inc.	18
5	Apache Corporation	14
6	EOG Resources, Inc.	9
7	Range Resources Corporation	0
8	Forest Oil Corporation	(28)
9	Chesapeake Energy Corporation	(36)
10	Plains Exploration and Production Company	(43)
11	Quicksilver Resources Inc.	(46)

The following table shows the Company's TSR ranking for the performance unit plan which began January 1, 2009, or two years into the three year performance period.

Ranking	Company Name	TSR (%)
1	Pioneer Natural Resources Company	323
2	Newfield Exploration Company	239
3	Cimarex Energy Co.	207
4	Quicksilver Resources Inc.	128
5	Forest Oil Corporation	94
6	Noble Energy, Inc.	78
7	Apache Corporation	56
8	Plains Exploration and Production Company	36
9	Chesapeake Energy Corporation	35
10	EOG Resources, Inc.	25
11	Range Resources Corporation	17

The following table shows the Company's TSR ranking for the performance unit plan which began January 1, 2010, or one year into the three year performance period.

Ranking	Company Name	TSR (%)
1	Pioneer Natural Resources Company	86
2	Cimarex Energy Co.	74
3	Forest Oil Corporation	72
4	Newfield Exploration Company	53
5	Noble Energy, Inc.	24
6	Apache Corporation	14
7		9

	Plains Exploration and Production Company	
8	Devon Energy Corporation	7
9	Quicksilver Resources Inc.	6
10	EOG Resources, Inc.	1
11	Chesapeake Energy Corporation	(5)
12	Range Resources Corporation	(12)

In administering the long-term incentive plan, awards are currently made to NEOs under the following guidelines:

- All long-term incentive awards are approved during the regularly scheduled February Compensation Committee meeting.
- The Compensation Committee retains the discretion to approve long-term incentive awards effective from the NEO's initial hire date.
- The Company does not time the release of material non-public information to affect the value of the executive equity compensation awards.
    - Restricted stock and stock options cliff vest three years following the date of grant.

Total Direct Compensation

In determining the extent to which the Company's executive compensation program meets the Committee's compensation philosophy and objectives, the Committee places more emphasis on the competitiveness of total compensation (the aggregate of base salary, annual cash bonus, and the value of long-term incentives) rather than the individual compensation components. In reviewing the benchmarking data from Meridian's industry study and discussing with Meridian the pay practices of the Company's peers, the Committee concluded that for 2010, all NEOs, including Mr. Sheffield, were at approximately the median level for total compensation.

Other Compensation

Overview

The Compensation Committee believes that providing some perquisites and retirement benefits as components of total compensation is important in attracting and retaining qualified personnel; however, insofar as the Company has chosen to emphasize variable, performance-based pay, the Company takes a conservative approach to these fixed benefits. The Company's perquisite, retirement and other benefit programs are established based upon an assessment of competitive market factors and a determination of what is needed to attract, retain and motivate high caliber executives.

Perquisites

The perquisites provided to the NEOs are the payment of the costs of financial counseling services, annual medical physical exams and personal use of the Company's cell phones and computers. The Company also pays for the costs for the NEOs' spouses to participate in business dinners or events, which the Company expects to be minimal; however, the Company does not reimburse Mr. Sheffield for any transportation expenses for his spouse. Additionally, the Company pays the premium for a $1,000,000 term life insurance policy for Mr. Sheffield.

In 2010, the Company purchased 104 hours of flight time through a fractional aircraft ownership arrangement. These hours are made available for business use to the executive officers and other employees of the Company. The Company's policy is to not permit employees, including executive officers, to use these hours for personal use. The Company expects there will be occasions when a personal guest (including a family member) will accompany an employee on a business-related flight. In such instances, the Company will follow the Internal Revenue Service rules and, where required, impute income to the employee based on the Standard Industry Fare Level rates provided by the Internal Revenue Service.

The Company's NEOs participate in the Company's welfare benefit plans on the same basis as the Company's other employees.

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Retirement Plans

All eligible employees of the Company, including the NEOs, may participate in the Company's defined contribution 401(k) retirement plan. The Company contributes two dollars for every one dollar of base compensation (up to five percent of base compensation and subject to the Internal Revenue Service imposed maximum contribution limits) contributed by the participant. The participant's contributions are fully vested at all times, and the Company's matching contributions vest over the first four years of service, after which the matching contribution vest immediately. Participants may make additional pre-tax and after-tax contributions to the plan. All contributions are subject to plan and Internal Revenue Service limits.

The Company provides a non-qualified deferred compensation plan with a fixed Company matching contribution rate to certain of its more highly compensated employees, which includes the NEOs. The plan allows each participant to contribute up to 25 percent of base salary and 100 percent of annual incentive bonus payments. The Company provides a matching contribution equal to the NEO's contribution, but limited to a maximum of ten percent of base salary. The Company's matching contribution vests immediately. The non-qualified deferred compensation plan permits each participant to make investment allocation choices for both their contribution and the Company match to designated mutual funds offered as investment options under the non-qualified deferred compensation plan. The Company retains the right to maintain these investment choices as hypothetical investments or to actually invest in the participant's investment choices. To date, the Company has chosen to actually invest the funds in the investment options selected so that the investment returns are funded and do not create unfunded liabilities to the Company. The Company believes the plan is administered in operational compliance with all applicable rules and law. For more information on the deferred compensation plan provisions, please see the 2010 Non-Qualified Deferred Compensation section below.

The Company has purposely avoided sponsoring a defined benefit retirement plan or supplemental executive retirement plan because the costs and ultimate payouts are difficult to quantify and control. Further, retirement plans are not viewed as the sole means by which its executive officers fund their retirement. The Committee believes that a portion of this need should be met through the accumulation of Company stock acquired through equity awards.

Severance and Change in Control Arrangements

The Compensation Committee believes compensation issues related to severance and change in control events for the NEOs should be addressed through contractual arrangements. As a result, while the Company has not entered into employment agreements with its executive officers, the Company enters into severance and change in control agreements with each of its executive officers, including each NEO, to meet the following objectives:

- Recruit and retain executives;
- Provide continuity of management in the event of an actual or threatened change in control; and
- Provide the executive with the security to make decisions that are in the best long-term interest of the stockholders.

The terms of these agreements are described later in "Potential Payments Upon Termination or Change in Control."

Stock Ownership Guidelines

To support the commitment to significant stock ownership, the Company's common stock ownership guidelines are as follows:

- For the Chairman of the Board of Directors and CEO, ownership of stock with a value equal to at least six times annual base salary.

- For the President and Chief Operating Officer, ownership of stock with a value equal to at least five times annual base salary.
    - For other NEOs, ownership of stock with a value equal to at least three times annual base salary.
        - An NEO generally has three years after becoming an executive officer to meet the guideline.

In evaluating compliance by executive officers and directors with the stock ownership guidelines, the Committee has established procedures to minimize the effect of stock price fluctuations on the deemed value of the individual's holdings. All NEOs, including Mr. Sheffield, are in compliance with the ownership guidelines, and each NEO's stock ownership as of December 31, 2010 in fact exceeded the guidelines. In addition, the Company has a policy that prohibits directors, officers or employees from engaging in short sales, transactions involving stock options or restricted stock, or other derivative-type transactions relating to the Company's common stock.

Policy on Recovery of Compensation and Clawbacks

Pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act, the New York Stock Exchange is required to adopt rules that, in turn, will require the Company to develop and implement a policy providing that the Company will recover from executive officers who received incentive-based compensation during the three-year period preceding the date on which the Company is required to prepare an accounting restatement, based on the erroneous data, in excess of what would have been paid to the executive officer under the accounting restatement. Upon adoption of the necessary implementing rules, the Board of Directors will adopt a policy regarding the recovery of compensation in compliance with those rules.

Indemnification Agreements

The Company has entered into indemnification agreements with each of its directors and executive officers, including the NEOs. Each indemnification agreement requires the Company to indemnify each indemnitee to the fullest extent permitted by the Delaware General Corporation Law. This means, among other things, that the Company must indemnify the director or executive officer against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement that are actually and reasonably incurred in a legal proceeding by reason of the fact that the person is or was a director, officer, employee or agent of the Company or is or was serving at the request of the Company as a director, officer, employee or agent of another entity if the indemnitee meets the standard of conduct provided under Delaware law. Also as permitted under Delaware law, the indemnification agreements require the Company to advance expenses in defending such an action provided that the director or executive officer undertakes to repay the amounts if the person ultimately is determined not to be entitled to indemnification from the Company. The Company will also make the indemnitee whole for taxes imposed on the indemnification payments and for costs in any action to establish the indemnitee's right to indemnification, whether or not wholly successful. The Company also maintains customary directors' and officers' insurance coverage.

Deductibility of Executive Compensation.

The Omnibus Budget Reconciliation Act of 1993 placed restrictions on the deductibility of executive compensation paid by public companies. Under the restrictions, the Company is not able to deduct compensation paid to any of the NEOs (other than the Chief Financial Officer) in excess of $1,000,000 unless the compensation meets the definition of "performance-based compensation" as required in Section 162(m) of the Internal Revenue Code of 1986, as amended. Non-deductibility results in additional tax costs to the Company.

Through 2010, the Company's annual incentive bonus plan has not met the definition of performance-based compensation as required in Section 162(m) primarily because the annual incentive bonus plan has not been formula driven and the Compensation Committee has retained the right to make subjective evaluations of performance. The

Company's restricted stock awards do not qualify as performance-based compensation under Section 162(m); however, awards under the performance unit award program are designed to qualify for deductibility under Section 162(m). Accordingly, portions of compensation paid to the Company's NEOs in 2010 that exceeded $1,000,000 (other than from the exercise of stock options and the vesting of performance unit awards) are not deductible. The Compensation Committee believes it is in the best interest of stockholders to use restricted stock as a part of the NEOs' long-term incentive awards and that retaining a discretionary element in the annual incentive bonus program serves the best interests of the Company and its stockholders. In 2011, after consultation with its advisors, the Compensation Committee approved a program intended to qualify the Company's annual incentive bonus plan as performance-based compensation under Section 162(m), beginning with bonuses that would be payable in 2012 relating to 2011 performance. This program is intended to permit the payout of a cash bonus depending on the achievement of one or more goals contained in the Company's long-term incentive plan as established by the Committee, while retaining the right on the part of the Committee to reduce the amount of any such bonuses in its discretion, including in light of other goals the Committee may establish.

COMPENSATION AND MANAGEMENT DEVELOPMENT COMMITTEE REPORT

The information contained in this Compensation and Management Development Committee Report shall not be deemed to be "soliciting material" or to be "filed" with the SEC, nor shall such information be incorporated by reference into any future filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that the Company specifically incorporates such information.

The Compensation and Management Development Committee of the Company has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based on such review and discussions, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this Proxy Statement.

Respectfully submitted by the Compensation and Management Development Committee of
the Board of Directors,

Edison C. Buchanan, Chairman
Andrew F. Cates, Member
Andrew D. Lundquist, Member
Charles E. Ramsey, Jr., Member
Scott J. Reiman, Member

SUMMARY COMPENSATION TABLE

The compensation paid to the Company's executive officers generally consists of a base salary, annual incentive bonus payments, awards of restricted stock, performance units, stock options and similar awards under long-term incentive plans, contributions to the Company's non-qualified deferred compensation plan, contributions to the Company's defined contribution 401(k) retirement plan and miscellaneous perquisites, which elements of compensation are described in greater detail above in the "Compensation Discussion and Analysis" and in the tables that follow. The following table summarizes the total compensation for 2010, 2009 and 2008 awarded to, earned by or paid to the NEOs (Mr. Kellum's compensation was not required to be disclosed for 2009 and 2008):

Name and Principal Position (a)	Year (b)	Salary ($) (c)	Bonus (1) ($) (d)	Stock Awards (2) ($) (e)	Option Awards (2) ($) (f)	Change in Non-qualified Deferred Compensation Earnings (3) ($) (h)	All Other Compensation (4) ($) (i)	Total ($) (j)
Scott D. Sheffield	2010	$ 956,001	$ 2,007,600	$ 4,468,544	$ 1,046,760	$ -	$ 134,678	$ 8,613,583
	2009	$ 956,000	$ 1,051,600	$ 2,813,173	$ 723,163	$ 1,184,589	$ 135,512	$ 6,864,037
Chairman of the Board of Directors And Chief Executive Officer	2008	$ 956,000	$ 1,242,800	$ 3,125,366	$ -	$ -	$ 128,046	$ 5,452,212
Richard P. Dealy	2010	$ 406,001	$ 730,800	$ 1,218,693	$ 285,480	$ -	$ 66,922	$ 2,707,896
	2009	$ 406,000	$ 448,630	$ 984,621	$ 253,107	$ 146,213	$ 66,015	$ 2,304,586
Executive Vice President and Chief Financial Officer	2008	$ 406,000	$ 487,200	$ 1,026,910	$ -	$ -	$ 67,719	$ 1,987,829
Chris J.	2010	$ 376,002	$ 658,000	$ 768,885	$ 180,804	$ -	$ 75,896	$ 2,059,587
Cheatwood	2009	$ 376,000	$ 268,840	$ 618,616	$ 159,026	$ 188,265	$ 72,883	$ 1,683,630
	2008	$ 376,000	$ 317,720	$ 692,025	$ -	$ -	$ 72,995	$ 1,458,740
Executive Vice President, Business Development and Technology								
	2010	$ 531,001	$ 1,062,000	$ 1,990,900	$ 468,187	$ -	$ 80,662	$ 4,132,750

Timothy L. Dove								
	2009	$ 531,000	$ 573,480	$ 1,646,418	$ 423,225	$ 188,098	$ 80,222	$ 3,442,443
President and Chief Operating Officer	2008	$ 531,000	$ 586,755	$ 1,741,272	$ -	$ -	$ 78,726	$ 2.937,753
Danny L. Kellum	2010	$ 376,002	$ 658,000	$ 731,189	$ 171,288	$ -	$ 72,106	$ 2,008,585
Executive Vice President, Permian Operations								

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(1) Bonus amounts represent discretionary bonuses earned during 2010, 2009 and 2008 under the Company's annual incentive bonus program that were paid during March of the following year. Although, in determining annual cash incentive bonus, the Company's Compensation Committee considers certain pre-established performance goals, the amounts actually paid under the annual incentive bonus program are determined pursuant to the Committee's subjective evaluation of the performance of the Company and the NEOs, and therefore the amounts do not constitute incentive plan awards within the meaning of the SEC's executive compensation disclosure rules.

(2) Amounts reported for Stock Awards and Option Awards represent the grant date fair value of restricted stock, performance unit and stock option awards, computed in accordance with FASB ASC Topic 718. Stock awards for Messrs. Sheffield and Dealy include grants by the general partner of Pioneer Southwest of phantom unit awards that, if vested, will be settled in common units of Pioneer Southwest. These phantom unit awards are also reported based on their grant date fair value, computed in accordance with FASB ASC Topic 718. Pursuant to SEC rules, the amounts shown exclude the effect of estimated forfeitures related to

service-based vesting conditions. The values shown for restricted stock and phantom unit awards are based on the market-quoted closing price of the Company's common stock and Pioneer Southwest's common units, as applicable, on the last business day prior to the grant date of the awards. Stock option awards are valued as of the grant dates using the Black-Scholes option pricing model. No stock options were granted in 2008. The Company's performance units are valued using the Monte Carlo simulation method assuming a target number of shares would be issued because this is deemed to be the "probable" payout percentage at the time of grant consistent with the estimate of aggregate compensation cost to be recognized over the service period. Actual payouts can range from zero percent to 250 percent of a target number of units based on relative ranking of the Company's TSR in comparison to the peer group over the three-year performance period. If the Company's performance is below the threshold performance, no shares will be paid. If the Company's performance places it first among its peers, a maximum of 250 percent of the target number of shares will be paid. In that instance, the grant date fair value of the maximum number of shares for each of the NEOs would be as follows: Mr. Sheffield, $4,481,654; Mr. Dealy, $1,222,315; Mr. Cheatwood, $774,182; Mr. Dove, $2,004,564; and Mr. Kellum, $733,338. Additional detail regarding the Company's share-based awards is included in Note G of Notes to Consolidated Financial Statements included in "Item 8. Financial Statements and Supplementary Data" in the Company's Annual Report on Form 10-K for the year ended December 31, 2010 and under the 2010 Grants of Plan-Based Awards table below. For additional information regarding restricted stock, performance units, stock options and phantom units in Pioneer Southwest, as applicable, owned by the NEOs as of December 31, 2010, see below under "2010 Outstanding Equity Awards at Fiscal Year End."

(3) In accordance with the rules of the SEC, amounts reported in the Change in Non-qualified Deferred Compensation Earnings Column represent the earnings that accrued during the year indicated to the accounts of the NEOs in the Company's non-qualified deferred compensation plan to the extent that the rate of return on such earnings is above-market or preferential. A substantial portion of the non-qualified deferred compensation earnings for Mr. Sheffield in 2009 was attributable to appreciation in the value of the Company's common stock. During 2009, the Company changed investment options for the non-qualified deferred compensation plan, and, for 2010 and later years, contributions may no longer be invested in the Company's stock. During 2010, all investment options available to participants in the Company's non-qualified deferred compensation plan were also options available to participants in the Company's 401(k) retirement plan, and, therefore, there were no reportable above-market or preferential earnings determined in accordance with SEC guidance.

(4) Amounts reported for All Other Compensation include the Company contributions to the NEOs' 401(k) retirement accounts and non-qualified deferred compensation plan, life insurance premiums and other perquisites, as shown in the following table:

	Year ended December 31, 2010				
	Scott D. Sheffield	Richard P. Dealy	Chris J. Cheatwood	Timothy L. Dove	Danny L. Kellum
401(k) contributions	$ 24,500	$ 24,500	$ 24,500	$ 24,508	$ 24,500
Non-qualified deferred compensation plan contributions	95,600	40,600	37,600	53,100	37,600
Life insurance premiums	7,762	916	1,940	2,622	3,628
Non-tobacco use credit (a)	240	240	-	240	-
Financial counseling	6,576	375	9,900	-	3,750
Spousal travel & entertainment costs (b)	-	291	1,956	192	2,628
	$ 134,678	$ 66,922	$ 75,896	$ 80,662	$ 72,106

(a)

The non-tobacco use credit represents a $20 per month credit received by employees enrolled under the Company's medical plan that do not use tobacco.

(b) Spousal travel & entertainment costs represent the incremental costs incurred by the Company for travel and entertainment of spouses when accompanying the NEOs on Company-related business trips.

Messrs. Sheffield and Kellum, directly or indirectly, hold working interests in wells operated by the Company or a subsidiary of the Company. These interests were initially acquired in 1990 or earlier with their personal funds pursuant to a program offered by the Company's predecessor. As such, both NEOs participate in the costs and revenues attributable to these working interests in accordance with customary industry terms. During 2010, the aggregate amounts of the distributions made to Messrs. Sheffield and Kellum were $23,200 and $18,683, respectively (this amount is not included in the Summary Compensation Table).

2010 GRANTS OF PLAN BASED AWARDS

The following table sets forth, for each NEO, information about grants of plan based awards during 2010. In accordance with the rules of the SEC, the payouts shown in the "Threshold" column for the performance units (column (f)) reflect the lowest possible number of shares that would be issued, if any are paid. If the Company's performance is below the threshold performance, no shares will be paid.

		Estimated Future Payouts under Equity Incentive Plan Awards (1)							
Name (a)	Grant Date (b)	Threshold (#) (f)	Target (#) (g)	Maximum (#) (h)	All Other Stock Awards: Number of Shares of Stock or Units (#) (i)	All Other Options Awards: Number of Securities Underlying Options (4) (#) (j)	Exercise or Base Price of Option Awards (5) ($/Sh) (k)	Closing Market Price Per Share on Grant Date of Option Awards (5) ($)	Grant Date Fair Value of Stock and Option Awards (6) ($) (l)
	02/16/2010				45,156 (2)				$ 2,126,848
Scott D.	02/16/2010	7,056	28,222	70,555					$ 1,792,661
Sheffield	02/16/2010					44,000	$47.10	$48.80	$ 1,046,760
	03/04/2010				24,144 (3)				$ 549,035
	02/16/2010				12,315 (2)				$ 580,037
Richard P.	02/16/2010	1,925	7,697	19,243					$ 488,913
Dealy	02/16/2010					12,000	$47.10	$48.80	$ 285,480
	03/04/2010				6,585 (3)				$ 149,743
	02/16/2010				9,750 (2)				$ 459,225
Chris J.	02/16/2010	1,219	4,875	12,188					$ 309,660
Cheatwood	02/16/2010					7,600	$47.10	$48.80	$ 180,804
	02/16/2010				25,246 (2)				$ 1,189,087
Timothy L.	02/16/2010	3,156	12,623	31,558					$ 801,813
Dove	02/16/2010					19,680	$47.10	$48.80	$ 468,187
	02/18/2009				7,389 (2)				$ 348,022
Danny L.	02/18/2009	1,155	4,618	11,545					$ 293,335
Kellum	02/18/2009					7,200	$47.10	$48.80	$ 171,288
	03/04/2010				3,950 (3)				$ 89,823

(1) The amounts in columns (f), (g) and (h) represent the threshold, target and maximum payment levels with respect to the grants of performance units in 2010 under the Company's 2006 Long-Term Incentive Plan. The number of shares shown in the "Threshold" column reflects the lowest possible payout (other than zero), representing 25 percent of the number of performance units granted. If performance is below the threshold, no shares are paid. The number of shares shown in the "Target" column reflects a payout of 100 percent of the number of performance units granted. The number of shares shown in the "Maximum" column reflects the highest possible payout of 250 percent of the number of performance units granted.

(2) The amounts reported are the number of restricted shares of the Company’s common stock granted to each NEO in 2010 under the Company’s 2006 Long-Term Incentive Plan.

(3) The amounts reported are the number of phantom units to be settled in common units of Pioneer Southwest, which phantom units were awarded by the general partner of Pioneer Southwest in 2010 under Pioneer Southwest’s 2008 Long-Term Incentive Plan.

(4) The amounts reported in this column are the number of stock options granted to each NEO in 2010 under the Company’s 2006 Long-Term Incentive Plan.

(5) As required under the terms of the Company’s 2006 Long-Term Incentive Plan, the $47.10 exercise price of the stock options was equal to the "Fair Market Value" of the Company's common stock on the date of grant, which is defined to be the closing price of the Company’s common stock on the last trading day prior to the date of grant (in this case February 12, 2010). The closing price of the Company’s common stock on the date of grant, February 16, 2010, was $48.80.

(6) Amounts for restricted stock, performance units, stock options and Pioneer Southwest phantom unit awards represent their grant date fair value computed in accordance with FASB ASC Topic 718. The value of performance units was determined on the grant date using the Monte Carlo simulation method assuming a target number of shares would be issued, and is consistent with the estimate of aggregate compensation costs that the Company would expense in its financial statements over the awards' three-year performance period, in accordance with FASB ASC Topic 718. Please see footnote 2 to the Summary Compensation Table for additional information about the assumptions used in calculating these amounts.

Narrative Disclosure for the 2010 Grants of Plan-Based Awards Table

The 2010 awards of performance units, restricted stock and stock options were awarded under the Company's 2006 Long-Term Incentive Plan, and the Pioneer Southwest phantom units were awarded by the general partner of Pioneer Southwest under its 2008 Long-Term Incentive Plan. The material terms of these awards are described below. Defined terms impacting the accelerated settlement or vesting of awards can be found below in "Potential Payments Upon Termination or Change in Control."

Performance Units

The performance unit awards represent the right to receive between zero percent and 250 percent of the initial number of performance units awarded, contingent on the continued employment of the NEO and the Company's achievement of the specified performance objective at the end of the performance period. The 2010 awards have a three-year performance period (January 2010 to December 2012), and the number of performance units earned will be based on the Company's TSR ranking for this three-year period compared to the TSR of the eleven other companies in the peer group (the ten “Tier 2” companies plus Devon Energy Corporation, as noted above), in accordance with the following:

TSR Rank Against Peers	Percentage of Performance Units Earned
1	250%
2	200%
3	175%
4	150%
5	125%
6	110%
7	75%
8	50%
9	25%
10	0%
11	0%
12	0%

TSR means the annualized rate of return stockholders receive through stock price changes and the assumed reinvestment of dividends paid over the performance period.

Performance units earned will generally be paid in shares of the Company's common stock (unless the Compensation Committee determines to pay in cash) no later than March 15th of the year following the year in which the performance period ends. The NEOs will also earn dividend equivalents on the performance units actually earned up to a maximum of the initial number awarded, which will be paid at the time the performance units are settled.

If an NEO's employment with the Company is terminated during the performance period, the following rules will determine the number of performance units, if any, the NEO will earn: (1) if the NEO's employment is terminated due to death or disability, the NEO will receive settlement of a number of performance units equal to the initial number of performance units awarded multiplied by a fraction, the numerator of which is the number of months during the performance period that the NEO was employed and the denominator of which is 36 (the "pro ration fraction"); (2) if the NEO's employment is terminated due to the NEO’s normal retirement on or after the attainment of age 60, the NEO will receive settlement of a number of performance units equal to the number of performance units that would have been earned if the NEO had continued employment through the end of the performance period multiplied by the pro ration fraction; (3) if the NEO's employment is terminated by the Company without cause or by the NEO for good reason, then (A) Messrs. Sheffield and Dove will receive a number of performance units equal to the number of performance units that would have been earned if they had continued employment through the end of the performance period, and (B) the other NEOs will receive settlement of a number of performance units equal to the number of performance units that would have been earned if the NEOs had continued employment through the end of the performance period multiplied by the pro ration fraction; and (4) if an NEO's employment is terminated for any other reason, the NEO will not receive settlement of any of the performance units.

In the event of a change in control, the date of the change in control will be treated as the last day of the performance period and achievement of the performance objective will be measured based on the Company's actual performance as of that date.

Additional information regarding the performance unit awards can be found above under "Compensation Discussion and Analysis - Elements of the Company's Compensation Program - Long-Term Equity Incentives."

Restricted Stock

In general, the restricted stock awards vest on the third anniversary of the date of grant, subject to the NEO remaining employed with the Company continuously through the vesting date. While an NEO holds restricted shares, he is entitled to receive dividends on the shares at the same rate and time as other stockholders.

The vesting of the restricted shares will accelerate in full upon a change in control. In addition, if an NEO terminates employment prior to the vesting date, the following rules will apply: (1) if an NEO is terminated by the Company for cause or by the NEO without good reason, all of the restricted shares subject to the award will be forfeited to the Company, (2) if an NEO is terminated due to death, disability, normal retirement (on or after attainment of age 60), by the Company without cause or by the NEO for good reason, a number of restricted shares will vest equal to the total number of restricted shares subject to the award multiplied by a fraction, the numerator of which is the number of months following the date of grant during which the NEO was employed by the Company and the denominator of which is 36, and (3) notwithstanding clause (2) of this paragraph, if Messrs. Sheffield and Dove are terminated by the Company without cause or they terminate their employment for good reason, all of the restricted shares subject to their awards will vest in full.

Stock Options

In general, the stock options vest on the third anniversary of the date of grant, subject to the NEO remaining employed with the Company continuously through the vesting date. The stock options have a ten-year term with an exercise price equivalent to the closing price of the Company’s common stock on the date immediately prior to the date of grant. The vesting of the stock options will accelerate in full upon a change in control. In addition, if an NEO terminates employment prior to the vesting date, the following rules will apply: (1) if an NEO is terminated by the Company for cause or by the NEO without good reason, all of the stock options will be forfeited to the Company, (2) if an NEO is terminated due to death, disability, normal retirement (on or after attainment of age 60), by the Company without cause or by the NEO for good reason, a number of stock options will vest equal to the total number of stock options subject to the award multiplied by a fraction, the numerator of which is the number of months following the date of grant during which the NEO was employed by the Company and the denominator of which is 36, and (3) notwithstanding clause (2) of this paragraph, if Messrs. Sheffield and Dove are terminated by the Company without cause or they terminated their employment for good reason, all of the stock options subject to their awards will vest in full.

Pioneer Southwest Phantom Units

In general, the phantom unit awards vest on the third anniversary of the date of grant, subject to the NEO remaining employed with the Company or an affiliate continuously through the vesting date. Upon vesting, the phantom units entitle the holder to receive a number of common units of Pioneer Southwest equal to the number of phantom units. The phantom units were granted with dividend equivalent rights, which means that, while an NEO holds phantom units, he is entitled to receive distributions on the common units underlying the phantom units at the same rate and time as limited partners of Pioneer Southwest. Any distributions received by the NEOs are vested upon receipt and are not subject to forfeiture. The vesting of the phantom units will accelerate in full upon a change in control of Pioneer Southwest or the Company. In addition, if an NEO terminates employment with the Company or an affiliate prior to the vesting date, the rules described above with respect to restricted stock will also apply to the phantom units.

For purposes of the Pioneer Southwest phantom unit awards, the term “change in control” of the Company is defined by reference to the Company’s 2006 Long-Term Incentive Plan, and the terms “cause,” “good reason,” and “disability” are defined by reference to the NEOs’ severance agreements, which definitions can be found below in "Potential Payments Upon Termination or Change in Control." A "change in control" of Pioneer Southwest generally includes the occurrence of any of the following events or circumstances: (1) any transaction resulting in Pioneer Southwest ceasing to be controlled by the Company; (2) the limited partners of Pioneer Southwest approve a plan of complete liquidation of Pioneer Southwest; (3) the sale or other disposition by either the general partner of Pioneer Southwest or Pioneer Southwest of all or substantially all of its assets to an entity other than the general partner or an affiliate of the general partner; or (4) a transaction resulting in an entity other than the Company or one of its affiliates being the general partner of Pioneer Southwest.

2010 OUTSTANDING EQUITY AWARDS AT FISCAL YEAR END

The following table sets forth, for each NEO, information regarding stock options, restricted stock, performance units and Pioneer Southwest phantom units that were held as of December 31, 2010, including awards that were granted prior to 2010:

	Option Awards				Stock Awards			
Name	Number of Securities Underlying Unexercised Options (1) (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock that have not Vested (#)	Market Value of Shares or Units of Stock that have not Vested (2) ($)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights that have not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That have not Vested (3) ($)
(a)	(b)	(c)	(e)	(f)	(g)	(h)	(i)	(j)
Scott D.	0	115,337 (4)	$ 15.62	02/18/2019	38,479 (6)	$ 3,340,747	151,148 (10)	$ 13,122,669
Sheffield	0	44,000 (5)	$ 47.10	02/16/2020	120,919 (7)	$ 10,498,188	70,555 (11)	$ 6,125,585
					45,156 (8)	$ 3,920,444		
					24,144 (9)	$ 725,044		
Richard P.	1,750	0	$ 25.58	08/19/2011	12,643 (6)	$ 1,097,665	52,903 (10)	$ 4,593,038
Dealy	0	40,368 (4)	$ 15.62	02/18/2019	42,322 (7)	$ 3,674,396	19,243 (11)	$ 1,670,677
	0	12,000 (5)	$ 47.10	02/16/2020	12,315 (8)	$ 1,069,188		
			$			$ 197,748		

					6,585 (9)				
Chris J. Cheatwood	0	25,363 (4)	$ 15.62	02/18/2019	8,520 (6)	$	739,706	33,238 (10)	$ 2,885,723
	0	7,600 (5)	$ 47.10	02/16/2020	26,590 (7)	$	2,308,544	12,188 (11)	$ 1,058,162
					9,750 (8)	$	846,495		
Timothy L.	3,333	0	$ 25.58	08/19/2011	21,438 (6)				