Mastech Holdings, Inc.
Form 8-K
October 27, 2010

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(D) OF THE

SECURITIES EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported) October 27, 2010

MASTECH HOLDINGS, INC.

(Exact Name of Registrant as Specified in Its Charter)

Pennsylvania

(State or Other Jurisdiction of Incorporation)

001-34099	**26-2753540**
(Commission File Number)	**(IRS Employer Identification No.)**
1000 Commerce Drive, Suite 500, Pittsburgh, PA	**15275**
(Address of Principal Executive Offices)	**(Zip Code)**

(412) 787-2100

(Registrant s Telephone Number, Including Area Code)

N/A

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

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

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

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

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

Item 2.02. Results of Operations and Financial Condition

On October 27, 2010, Mastech Holdings, Inc. issued a press release announcing its financial results for the third quarter ended September 30, 2010. A copy of the press release is furnished herewith as Exhibit 99.1 and is incorporated herein by reference.

The information contained herein and in the accompanying exhibit shall not be deemed filed for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such a filing.

Item 9.01. Financial Statements and Exhibits

(d) The following exhibit is furnished with this Form 8-K:

99.1 Press Release issued by Mastech Holdings, Inc. on October 27, 2010.

SIGNATURES

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

MASTECH HOLDINGS, INC.

By:	/s/ JOHN J. CRONIN, JR.
Name:	**John J. Cronin, Jr.**
Title:	**Chief Financial Officer**

October 27, 2010

EXHIBIT INDEX

Exhibit No.	**Description**
99.1	Press Release From Mastech Holdings, Inc., dated October 27, 2010.

discussion and analysis of financial condition and results of operations, for the year ended December 31, 2000 o Selected historical financial data for the partnership for the three months ended March 31, 2001 and 2000 and the five years ended December 31, 2000 -1- 1020 PARKER & PARSLEY PRIVATE INVESTMENT 89, L.P. SUPPLEMENTAL INFORMATION TABLE Aggregate Initial Investment by the Limited Partners(a) $ 7,060 Aggregate Historical Limited Partner Distributions through March 31, 2001(a) $ 5,429 Aggregate Merger Value Attributable to Partnership Interests of Limited Partners, $ 1,825 Excluding Pioneer USA(a) Merger Value per $1,000 Limited Partner Investment as of March 31, 2001(b) $ 259.94 Merger Value per $1,000 Limited Partner Investment as a Multiple of Distributions for the 3.96 times 12 Months ended March 31, 2001(b) Book Value per $1,000 Limited Partner Investment: -- as of March 31, 2001(b) $ -- as of December 31, 2000(b) $ 150.75 Going Concern Value per $1,000 Limited Partner Investment as of March 31, 2001(b) $ 236.06 Liquidation Value per $1,000 Limited Partner Investment as of March 31, 2001(b) $ 253.01 Ordinary Tax Loss per $1,000 Limited Partner Investment in Year of Initial Investment $ 165 (b), (c) ----------- (a) Stated in thousands. (b) Interests in some partnerships were sold in units at prices other than $1,000. We have presented this information based on a $1,000 initial investment for ease of use and comparison among partnerships. You should not assume that the amount shown per $1,000 investment is the same as the value or amount attributable to a single unit investment. (c) Your ability to use your distributive share of the partnership's loss to offset your other income may have been subject to certain limitations at your level as a partner, and you may therefore wish to consult your tax advisor to determine the additional value, if any, actually realized by you in your particular circumstances. INFORMATION ABOUT THE LEGAL OPINION FOR THE LIMITED PARTNERS The partnership agreement for the partnership requires that special legal counsel render an opinion on behalf of the limited partners to Pioneer USA that neither the grant nor the exercise of the right to approve the merger of the partnership by its limited partners will adversely affect the federal income tax classification of the partnership or any of its limited partners. Although not required by the partnership agreement, the opinion will also state that neither the grant nor exercise of such right will result in the loss of any limited partner's limited liability. In addition, the counsel designated to render the opinion is not required to be counsel other than counsel to Pioneer USA or the partnership. Both the designated counsel and the legal opinion must be approved by the limited partners. Pioneer USA has retained __________ of Dallas, Texas for the purpose of rendering this legal opinion on behalf of the limited partners to Pioneer USA. The merger proposals include an approval of that counsel and the form of its opinion. A copy of the opinion is attached as an exhibit to the merger proposals. -2- 1021 PARKER & PARSLEY PRIVATE INVESTMENT 89, L.P. (A Delaware Limited Partnership) FINANCIAL STATEMENTS WITH INDEPENDENT AUDITORS' REPORT December 31, 2000 and 1999 1022 INDEPENDENT AUDITORS' REPORT The Partners Parker & Parsley Private Investment 89, L.P. (A Delaware Limited Partnership): We have audited the balance sheets of Parker & Parsley Private Investment 89, L.P. as of December 31, 2000 and 1999, and the related statements of operations, partners' capital and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion. In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parker & Parsley Private Investment 89, L.P. as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States. Ernst & Young LLP Dallas, Texas March 9, 2001 2 1023 PARKER & PARSLEY PRIVATE INVESTMENT 89, L.P. (A Delaware Limited Partnership) BALANCE SHEETS December 31 2000 1999 ----------- ----------- ASSETS ------ Current assets: Cash $ 101,600 $ 105,420 Accounts receivable - oil and gas sales 118,399 76,918 ----------- ----------- Total current assets 219,999 182,338 ----------- ----------- Oil and gas properties - at cost, based on the successful efforts accounting method 5,223,723 5,213,140 Accumulated depletion (4,351,220) (4,291,008) ----------- ----------- Net oil and gas properties 872,503 922,132 ----------- ----------- $ 1,092,502 $ 1,104,470 =========== =========== LIABILITIES AND PARTNERS' CAPITAL --------------------------------- Current liabilities: Accounts payable - affiliate $ 15,443 $ 15,871 Partners' capital: Managing general partner 12,767 12,882 Limited partners (176.5 interests) 1,064,292 1,075,717 ----------- ----------- 1,077,059 1,088,599 ----------- ----------- $ 1,092,502 $ 1,104,470 =========== =========== The accompanying notes are an integral part of these financial statements. 3 1024 PARKER & PARSLEY PRIVATE INVESTMENT 89, L.P. (A Delaware Limited Partnership) STATEMENTS OF OPERATIONS For the years ended December 31 2000 1999 1998 --------- --------- --------- Revenues: Oil and gas $ 856,030 $ 487,809 $ 478,637 Interest 8,294 4,555 5,752 --------- --------- --------- 864,324 492,364 484,389 --------- --------- --------- Costs and expenses: Oil and gas production 321,340 311,071 300,564 General and administrative 28,583 19,470 16,898 Impairment of oil and gas properties - 44,421 18,873 Depletion 60,212 76,798 258,483 --------- --------- --------- 410,135 451,760 594,818 --------- --------- --------- Net income (loss) $ 454,189 $ 40,604 $(110,429) ========= ========= ========= Allocation of net income (loss): Managing general partner $ 4,542 $ 406 $ (1,104) ========= ========= ========= Limited partners $ 449,647 $ 40,198 $(109,325) ========= ========= ========= Net income (loss) per limited partnership interest $2,547.58 $ 227.75 $ (619.41) ========= ========= ========= The accompanying notes are an integral part of these financial statements. 4 1025 PARKER & PARSLEY PRIVATE INVESTMENT 89, L.P. (A Delaware Limited Partnership) STATEMENTS OF PARTNERS' CAPITAL Managing general Limited partner partners Total ----------- ----------- ----------- Partners' capital at January 1, 1998 $ 16,634 $ 1,447,067 $ 1,463,701 Distributions (2,019) (199,798) (201,817) Net loss (1,104) (109,325) (110,429) ----------- ----------- ----------- Partners' capital at December 31, 1998 13,511 1,137,944 1,151,455 Distributions (1,035) (102,425) (103,460) Net income 406 40,198 40,604 ----------- ----------- ----------- Partners' capital at December 31, 1999 12,882 1,075,717 1,088,599 Distributions (4,657) (461,072) (465,729) Net income 4,542 449,647 454,189 ----------- ----------- ----------- Partners' capital at December 31, 2000 $ 12,767 $ 1,064,292 $ 1,077,059 =========== =========== =========== The accompanying notes are an integral part of these financial statements. 5 1026 PARKER & PARSLEY PRIVATE INVESTMENT 89, L.P. (A Delaware Limited Partnership) STATEMENTS OF CASH FLOWS For the years ended December 31 2000 1999 1998 --------- --------- --------- Cash flows from operating activities: Net income (loss) $ 454,189 $ 40,604 (110,429) Adjustments to reconcile net income (loss) to net cash provided by operating activities: Impairment of oil and gas properties - 44,421 18,873 Depletion 60,212 76,798 258,483 Changes in assets and liabilities: Accounts receivable (41,481) (30,189) 17,499 Accounts payable (428) 3,058 (9,920) --------- --------- --------- Net cash provided by operating activities 472,492 134,692 174,506 --------- --------- --------- Cash flows from investing activities: Additions to oil and gas properties (10,741) (10,151) (14,992) Proceeds from asset dispositions 158 - 6,106 --------- --------- --------- Net cash used in investing activities (10,583) (10,151) (8,886) --------- --------- --------- Cash flows used in financing activities: Cash distributions to partners (465,729) (103,460) (201,817) --------- --------- --------- Net increase (decrease) in cash (3,820) 21,081 (36,197) Cash at beginning of year 105,420 84,339 120,536 --------- --------- --------- Cash at end of year $ 101,600 $ 105,420 $ 84,339 ========= ========= ========= The accompanying notes are an integral part of these financial statements. 6 1027 PARKER & PARSLEY PRIVATE INVESTMENT 89, L.P. (A Delaware Limited Partnership) NOTES TO FINANCIAL STATEMENTS December 31, 2000, 1999 and 1998 NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS Parker & Parsley Private Investment 89, L.P. (the "Partnership") was organized in 1989 as a general partnership under the laws of the State of Texas and was converted to a Delaware limited partnership in 1990. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA"). The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas. NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows: Oil and gas properties - The Partnership utilizes the successful efforts method of accounting for its oil and gas properties and equipment. Under this method, all costs associated with productive wells and nonproductive development wells are capitalized while nonproductive exploration costs are expensed. Capitalized costs relating to proved properties are depleted using the unit-of- production method on a property-by-property basis based on proved oil (dominant mineral) reserves as evaluated by independent petroleum consultants. The carrying amounts of properties sold or otherwise disposed of and the related allowances for depletion are eliminated from the accounts and any gain or loss is included in results of operations. Impairment of long-lived assets - In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the Partnership reviews its long-lived assets to be held and used on an individual property basis, including oil and gas properties accounted for under the successful efforts method of accounting, whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. An impairment loss is indicated if the sum of the expected future cash flows is less than the carrying amount of the assets. In this circumstance, the Partnership recognizes an impairment loss for the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset. Use of estimates in the preparation of financial statements - Preparation of the accompanying financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. Net income (loss) per limited partnership interest - The net income (loss) per limited partnership interest is calculated by using the number of outstanding limited partnership interests. 7 1028 Income taxes - A Federal income tax provision has not been included in the financial statements as the income of the Partnership is included in the individual Federal income tax returns of the respective partners. Statements of cash flows - For purposes of reporting cash flows, cash includes depository accounts held by banks. General and administrative expenses - General and administrative expenses are allocated in part to the Partnership by the managing general partner. Allocated expenses are determined by the managing general partner based upon the level of activity of the Partnership relative to the non- partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities. Reclassifications - Certain reclassifications may have been made to the 1999 and 1998 financial statements to conform to the 2000 financial statement presentations. Environmental - The Partnership is subject to extensive federal, state and local environmental laws and regulations. These laws, which are constantly changing, regulate the discharge of materials into the environment and may require the Partnership to remove or mitigate the environmental effects of the disposal or release of petroleum or chemical substances at various sites. Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Liabilities for expenditures of a noncapital nature are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated. Such liabilities are generally undiscounted unless the timing of cash payments for the liability or component are fixed or reliably determinable. No such liabilities have been accrued as of December 31, 2000. Revenue recognition - The Partnership uses the entitlements method of accounting for oil, natural gas liquids ("NGLs") and natural gas revenues. NOTE 3. IMPAIRMENT OF LONG-LIVED ASSETS In accordance with SFAS 121, the Partnership reviews its proved oil and gas properties for impairment whenever events and circumstances indicate a decline in the recoverability of the carrying value of the Partnership's oil and gas properties. The Partnership has estimated the expected future cash flows of its oil and gas properties as of December 31, 2000, 1999 and 1998, based on proved reserves, and compared such estimated future cash flows to the respective carrying amount of the oil and gas properties to determine if the carrying amounts were likely to be recoverable. For those proved oil and gas properties for which the carrying amount exceeded the estimated future cash flows, an impairment was determined to exist; therefore, the Partnership adjusted the carrying amount of those oil and gas properties to their fair value as determined by discounting their expected future cash flows at a discount rate commensurate with the risks involved in the industry. As a result, the Partnership recognized non-cash impairment provisions of $44,421 and $18,873 related to its proved oil and gas properties during 1999 and 1998, respectively. 8 1029 NOTE 4. INCOME TAXES The financial statement basis of the Partnership's net assets and liabilities was $49,559 greater than the tax basis at December 31, 2000. The following is a reconciliation of net income (loss) per statements of operations with the net income per

Federal income tax returns for the years ended December 31: 2000 1999 1998 --------- --------- --------- Net income (loss) per statements of operations $ 454,189 $ 40,604 $(110,429) Impairment of oil and gas properties for financial reporting purposes - 44,421 18,873 Depletion and depreciation for tax reporting purposes less than amounts for financial reporting purposes 49,670 66,310 239,923 Other, net (1,023) (3,073) 9,369 --------- --------- --------- Net income per Federal income tax returns $ 502,836 $ 148,262 $ 157,736 ========= ========= ========= NOTE 5. OIL AND GAS PRODUCING ACTIVITIES The following is a summary of the costs incurred, whether capitalized or expensed, related to the Partnership's oil and gas producing activities for the years ended December 31: 2000 1999 1998 ---------- ---------- ---------- Development costs $ 10,741 $ 10,151 $ 14,992 ========== ========== ========== Capitalized oil and gas properties consist of the following: 2000 1999 ----------- ----------- Proved properties: Property acquisition costs $ 58,953 $ 58,953 Completed wells and equipment 5,164,770 5,154,187 ----------- ----------- 5,223,723 5,213,140 Accumulated depletion (4,351,220) (4,291,008) ----------- ----------- Net oil and gas properties $ 872,503 $ 922,132 =========== =========== 9 1030 NOTE 6. RELATED PARTY TRANSACTIONS Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31: 2000 1999 1998 --------- --------- --------- Payment of lease operating and supervision charges in accordance with standard industry operating agreements $ 126,729 $ 122,574 $ 123,196 Reimbursement of general and administrative expenses $ 25,581 $ 14,534 $ 14,259 The Partnership participates in oil and gas activities through an income tax partnership (the "Program") pursuant to the Program agreement. Pioneer USA, P&P Employees 89 Private Conv., L.P. ("EMPL") and the Partnership are parties to the Program agreement. EMPL is a limited partnership organized for the benefit of certain employees of Pioneer USA. EMPL was merged with Pioneer USA on December 28, 2000. The costs and revenues of the Program are allocated to Pioneer USA and the Partnership as follows: Pioneer USA (1) Partnership -------------- ----------- Revenues: Proceeds from disposition of depreciable and depletable properties - First three years 14.141414% 85.858586% After three years 19.191919% 80.808081% All other revenues - First three years 14.141414% 85.858586% After three years 19.191919% 80.808081% Costs and expenses: Lease acquisition costs, drilling and completion costs 9.090909% 90.909091% Operating costs, reporting and legal expenses and general and administrative expenses - First three years 14.141414% 85.858586% After three years 19.191919% 80.808081% (1) Excludes Pioneer USA's 1% general partner ownership which is allocated at the Partnership level. NOTE 7. OIL AND GAS INFORMATION (UNAUDITED) The following table presents information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities during the years then ended. All of the Partnership's reserves are proved developed and located within the United States. The Partnership's reserves are based on an evaluation prepared by Williamson Petroleum Consultants, Inc., an independent petroleum consultant, using criteria established by the Securities and Exchange Commission. Oil and NGLs Gas (bbls) (mcf) ------------ -------- Net proved reserves at January 1, 1998 480,284 559,912 Revisions (179,534) (180,570) Production (36,741) (44,624) -------- -------- Net proved reserves at December 31, 1998 264,009 334,718 Revisions 227,645 277,954 Production (30,310) (32,985) -------- -------- Net proved reserves at December 31, 1999 461,344 579,687 Revisions 37,767 (55,380) Production (30,738) (30,037) -------- -------- Net proved reserves at December 31, 2000 468,373 494,270 ======== ======== 10 1031 As of December 31, 2000, the estimated present value of future net revenues of proved reserves, calculated using December 31, 2000 prices of $26.64 per barrel of oil, $13.18 per barrel of NGLs and $7.93 per mcf of gas, discounted at 10% was approximately $3,336,000 and undiscounted was $6,999,000. Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves. The Partnership emphasizes that reserve estimates are inherently imprecise and, accordingly, the estimates are expected to change as future information becomes available. Disclosures about Oil & Gas Producing Activities Standardized Measure of Discounted Future Net Cash Flows The standardized measure of discounted future net cash flows is computed by applying year-end prices of oil and gas (with consideration of price changes only to the extent provided by contractual arrangements) to the estimated future production of proved oil and gas reserves less estimated future expenditures (based on year-end costs) to be incurred in developing and producing the proved reserves, discounted using a rate of 10% per year to reflect the estimated timing of the future cash flows. A Federal income tax provision has not been calculated as the income of the Partnership is included in the individual Federal income tax returns of the respective partners. Discounted future cash flow estimates like those shown below are not intended to represent estimates of the fair value of oil and gas properties. Estimates of fair value should also consider anticipated future oil and gas prices, interest rates, changes in development and production costs and risks associated with future production. Because of these and other considerations, any estimate of fair value is necessarily subjective and imprecise. For the years ended December 31, -- 2000 1999 1998 --------- --------- --------- (in thousands) Oil and gas producing activities: Future cash inflows $ 14,511 $ 11,459 $ 2,862 Future production costs (7,512) (6,395) (2,112) --------- --------- --------- 6,999 5,064 750 10% annual discount factor (3,663) (2,516) (271) --------- --------- --------- Standardized measure of discounted future net cash flows $ 3,336 $ 2,548 $ 479 ========= ========= ========= 11 1032 For the years ended December 31, -------------------------------------- 2000 1999 1998 -------- -------- -------- (in thousands) Oil and Gas Producing Activities: Oil and gas sales, net of production costs $ (535) $ (177) $ (178) Net changes in prices and production costs 1,060 1,324 (1,107) Revisions of previous quantity estimates 183 1,588 (261) Accretion of discount 255 48 189 Changes in production rates, timing and other (175) (714) (48) -------- -------- -------- Change in present value of future net revenues 788 2,069 (1,405) -------- -------- -------- Balance, beginning of year 2,548 479 1,884 -------- -------- -------- Balance, end of year $ 3,336 $ 2,548 $ 479 ======== ======== ======== NOTE 8. MAJOR CUSTOMERS The following table reflects the major customers of the Partnership's oil and gas sales (a major customer is defined as a customer whose sales exceed 10% of total sales) during the years ended December 31: 2000 1999 1998 -------- -------- -------- Plains Marketing, L.P. 65% 64% - Genesis Crude Oil, L.P. - - 57% Western Gas Resources, Inc. 1% 3% 15% GPM Gas Corporation 3% 3% 5% At December 31, 2000, the amount receivable from Plains Marketing, L.P. was $48,161 which is included in the caption "Accounts receivable - oil and gas sales" in the accompanying Balance Sheet. Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on the ability of the Partnership to sell its oil, NGLs and gas production. NOTE 9. PARTNERSHIP AGREEMENT The following is a brief summary of the more significant provisions of the Partnership agreement: Managing general partner - The managing general partner of the Partnership is Pioneer USA. Pioneer USA has the power and authority to manage, control and administer all Program and Partnership affairs. As managing general partner and operator of the Partnership's properties, all production expenses are incurred by Pioneer USA and billed to the Partnership. The majority of the Partnership's oil and gas revenues are received directly by the Partnership, however, a portion of the oil and gas revenue is initially received by Pioneer USA prior to being paid to the Partnership. Under the limited partnership agreement, the managing general partner pays 1% of the Partnership's acquisition, drilling and completion costs and 1% of its operating and general and administrative expenses. In return, it is allocated 1% of the Partnership's revenues. 12 1033 Limited partner liability - The maximum amount of liability of any limited partner is the total contributions of such partner plus his share of any undistributed profits. Initial capital contributions - The partners entered into subscription agreements for aggregate capital contributions of $7,060,000. Pioneer USA is required to contribute amounts equal to 1% of initial Partnership capital less commission and organization and offering costs allocated to the limited partners and to contribute amounts necessary to pay costs and expenses allocated to it under the Partnership agreement to the extent its share of revenues does not cover such costs. 13 1034 PARKER & PARSLEY PRIVATE INVESTMENT 89, L.P. (A DELAWARE LIMITED PARTNERSHIP) THIS REPORT CONTAINS FORWARD LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. ACCORDINGLY, NO ASSURANCES CAN BE GIVEN THAT THE ACTUAL EVENTS AND RESULTS WILL NOT BE MATERIALLY DIFFERENT THAN THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS Results of operations 2000 compared to 1999 The Partnership's oil and gas revenues increased 75% to $856,030 for 2000 as compared to $487,809 in 1999. The increase in revenues resulted from higher average prices received, offset by a slight decline in production. In 2000, 22,438 barrels of oil, 8,300 barrels of natural gas liquids ("NGLs") and 30,037 mcf of gas were sold, or 35,744 barrel of oil equivalents ("BOEs"). In 1999, 20,601 barrels of oil, 9,709 barrels of NGLs and 32,985 mcf of gas were sold, or 35,808 BOEs. Due to the decline characteristics of the Partnership's oil and gas properties, management expects a certain amount of decline in production in the future until the Partnership's economically recoverable reserves are fully depleted. The average price received per barrel of oil increased $11.94, or 70%, from $17.06 in 1999 to $29.00 in 2000. The average price received per barrel of NGLs increased $6.17, or 71%, from $8.69 in 1999 to $14.86 in 2000. The average price received per mcf of gas increased 74% from $1.57 in 1999 to $2.73 in 2000. The market price for oil and gas has been extremely volatile in the past decade, and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received in 2000. Total costs and expenses decreased in 2000 to $410,135 as compared to $451,760 in 1999, a decrease of $41,625, or 9%. The decrease was due to a decline in depletion and the impairment of oil and gas properties, offset by an increase in production costs and general and administrative expenses ("G&A"). Production costs were $321,340 in 2000 and $311,071 in 1999, resulting in a $10,269 increase, or 3%. The increase was primarily due to higher production taxes associated with higher oil and gas prices, offset by lower well maintenance costs. G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 47% from $19,470 in 1999 to $28,583 in 2000, primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner $25,581 in 2000 and $14,534 in 1999 for G&A incurred on behalf of the Partnership. The remaining G&A was paid directly by the Partnership. The managing general partner determines the allocated expenses based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities. In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long- Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the managing general partner reviews the Partnership's oil and gas properties for impairment whenever events or circumstances indicate a decline in the recoverability of the carrying value of the Partnership's assets may have occurred. As a result of the review and evaluation of its long-lived assets for impairment, the Partnership recognized a non-cash charge of $44,421 related to its oil and gas properties during 1999. Depletion was $60,212 in 2000 as compared to $76,798 in 1999, representing a decrease of $16,586, or 22%. This decrease was primarily due to a 23,945 barrels of oil increase in proved reserves during 2000 as a result of higher commodity prices and a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 1999. 1035 1999 compared to 1998 The Partnership's 1999 oil and gas revenues increased 2% to $487,809 from $478,637 in 1998. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 1999, 20,601 barrels of oil, 9,709 barrels of NGLs and 32,985 mcf of gas were sold, or 35,808 BOEs. In 1998, 25,672 barrels of oil, 11,069 barrels of NGLs and 44,624 mcf of gas were sold, or 44,178 BOEs. The average price received per barrel of oil increased $3.78, or 28%, from $13.28 in 1998 to $17.06 in 1999. The average price received per barrel of NGLs increased $2.12, or 32%, from $6.57 in 1998 to $8.69 in 1999. The average price received per mcf of gas increased 8% from $1.46 in 1998 to $1.57 in 1999. Total costs and expenses decreased in 1999 to $451,760 as compared to $594,818 in 1998, a decrease of $143,058, or 24%. The decrease was due to a decline in depletion, offset by an increase in the impairment of oil and gas properties, production costs and G&A. Production costs were $311,071 in 1999 and $300,564 in 1998, resulting in a $10,507 increase, or 3%. The increase was due to an increase in well maintenance costs incurred to stimulate well production, offset by declines in ad valorem and production taxes. During this period, G&A increased 15% from $16,898 in 1998 to $19,470 in 1999 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner $14,534 in 1999 and $14,259 in 1998 for G&A incurred on behalf of the Partnership. The Partnership recognized non-cash SFAS 121 charges of $44,421 and $18,873 related to its oil and gas properties during 1999 and 1998, respectively. Depletion was $76,798 in 1999 compared to $258,483 in 1998, representing a decrease of $181,685, or 70%. This decrease was the result of a combination of factors that included an increase in proved reserves of 160,524 barrels of oil during 1999 as a result of higher commodity prices, a decline in oil production of 5,071 barrels for the period ended December 31, 1999 compared to the same period in 1998 and a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 1998. Petroleum industry The petroleum industry has been characterized by volatile oil, NGL and natural gas commodity prices and relatively stable supplier costs during the three years ended December 31, 2000. During 1998, weather patterns, regional economic recessions and political matters combined to cause worldwide oil supplies to exceed demand resulting in a substantial decline in oil prices. Also during 1998, but to a lesser extent, market prices for natural gas declined. During 1999 and 2000, the Organization of Petroleum Exporting Countries ("OPEC") and certain other crude oil exporting nations announced reductions in their planned export volumes. Those announcements, together with the enactment of the announced reductions in export volumes, had a positive impact on world oil prices, as have overall natural gas supply and demand fundamentals on North American natural gas prices. Although the favorable commodity price environment and stable field service cost environment is expected to continue during 2001, there is no assurance that commodity prices will not return to a less favorable level or that field service costs will not escalate in the future, both of which could negatively impact the Partnership's future results of operations and cash distributions. Liquidity and capital resources Net Cash Provided by Operating Activities Net cash provided by operating activities increased $337,800 during the year ended December 31, 2000 from 1999. This increase was due to an increase in oil and gas sales receipts of $371,960, offset by increases in production costs paid of 1036 $10,269, G&A expenses paid of $9,113 and working capital of $14,778. The increase in oil and gas receipts resulted from the increase in commodity prices during 2000 which contributed an additional $347,665 to oil and gas receipts and an increase of $24,295 resulting from the increase in oil production during 2000. The increase in production costs was primarily due to increased production taxes associated with higher oil and gas prices, offset by lower well maintenance costs. The increase in G&A was primarily due to higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. Net Cash Used in Investing Activities The Partnership's principal investing activities during 2000 and 1999 included expenditures related to equipment upgrades on active properties. Proceeds from asset dispositions of $158 in 2000 were from equipment credits received on one active well. Net Cash Used in Financing Activities In 2000, cash distributions to the partners were $465,729, of which $4,657 was distributed to the managing general partner and $461,072 to the limited partners. In 1999, cash distributions to the partners were $103,460, of which $1,035 was distributed to the managing general partner and $102,425 to the limited partners. 1037 PARKER & PARSLEY PRIVATE INVESTMENT 89, L.P. SELECTED FINANCIAL DATA The following selected financial data for the Partnership should be read in connection with Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements included in the attached supplemental information. Three months ended March 31, Years ended December 31, -------------------- -- 2001 2000 2000 1999 1998 1997 1996 -------- ---------- ---------- ---------- ---------- ---------- ---------- Operating results: Oil and gas sales $ $ 188,721 $ 856,030 $ 487,809 $ 478,637 $ 675,051 $ 800,390 ======== ========== ========== ========== ========== ========== ========== Impairment of oil and gas properties $ $ -- $ -- $ 44,421 $ 18,873 $ 377,878 $ 79,530 ======== ========== ========== ========== ========== ========== ========== Net income (loss) $ $ 91,345 $ 454,189 $ 40,604 $ (110,429) $ (183,640) $ 249,498 ======== ========== ========== ========== ========== ========== ========== Allocation of net income (loss): Managing general partner $ $ 913 $ 4,542 $ 406 $ (1,104) $ (1,836) $ 2,495 ======== ========== ========== ========== ========== ========== ========== Limited partners $ $ 90,432 $ 449,647 $ 40,198 $ (109,325) $ (181,804) $ 247,003 ======== ========== ========== ========== ========== ========== ========== Limited partners' net income (loss) per limited partnership interest $ $ 512.36 $ 2,547.58 $ 227.75 $ (619.41) $(1,030.05) $ 1,399.45 ======== ========== ========== ========== ========== ========== ========== Limited partners' cash distributions per limited partnership interest $ $ 532.68 $ 2,612.31 $ 580.31 $ 1,132.00 $ 2,068.82 $ 1,932.01 ======== ========== ========== ========== ========== ========== ========== At year end: Total assets $ $1,102,697 $1,092,502 $1,104,470 $1,164,268 $1,486,434 $2,033,774 ======== ========== ========== ========== ========== ========== ========== 1038 PIONEER NATURAL RESOURCES COMPANY PIONEER NATURAL RESOURCES USA, INC. 1400 WILLIAMS SQUARE WEST 5205 NORTH O'CONNOR BLVD. IRVING, TEXAS 75039 SUPPLEMENTAL INFORMATION OF PARKER & PARSLEY 90-A CONV., L.P., A DELAWARE LIMITED PARTNERSHIP TO PROXY STATEMENT/PROSPECTUS DATED , 2001 ---------- THE DATE OF THIS SUPPLEMENT IS , 2001 ---------- This document contains important information specific to Parker & Parsley 90-A Conv., L.P., and supplements the proxy statement/prospectus dated , 2001, of Pioneer Natural Resources Company and Pioneer Natural Resources USA, Inc., by which Pioneer USA is soliciting proxies to be voted at a special meeting of limited partners of the partnership. The purpose of the special meeting is for you to vote upon the merger of the partnership with and into Pioneer USA that, if completed, will result in your receiving common stock of Pioneer Natural Resources Company and cash for your partnership interests. This document contains the following information concerning Parker & Parsley 90-A Conv., L.P.: o A table containing: -- the aggregate initial investment by the limited partners -- the aggregate historical limited partner distributions through March 31, 2001 -- the aggregate merger value attributable to partnership interests of limited partners, excluding Pioneer USA -- the merger value per $1,000 limited partner investment as of March 31, 2001 -- the merger value per $1,000 limited partner investment as a multiple of distributions for the 12 months ended March 31, 2001 -- the book value per $1,000 limited partner investment as of March 31, 2001 and as of December 31, 2000 -- the going concern value per $1,000 limited partner investment as of March 31, 2001 -- the liquidation value per $1,000 limited partner investment as of March 31, 2001 -- the ordinary tax loss per $1,000 limited partner investment in year of initial investment o Information about the legal opinion for the limited partners o The partnership's financial statements, including management's discussion and analysis of financial condition and results of operations, for the three months ended March 31, 2001 o The partnership's financial statements, including management's discussion and analysis of financial condition and results of operations, for the year ended December 31, 2000 o Selected historical financial data for the partnership for the three months ended March 31, 2001 and 2000 and the five years ended December 31, 2000 -1- 1039 PARKER & PARSLEY 90-A CONV., L.P. SUPPLEMENTAL INFORMATION TABLE Aggregate Initial Investment by the Limited Partners(a) $ 2,359 Aggregate Historical Limited Partner Distributions through March 31, 2001(a) $ 2,055 Aggregate Merger Value Attributable to Partnership Interests of Limited Partners, $ 549 Excluding Pioneer USA(a) Merger Value per $1,000 Limited Partner Investment as of March 31, 2001(b) $ 234.26 Merger Value per $1,000 Limited Partner Investment as a Multiple of Distributions for the 3.65 times 12 Months ended March 31, 2001(b) Book Value per $1,000 Limited Partner Investment: -- as of March 31, 2001(b) $ -- as of December 31, 2000(b) $ 183.97 Going Concern Value per $1,000 Limited Partner Investment as of March 31, 2001(b) $ 212.06 Liquidation Value per $1,000 Limited Partner Investment as of March 31, 2001(b) $ 228.09 Ordinary Tax Loss per $1,000 Limited Partner Investment in Year of Initial Investment $ 125 (b), (c) ----------- (a) Stated in thousands. (b) Interests in some partnerships were sold in units at prices other than $1,000. We have presented this information based on a $1,000 initial investment for ease of use and comparison among partnerships. You should not assume that the amount shown per $1,000 investment is the same as the value or amount attributable to a single unit investment. (c) Your ability to use your distributive share of the partnership's loss to offset your other income may have been subject to certain limitations at your level as a partner, and you may therefore wish to consult your tax advisor to determine the additional value, if any, actually realized by you in your particular circumstances. INFORMATION ABOUT THE LEGAL OPINION FOR THE LIMITED PARTNERS The partnership agreement for the partnership requires that special legal counsel render an opinion on behalf of the limited partners to Pioneer USA that neither the grant nor the exercise of the right to approve the merger of the partnership by its limited partners will adversely affect the federal income tax classification of the partnership or any of its limited partners. Although not required by the partnership agreement, the opinion will also state that neither the grant nor exercise of such right will result in the loss of any limited partner's limited liability. In addition, the counsel designated to render the opinion is not required to be counsel other than counsel to Pioneer USA or the partnership. Both the designated counsel and the legal opinion must be approved by the limited partners. Pioneer USA has retained __________ of Dallas, Texas for the purpose of rendering this legal opinion on behalf of the limited partners to Pioneer USA. The merger proposals include an approval of that counsel and the form of its opinion. A copy of the opinion is attached as an exhibit to the merger proposals. -2- 1040 PARKER & PARSLEY 90-A CONV., L.P. (A Delaware Limited Partnership) FINANCIAL STATEMENTS WITH INDEPENDENT AUDITORS' REPORT December 31, 2000 and 1999 1041 INDEPENDENT AUDITORS' REPORT The Partners Parker & Parsley 90-A Conv., L.P. (A Delaware Limited Partnership): We have audited the balance sheets of Parker & Parsley 90-A Conv., L.P. as of December 31, 2000 and 1999, and the related statements of operations, partners' capital and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion. In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parker & Parsley 90-A Conv., L.P. as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States. Ernst & Young LLP Dallas, Texas March 9, 2001 2 1042 PARKER & PARSLEY 90-A CONV., L.P.

(A Delaware Limited Partnership) BALANCE SHEETS December 31 2000 1999 -------- --------- ASSETS ------ Current assets: Cash $ 30,771 $ 41,094 Accounts receivable - oil and gas sales 42,233 24,997 -------- -------- Total current assets 73,004 66,091 -------- -------- Oil and gas properties - at cost, based on the successful efforts accounting method 1,761,261 1,758,206 Accumulated depletion (1,390,348) (1,363,812) ---------- ----------- Net oil and gas properties 370,913 394,394 -------- -------- $ 443,917 $ 460,485 ========= ========= LIABILITIES AND PARTNERS' CAPITAL -------------------------------- Current liabilities: Accounts payable - affiliate $ 5,524 $ 5,332 Partners' capital: Managing general partner 4,412 4,579 Limited partners (2,359 interests) 433,981 450,574 -------- --------- 438,393 455,153 -------- -------- $ 443,917 $ 460,485 ========= ========= The accompanying notes are an integral part of these financial statements. 3 1043 PARKER & PARSLEY 90-A CONV., L.P. (A Delaware Limited Partnership) STATEMENTS OF OPERATIONS For the years ended December 31 2000 1999 1998 ------- ------- ------ Revenues: Oil and gas $ 279,230 $ 169,279 $152,905 Interest 3,027 1,751 2,080 Gain on disposition of assets 3,262 - - ------- ------- ------ 285,519 171,030 154,985 ------- ------- ------- Costs and expenses: Oil and gas production 114,159 93,178 97,819 General and administrative 9,468 7,068 4,961 Impairment of oil and gas properties - - 11,795 Depletion 26,536 36,271 55,908 ------- ------- ------ 150,163 136,517 170,483 ------- ------- ------- Net income (loss) $ 135,356 $ 34,513 $(15,498) ======= ======= ======= Allocation of net income (loss): Managing general partner $ 1,354 $ 345 $ (155) ======= ======= ======= Limited partners $ 134,002 $ 34,168 $(15,343) ======= ======= ======= Net income (loss) per limited partnership interest $ 56.80 $ 14.48 $ (6.50) ======= ======= ======= The accompanying notes are an integral part of these financial statements. 3 1044 PARKER & PARSLEY 90-A CONV., L.P. (A Delaware Limited Partnership) STATEMENTS OF PARTNERS' CAPITAL Managing general Limited partner partners Total ------------- ------------- ----------- Partners' capital at January 1, 1998 $ 5,602 $ 551,772 $ 557,374 Distributions (678) (67,095) (67,773) Net loss (155) (15,343) (15,498) ------ -------- ------- Partners' capital at December 31, 1998 4,769 469,334 474,103 Distributions (535) (52,928) (53,463) Net income 345 34,168 34,513 ------ -------- ------- Partners' capital at December 31, 1999 4,579 450,574 455,153 Distributions (1,521) (150,595) (152,116) Net income 1,354 134,002 135,356 ------ -------- ------- Partners' capital at December 31, 2000 $ 4,412 $ 433,981 $ 438,393 ======= ========= ======== The accompanying notes are an integral part of these financial statements. 5 1045 PARKER & PARSLEY 90-A CONV., L.P. (A Delaware Limited Partnership) STATEMENTS OF CASH FLOWS For the years ended December 31 2000 1999 1998 ------- ------- ------- Cash flows from operating activities: Net income (loss) $ 135,356 $ 34,513 $ (15,498) Adjustments to reconcile net income (loss) to net cash provided by operating activities: Impairment of oil and gas properties - - 11,795 Depletion 26,536 36,271 55,908 Gain on disposition of assets (3,262) - - Changes in assets and liabilities: Accounts receivable (17,236) (7,632) 12,991 Accounts payable 192 841 (2,835) ------- ------- ------- Net cash provided by operating activities 141,586 63,993 62,361 -------- ------- ------- Cash flows from investing activities: Additions to oil and gas properties (3,055) (2,507) (3,134) Proceeds from asset dispositions 3,262 2,501 - ------- ------- ------- Net cash provided by (used in) investing activities 207 (6) (3,134) ------- ------- ------- Cash flows used in financing activities: Cash distributions to partners (152,116) (53,463) (67,773) -------- ------- ------- Net increase (decrease) in cash (10,323) 10,524 (8,546) Cash at beginning of year 41,094 30,570 39,116 ------- ------- ------- Cash at end of year $ 30,771 $ 41,094 $ 30,570 ======== ======== ======== The accompanying notes are an integral part of these financial statements. 6 1046 PARKER & PARSLEY 90-A CONV., L.P. (A Delaware Limited Partnership) NOTES TO FINANCIAL STATEMENTS December 31, 2000, 1999 and 1998 NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS Parker & Parsley 90-A Conv., L.P. (the "Partnership") was organized in 1990 as a general partnership under the laws of the State of Texas and was converted to a Delaware limited partnership in 1991. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA"). The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas. NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows: Oil and gas properties - The Partnership utilizes the successful efforts method of accounting for its oil and gas properties and equipment. Under this method, all costs associated with productive wells and nonproductive development wells are capitalized while nonproductive exploration costs are expensed. Capitalized costs relating to proved properties are depleted using the unit-of-production method on a property-by-property basis based on proved oil (dominant mineral) reserves as evaluated by independent petroleum consultants. The carrying amounts of properties sold or otherwise disposed of and the related allowances for depletion are eliminated from the accounts and any gain or loss is included in results of operations. Impairment of long-lived assets - In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the Partnership reviews its long-lived assets to be held and used on an individual property basis, including oil and gas properties accounted for under the successful efforts method of accounting, whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. An impairment loss is indicated if the sum of the expected future cash flows is less than the carrying amount of the assets. In this circumstance, the Partnership recognizes an impairment loss for the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset. Use of estimates in the preparation of financial statements - Preparation of the accompanying financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. Net income (loss) per limited partnership interest - The net income (loss) per limited partnership interest is calculated by using the number of outstanding limited partnership interests. 7 1047 Income taxes - A Federal income tax provision has not been included in the financial statements as the income of the Partnership is included in the individual Federal income tax returns of the respective partners. Statements of cash flows - For purposes of reporting cash flows, cash includes depository accounts held by banks. General and administrative expenses - General and administrative expenses are allocated in part to the Partnership by the managing general partner. Allocated expenses are determined by the managing general partner based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities. Reclassifications - Certain reclassifications may have been made to the 1999 and 1998 financial statements to conform to the 2000 financial statement presentations. Environmental - The Partnership is subject to extensive federal, state and local environmental laws and regulations. These laws, which are constantly changing, regulate the discharge of materials into the environment and may require the Partnership to remove or mitigate the environmental effects of the disposal or release of petroleum or chemical substances at various sites. Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Liabilities for expenditures of a noncapital nature are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated. Such liabilities are generally undiscounted unless the timing of cash payments for the liability or component are fixed or reliably determinable. No such liabilities have been accrued as of December 31, 2000. Revenue recognition - The Partnership uses the entitlements method of accounting for oil, natural gas liquids ("NGLs") and natural gas revenues. NOTE 3. IMPAIRMENT OF LONG-LIVED ASSETS In accordance with SFAS 121, the Partnership reviews its proved oil and gas properties for impairment whenever events and circumstances indicate a decline in the recoverability of the carrying value of the Partnership's oil and gas properties. The Partnership has estimated the expected future cash flows of its oil and gas properties as of December 31, 2000, 1999 and 1998, based on proved reserves, and compared such estimated future cash flows to the respective carrying amount of the oil and gas properties to determine if the carrying amounts were likely to be recoverable. For those proved oil and gas properties for which the carrying amount exceeded the estimated future cash flows, an impairment was determined to exist; therefore, the Partnership adjusted the carrying amount of those oil and gas properties to their fair value as determined by discounting their expected future cash flows at a discount rate commensurate with the risks involved in the industry. As a result, the Partnership recognized a non-cash impairment provision of $11,795 related to its proved oil and gas properties during 1998. 8 1048 NOTE 4. INCOME TAXES The financial statement basis of the Partnership's net assets and liabilities was $109,150 greater than the tax basis at December 31, 2000. The following is a reconciliation of net income (loss) per statements of operations with the net income per Federal income tax returns for the years ended December 31: 2000 1999 1998 --------- --------- --------- Net income (loss) per statements of operations $135,356 $34,513 $(15,498) Depletion and depreciation for tax reporting purposes less than amounts for financial reporting purposes 23,651 33,412 51,723 Impairment of oil and gas properties for financial reporting purposes -- -- 11,795 Other, net (403) 1,343 1,229 --------- --------- --------- Net income per Federal income tax returns $158,604 $69,268 $49,249 ========= ========= ========= NOTE 5. OIL AND GAS PRODUCING ACTIVITIES The following is a summary of the costs incurred, whether capitalized or expensed, related to the Partnership's oil and gas producing activities for the years ended December 31: 2000 1999 1998 --------- --------- --------- Development costs $ 3,055 $ 2,507 $ 3,134 ========= ========= ========= Capitalized oil and gas properties consist of the following: 2000 1999 --------- --------- Proved properties: Property acquisition costs $ 69,332 $ 69,332 Completed well and equipment 1,691,929 1,688,874 --------- --------- 1,761,261 1,758,206 Accumulated depletion (1,390,348) (1,363,812) ---------- ---------- Net oil and gas properties $ 370,913 $ 394,394 ========= ========= 9 1049 NOTE 6. RELATED PARTY TRANSACTIONS Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31: 2000 1999 1998 --------- --------- --------- Payment of lease operating and supervision charges in accordance with standard industry operating agreements $ 42,503 $ 41,777 $ 41,366 Reimbursement of general and administrative expenses $ 8,329 $ 5,027 $ 4,007 The Partnership participates in oil and gas activities through an income tax partnership (the "Program") pursuant to the Program agreement. Pioneer USA, P&P Employees 90-A Conv., L.P. ("EMPL"), Parker & Parsley 90-A, L.P. and the Partnership are parties to the Program agreement. EMPL is a limited partnership organized for the benefit of certain employees of Pioneer USA. EMPL was merged with Pioneer USA on December 28, 2000. The costs and revenues of the Program are allocated to Pioneer USA and the Partnerships as follows: Pioneer USA (1) Partnerships (2) -------------- --------------- Revenues: Proceeds from disposition of depreciable and depletable properties - First three years 14.141414% 85.858586% After first three years 19.191919% 80.808081% All other revenues - First three years 14.141414% 85.858586% After first three years 19.191919% 80.808081% Costs and expenses: Lease acquisition costs, drilling and completion costs 9.090909% 90.909091% Operating costs, reporting and legal expenses and general and administrative expenses - First three years 14.141414% 85.858586% After first three years 19.191919% 80.808081% (1) Excludes Pioneer USA's 1% general partner ownership which is allocated at the Partnership level and 14 limited partner interests owned by Pioneer USA. (2) The allocation between the Partnership and Parker & Parsley 90-A, L.P. is 25.725191% and 74.274809%, respectively. NOTE 7. OIL AND GAS INFORMATION (UNAUDITED) The following table presents information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities during the years then ended. All of the Partnership's reserves are proved developed and located within the United States. The Partnership's reserves are based on an evaluation prepared by Williamson Petroleum Consultants, Inc., an independent petroleum consultant, using criteria established by the Securities and Exchange Commission. 10 1050 Oil and NGLs Gas (bbls) (mcf) ----------- ---------- Net proved reserves at January 1, 1998 137,987 205,757 Revisions (49,089) (52,907) Production (11,399) (16,309) ---------- ---------- Net proved reserves at December 31, 1998 77,499 136,541 Revisions 71,585 121,688 Production (10,130) (14,989) ---------- ---------- Net proved reserves at December 31, 1999 138,954 243,240 Revisions 6,057 (59,715) Production (9,876) (13,365) ---------- ---------- Net proved reserves at December 31, 2000 135,135 170,160 ========= ========= As of December 31, 2000, the estimated present value of future net revenues of proved reserves, calculated using December 31, 2000 prices of $26.64 per barrel of oil, $13.25 per barrel of NGLs and $7.89 per mcf of gas, discounted at 10% was approximately $1,053,000 and undiscounted was $2,025,000. Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves. The Partnership emphasizes that reserve estimates are inherently imprecise and, accordingly, the estimates are expected to change as future information becomes available. Disclosures about Oil & Gas Producing Activities Standardized Measure of Discounted Future Net Cash Flows The standardized measure of discounted future net cash flows is computed by applying year-end prices of oil and gas (with consideration of price changes only to the extent provided by contractual arrangements) to the estimated future production of proved oil and gas reserves less estimated future expenditures (based on year-end costs) to be incurred in developing and producing the proved reserves, discounted using a rate of 10% per year to reflect the estimated timing of the future cash flows. A Federal income tax provision has not been calculated as the income of the Partnership is included in the individual Federal income tax returns of the respective partners. Discounted future cash flow estimates like those shown below are not intended to represent estimates of the fair value of oil and gas properties. Estimates of fair value should also consider anticipated future oil and gas prices, interest rates, changes in development and production costs and risks associated with future production. Because of these and other considerations, any estimate of fair value is necessarily subjective and imprecise. For the years ended December 31, ------------------------------------ 2000 1999 1998 ----------- ----------- ----------- (in thousands) Oil and gas producing activities: Future cash inflows $ 4,309 $ 3,455 $ 854 Future production costs (2,284) (2,046) (669) -------- -------- -------- 2,025 1,409 185 10% annual discount factor (972) (653) (54) -------- -------- -------- Standardized measure of discounted future net cash flows $ 1,053 $ 756 $ 131 ========= ========= ========= 11 1051 For the years ended December 31, ------------------------------------ 2000 1999 1998 ----------- ----------- ----------- (in thousands) Oil and Gas Producing Activities: Oil and gas sales, net of production costs $ (165) $ (76) $ (55) Net changes in prices and production costs 446 419 (356) Revisions of previous quantity estimates (26) 511 (61) Accretion of discount 76 13 56 Changes in production rates, timing and other (34) (242) (14) -------- --------- -------- Change in present value of future net revenues 297 625 (430) -------- --------- -------- Balance, beginning of year 756 131 561 -------- --------- -------- Balance, end of year $ 1,053 $ 756 $ 131 ========= ========== ========= NOTE 8. MAJOR CUSTOMERS The following table reflects the major customers of the Partnership's oil and gas sales (a major customer is defined as a customer whose sales exceed 10% of total sales) during the years ended December 31: 2000 1999 1998 -------- -------- -------- Plains Marketing, L.P. 54% 51% - TEPPCO Crude Oil LLC 12% 11% - NGTS LLC 10% 10% - Genesis Crude Oil, L.P. - - 57% Western Gas Resources, Inc. 2% 5% 22% At December 31, 2000, the amounts receivable from Plains Marketing, L.P., TEPPCO Crude Oil LLC and NGTS LLC were $13,068, $2,535 and $1,423, respectively, which are included in the caption "Accounts receivable - oil and gas sales" in the accompanying Balance Sheet. Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on the ability of the Partnership to sell its oil, NGLs and gas production. NOTE 9. PARTNERSHIP AGREEMENT The following is a brief summary of the more significant provisions of the limited partnership agreement: Managing general partner - The managing general partner of the Partnership is Pioneer USA. Pioneer USA has the power and authority to manage, control and administer all Program and Partnership affairs. As managing general partner and operator of the Partnership's properties, all production expenses are incurred by Pioneer USA and billed to the Partnership. The majority of the Partnership's oil and gas revenues are received directly by the Partnership, however, a portion of the oil and gas revenue is initially received by Pioneer USA prior to being paid to the Partnership. Under the Partnership agreement, the managing general partner pays 1% of the Partnership's acquisition, drilling and completion costs and 1% of its operating and general and administrative expenses. In return, it is allocated 1% of the Partnership's revenues. 12 1052 Limited partner liability - The maximum amount of liability of any limited partner is the total contributions of such partner plus his share of any undistributed profits. Initial capital contributions - The partners entered into subscription agreements for aggregate capital contributions of $2,359,000. Pioneer USA is required to contribute amounts equal to 1% of initial Partnership capital less commission, organization and offering costs allocated to the limited partners and to contribute amounts necessary to pay costs and expenses allocated to it under the Partnership agreement to the extent its share of revenues does not cover such costs. 13 1053 PARKER & PARSLEY 90-A CONV., L.P. (A DELAWARE LIMITED PARTNERSHIP) THIS REPORT CONTAINS FORWARD LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. ACCORDINGLY, NO ASSURANCES CAN BE GIVEN THAT THE ACTUAL EVENTS AND RESULTS WILL NOT BE MATERIALLY DIFFERENT THAN THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS Results of operations 2000 compared to 1999 The Partnership's oil and gas revenues increased 65% to $279,230 for 2000 as compared to $169,279 in 1999. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 2000, 6,255 barrels of oil, 3,621 barrels of natural gas liquids ("NGLs") and 13,365 mcf of gas were sold, or 12,104 barrel of oil equivalents ("BOEs"). In 1999, 6,133 barrels of oil, 3,997 barrels of NGLs and 14,989 mcf of gas were sold, or 12,628 BOEs. Due to the decline characteristics of the Partnership's oil and gas properties, management expects a certain amount of decline in production in the future until the Partnership's economically recoverable reserves are fully depleted. The average price received per barrel of oil increased $12.26, or 72%, from $17.06 in 1999 to $29.32 in 2000. The average price received per barrel of NGLs increased $6.04, or 63%, from $9.58 in 1999 to $15.62 in 2000. The average price received per mcf of gas increased 67% from $1.76 in 1999 to $2.94 in 2000. The market price for oil and gas has been extremely volatile in the past decade, and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received in 2000. Gain on disposition of assets of $3,262 was recognized during 2000 resulting from equipment credits received on one well. Total costs and expenses increased in 2000 to $150,163 as compared to $136,517 in 1999, an increase of $13,646, or 10%. The increase was due to increases in production costs and general and administrative expenses ("G&A"), offset by a decline in depletion. Production costs were $114,159 in 2000 and $93,178 in 1999, resulting in a $20,981 increase, or 23%. The increase was primarily due to higher production taxes associated with higher oil and gas prices and additional well maintenance costs incurred to stimulate well production. G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 34% from $7,068 in 1999 to $9,468 in 2000, primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner $8,329 in 2000 and $5,027 in 1999 for G&A incurred on behalf of the Partnership. The remaining G&A was paid directly by the Partnership. The managing general partner determines the allocated expenses based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities. Depletion was $26,536 in 2000 as compared to $36,271 in 1999, representing a decrease of $9,735, or 27%. This decrease was primarily due to a 10,806 barrels of oil increase in proved reserves during 2000 as a result of higher commodity prices. 1999 compared to 1998 The Partnership's 1999 oil and gas revenues increased 11% to $169,279 from $152,905 in 1998. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 1999, 6,133 barrels of oil, 3,997 barrels 1054 of NGLs and 14,989 mcf of gas were sold, or 12,628 BOEs. In 1998, 7,476 barrels of oil, 3,923 barrels of NGLs and 16,309 mcf of gas were sold, or 14,117 BOEs. The average price received per barrel of oil increased $3.86, or 29%, from $13.20 in 1998 to $17.06 in 1999. The average price received per barrel of NGLs increased $2.56, or 36%, from $7.02 in 1998 to $9.58 in 1999. The average price received per mcf of gas increased 7% from $1.64 in 1998 to $1.76 in 1999. Total costs and expenses decreased in 1999 to $136,517 as compared to $170,483 in 1998, a decrease of $33,966, or 20%. The decrease was due to reductions in depletion, the impairment of oil and gas properties and production costs, offset by an increase in G&A. Production costs were $93,178 in 1999 and $97,819 in 1998, resulting in a $4,641 decrease, or 5%. The decrease was due to declines in ad valorem taxes and well maintenance costs. During this period, G&A increased 42% from $4,961 in 1998 to $7,068 in 1999 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner $5,027 in 1999 and $4,007 in 1998 for G&A incurred on behalf of the Partnership. In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the managing general partner reviews the Partnership's oil and gas properties for impairment whenever events or circumstances indicate a decline in the recoverability of the carrying value of the Partnership's assets may have occurred. As a result of the review and evaluation of its long-lived assets for impairment, the Partnership recognized a non-cash charge of $11,795 related to its oil and gas properties during 1998. Depletion was $36,271 in 1999 compared to $55,908 in 1998, representing a decrease of $19,637, or 35%. This decrease was primarily the result of an increase in proved reserves of 43,411 barrels of oil during 1999 as a result of higher commodity prices, a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 1998 and a decline in oil production of 1,343 barrels for the period ended December 31, 1999 compared to the same period in 1998. Petroleum industry The petroleum industry has been characterized by volatile oil, NGL and natural gas commodity prices and relatively stable supplier costs during the three years ended December 31, 2000. During 1998, weather patterns, regional economic recessions and political matters combined to cause worldwide oil supplies to exceed demand resulting in a substantial decline in oil prices. Also during 1998, but to a lesser extent, market prices for natural gas declined. During 1999 and 2000, the Organization of Petroleum Exporting Countries ("OPEC") and certain other crude oil exporting nations announced reductions in their planned export volumes. Those announcements, together with the enactment of the announced reductions in export volumes, had a positive impact on world oil prices, as have overall natural gas supply and demand fundamentals on North American natural gas prices. Although the favorable commodity price environment and stable field service cost environment is expected to continue during 2001, there is no assurance that commodity prices will not return to a less favorable level or that field service costs will not escalate in the future, both of which could negatively impact the Partnership's future results of operations and cash distributions. Liquidity and capital resources Net Cash Provided by Operating Activities Net cash provided by operating activities increased $77,593 during the year ended December 31, 2000 from 1999. This increase was due to an increase in oil and gas sales receipts of $111,227, offset by increases in production costs paid of 1055 $20,981, G&A expenses paid of

$2,400 and working capital of $10,253. The increase in oil and gas receipts resulted from the increase in commodity prices during 2000 which contributed an additional $118,292 to oil and gas receipts, offset by $7,065 resulting from the decline in production during 2000. The increase in production costs was primarily due to increased production taxes associated with higher oil and gas prices and well maintenance costs incurred to stimulate well production. The increase in G&A was primarily due to higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. Net Cash Provided by (Used in) Investing Activities The Partnership's principal investing activities during 2000 and 1999 included expenditures related to equipment upgrades on active properties. Proceeds from disposition of assets of $3,262 was recognized during 2000 resulting from equipment credits received on one well. Proceeds of $2,501 during 1999 were received from equipment credits on one active well and one temporarily abandoned well. Net Cash Used in Financing Activities In 2000, cash distributions to the partners were $152,116, of which $1,521 was distributed to the managing general partner and $150,595 to the limited partners. In 1999, cash distributions to the partners were $53,463, of which $535 was distributed to the managing general partner and $52,928 to the limited partners. 1056 PARKER & PARSLEY 90-A CONV., L.P. SELECTED FINANCIAL DATA The following selected financial data for the Partnership should be read in connection with Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements included in the attached supplemental information. Three months ended March 31, Years ended December 31, -------------------- -- 2001 2000 2000 1999 1998 1997 1996 -------- ---------- ---------- ---------- ---------- ---------- ---------- Operating results: Oil and gas sales $ $ 63,489 $ 279,230 $ 169,279 $ 152,905 $ 223,014 $ 269,347 ======== ========== ========== ========== ========== ========== ========== Impairment of oil and gas properties $ $ -- $ -- $ -- $ 11,795 $ 111,163 $ -- ======== ========== ========== ========== ========== ========== ========== Net income (loss) $ $ 30,437 $ 135,356 $ 34,513 $ (15,498) $ (51,948) $ 90,354 ======== ========== ========== ========== ========== ========== ========== Allocation of net income (loss): Managing general partner $ $ 304 $ 1,354 $ 345 $ (155) $ (520) $ 903 ======== ========== ========== ========== ========== ========== ========== Limited partners $ $ 30,133 $ 134,002 $ 34,168 $ (15,343) $ (51,428) $ 89,451 ======== ========== ========== ========== ========== ========== ========== Limited partners' net income (loss) per limited partnership interest $ $ 12.77 $ 56.80 $ 14.48 $ (6.50) $ (21.80) $ 37.92 ======== ========== ========== ========== ========== ========== ========== Limited partners' cash distributions per limited partnership interest $ $ 12.70 $ 63.84 $ 22.44 $ 28.44 $ 53.06 $ 53.75 ======== ========== ========== ========== ========== ========== ========== At year end: Total assets $ $ 460,670 $ 443,917 $ 460,485 $ 478,594 $ 564,700 $ 742,427 ======== ========== ========== ========== ========== ========== ========== 1057 PIONEER NATURAL RESOURCES COMPANY PIONEER NATURAL RESOURCES USA, INC. 1400 WILLIAMS SQUARE WEST 5205 NORTH O'CONNOR BLVD. IRVING, TEXAS 75039 SUPPLEMENTAL INFORMATION OF PARKER & PARSLEY 90-A, L.P., A DELAWARE LIMITED PARTNERSHIP TO PROXY STATEMENT/PROSPECTUS DATED , 2001 ---------- THE DATE OF THIS SUPPLEMENT IS , 2001 ---------- This document contains important information specific to Parker & Parsley 90-A, L.P., and supplements the proxy statement/prospectus dated , 2001, of Pioneer Natural Resources Company and Pioneer Natural Resources USA, Inc., by which Pioneer USA is soliciting proxies to be voted at a special meeting of limited partners of the partnership. The purpose of the special meeting is for you to vote upon the merger of the partnership with and into Pioneer USA that, if completed, will result in your receiving common stock of Pioneer Natural Resources Company and cash for your partnership interests. This document contains the following information concerning Parker & Parsley 90-A, L.P.: o A table containing: -- the aggregate initial investment by the limited partners -- the aggregate historical limited partner distributions through March 31, 2001 -- the aggregate merger value attributable to partnership interests of limited partners, excluding Pioneer USA -- the merger value per $1,000 limited partner investment as of March 31, 2001 -- the merger value per $1,000 limited partner investment as a multiple of distributions for the 12 months ended March 31, 2001 -- the book value per $1,000 limited partner investment as of March 31, 2001 and as of December 31, 2000 -- the going concern value per $1,000 limited partner investment as of March 31, 2001 -- the liquidation value per $1,000 limited partner investment as of March 31, 2001 -- the ordinary tax loss per $1,000 limited partner investment in year of initial investment o Information about the legal opinion for the limited partners o The partnership's quarterly report on Form 10-Q, including management's discussion and analysis of financial condition and results of operations, for the three months ended March 31, 2001 o

The partnership's annual report on Form 10-K, including management's discussion and analysis of financial condition and results of operations, for the year ended December 31, 2000 o Selected historical financial data for the partnership for the three months ended March 31, 2001 and 2000 and the five years ended December 31, 2000 -1- 1058 PARKER & PARSLEY 90-A, L.P. SUPPLEMENTAL INFORMATION TABLE Aggregate Initial Investment by the Limited Partners(a) $ 6,811 Aggregate Historical Limited Partner Distributions through March 31, 2001(a) $ 5,933 Aggregate Merger Value Attributable to Partnership Interests of Limited Partners, $ 1,565 Excluding Pioneer USA(a) Merger Value per $1,000 Limited Partner Investment as of March 31, 2001(b) $ 234.87 Merger Value per $1,000 Limited Partner Investment as a Multiple of Distributions for the 3.60 times 12 Months ended March 31, 2001(b) Book Value per $1,000 Limited Partner Investment: -- as of March 31, 2001(b) $ -- as of December 31, 2000(b) $ 184.56 Going Concern Value per $1,000 Limited Partner Investment as of March 31, 2001(b) $ 212.66 Liquidation Value per $1,000 Limited Partner Investment as of March 31, 2001(b) $ 228.69 Ordinary Tax Loss per $1,000 Limited Partner Investment in Year of Initial Investment $ 125 (b), (c) ---------- (a) Stated in thousands. (b) Interests in some partnerships were sold in units at prices other than $1,000. We have presented this information based on a $1,000 initial investment for ease of use and comparison among partnerships. You should not assume that the amount shown per $1,000 investment is the same as the value or amount attributable to a single unit investment. (c) Your ability to use your distributive share of the partnership's loss to offset your other income may have been subject to certain limitations at your level as a partner, and you may therefore wish to consult your tax advisor to determine the additional value, if any, actually realized by you in your particular circumstances. INFORMATION ABOUT THE LEGAL OPINION FOR THE LIMITED PARTNERS The partnership agreement for the partnership requires that special legal counsel render an opinion on behalf of the limited partners to Pioneer USA that neither the grant nor the exercise of the right to approve the merger of the partnership by its limited partners will adversely affect the federal income tax classification of the partnership or any of its limited partners. Although not required by the partnership agreement, the opinion will also state that neither the grant nor exercise of such right will result in the loss of any limited partner's limited liability. In addition, the counsel designated to render the opinion is not required to be counsel other than counsel to Pioneer USA or the partnership. Both the designated counsel and the legal opinion must be approved by the limited partners. Pioneer USA has retained __________ of Dallas, Texas for the purpose of rendering this legal opinion on behalf of the limited partners to Pioneer USA. The merger proposals include an approval of that counsel and the form of its opinion. A copy of the opinion is attached as an exhibit to the merger proposals. -2- 1059 UNITED STATES SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D. C. 20549 FORM 10-K Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000 COMMISSION FILE NO. 33-26097-05 PARKER & PARSLEY 90-A, L.P. (Exact name of Registrant as specified in its charter) DELAWARE 75-2329245 --------------------------------- ----------------------- (State or other jurisdiction of (I.R.S. Employer incorporation or organization) Identification Number) 1400 WILLIAMS SQUARE WEST, 5205 N. O'CONNOR BLVD., IRVING, TEXAS 75039 --- ------------- (Address of principal executive offices) (Zip code) Registrant's Telephone Number, including area code : (972) 444-9001 Securities registered pursuant to Section 12(b) of the Act: NONE Securities registered pursuant to Section 12(g) of the Act: LIMITED PARTNERSHIP INTERESTS ($1,000 PER UNIT) --- Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES /X/ NO / / Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. /X/ No market currently exists for the limited partnership interests of the Registrant. Based on the original purchase price, the aggregate market value of limited partnership interests owned by non-affiliates of the Registrant is $6,664,000. As of March 8, 2001, the number of outstanding limited partnership interests was 6,811. The following documents are incorporated by reference into the indicated parts of this Annual Report on Form 10-K: None PARTS I AND II OF THIS ANNUAL REPORT ON FORM 10-K (THE "REPORT") CONTAIN FORWARD LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. ACCORDINGLY, NO ASSURANCES CAN BE GIVEN THAT THE ACTUAL EVENTS AND RESULTS WILL NOT BE MATERIALLY DIFFERENT THAN THE ANTICIPATED RESULTS DESCRIBED IN

THE FORWARD LOOKING STATEMENTS. SEE "ITEM 1. BUSINESS" FOR A DESCRIPTION OF VARIOUS FACTORS THAT COULD MATERIALLY AFFECT THE ABILITY OF THE PARTNERSHIP TO ACHIEVE THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS. 1060 PART I ITEM 1. BUSINESS Parker & Parsley 90-A, L.P. (the "Partnership") is a limited partnership organized in 1990 under the laws of the State of Delaware. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA"). Pioneer USA is a wholly-owned subsidiary of Pioneer Natural Resources Company ("Pioneer"). As of March 8, 2001, the Partnership had 6,811 limited partnership interests outstanding. The Partnership does not have any employees of its own. Pioneer USA employs 701 persons, many of whom dedicated a part of their time to the conduct of the Partnership's business during the period for which this Report is filed. Pioneer USA is responsible for all management functions. The Partnership engages in oil and gas development and production and is not involved in any industry segment other than oil and gas. The Partnership's production is geographically concentrated in West Texas. The principal markets during 2000 for the oil produced by the Partnership were refineries and oil transmission companies that have facilities near the Partnership's oil producing properties. During 2000, Pioneer USA marketed the Partnership's gas to a variety of purchasers. Of the Partnership's total oil and gas revenues for 2000, approximately 54%, 12% and 10% were attributable to sales made to Plains Marketing, L.P., TEPPCO Crude Oil LLC and NGTS LLC, respectively. Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on its ability to sell its oil, natural gas liquids ("NGLs") and gas production. The Partnership's revenues, profitability, cash flow and future rate of growth are highly dependent on the prevailing prices of oil and gas, which are affected by numerous factors beyond the Partnership's control. Oil and gas prices historically have been very volatile. A substantial or extended decline in the prices of oil or gas could have a material adverse effect on the Partnership's revenues, profitability and cash flow and could, under certain circumstances, result in a reduction in the carrying value of the Partnership's oil and gas properties. Oil and gas production operations are subject to various types of regulations by local, state and federal agencies. The Partnership's operations are also subject to state conservation laws and regulations, including the establishment of maximum rates of production from wells and the regulation of spacing, plugging and abandonment of wells. Each state generally imposes a production or severance tax with respect to production and sale of oil and gas within their respective jurisdictions. Noncompliance with the laws and regulations may subject the Partnership to penalties, damages or other liabilities and compliance may increase the cost of the Partnership's operations. The oil and gas business is also subject to environmental hazards such as oil spills, gas leaks and ruptures and discharges of toxic substances or gases that could expose the Partnership to substantial 2 1061 liability due to pollution and other environmental damages. Although the Partnership believes that its business operations do not impair environmental quality and that its costs of complying with any applicable environmental regulations are not currently significant, the Partnership cannot predict what, if any, effect these environmental regulations may have on its current or future operations. Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves. No material part of the Partnership's business is seasonal and the Partnership conducts no foreign operations. ITEM 2. PROPERTIES The Partnership's properties consist of leasehold interests in properties on which oil and gas wells are located. Such property interests are often subject to landowner royalties, overriding royalties and other oil and gas leasehold interests. Fractional working interests in developmental oil and gas prospects located primarily in the Spraberry Trend Area of West Texas were acquired by the Partnership, resulting in the Partnership's participation in the drilling of 27 oil and gas wells. Two wells have been sold. At December 31, 2000, 25 wells were producing. For information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities for the years then ended, see Note 7 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" below. Such reserves have been evaluated by Williamson Petroleum Consultants, Inc., an independent petroleum consultant. ITEM 3. LEGAL PROCEEDINGS The Partnership from time to time is a party to various legal proceedings incidental to its business involving claims in oil and gas leases or interests, other claims for damages in amounts not in excess of 10% of its current assets and other matters, none of which Pioneer USA believes to be material to the Partnership. ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS There were no matters submitted to a vote of the partners during the fourth quarter of 2000. 3 1062 PART II ITEM 5. MARKET FOR LIMITED PARTNERSHIP INTERESTS AND LIMITED

PARTNERSHIP DISTRIBUTIONS At March 8, 2001, the Partnership had 6,811 outstanding limited partnership interests held of record by 525 subscribers. There is no established public trading market for the limited partnership interests. Under the limited partnership agreement, Pioneer USA has made certain commitments to purchase partnership interests at a computed value. Revenues which, in the sole judgement of the managing general partner, are not required to meet the Partnership's obligations are distributed to the partners at least quarterly in accordance with the limited partnership agreement. During the years ended December 31, 2000 and 1999, $434,802 and $152,818, respectively, of such revenue-related distributions were made to the limited partners. ITEM 6. SELECTED FINANCIAL DATA The following table sets forth selected financial data for the years ended December 31: 2000 1999 1998 1997 1996 ---------- ---------- ---------- --------- ---------- Operating results: ---------------- Oil and gas sales $ 806,344 $ 488,752 $ 441,480 $ 643,882 $ 777,677 ========= ========== ========== ========= ========== Impairment of oil and gas properties $ - $ - $ 34,145 $ 321,019 $ - ========= ========== ========== ========= ========== Net income (loss) $ 390,714 $ 99,965 $ (44,421) $ (149,948) $ 261,210 ========= ========== ========== ========= ========== Allocation of net income (loss): Managing general partner $ 3,907 $ 1,000 $ (444) $ (1,499) $ 2,612 ========= ========== ========== ========= ========== Limited partners $ 386,807 $ 98,965 $ (43,977) $ (148,449) $ 258,598 ========= ========== ========== ========= ========== Limited partners' net income (loss) per limited partnership interest $ 56.79 $ 14.53 $ (6.46) $ (21.80) $ 37.97 ========= ========== ========== ========= ========== Limited partners' cash distributions per limited partnership interest $ 63.84 $ 22.44 $ 28.44 $ 53.06 $ 53.75 ========= ========== ========== ========= ========== At year end: ---------- Identifiable assets $1,285,569 $ 1,333,533 $ 1,385,777 $1,634,061 $ 2,146,498 ========= ========== ========== ========= ========== 4 1063 ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS Results of Operations 2000 compared to 1999 The Partnership's oil and gas revenues increased 65% to $806,344 for 2000 as compared to $488,752 in 1999. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 2000, 18,065 barrels of oil, 10,454 barrels of natural gas liquids ("NGLs") and 38,570 mcf of gas were sold, or 34,947 barrel of oil equivalents ("BOEs"). In 1999, 17,702 barrels of oil, 11,546 barrels of NGLs and 43,302 mcf of gas were sold, or 36,465 BOEs. Due to the decline characteristics of the Partnership's oil and gas properties, management expects a certain amount of decline in production in the future until the Partnership's economically recoverable reserves are fully depleted. The average price received per barrel of oil increased $12.26, or 72% from $17.06 in 1999 to $29.32 in 2000. The average price received per barrel of NGLs increased $6.04, or 63% from $9.58 in 1999 to $15.62 in 2000. The average price received per mcf of gas increased 67% in 2000 to $2.94 compared to $1.76 in 1999. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received in 2000. Gain on disposition of assets of $9,419 was recognized during 2000 resulting from equipment credits received on one fully depleted well. Total costs and expenses increased in 2000 to $433,960 as compared to $394,007 in 1999, an increase of $39,953, or 10%. This increase was primarily due to increases in production costs and general and administrative expenses ("G&A"), offset by a decline in depletion. Production costs were $329,608 in 2000 and $269,017 in 1999, resulting in an increase of $60,591, or 23%. The increase was primarily due to additional well maintenance and workover costs incurred to stimulate well production and higher production taxes associated with higher oil and gas prices. G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 36% from $20,244 in 1999 to $27,629 in 2000 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner $24,038 in 2000 and $14,514 in 1999 for G&A incurred on behalf of the Partnership. The remaining G&A was paid directly by the Partnership. The managing general partner determines the allocated expenses based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities. 5 1064 Depletion was $76,723 in 2000 compared to $104,746 in 1999, representing a decrease of $28,023, or 27%. This decrease was primarily due to a 33,982 barrels of oil increase in proved reserves during 2000 as a result of higher commodity prices. 1999 compared to 1998 The Partnership's 1999 oil and gas revenues increased 11% to

$488,752 from $441,480 in 1998. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 1999, 17,702 barrels of oil, 11,546 barrels of NGLs and 43,302 mcf of gas were sold, or 36,465 BOEs. In 1998, 21,587 barrels of oil, 11,328 barrels of NGLs and 47,086 mcf of gas were sold, or 40,763 BOEs. The average price received per barrel of oil increased $3.86, or 29% from $13.20 in 1998 to $17.06 in 1999. The average price received per barrel of NGLs increased $2.56, or 36% from $7.02 in 1998 to $9.58 in 1999. The average price received per mcf of gas increased 7% in 1999 to $1.76 compared to $1.64 in 1998. Total costs and expenses decreased in 1999 to $394,007 as compared to $492,078 in 1998, a decrease of $98,071, or 20%. This decrease was primarily due to declines in depletion, the impairment of oil and gas properties and production costs, offset by an increase in G&A. Production costs were $269,017 in 1999 and $282,430 in 1998, resulting in a $13,413 decline, or 5%. The decline includes a reduction in ad valorem taxes and less well maintenance costs. During this period, G&A increased 43% from $14,124 in 1998 to $20,244 in 1999 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner $14,514 in 1999 and $11,560 in 1998 for G&A incurred on behalf of the Partnership. In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the managing general partner reviews the Partnership's oil and gas properties for impairment whenever events or circumstances indicate a decline in the recoverability of the carrying value of the Partnership's assets may have occurred. As a result of the review and evaluation of its long-lived assets for impairment, the Partnership recognized a non-cash charge of $34,145 related to its oil and gas properties during 1998. Depletion was $104,746 in 1999 compared to $161,379 in 1998. This represented a decrease of $56,633, or 35%. This decrease was primarily the result of an increase in proved reserves of 125,332 barrels of oil during 1999 as a result of higher commodity prices, a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 1998 and a decline in oil production of 3,885 barrels for the period ended December 31, 1999 compared to the same period in 1998. 6 1065 Petroleum industry The petroleum industry has been characterized by volatile oil, NGL and natural gas commodity prices and relatively stable supplier costs during the three years ended December 31, 2000. During 1998, weather patterns, regional economic recessions and political matters combined to cause worldwide oil supplies to exceed demand resulting in a substantial decline in oil prices. Also during 1998, but to a lesser extent, market prices for natural gas declined. During 1999 and 2000, the Organization of Petroleum Exporting Countries ("OPEC") and certain other crude oil exporting nations announced reductions in their planned export volumes. Those announcements, together with the enactment of the announced reductions in export volumes, had a positive impact on world oil prices, as have overall natural gas supply and demand fundamentals on North American natural gas prices. Although the favorable commodity price environment and stable field service cost environment is expected to continue during 2001, there is no assurance that commodity prices will not return to a less favorable level or that field service costs will not escalate in the future, both of which could negatively impact the Partnership's future results of operations and cash distributions. Liquidity and capital resources Net Cash Provided by Operating Activities Net cash provided by operating activities increased $223,816 during the year ended December 31, 2000 from 1999. This increase was due to increases in oil and gas sales receipts of $321,283, offset by increases in production costs paid of $60,591, G&A expenses paid of $7,385 and working capital of $29,491. The increase in oil and gas receipts resulted from the increase in commodity prices during 2000 which contributed an additional $341,604 to oil and gas receipts, offset by $20,321 resulting from the decline in production during 2000. The increase in production costs was primarily due to increased production taxes associated with higher oil and gas prices and well maintenance costs incurred to stimulate well production. The increase in G&A was primarily due to higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. Net Cash Provided by (Used in) Investing Activities The Partnership's investing activities during 2000 and 1999 were for expenditures related to oil and gas equipment upgrades on active properties. Proceeds from asset dispositions of $9,419 were recognized during 2000 from equipment credits on one fully depleted well and proceeds of $7,220 in 1999 were from equipment credits received on one active property and one temporarily abandoned property. Net Cash Used in Financing Activities In 2000, cash distributions to the partners were $439,194, of which $4,392 was distributed to the managing general partner and $434,802 to the limited partners. In 1999, cash distributions to the partners were $154,362 of which $1,544 was distributed to the managing general partner and $152,818 to the limited partners. 7 1066 ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

 8 1067 INDEPENDENT AUDITORS' REPORT The Partners Parker & Parsley 90-A, L.P. (A Delaware Limited Partnership): We have audited the balance sheets of Parker & Parsley 90-A, L.P. as of December 31, 2000 and 1999, and the related statements of operations, partners' capital and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion. In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parker & Parsley 90-A, L.P. as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States. Ernst & Young LLP Dallas, Texas March 9, 2001 9 1068 PARKER & PARSLEY 90-A, L.P. (A Delaware Limited Partnership) BALANCE SHEETS December 31 2000 1999 ----------- ----------- ASSETS ------ Current assets: Cash $ 92,685 $ 122,649 Accounts receivable - oil and gas sales 122,067 72,167 ----------- ----------- Total current assets 214,752 194,816 ----------- ----------- Oil and gas properties - at cost, based on the successful efforts accounting method 5,085,185 5,076,362 Accumulated depletion (4,014,368) (3,937,645) ----------- ----------- Net oil and gas properties 1,070,817 1,138,717 ----------- ----------- $ 1,285,569 $ 1,333,533 =========== =========== LIABILITIES AND PARTNERS' CAPITAL Current liabilities: Accounts payable - affiliate $ 15,770 $ 15,254 Partners' capital: Managing general partner 12,779 13,264 Limited partners (6,811 interests) 1,257,020 1,305,015 ----------- ----------- 1,269,799 1,318,279 ----------- ----------- $ 1,285,569 $ 1,333,533 =========== =========== The accompanying notes are an integral part of these financial statements. 10 1069 PARKER & PARSLEY 90-A, L.P. (A Delaware Limited Partnership) STATEMENTS OF OPERATIONS For the years ended December 31 2000 1999 1998 -------- -------- --------- Revenues: Oil and gas $806,344 $488,752 $ 441,480 Interest 8,911 5,220 6,177 Gain on disposition of assets 9,419 - - -------- -------- --------- 824,674 493,972 447,657 -------- -------- --------- Costs and expenses: Oil and gas production 329,608 269,017 282,430 General and administrative 27,629 20,244 14,124 Impairment of oil and gas properties - - 34,145 Depletion 76,723 104,746 161,379 -------- -------- --------- 433,960 394,007 492,078 -------- -------- --------- Net income (loss) $390,714 $ 99,965 $ (44,421) ======== ======== ========= Allocation of net income (loss): Managing general partner $ 3,907 $ 1,000 $ (444) ======== ======== ========= Limited partners $386,807 $ 98,965 $ (43,977) ======== ======== ========= Net income (loss) per limited partnership interest $ 56.79 $ 14.53 $ (6.46) ======== ======== ========= The accompanying notes are an integral part of these financial statements. 11 1070 PARKER & PARSLEY 90-A, L.P. (A Delaware Limited Partnership) STATEMENTS OF PARTNERS' CAPITAL Managing general Limited partner partners Total --------- ------------ ------------ Partners' capital at January 1, 1998 $ 16,209 $ 1,596,562 $ 1,612,771 Distributions (1,957) (193,717) (195,674) Net loss (444) (43,977) (44,421) -------- ----------- ----------- Partners' capital at December 31, 1998 13,808 1,358,868 1,372,676 Distributions (1,544) (152,818) (154,362) Net income 1,000 98,965 99,965 -------- ----------- ----------- Partners' capital at December 31, 1999 13,264 1,305,015 1,318,279 Distributions (4,392) (434,802) (439,194) Net income 3,907 386,807 390,714 -------- ----------- ----------- Partners' capital at December 31, 2000 $ 12,779 $ 1,257,020 $ 1,269,799 ======== =========== =========== The accompanying notes are an integral part of these financial statements. 12 1071 PARKER & PARSLEY 90-A, L.P. (A Delaware Limited Partnership) STATEMENTS OF CASH FLOWS For the years ended December 31 2000 1999 1998 --------- --------- --------- Cash flows from operating activities: Net income (loss) $ 390,714 $ 99,965 $ (44,421) Adjustments to reconcile net income (loss) to net cash provided by operating activities:

Impairment of oil and gas properties - - 34,145 Depletion 76,723 104,746 161,379 Gain on disposition of assets (9,419) - - Changes in assets and liabilities: Accounts receivable (49,900) (22,046) 37,507 Accounts payable 516 2,153 (8,189) --------- --------- --------- Net cash provided by operating activities 408,634 184,818 180,421 --------- --------- --------- Cash flows from investing activities: Additions to oil and gas properties (8,823) (7,237) (9,047) Proceeds from asset dispositions 9,419 7,220 - --------- --------- --------- Net cash provided by (used in) investing activities 596 (17) (9,047) --------- --------- --------- Cash flows used in financing activities: Cash distributions to partners (439,194) (154,362) (195,674) --------- --------- --------- Net increase (decrease) in cash (29,964) 30,439 (24,300) Cash at beginning of year 122,649 92,210 116,510 --------- --------- --------- Cash at end of year $ 92,685 $ 122,649 $ 92,210 ========= ========= ========= The accompanying notes are an integral part of these financial statements. 13 1072 PARKER & PARSLEY 90-A, L.P. (A Delaware Limited Partnership) NOTES TO FINANCIAL STATEMENTS December 31, 2000, 1999 and 1998 NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS Parker & Parsley 90-A, L.P. (the "Partnership") is a limited partnership organized in 1990 under the laws of the State of Delaware. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA"). The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas. NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows: Oil and gas properties - The Partnership utilizes the successful efforts method of accounting for its oil and gas properties and equipment. Under this method, all costs associated with productive wells and nonproductive development wells are capitalized while nonproductive exploration costs are expensed. Capitalized costs relating to proved properties are depleted using the unit-of-production method on a property-by-property basis based on proved oil (dominant mineral) reserves as evaluated by independent petroleum consultants. The carrying amounts of properties sold or otherwise disposed of and the related allowances for depletion are eliminated from the accounts and any gain or loss is included in results of operations. Impairment of long-lived assets - In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the Partnership reviews its long-lived assets to be held and used on an individual property basis, including oil and gas properties accounted for under the successful efforts method of accounting, whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. An impairment loss is indicated if the sum of the expected future cash flows is less than the carrying amount of the assets. In this circumstance, the Partnership recognizes an impairment loss for the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset. Use of estimates in the preparation of financial statements - Preparation of the accompanying financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. Net income (loss) per limited partnership interest - The net income (loss) per limited partnership interest is calculated by using the number of outstanding limited partnership interests. Income taxes - A Federal income tax provision has not been included in the financial statements as the income of the Partnership is included in the individual Federal income tax returns of the respective partners. 14 1073 Statements of cash flows - For purposes of reporting cash flows, cash includes depository accounts held by banks. General and administrative expenses - General and administrative expenses are allocated in part to the Partnership by the managing general partner. Allocated expenses are determined by the managing general partner based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities. Reclassifications - Certain reclassifications may have been made to the 1999 and 1998 financial statements to conform to the 2000 financial statement presentations. Environmental - The Partnership is subject to extensive federal, state and local environmental laws and regulations. These laws, which are constantly changing, regulate the discharge of materials into the environment and may require the Partnership to remove or mitigate the environmental effects of the disposal or release of petroleum or chemical substances at various sites. Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Liabilities for expenditures of a noncapital nature are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated. Such liabilities are generally undiscounted unless the timing of cash payments for the liability or component are fixed or reliably determinable. No such liabilities have been accrued as of December 31, 2000. Revenue recognition - The Partnership uses the entitlements method of accounting for oil, natural gas liquids ("NGLs") and natural gas revenues. NOTE 3. IMPAIRMENT OF LONG-LIVED ASSETS In accordance with SFAS 121, the Partnership reviews its proved oil and gas properties for impairment whenever events and circumstances indicate a decline in the recoverability of the carrying value of the Partnership's oil and gas properties. The Partnership has estimated the expected future cash flows of its oil and gas properties as of December 31, 2000, 1999 and 1998, based on proved reserves, and compared such estimated future cash flows to the respective carrying amount of the oil and gas properties to determine if the carrying amounts were likely to be recoverable. For those proved oil and gas properties for which the carrying amount exceeded the estimated future cash flows, an impairment was determined to exist; therefore, the Partnership adjusted the carrying amount of those oil and gas properties to their fair value as determined by discounting their expected future cash flows at a discount rate commensurate with the risks involved in the industry. As a result, the Partnership recognized a non-cash impairment provision of $34,145 related to its proved oil and gas properties during 1998. 15 1074 NOTE 4. INCOME TAXES The financial statement basis of the Partnership's net assets and liabilities was $315,080 greater than the tax basis at December 31, 2000. The following is a reconciliation of net income (loss) per statements of operations with the net income per Federal income tax returns for the years ended December 31: 2000 1999 1998 --------- --------- --------- Net income (loss) per statements of operations $ 390,714 $ 99,965 $ (44,421) Depletion and depreciation provisions for tax reporting purposes less than amounts for financial reporting purposes 68,390 96,496 149,296 Impairment of oil and gas properties for financial reporting purposes - - 34,145 Other, net (1,209) 3,745 3,688 --------- --------- --------- Net income per Federal income tax returns $ 457,895 $ 200,206 $ 142,708 ========= ========= ========= NOTE 5. OIL AND GAS PRODUCING ACTIVITIES The following is a summary of the costs incurred, whether capitalized or expensed, related to the Partnership's oil and gas producing activities for the years ended December 31: 2000 1999 1998 --------- --------- ---------- Development costs $ 8,823 $ 7,237 $ 9,047 ========= ========= ========== Capitalized oil and gas properties consist of the following: 2000 1999 ----------- ---------- Proved properties: Property acquisition costs $ 200,177 $ 200,177 Completed wells and equipment 4,885,008 4,876,185 ----------- ----------- 5,085,185 5,076,362 Accumulated depletion (4,014,368) (3,937,645) ----------- ----------- Net oil and gas properties $ 1,070,817 $ 1,138,717 =========== =========== NOTE 6. RELATED PARTY TRANSACTIONS Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31: 2000 1999 1998 --------- --------- --------- Payment of lease operating and supervision charges in accordance with standard industry operating agreements $ 122,715 $ 120,620 $ 119,432 Reimbursement of general and administrative expenses $ 24,038 $ 14,514 $ 11,560 16 1075 The Partnership participates in oil and gas activities through an income tax partnership (the "Program") pursuant to the Program agreement. Pioneer USA and P&P Employees 90-A, L.P., ("EMPL"), Parker & Parsley 90-A Conv., L.P. and the Partnership (the "Partnerships") are parties to the Program agreement. EMPL is a limited partnership organized for the benefit of certain employees of Pioneer USA. EMPL was merged with Pioneer USA on December 28, 2000. The costs and revenues of the Program are allocated to Pioneer USA and the Partnerships as follows: Pioneer USA (1) Partnerships (2) -------------- ---------------- Revenues: Proceeds from disposition of depreciable and depletable properties - First three years 14.141414% 85.858586% After first three years 19.191919% 80.808081% All other revenues - First three years 14.141414% 85.858586% After first three years 19.191919% 80.808081% Costs and expenses: Lease acquisition costs, drilling and completion and all other costs 9.090909% 90.909091% Operating costs, reporting and legal expenses and general and administrative expenses - First three years 14.141414% 85.858586% After first three years 19.191919% 80.808081% (1) Excludes Pioneer USA's 1% general partner ownership which is allocated at the Partnership level and 147 limited partner interests owned by Pioneer USA. (2) The allocation between the Partnership and Parker & Parsley 90-A Conv., L.P. is 74.274809% and 25.725191%, respectively. NOTE 7. OIL AND GAS INFORMATION (UNAUDITED) The following table presents information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities during the years then ended. All of the Partnership's reserves are proved developed and located within the United States. The Partnership's reserves are based on an evaluation prepared by Williamson Petroleum Consultants, Inc., an independent petroleum consultant, using criteria established by the Securities and Exchange Commission. Oil and NGLs Gas (bbls) (mcf) ----------- ----------- Net proved reserves at January 1, 1998 398,405 594,075 Revisions (141,729) (152,757)

Production (32,915) (47,086) ------------ ----------- Net proved reserves at December 31, 1998 223,761 394,232 Revisions 206,682 351,371 Production (29,248) (43,302) ------------ ----------- Net proved reserves at December 31, 1999 401,195 702,301 Revisions 21,424 (168,710) Production (28,519) (38,570) ------------ ----------- Net proved reserves at December 31, 2000 394,100 495,021 ========== ========== 17 1076 As of December 31, 2000, the estimated present value of future net revenues of proved reserves, calculated using December 31, 2000 prices of $26.64 per barrel of oil, $13.25 per barrel of NGLs and $7.89 per mcf of gas, discounted at 10% was approximately $3,042,000 and undiscounted was $5,865,000. Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves. The Partnership emphasizes that reserve estimates are inherently imprecise and, accordingly, the estimates are expected to change as future information becomes available. Disclosures about Oil & Gas Producing Activities Standardized Measure of Discounted Future Net Cash Flows The standardized measure of discounted future net cash flows is computed by applying year-end prices of oil and gas (with consideration of price changes only to the extent provided by contractual arrangements) to the estimated future production of proved oil and gas reserves less estimated future expenditures (based on year-end costs) to be incurred in developing and producing the proved reserves, discounted using a rate of 10% per year to reflect the estimated timing of the future cash flows. A Federal income tax provision has not been calculated as the income of the Partnership is included in the individual Federal income tax returns of the respective partners. Discounted future cash flow estimates like those shown below are not intended to represent estimates of the fair value of oil and gas properties. Estimates of fair value should also consider anticipated future oil and gas prices, interest rates, changes in development and production costs and risks associated with future production. Because of these and other considerations, any estimate of fair value is necessarily subjective and imprecise. For the years ended December 31, --------------------------------- 2000 1999 1998 -------- ------- ------- (in thousands) Oil and gas producing activities: Future cash inflows $ 12,560 $ 9,975 $ 2,464 Future production costs (6,695) (5,908) (1,931) -------- ------- ------- 5,865 4,067 533 10% annual discount factor (2,823) (1,884) (155) -------- ------- ------- Standardized measure of discounted future net cash flows $ 3,042 $ 2,183 $ 378 ======== ======= ======= For the years ended December 31, ---------------------------------- 2000 1999 1998 -------- --------- -------- (in thousands) Oil and Gas Producing Activities: Oil and gas sales, net of production costs $ (477) $ (220) $ (159) Net changes in prices and production costs 1,267 1,209 (1,027) Revisions of previous quantity estimates (44) 1,476 (174) Accretion of discount 218 38 162 Changes in production rates, timing and other (105) (698) (41) -------- --------- -------- Change in present value of future net revenues 859 1,805 (1,239) -------- --------- -------- Balance, beginning of year 2,183 378 1,617 -------- --------- -------- Balance, end of year $ 3,042 $ 2,183 $ 378 ======== ========= ======== 18 1077 NOTE 8. MAJOR CUSTOMERS The following table reflects the major customers of the Partnership's oil and gas sales (a major customer is defined as a customer whose sales exceed 10% of total sales) during the years ended December 31: 2000 1999 1998 -------- -------- -------- Plains Marketing, L.P. 54% 51% - TEPPCO Crude Oil LLC 12% 11% - NGTS LLC 10% 10% 3% Western Gas Resources, Inc. 2% 5% 22% Genesis Crude Oil, L.P. - - 57% At December 31, 2000, the amounts receivable from Plains Marketing, L.P., TEPPCO Crude Oil LLC and NGTS LLC were $37,832, $7,318 and $4,105, respectively, which are included in the caption "Accounts receivable - oil and gas sales" in the accompanying Balance Sheet. Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on the ability of the Partnership to sell its oil, NGLs and gas production. NOTE 9. PARTNERSHIP AGREEMENT The following is a brief summary of the more significant provisions of the limited partnership agreement: Managing general partner - The managing general partner of the Partnership is Pioneer USA. Pioneer USA has the power and authority to manage, control and administer all Program and Partnership affairs. As managing general partner and operator of the Partnership's properties, all production expenses are incurred by Pioneer USA and billed to the Partnership. The majority of the Partnership's oil and gas revenues are received directly by the Partnership, however, a portion of the oil and gas revenue is initially received by Pioneer USA prior to being paid to the Partnership. Under the limited partnership agreement, the managing general partner pays 1% of the Partnership's acquisition, drilling and completion costs and 1% of its operating and general and administrative expenses. In return, it is allocated 1% of the Partnership's revenues. 19 1078 Limited partner liability - The maximum amount of liability of any limited partner is the total contributions of such partner plus his share of any undistributed profits. Initial capital contributions - The limited partners entered into subscription agreements for aggregate capital contributions of $6,811,000. Pioneer USA is required to contribute amounts equal to 1% of initial Partnership capital less commission and organization and offering costs allocated to the limited partners and to contribute amounts necessary to pay costs and expenses allocated to it under the Partnership agreement to the extent its share of revenues does not cover such costs. ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE None. 20 1079 PART III ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE PARTNERSHIP The Partnership does not have any officers or directors. Under the limited partnership agreement, the Partnership's managing general partner, Pioneer USA, is granted the exclusive right and full authority to manage, control and administer the Partnership's business. Set forth below are the names, ages and positions of the directors and executive officers of Pioneer USA. Directors of Pioneer USA are elected to serve until the next annual meeting of stockholders or until their successors are elected and qualified. Age at December 31, Name 2000 Position ---- ---- -------- Scott D. Sheffield 48 President Timothy L. Dove 44 Executive Vice President, Chief Financial Officer and Director Dennis E. Fagerstone 51 Executive Vice President and Director Mark L. Withrow 53 Executive Vice President, General Counsel and Director Danny Kellum 46 Executive Vice President - Domestic Operations and Director Rich Dealy 34 Vice President and Chief Accounting Officer Scott D. Sheffield. Mr. Sheffield is a graduate of The University of Texas with a B.S. in Petroleum Engineering. Since August 1997, he has served as President, Chief Executive Officer and a director of Pioneer and President of Pioneer USA. Mr. Sheffield assumed the position of Chairman of the Board of Pioneer in August 1999. He served as a director of Pioneer USA from August 1997 until his resignation from the board in June 1999. Mr. Sheffield was the President and a director of Parker & Parsley Petroleum Company ("Parker & Parsley") from May 1990 until August 1997 and was the Chairman of the Board and Chief Executive Officer of Parker & Parsley from October 1990 until August 1997. He was the sole director of Parker & Parsley from May 1990 until October 1990. Mr. Sheffield joined Parker & Parsley Development Company ("PPDC"), a predecessor of Parker & Parsley, as a petroleum engineer in 1979. He 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 and Chief Executive Officer of PPDC. Before joining PPDC's predecessor, Mr. Sheffield was employed as a production and reservoir engineer for Amoco Production Company. 21 1080 Timothy L. Dove. Mr. Dove earned a B.S. in Mechanical Engineering from Massachusetts Institute of Technology in 1979 and received his M.B.A. in 1981 from the University of Chicago. He became Executive Vice President - Business Development of Pioneer and Pioneer USA in August 1997 and was also appointed a director of Pioneer USA in August 1997. Mr. Dove assumed the position of Chief Financial Officer of Pioneer and Pioneer USA effective February 1, 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. Prior to 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 marketing and planning and development. Dennis E. Fagerstone. Mr. Fagerstone, a graduate of the Colorado School of Mines with a B.S. in Petroleum Engineering, became an Executive Vice President of Pioneer and Pioneer USA in August 1997. He was also appointed a director of Pioneer USA in August 1997. He served as Executive Vice President and Chief Operating Officer of MESA Inc. ("Mesa") from March 1, 1997 until August 1997. From October 1996 to February 1997, Mr. Fagerstone served as Senior Vice President and Chief Operating Officer of Mesa and from May 1991 to October 1996, he served as Vice President - Exploration and Production of Mesa. From June 1988 to May 1991, Mr. Fagerstone served as Vice President - Operations of Mesa. Mark L. Withrow. Mr. Withrow, a graduate of Abilene Christian University with a B. S. in Accounting and Texas Tech University with a Juris Doctorate degree, became Executive Vice President, General Counsel and Secretary of Pioneer and Pioneer USA in August 1997. He was also appointed a director of Pioneer USA in August 1997. Mr. Withrow was Vice President - General Counsel of Parker & Parsley from January 1991, when he joined Parker & Parsley, to January 1995, when he was appointed Senior Vice President - General Counsel. He was Parker & Parsley's Secretary from August 1992 until August 1997. Prior to joining Parker & Parsley, Mr. Withrow was the managing partner of the law firm of Turpin, Smith, Dyer, Saxe & MacDonald, Midland, Texas. Danny Kellum. Mr. Kellum, who received a Bachelor of Science degree in Petroleum Engineering from Texas Tech University in 1979, was elected Executive Vice President - Domestic Operations of Pioneer and Pioneer USA on May 18, 2000 and Director of Pioneer USA on February 1, 2000. From January 2000 until May 2000, Mr. Kellum served as Vice President - Domestic Operations of Pioneer and Pioneer USA. Mr. Kellum served as Vice President Permian

Division of Pioneer and Pioneer USA from April 1998 until December 1999. From 1989 until 1994 he served as Spraberry District Manager and as Vice President of the Spraberry and Permian Division for Parker & Parsley until August of 1997. Mr. Kellum joined Parker & Parsley as an operations engineer in 1981 after a brief career with Mobil Oil Corporation. Rich Dealy. Mr. Dealy is a graduate of Eastern New Mexico University with a B.B.A. in Accounting and Finance and is a Certified Public Accountant. He became Vice President and Chief Accounting Officer of Pioneer and Pioneer USA in February 1998. Mr. Dealy served as Controller of Pioneer USA from August 1997 to February 1998. He served as Controller of Parker & Parsley from August 1995 to August 1997. Mr. Dealy joined Parker & Parsley as an Accounting Manager in July, 1992. He was previously employed with KPMG Peat Marwick as an Audit Senior, in charge of Parker & Parsley's audit. 22 1081 ITEM 11. EXECUTIVE COMPENSATION The Partnership does not have any directors or officers. Management of the Partnership is performed by Pioneer USA, the managing general partner. The Partnership participates in oil and gas activities through an income tax partnership (the "Program") pursuant to the Program agreement. Under the Program agreement, Pioneer USA pays approximately 10% of the Program's acquisition, drilling and completion costs and approximately 15% during the first three years and approximately 20% after three years of its operating and general and administrative expenses. In return, they are allocated approximately 15% during the first three years and approximately 20% after three years of the Program's revenues. The Partnership does not directly pay any salaries of the executive officers of Pioneer USA, but does pay a portion of Pioneer USA's general and administrative expenses of which these salaries are a part. See Notes 6 and 9 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" for information regarding fees and reimbursements paid to the managing general partner by the Partnership. ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT (a) Beneficial owners of more than five percent The Partnership is not aware of any person who beneficially owns 5% or more of the outstanding limited partnership interests of the Partnership. Pioneer USA owned 147 limited partner interests at January 1, 2001. (b) Security ownership of management The Partnership does not have any officers or directors. The managing general partner of the Partnership, Pioneer USA, has the exclusive right and full authority to manage, control and administer the Partnership's business. Under the limited partnership agreement, limited partners holding a majority of the outstanding limited partnership interests have the right to take certain actions, including the removal of the managing general partner or any other general partner. The Partnership is not aware of any current arrangement or activity which may lead to such removal. The Partnership is not aware of any officer or director of Pioneer USA who beneficially owns limited partnership interests in the Partnership. ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS Transactions with the managing general partner Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31: 23 1082 2000 1999 1998 --------- --------- --------- Payment of lease operating and supervision charges in accordance with standard industry operating agreements $ 122,715 $ 120,620 $ 119,432 Reimbursement of general and administrative expenses $ 24,038 $ 14,514 $ 11,560 Under the limited partnership agreement, the managing general partner pays 1% of the Partnership's acquisition, drilling and completion costs and 1% of its operating and general and administrative expenses. In return, it is allocated 1% of the Partnership's revenues. Also, see Notes 6 and 9 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data", regarding the Partnership's participation with the managing general partner in oil and gas activities of the Program. 24 1083 PART IV ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K (a) 1. Financial statements The following are filed as part of this Report: Independent Auditors' Report Balance sheets as of December 31, 2000 and 1999 Statements of operations for the years ended December 31, 2000, 1999 and 1998 Statements of partners' capital for the years ended December 31, 2000, 1999 and 1998 Statements of cash flows for the years ended December 31, 2000, 1999 and 1998 Notes to financial statements 2. Financial statement schedules All financial statement schedules have been omitted since the required information is in the financial statements or notes thereto, or is not applicable nor required. (b) Reports on Form 8-K None. (c) Exhibits The exhibits listed on the accompanying index to exhibits are filed or incorporated by reference as part of this Report. 25 1084 S I G N A T U R E S Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized. PARKER & PARSLEY 90-A, L.P. Dated: March 28, 2001 By: Pioneer Natural Resources USA, Inc. Managing General Partner By: /s/ Scott D. Sheffield ------------------------------ Scott D. Sheffield, President Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated. /s/ Scott D. Sheffield President of Pioneer USA March 28, 2001 ------------------------------ Scott D. Sheffield /s/ Timothy L. Dove Executive Vice President. Chief March 28, 2001 ------------------------------ Financial Officer and Director of Timothy L. Dove Pioneer USA /s/ Dennis E. Fagerstone Executive Vice President and March 28, 2001 ------------------------------ Director of Pioneer USA Dennis E. Fagerstone /s/ Mark L. Withrow Executive Vice President, General March 28, 2001 ------------------------------ Counsel and Director of Pioneer USA Mark L. Withrow /s/ Danny Kellum Executive Vice President - Domestic March 28, 2001 ------------------------------ Operations and Director of Pioneer Danny Kellum USA /s/ Rich Dealy Vice President and Chief Accounting March 28, 2001 ------------------------------ Officer of Pioneer USA Rich Dealy 26 1085 PARKER & PARSLEY 90-A, L.P. INDEX TO EXHIBITS The following documents are incorporated by reference in response to Item 14(c): Exhibit No. Description Page ----------- ----------- ---- 3(a) Form of Agreement of Limited Partnership - of Parker & Parsley 90-A, L.P. incorporated by reference to Exhibit A of the Post-Effective Amendment No. 1 of the Partnership's Registration Statement on Form S-1 (Registration No. 33-26097) 4(b) Form of Limited Partner Subscription Agreement - incorporated by reference to Exhibit C of the Post-Effective Amendment No. 1 of the Partnership's Registration Statement on Form S-1 (Registration No. 33-26097) 4(b) Form of General Partner Subscription Agreement - incorporated by reference to Exhibit D of the Post-Effective Amendment No. 1 of the Partnership's Registration Statement on Form S-1 (Registration No. 33-26097) 4(b) Power of Attorney incorporated by reference to - Exhibit B of Amendment No. 1 of the Partnership's Registration Statement on Form S-1 (Registration No. 33-26097) 4(c) Specimen Certificate of Limited Partnership - Interest incorporated by reference to Exhibit 4c of the Partnership's Registration Statement on Form S-1 (Registration No. 33-26097) 10(b) Form of Development Drilling Program - Agreement incorporated by reference to Exhibit B of the Post-Effective Amendment No. 1 of the Partnership's Registration Statement on Form S-1 (Registration No. 33-26097) 27 1086 PARKER & PARSLEY 90-A, L.P. SELECTED FINANCIAL DATA The following selected financial data for the Partnership should be read in connection with Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements included in the attached supplemental information. Three months ended March 31, Years ended December 31, --------------------- -- 2001 2000 2000 1999 1998 1997 1996 -------- ---------- ---------- ---------- ---------- ---------- ---------- Operating results: Oil and gas sales $ $ 183,303 $ 806,344 $ 488,752 $ 441,480 $ 643,882 $ 777,677 ======== ========== ========== ========== ========== ========== ========== Impairment of oil and gas properties $ $ -- $ -- $ -- $ 34,145 $ 321,019 $ -- ======== ========== ========== ========== ========== ========== ========== Net income (loss) $ $ 87,757 $ 390,714 $ 99,965 $ (44,421) $ (149,948) $ 261,210 ======== ========== ========== ========== ========== ========== ========== Allocation of net income (loss): Managing general partner $ $ 878 $ 3,907 $ 1,000 $ (444) $ (1,499) $ 2,612 ======== ========== ========== ========== ========== ========== ========== Limited partners $ $ 86,879 $ 386,807 $ 98,965 $ (43,977) $ (148,449) $ 258,598 ======== ========== ========== ========== ========== ========== ========== Limited partners' net income (loss) per limited partnership interest $ $ 12.76 $ 56.79 $ 14.53 $ (6.46) $ (21.80) $ 37.97 ======== ========== ========== ========== ========== ========== ========== Limited partners' cash distributions per limited partnership interest $ $ 12.70 $ 63.84 $ 22.44 $ 28.44 $ 53.06 $ 53.75 ======== ========== ========== ========== ========== ========== ========== At year end: Identifiable assets $ $1,334,248 $1,285,569 $1,333,533 $1,385,777 $1,634,061 $2,146,498 ======== ========== ========== ========== ========== ========== ========== 1087 PIONEER NATURAL RESOURCES COMPANY PIONEER NATURAL RESOURCES USA, INC. 1400 WILLIAMS SQUARE WEST 5205 NORTH O'CONNOR BLVD. IRVING, TEXAS 75039 SUPPLEMENTAL INFORMATION OF PARKER & PARSLEY 90-B CONV., L.P., A DELAWARE LIMITED PARTNERSHIP TO PROXY STATEMENT/PROSPECTUS DATED , 2001 ---------- THE DATE OF THIS SUPPLEMENT IS , 2001 ---------- This document contains important information specific to Parker & Parsley 90-B Conv., L.P., and supplements the proxy statement/prospectus dated , 2001, of Pioneer Natural Resources Company and Pioneer Natural Resources USA, Inc., by which Pioneer USA is soliciting proxies to be voted at a special meeting of limited partners of the partnership. The purpose of the special meeting is for you to vote upon the merger of the partnership with and into Pioneer USA that, if completed, will result in your receiving common stock of Pioneer Natural Resources Company and cash for your partnership interests. This document contains the following information concerning Parker & Parsley 90-B Conv., L.P.: o A table containing: -- the aggregate initial investment by the limited partners -- the aggregate historical limited partner distributions through

March 31, 2001 -- the aggregate merger value attributable to partnership interests of limited partners, excluding Pioneer USA -- the merger value per $1,000 limited partner investment as of March 31, 2001 -- the merger value per $1,000 limited partner investment as a multiple of distributions for the 12 months ended March 31, 2001 -- the book value per $1,000 limited partner investment as of March 31, 2001 and as of December 31, 2000 -- the going concern value per $1,000 limited partner investment as of March 31, 2001 -- the liquidation value per $1,000 limited partner investment as of March 31, 2001 -- the ordinary tax loss per $1,000 limited partner investment in year of initial investment o Information about the legal opinion for the limited partners o The partnership's quarterly report on Form 10-Q, including management's discussion and analysis of financial condition and results of operations, for the three months ended March 31, 2001 o The partnership's annual report on Form 10-K, including management's discussion and analysis of financial condition and results of operations, for the year ended December 31, 2000 o Selected historical financial data for the partnership for the three months ended March 31, 2001 and 2000 and the five years ended December 31, 2000 -1- 1088 PARKER & PARSLEY 90-B CONV., L.P. SUPPLEMENTAL INFORMATION TABLE Aggregate Initial Investment by the Limited Partners(a) $ 11,897 Aggregate Historical Limited Partner Distributions through March 31, 2001(a) $ 8,240 Aggregate Merger Value Attributable to Partnership Interests of Limited Partners, $ 3,053 Excluding Pioneer USA(a) Merger Value per $1,000 Limited Partner Investment as of March 31, 2001(b) $ 258.34 Merger Value per $1,000 Limited Partner Investment as a Multiple of Distributions for the 3.70 times 12 Months ended March 31, 2001(b) Book Value per $1,000 Limited Partner Investment: -- as of March 31, 2001(b) $ -- as of December 31, 2000(b) $ 156.33 Going Concern Value per $1,000 Limited Partner Investment as of March 31, 2001(b) $ 234.14 Liquidation Value per $1,000 Limited Partner Investment as of March 31, 2001(b) $ 251.40 Ordinary Tax Loss per $1,000 Limited Partner Investment in Year of Initial Investment $ 155 (b), (c) ---------- (a) Stated in thousands. (b) Interests in some partnerships were sold in units at prices other than $1,000. We have presented this information based on a $1,000 initial investment for ease of use and comparison among partnerships. You should not assume that the amount shown per $1,000 investment is the same as the value or amount attributable to a single unit investment. (c) Your ability to use your distributive share of the partnership's loss to offset your other income may have been subject to certain limitations at your level as a partner, and you may therefore wish to consult your tax advisor to determine the additional value, if any, actually realized by you in your particular circumstances. INFORMATION ABOUT THE LEGAL OPINION FOR THE LIMITED PARTNERS The partnership agreement for the partnership requires that special legal counsel render an opinion on behalf of the limited partners to Pioneer USA that neither the grant nor the exercise of the right to approve the merger of the partnership by its limited partners will adversely affect the federal income tax classification of the partnership or any of its limited partners. Although not required by the partnership agreement, the opinion will also state that neither the grant nor exercise of such right will result in the loss of any limited partner's limited liability. In addition, the counsel designated to render the opinion is not required to be counsel other than counsel to Pioneer USA or the partnership. Both the designated counsel and the legal opinion must be approved by the limited partners. Pioneer USA has retained __________ of Dallas, Texas for the purpose of rendering this legal opinion on behalf of the limited partners to Pioneer USA. The merger proposals include an approval of that counsel and the form of its opinion. A copy of the opinion is attached as an exhibit to the merger proposals. -2- 1089 UNITED STATES SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D. C. 20549 FORM 10-K Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000 COMMISSION FILE NO. 33-26097-08 PARKER & PARSLEY 90-B CONV., L.P. (Exact name of Registrant as specified in its charter) DELAWARE 75-2329284 ------------------------------ ------------------------- (State or other jurisdiction of (I.R.S. Employer incorporation or organization) Identification Number) 1400 WILLIAMS SQUARE WEST, 5205 N. O'CONNOR BLVD., IRVING, TEXAS 75039 -- (Address of principal executive offices) (Zip code) Registrant's Telephone Number, including area code : (972) 444-9001 Securities registered pursuant to Section 12(b) of the Act: NONE Securities registered pursuant to Section 12(g) of the Act: LIMITED PARTNERSHIP INTERESTS ($1,000 PER UNIT) Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES / X / NO / / Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. / X / No market currently exists for the limited partnership interests of the Registrant. Based on the original purchase price, the aggregate market value of limited partnership interests owned by non-affiliates of the Registrant is $11,817,000. As of March 8, 2001, the number of outstanding limited partnership interests was 11,897. The following documents are incorporated by reference into the indicated parts of this Annual Report on Form 10-K: None PARTS I AND II OF THIS ANNUAL REPORT ON FORM 10-K (THE "REPORT") CONTAIN FORWARD LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. ACCORDINGLY, NO ASSURANCES CAN BE GIVEN THAT THE ACTUAL EVENTS AND RESULTS WILL NOT BE MATERIALLY DIFFERENT THAN THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS. SEE "ITEM 1. BUSINESS" FOR A DESCRIPTION OF VARIOUS FACTORS THAT COULD MATERIALLY AFFECT THE ABILITY OF THE PARTNERSHIP TO ACHIEVE THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS. 1090 PART I ITEM 1. BUSINESS Parker & Parsley 90-B Conv., L.P. (the "Partnership") was organized in 1990 as a general partnership under the laws of the State of Texas. The Partnership converted to a Delaware limited partnership on August 1, 1991. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA"). Pioneer USA is a wholly-owned subsidiary of Pioneer Natural Resources Company ("Pioneer"). As of March 8, 2001, the Partnership had 11,897 limited partnership interests outstanding. The Partnership does not have any employees of its own. Pioneer USA employs 701 persons, many of whom dedicated a part of their time to the conduct of the Partnership's business during the period for which this Report is filed. Pioneer USA supplies all management functions. The Partnership engages in oil and gas development and production and is not involved in any industry segment other than oil and gas. The Partnership's production is geographically concentrated in West Texas. The principal markets during 2000 for the oil produced by the Partnership were refineries and oil transmission companies that have facilities near the Partnership's oil producing properties. During 2000, Pioneer USA marketed the Partnership's gas to a variety of purchasers, none of which accounted for 10% or more of the Partnership's oil and gas revenues. Of the Partnership's total oil and gas revenues for 2000, approximately 48% was attributable to sales made to Plains Marketing, L.P., 10% to TEPPCO Crude Oil LLC and 10% to Phillips Petroleum Company. Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on its ability to sell its oil, natural gas liquids ("NGLs") and gas production. The Partnership's revenues, profitability, cash flow and future rate of growth are highly dependent on the prevailing prices of oil and gas, which are affected by numerous factors beyond the Partnership's control. Oil and gas prices historically have been very volatile. A substantial or extended decline in the prices of oil or gas could have a material adverse effect on the Partnership's revenues, profitability and cash flow and could, under certain circumstances, result in a reduction in the carrying value of the Partnership's oil and gas properties. Oil and gas production operations are subject to various types of regulations by local, state and federal agencies. The Partnership's operations are also subject to state conservation laws and regulations, including the establishment of maximum rates of production from wells and the regulation of spacing, plugging and abandonment of wells. Each state generally imposes a production or severance tax with respect to production and sale of oil and gas within their respective jurisdictions. Noncompliance with the laws and regulations may subject the Partnership to penalties, damages or 2 1091 other liabilities and compliance may increase the cost of the Partnership's operations. The oil and gas business is also subject to environmental hazards such as oil spills, gas leaks and ruptures and discharges of toxic substances or gases that could expose the Partnership to substantial liability due to pollution and other environmental damages. Although the Partnership believes that its business operations do not impair environmental quality and that its costs of complying with any applicable environmental regulations are not currently significant, the Partnership cannot predict what, if any, effect these environmental regulations may have on its current or future operations. Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves. No material part of the Partnership's business is seasonal and the Partnership conducts no foreign operations. ITEM 2. PROPERTIES The Partnership's properties consist of leasehold interests in properties on which oil and gas wells are located. Such property interests are often subject to landowner royalties, overriding royalties and other oil and gas leasehold interests. Fractional working interests in developmental oil and gas prospects located primarily in the Spraberry Trend Area of West Texas were acquired by the Partnership, resulting in the Partnership's participation in the drilling of 104 oil and gas wells. One well has been plugged and abandoned. At December 31, 2000, the Partnership had 103 producing oil and gas wells. For information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities for the years then ended, see Note 7 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" below. Such reserves have been evaluated by Williamson Petroleum Consultants, Inc., an independent petroleum consultant. ITEM 3. LEGAL PROCEEDINGS The Partnership from time to time is a party to various legal proceedings incidental to its business involving claims in oil and gas leases or interests, other claims for damages in amounts not in excess of 10% of its current assets and other matters, none of which Pioneer USA believes to be material to the Partnership. ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS There were no matters submitted to a vote of the partners during the fourth quarter of 2000. PART II 3 1092 ITEM 5. MARKET FOR LIMITED PARTNERSHIP INTERESTS AND LIMITED PARTNERSHIP DISTRIBUTIONS At March 8, 2001, the Partnership had 11,897 outstanding limited partnership interests held of record by 665 subscribers. There is no established public trading market for the limited partnership interests. Under the limited partnership agreement, Pioneer USA has made certain commitments to purchase partnership interests at a computed value. Revenues which, in the sole judgement of the managing general partner, are not required to meet the Partnership's obligations are distributed to the partners at least quarterly in accordance with the limited partnership agreement. During the years ended December 31, 2000 and 1999, $825,165 and $271,636, respectively, of such revenue-related distributions were made to the limited partners. ITEM 6. SELECTED FINANCIAL DATA The following table sets forth selected financial data for the years ended December 31: 2000 1999 1998 1997 1996 ----------- ----------- ----------- ----------- ------------ Operating results: ------------------ Oil and gas sales $ 1,513,122 $ 907,791 $ 764,787 $ 1,118,628 $ 1,382,265 =========== =========== =========== =========== ============ Impairment of oil and gas properties $ 31,774 $ 88,497 $ 275,430 $ 328,594 $ 22,474 =========== =========== =========== =========== ============ Net income (loss) $ 787,438 $ 164,414 $ (373,956) $ (55,191) $ 544,919 =========== =========== =========== =========== ============ Allocation of net income (loss): Managing general partner $ 7,874 $ 1,644 $ (3,740) $ (552) $ 5,449 =========== =========== =========== =========== ============ Limited partners $ 779,564 $ 162,770 $ (370,216) $ (54,639) $ 539,470 =========== =========== =========== =========== ============ Limited partners' net income (loss) per limited partnership interest $ 65.53 $ 13.68 $ (31.12) $ (4.59) $ 45.35 =========== =========== =========== =========== ============ Limited partners' cash distributions per limited partnership interest $ 69.36 $ 22.83 $ 23.66 $ 52.38 $ 56.21 =========== =========== =========== =========== ============ At year end: ------------ Identifiable assets $ 1,894,220 $ 1,949,209 $ 2,057,408 $ 2,727,510 $ 3,402,932 =========== =========== =========== =========== ============ 4 1093 ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS Results of Operations 2000 compared to 1999 The Partnership's oil and gas revenues increased 67% to $1,513,122 for 2000 as compared to $907,791 in 1999. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 2000, 36,592 barrels of oil, 16,796 barrels of natural gas liquids ("NGLs") and 64,786 mcf of gas were sold, or 64,186 barrel of oil equivalents ("BOEs"). In 1999, 36,383 barrels of oil, 17,481 barrels of NGLs and 70,803 mcf of gas were sold, or 65,665 BOEs. Due to the decline characteristics of the Partnership's oil and gas properties, management expects a certain amount of decline in production in the future until the Partnership's economically recoverable reserves are fully depleted. The average price received per barrel of oil increased $12.00, or 70%, from $17.23 in 1999 to $29.23 in 2000. The average price received per barrel of NGLs increased $5.96, or 63%, from $9.49 in 1999 to $15.45 in 2000. The average price received per mcf of gas increased 75% from $1.62 in 1999 to $2.84 in 2000. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received in 2000. A gain on disposition of assets of $2,023 recognized in 2000 was due to equipment credits received on one fully depleted well. Total costs and expenses decreased to $739,327 in 2000 as compared to $749,072 in 1999, a decrease of $9,745, or 1%. The decrease was due to declines in the impairment of oil and gas properties and depletion, offset by increases in production costs and general and administrative expenses ("G&A"). Production costs were $557,245 in 2000 and $478,183 in 1999, resulting in an increase of $79,062, or 17%. The increase was primarily due to higher production taxes associated with higher oil and gas prices and additional well maintenance and workover costs incurred to stimulate well production. G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 30% from $35,038 in 1999 to $45,379 in 2000 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner $40,368 in 2000 and $27,181 in 1999 for G&A incurred on behalf of the Partnership. The remaining G&A was paid directly by the Partnership. The managing general partner determines the allocated expenses based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities. 5 1094 In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the managing general partner reviews the Partnership's oil and gas properties for impairment whenever events or circumstances indicate a decline in the recoverability of the carrying value of the Partnership's assets may have occurred. As a result of the review and evaluation of its long-lived assets for impairment, the Partnership recognized non-cash charges of $31,774 and $88,497 related to its oil and gas properties during 2000 and 1999, respectively. Depletion was $104,929 in 2000 compared to $147,354 in 1999, representing a decrease of $42,425, or 29%. The decrease was primarily due to a 27,994 barrels of oil increase in proved reserves during 2000 as a result of higher commodity prices and a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 1999. 1999 compared to 1998 The Partnership's 1999 oil and gas revenues increased 19% to $907,791 from $764,787 in 1998. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 1999, 36,383 barrels of oil, 17,481 barrels of NGLs and 70,803 mcf of gas were sold, or 65,665 BOEs. In 1998, 41,140 barrels of oil, 17,403 barrels of NGLs and 73,460 mcf of gas were sold, or 70,786 BOEs. The average price received per barrel of oil increased $4.11, or 31%, from $13.12 in 1998 to $17.23 in 1999. The average price received per barrel of NGLs increased $2.89, or 44%, from $6.60 in 1998 to $9.49 in 1999. The average price received per mcf of gas increased 8% from $1.50 in 1998 to $1.62 in 1999. Gain on disposition of assets of $1,669 for 1998 was attributable to credits received from the disposal of oil and gas equipment on a fully depleted well and on one well that was plugged and abandoned in a prior year. Total costs and expenses decreased to $749,072 in 1999 as compared to $1,147,349 in 1998, a decrease of $398,277, or 35%. The decrease was due to declines in the impairment of oil and gas properties, depletion and production costs, offset by an increase in G&A. Production costs were $478,183 in 1999 and $517,526 in 1998, resulting in a $39,343 decrease, or 8%. The decrease was due to declines in well maintenance costs, ad valorem taxes and workover costs, offset by an increase in production taxes due to increased oil and gas sales. During this period, G&A increased 31% from $26,722 in 1998 to $35,038 in 1999 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner $27,181 in 1999 and $22,923 in 1998 for G&A incurred on behalf of the Partnership. The Partnership recognized non-cash SFAS 121 charges of $88,497 and $275,430 related to its oil and gas properties during 1999 and 1998, respectively. 6 1095 Depletion was $147,354 in 1999 compared to $327,671 in 1998. This represented a decrease of $180,317, or 55%. The decrease was primarily due to an increase in proved reserves of 280,631 barrels of oil during 1999 as a result of higher commodity prices, a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 1998 and a decline in oil production of 4,757 barrels for the period ended December 31, 1999 compared to the same period in 1998. Petroleum industry The petroleum industry has been characterized by volatile oil, NGL and natural gas commodity prices and relatively stable supplier costs during the three years ended December 31, 2000. During 1998, weather patterns, regional economic recessions and political matters combined to cause worldwide oil supplies to exceed demand resulting in a substantial decline in oil prices. Also during 1998, but to a lesser extent, market prices for natural gas declined. During 1999 and 2000, the Organization of Petroleum Exporting Countries ("OPEC") and certain other crude oil exporting nations announced reductions in their planned export volumes. Those announcements, together with the enactment of the announced reductions in export volumes, had a positive impact on world oil prices, as have overall natural gas supply and demand fundamentals on North American natural gas prices. Although the favorable commodity price environment and stable field service cost environment is expected to continue during 2001, there is no assurance that commodity prices will not return to a less favorable level or that field service costs will not escalate in the future, both of which could negatively impact the Partnership's future results of operations and cash distributions. Liquidity and capital resources Net Cash Provided by Operating Activities Net cash provided by operating activities increased $504,622 during the year ended December 31, 2000 from 1999. This increase was due to an increase in oil and gas sales receipts of $611,256, offset by increases in production costs paid of $79,062, G&A expenses paid of $10,341 and working capital of $17,231. The increase in oil and gas receipts resulted from the increase in commodity prices during 2000 which contributed an additional $632,790 to oil and gas receipts, offset by $21,534 resulting from the decline in production during 2000. The increase in production costs was primarily due to increased production taxes associated with higher oil and gas prices and additional well maintenance and workover costs incurred to stimulate well production. The increase in G&A was primarily due to higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. Net Cash Used in Investing Activities The Partnership's principal investing activities during 2000 and 1999 included expenditures related to equipment upgrades on active oil and gas properties. Proceeds from disposition of assets of $2,023 recognized in 2000 were due to equipment credits received on one fully depleted well. 7 1096 Net Cash Used in Financing Activities In 2000, cash distributions to the partners were $833,500, of which $8,335 was distributed to the managing general partner and $825,165 to the limited partners. In 1999, cash distributions to the partners were $274,380, of which $2,744 was distributed to the managing general partner and $271,636 to the limited partners. 8 1097 ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA INDEX TO FINANCIAL STATEMENTS 9 1098 INDEPENDENT AUDITORS' REPORT The Partners Parker & Parsley 90-B Conv., L.P. (A Delaware Limited Partnership): We have audited the balance sheets of Parker & Parsley 90-B Conv., L.P. as of December 31, 2000 and 1999, and the related statements of operations, partners' capital and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion. In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parker & Parsley 90-B Conv., L.P. as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States. Ernst & Young LLP Dallas, Texas March 9, 2001 10 1099 PARKER & PARSLEY 90-B CONV., L.P. (A Delaware Limited Partnership) BALANCE SHEETS December 31 2000 1999 ----------- ---------- ASSETS ------ Current assets: Cash $ 132,300 $ 132,031 Accounts receivable - oil and gas sales 209,552 143,411 --------- --------- Total current assets 341,852 275,442 --------- --------- Oil and gas properties - at cost, based on the successful efforts accounting method 9,628,120 9,612,816 Accumulated depletion (8,075,752) (7,939,049) --------- --------- Net oil and gas properties 1,552,368 1,673,767 --------- --------- $ 1,894,220 $ 1,949,209 ========== ========= LIABILITIES AND PARTNERS' CAPITAL -------------------------------- Current liabilities: Accounts payable - affiliate $ 15,580 $ 24,507 Partners' capital: Managing general partner 18,785 19,246 Limited partners (11,897 interests) 1,859,855 1,905,456 --------- --------- 1,878,640 1,924,702 --------- --------- $ 1,894,220 $ 1,949,209 ========= ========= The accompanying notes are an integral part of these financial statements. 11 1100 PARKER & PARSLEY 90-B CONV., L.P. (A Delaware Limited Partnership) STATEMENTS OF OPERATIONS For the years ended December 31 2000 1999 1998 ----------- ----------- ----------- Revenues: Oil and gas $ 1,513,122 $ 907,791 $ 764,787 Interest 11,620 5,695 6,937 Gain on disposition of assets 2,023 -- 1,669 ----------- ----------- ----------- 1,526,765 913,486 773,393 ----------- ----------- ----------- Costs and expenses: Oil and gas production 557,245 478,183 517,526 General and administrative 45,379 35,038 26,722 Impairment of oil and gas properties

31,774 88,497 275,430 Depletion 104,929 147,354 327,671 ----------- ----------- ----------- 739,327 749,072 1,147,349 ----------- ----------- ----------- Net income (loss) $ 787,438 $ 164,414 $ (373,956) =========== =========== =========== Allocation of net income (loss): Managing general partner $ 7,874 $ 1,644 $ (3,740) =========== =========== =========== Limited partners $ 779,564 $ 162,770 $ (370,216) =========== =========== =========== Net income (loss) per limited partnership interest $ 65.53 $ 13.68 $ (31.12) =========== =========== =========== The accompanying notes are an integral part of these financial statements. 12 1101 PARKER & PARSLEY 90-B CONV., L.P. (A Delaware Limited Partnership) STATEMENTS OF PARTNERS' CAPITAL Managing general Limited partner partners Total -------------- -------------- ---------------- Partners' capital at January 1, 1998 $ 26,929 $2,666,043 $2,692,972 Distributions (2,843) (281,505) (284,348) Net loss (3,740) (370,216) (373,956) ------- -------- -------- Partners' capital at December 31, 1998 20,346 2,014,322 2,034,668 Distributions (2,744) (271,636) (274,380) Net income 1,644 162,770 164,414 ------- -------- -------- Partners' capital at December 31, 1999 19,246 1,905,456 1,924,702 Distributions (8,335) (825,165) (833,500) Net income 7,874 779,564 787,438 ------- -------- -------- Partners' capital at December 31, 2000 $ 18,785 $1,859,855 $1,878,640 ======== ========= ========= The accompanying notes are an integral part of these financial statements. 13 1102 PARKER & PARSLEY 90-B CONV., L.P. (A Delaware Limited Partnership) STATEMENTS OF CASH FLOWS For the years ended December 31 2000 1999 1998 --------- --------- --------- Cash flows from operating activities: Net income (loss) $ 787,438 $ 164,414 $(373,956) Adjustments to reconcile net income (loss) to net cash provided by operating activities: Impairment of oil and gas properties 31,774 88,497 275,430 Depletion 104,929 147,354 327,671 Gain on disposition of assets (2,023) -- (1,669) Changes in assets and liabilities: Accounts receivable (66,141) (59,604) 42,963 Accounts payable (8,927) 1,767 (11,798) --------- --------- --------- Net cash provided by operating activities 847,050 342,428 258,641 --------- --------- --------- Cash flows from investing activities: Additions to oil and gas properties (15,304) (12,347) (18,344) Proceeds from disposition of assets 2,023 -- 1,669 --------- --------- --------- Net cash used in investing activities (13,281) (12,347) (16,675) --------- --------- --------- Cash flows used in financing activities: Cash distributions to partners (833,500) (274,380) (284,348) --------- --------- --------- Net increase (decrease) in cash 269 55,701 (42,382) Cash at beginning of year 132,031 76,330 118,712 --------- --------- --------- Cash at end of year $ 132,300 $ 132,031 $ 76,330 ========= ========= ========= The accompanying notes are an integral part of these financial statements. 14 1103 PARKER & PARSLEY 90-B CONV., L.P. (A Delaware Limited Partnership) NOTES TO FINANCIAL STATEMENTS December 31, 2000, 1999 and 1998 NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS Parker & Parsley 90-B Conv., L.P. (the "Partnership") was organized as a general partnership in 1990 under the laws of the State of Texas and was converted to a Delaware limited partnership on August 1, 1991. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA"). The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas. NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows: Oil and gas properties - The Partnership utilizes the successful efforts method of accounting for its oil and gas properties and equipment. Under this method, all costs associated with productive wells and nonproductive development wells are capitalized while nonproductive exploration costs are expensed. Capitalized costs relating to proved properties are depleted using the unit-of-production method on a property-by-property basis based on proved oil (dominant mineral) reserves as evaluated by independent petroleum consultants. The carrying amounts of properties sold or otherwise disposed of and the related allowances for depletion are eliminated from the accounts and any gain or loss is included in results of operations. Impairment of long-lived assets - In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the Partnership reviews its long-lived assets to be held and used on an individual property basis, including oil and gas properties accounted for under the successful efforts method of accounting, whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. An impairment loss is indicated if the sum of the expected future cash flows is less than the carrying amount of the assets. In this circumstance, the Partnership recognizes an impairment loss for the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset. Use of estimates in the preparation of financial statements - Preparation of the accompanying financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. Net income (loss) per limited partnership interest - The net income (loss) per limited partnership interest is calculated by using the number of outstanding limited partnership interests. 15 1104 Income taxes - A Federal income tax provision has not been included in the financial statements as the income of the Partnership is included in the individual Federal income tax returns of the respective partners. Statements of cash flows - For purposes of reporting cash flows, cash includes depository accounts held by banks. General and administrative expenses - General and administrative expenses are allocated in part to the Partnership by the managing general partner. Allocated expenses are determined by the managing general partner based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities. Reclassifications - Certain reclassifications may have been made to the 1999 and 1998 financial statements to conform to the 2000 financial statement presentations. Environmental - The Partnership is subject to extensive federal, state and local environmental laws and regulations. These laws, which are constantly changing, regulate the discharge of materials into the environment and may require the Partnership to remove or mitigate the environmental effects of the disposal or release of petroleum or chemical substances at various sites. Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Liabilities for expenditures of a noncapital nature are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated. Such liabilities are generally undiscounted unless the timing of cash payments for the liability or component are fixed or reliably determinable. No such liabilities have been accrued as of December 31, 2000. Revenue recognition - The Partnership uses the entitlements method of accounting for oil, natural gas liquids ("NGLs") and natural gas revenues. NOTE 3. IMPAIRMENT OF LONG-LIVED ASSETS In accordance with SFAS 121, the Partnership reviews its proved oil and gas properties for impairment whenever events and circumstances indicate a decline in the recoverability of the carrying value of the Partnership's oil and gas properties. The Partnership has estimated the expected future cash flows of its oil and gas properties as of December 31, 2000, 1999 and 1998, based on proved reserves, and compared such estimated future cash flows to the respective carrying amount of the oil and gas properties to determine if the carrying amounts were likely to be recoverable. For those proved oil and gas properties for which the carrying amount exceeded the estimated future cash flows, an impairment was determined to exist; therefore, the Partnership adjusted the carrying amount of those oil and gas properties to their fair value as determined by discounting their expected future cash flows at a discount rate commensurate with the risks involved in the industry. As a result, the Partnership recognized non-cash impairment provisions of $31,774, $88,497 and $275,430 related to its proved oil and gas properties during 2000, 1999 and 1998, respectively. 16 1105 NOTE 4. INCOME TAXES The financial statement basis of the Partnership's net assets and liabilities was $233,211 greater than the tax basis at December 31, 2000. The following is a reconciliation of net income (loss) per statements of operations with the net income per Federal income tax returns for the years ended December 31: 2000 1999 1998 --------- --------- --------- Net income (loss) per statements of operations $ 787,438 $ 164,414 $(373,956) Depletion and depreciation provisions for tax reporting purposes less than amounts for financial reporting purposes 90,499 132,570 175,500 Impairment of oil and gas properties for financial reporting purposes 31,774 88,497 275,430 Other, net (1,742) (4,660) 3,987 --------- --------- --------- Net income per Federal income tax returns $ 907,969 $ 380,821 $ 80,961 ========= ========= ========= NOTE 5. OIL AND GAS PRODUCING ACTIVITIES The following is a summary of the costs incurred, whether capitalized or expensed, related to the Partnership's oil and gas producing activities for the years ended December 31: 2000 1999 1998 ----------- ------------- ------------- Development costs $ 15,304 $ 12,347 $ 18,344 ======== ======== ======== Capitalized oil and gas properties consist of the following: 2000 1999 ------------ ----------- Proved properties: Property acquisition costs $ 369,498 $ 369,498 Completed wells and equipment 9,258,622 9,243,318 --------- --------- 9,628,120 9,612,816 Accumulated depletion (8,075,752) (7,939,049) ---------- ---------- Net oil and gas properties $1,552,368 $1,673,767 ========== ========== NOTE 6. RELATED PARTY TRANSACTIONS Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31: 2000 1999 1998 --------------------------- ------------- Payment of lease operating and supervision charges in accordance with standard industry operating agreements $ 211,037 $ 214,306 $ 209,549 Reimbursement of general and administrative expenses $ 40,368 $ 27,181 $ 22,923 17 1106 The Partnership participates in oil and gas activities through an income tax partnership (the "Program") pursuant to the Program agreement. Pioneer USA, P&P Employees 90-B Conv., L.P. ("EMPL"), Parker & Parsley 90-B, L.P. and the Partnership (the "Partnerships") are parties to the Program agreement. EMPL is a limited partnership organized for the benefit of certain employees of Pioneer USA. EMPL was merged with Pioneer USA on December 28, 2000. The costs and revenues of the Program are allocated to Pioneer USA and the Partnerships as follows: Pioneer USA(1) Partnerships(2) -------------- -------------- Revenues: Proceeds from disposition of depreciable and depletable properties: First three years 14.141414% 85.858586% After first three years 19.191919% 80.808081% All other revenues First three years 14.141414% 85.858586% After first three years 19.191919% 80.808081% Costs and expenses: Lease acquisition costs, drilling and completion costs and all other costs 9.090909% 90.909091% Operating costs, reporting and legal expenses and general and administrative expenses: First three years 14.141414% 85.858586% After first three years 19.191919% 80.808081% (1) Excludes Pioneer USA's 1% general partner ownership which is allocated at the Partnership level and 80 limited partner interests owned by Pioneer USA. (2) The allocation between the Partnership and Parker & Parsley 90-B, L.P. is 26.94006% and 73.05994%, respectively. NOTE 7. OIL AND GAS INFORMATION (UNAUDITED) The following table presents information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities during the years then ended. All of the Partnership's reserves are proved developed and located within the United States. The Partnership's reserves are based on an evaluation prepared by Williamson Petroleum Consultants, Inc., an independent petroleum consultant, using criteria established by the Securities and Exchange Commission. Oil and NGLs Gas (bbls) (mcf) ------------- ----------- Net proved reserves at January 1, 1998 914,930 864,646 Revisions (446,456) (190,771) Production (58,543) (73,460) -------- -------- Net proved reserves at December 31, 1998 409,931 600,415 Revisions 435,645 666,249 Production (53,864) (70,803) -------- -------- Net proved reserves at December 31, 1999 791,712 1,195,861 Revisions 15,019 (155,368) Production (53,388) (64,786) -------- -------- Net proved reserves at December 31, 2000 753,343 975,707 ======== ======== 18 1107 As of December 31, 2000, the estimated present value of future net revenues of proved reserves, calculated using December 31, 2000 prices of $26.64 per barrel of oil, $13.19 per barrel of NGLs and $7.66 per mcf of gas, discounted at 10% was approximately $5,752,000 and undiscounted was $11,644,000. Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves. The Partnership emphasizes that reserve estimates are inherently imprecise and, accordingly, the estimates are expected to change as future information becomes available. Disclosures about Oil & Gas Producing Activities Standardized Measure of Discounted Future Net Cash Flows The standardized measure of discounted future net cash flows is computed by applying year-end prices of oil and gas (with consideration of price changes only to the extent provided by contractual arrangements) to the estimated future production of proved oil and gas reserves less estimated future expenditures (based on year-end costs) to be incurred in developing and producing the proved reserves, discounted using a rate of 10% per year to reflect the estimated timing of the future cash flows. A Federal income tax provision has not been calculated as the income of the Partnership is included in the individual Federal income tax returns of the respective partners. Discounted future cash flow estimates like those shown below are not intended to represent estimates of the fair value of oil and gas properties. Estimates of fair value should also consider anticipated future oil and gas prices, interest rates, changes in development and production costs and risks associated with future production. Because of these and other considerations, any estimate of fair value is necessarily subjective and imprecise. For the years ended December 31, ---------------------------------- 2000 1999 1998 -------- -------- -------- (in thousands) Oil and gas producing activities: Future cash inflows $ 24,248 $ 19,527 $ 4,449 Future production costs (12,604) (10,978) (3,339) -------- -------- -------- 11,644 8,549 1,110 10% annual discount factor (5,892) (4,165) (375) -------- -------- -------- Standardized measure of discounted future net cash flows $ 5,752 $ 4,384 $ 735 ======== ======== ======== 19 1108 For the years ended December 31, ------------------------------------ 2000 1999 1998 -------- --------- -------- (in thousands) Oil and Gas Producing Activities: Oil and gas sales, net of production costs $ (956) $ (430) $ (247) Net changes in prices and production costs 2,152 2,137 (2,389) Revisions of previous quantity estimates (71) 3,126 (518) Accretion of discount 438 74 362 Changes in production rates, timing and other (195) (1,258) (94) -------- --------- -------- Change in present value of future net revenues 1,368 3,649 (2,886) -------- --------- -------- Balance, beginning of year 4,384 735 3,621 -------- --------- -------- Balance, end of year $ 5,752 $ 4,384 $ 735 ========= ========= =========

NOTE 8. MAJOR CUSTOMERS The following table reflects the major customers of the Partnership's oil and gas sales (a major customer is defined as a customer whose sales exceed 10% of total sales) during the years ended December 31: 2000 1999 1998 -------- -------- -------- Plains Marketing, L.P. 48% 46% - TEPPCO Crude Oil LLC 10% 11% - Genesis Crude Oil, L.P. - - 58% Western Gas Resources, Inc. 4% 5% 21% Phillips Petroleum Company 10% 5% 5% At December 31, 2000, the amounts receivable from Plains Marketing, L.P., TEPPCO Crude Oil LLC and Phillips Petroleum Company were $65,440, $13,643 and $7,386, respectively, which are included in the caption "Accounts receivable - oil and gas sales" in the accompanying Balance Sheet. Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on the ability of the Partnership to sell its oil, NGLs and gas production. NOTE 9. PARTNERSHIP AGREEMENT The following is a brief summary of the more significant provisions of the Partnership agreement: Managing general partner - The managing general partner of the Partnership is Pioneer USA. Pioneer USA has the power and authority to manage, control and administer all Program and Partnership affairs. As managing general partner and operator of the Partnership's properties, all production expenses are incurred by Pioneer USA and billed to the Partnership. The 20 1109 majority of the Partnership's oil and gas revenues are received directly by the Partnership, however, a portion of the oil and gas revenue is initially received by Pioneer USA prior to being paid to the Partnership. Under the Partnership agreement, the managing general partner pays 1% of the Partnership's acquisition, drilling and completion costs and 1% of its operating and general and administrative expenses. In return, it is allocated 1% of the Partnership's revenues. Limited partner liability - The maximum amount of liability of any limited partner is the total contributions of such partner plus his share of any undistributed profits. Initial capital contributions - The partners entered into subscription agreements for aggregate capital contributions of $11,897,000. The managing general partner is required to contribute amounts equal to 1% of initial Partnership capital less commission and organization and offering costs allocated to the limited partners and to contribute amounts necessary to pay costs and expenses allocated to it under the Partnership agreement to the extent its share of revenues does not cover such costs. ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE None. 21 1110 PART III ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE PARTNERSHIP The Partnership does not have any officers or directors. Under the limited partnership agreement, the Partnership's managing general partner, Pioneer USA, is granted the exclusive right and full authority to manage, control and administer the Partnership's business. Set forth below are the names, ages and positions of the directors and executive officers of Pioneer USA. Directors of Pioneer USA are elected to serve until the next annual meeting of stockholders or until their successors are elected and qualified. Age at December 31, Name 2000 Position ---- ---- -------- Scott D. Sheffield 48 President Timothy L. Dove 44 Executive Vice President, Chief Financial Officer and Director Dennis E. Fagerstone 51 Executive Vice President and Director Mark L. Withrow 53 Executive Vice President, General Counsel and Director Danny Kellum 46 Executive Vice President - Domestic Operations and Director Rich Dealy 34 Vice President and Chief Accounting Officer Scott D. Sheffield. Mr. Sheffield is a graduate of The University of Texas with a B.S. in Petroleum Engineering. Since August 1997, he has served as President, Chief Executive Officer and a director of Pioneer and President of Pioneer USA. Mr. Sheffield assumed the position of Chairman of the Board of Pioneer in August 1999. He served as a director of Pioneer USA from August 1997 until his resignation from the board in June 1999. Mr. Sheffield was the President and a director of Parker & Parsley Petroleum Company ("Parker & Parsley") from May 1990 until August 1997 and was the Chairman of the Board and Chief Executive Officer of Parker & Parsley from October 1990 until August 1997. He was the sole director of Parker & Parsley from May 1990 until October 1990. Mr. Sheffield joined Parker & Parsley Development Company ("PPDC"), a predecessor of Parker & Parsley, as a petroleum engineer in 1979. He 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 and Chief Executive Officer of PPDC. Before joining PPDC's predecessor, Mr. Sheffield was employed as a production and reservoir engineer for Amoco Production Company. 22 1111 Timothy L. Dove. Mr. Dove earned a B.S. in Mechanical Engineering from Massachusetts Institute of Technology in 1979 and received his M.B.A. in 1981 from the University of Chicago. He became Executive Vice President - Business Development of Pioneer and Pioneer USA in August 1997 and was also appointed a director of Pioneer USA in August 1997. Mr. Dove assumed the position of Chief Financial Officer of Pioneer and Pioneer USA effective February 1, 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. Prior to 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 marketing and planning and development. Dennis E. Fagerstone. Mr. Fagerstone, a graduate of the Colorado School of Mines with a B.S. in Petroleum Engineering, became an Executive Vice President of Pioneer and Pioneer USA in August 1997. He was also appointed a director of Pioneer USA in August 1997. He served as Executive Vice President and Chief Operating Officer of MESA Inc. ("Mesa") from March 1, 1997 until August 1997. From October 1996 to February 1997, Mr. Fagerstone served as Senior Vice President and Chief Operating Officer of Mesa and from May 1991 to October 1996, he served as Vice President - Exploration and Production of Mesa. From June 1988 to May 1991, Mr. Fagerstone served as Vice President - Operations of Mesa. Mark L. Withrow. Mr. Withrow, a graduate of Abilene Christian University with a B. S. in Accounting and Texas Tech University with a Juris Doctorate degree, became Executive Vice President, General Counsel and Secretary of Pioneer and Pioneer USA in August 1997. He was also appointed a director of Pioneer USA in August 1997. Mr. Withrow was Vice President - General Counsel of Parker & Parsley from January 1991, when he joined Parker & Parsley, to January 1995, when he was appointed Senior Vice President - General Counsel. He was Parker & Parsley's Secretary from August 1992 until August 1997. Prior to joining Parker & Parsley, Mr. Withrow was the managing partner of the law firm of Turpin, Smith, Dyer, Saxe & MacDonald, Midland, Texas. Danny Kellum. Mr. Kellum, who received a Bachelor of Science degree in Petroleum Engineering from Texas Tech University in 1979, was elected Executive Vice President - Domestic Operations of Pioneer and Pioneer USA on May 18, 2000 and Director of Pioneer USA on February 1, 2000. From January 2000 until May 2000, Mr. Kellum served as Vice President - Domestic Operations of Pioneer and Pioneer USA. Mr. Kellum served as Vice President Permian Division of Pioneer and Pioneer USA from April 1998 until December 1999. From 1989 until 1994 he served as Spraberry District Manager and as Vice President of the Spraberry and Permian Division for Parker & Parsley until August of 1997. Mr. Kellum joined Parker & Parsley as an operations engineer in 1981 after a brief career with Mobil Oil Corporation. Rich Dealy. Mr. Dealy is a graduate of Eastern New Mexico University with a B.B.A. in Accounting and Finance and is a Certified Public Accountant. He became Vice President and Chief Accounting Officer of Pioneer and Pioneer USA in February 1998. Mr. Dealy served as Controller of Pioneer USA from August 1997 to February 1998. He served as Controller of Parker & Parsley from August 1995 to August 1997. Mr. Dealy joined Parker & Parsley as an Accounting Manager in July, 1992. He was previously employed with KPMG Peat Marwick as an Audit Senior, in charge of Parker & Parsley's audit. 23 1112 ITEM 11. EXECUTIVE COMPENSATION The Partnership does not have any directors or officers. Management of the Partnership is performed by Pioneer USA, the managing general partner. The Partnership participates in oil and gas activities through an income tax partnership (the "Program") pursuant to the Program agreement. Under the Program agreement, Pioneer USA pays approximately 10% of the Program's acquisition, drilling and completion costs and approximately 15% during the first three years and approximately 20% after three years of its operating and general and administrative expenses. In return, they are allocated approximately 15% during the first three years and approximately 20% after three years of the Program's revenues. The Partnership does not directly pay any salaries of the executive officers of Pioneer USA, but does pay a portion of Pioneer USA's general and administrative expenses of which these salaries are a part. See Notes 6 and 9 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" for information regarding fees and reimbursements paid to the managing general partner by the Partnership. ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT (a) Beneficial owners of more than five percent The Partnership is not aware of any person who beneficially owns 5% or more of the outstanding limited partnership interests of the Partnership. Pioneer USA owned 80 limited partnership interests at January 1, 2001. (b) Security ownership of management The Partnership does not have any officers or directors. The managing general partner of the Partnership, Pioneer USA, has the exclusive right and full authority to manage, control and administer the Partnership's business. Under the limited partnership agreement, limited partners holding a majority of the outstanding limited partnership interests have the right to take certain actions, including the removal of the managing general partner or any other general partner. The Partnership is not aware of any current arrangement or activity which may lead to such removal. The Partnership is not aware of any officer or director of Pioneer USA who beneficially owns limited partnership interests in the Partnership. ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS Transactions with the managing general partner Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31: 24 1113 2000 1999 1998 --------------------------- ------------- Payment of lease operating and supervision charges in accordance with standard industry operating agreements $ 211,037 $ 214,306 $ 209,549 Reimbursement of general and administrative expenses $ 40,368 $ 27,181 $ 22,923 Under the limited partnership agreement, the managing general partner pays 1% of the Partnership's acquisition, drilling and completion costs and 1% of its operating and general and administrative expenses. In return, it is allocated 1% of the Partnership's revenues. Also, see Notes 6 and 9 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data", regarding the Partnership's participation with the managing general partner in oil and gas activities of the Program. 25 1114 PART IV ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K (a) 1. Financial statements The following are filed as part of this Report: Independent Auditors' Report Balance sheets as of December 31, 2000 and 1999 Statements of operations for the years ended December 31, 2000, 1999 and 1998 Statements of partners' capital for the years ended December 31, 2000, 1999 and 1998 Statements of cash flows for the years ended December 31, 2000, 1999 and 1998 Notes to financial statements 2. Financial statement schedules All financial statement schedules have been omitted since the required information is in the financial statements or notes thereto, or is not applicable nor required. (b) Reports on Form 8-K None. (c) Exhibits The exhibits listed on the accompanying index to exhibits are filed or incorporated by reference as part of this Report. 26 1115 S I G N A T U R E S Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized. PARKER & PARSLEY 90-B CONV., L.P. Dated: March 28, 2001 By: Pioneer Natural Resources USA, Inc. Managing General Partner By: /s/ Scott D. Sheffield -------------------------------- Scott D. Sheffield, President Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated. /s/ Scott D. Sheffield President of Pioneer USA March 28, 2001 ------------------------------- Scott D. Sheffield /s/ Timothy L. Dove Executive Vice President, Chief March 28, 2001 ------------------------------- Financial Officer and Director of Timothy L. Dove Pioneer USA /s/ Dennis E. Fagerstone Executive Vice President and March 28, 2001 ------------------------------- Director of Pioneer USA Dennis E. Fagerstone /s/ Mark L. Withrow Executive Vice President, General March 28, 2001 ------------------------------- Counsel and Director of Pioneer USA Mark L. Withrow /s/ Danny Kellum Executive Vice President - Domestic March 28, 2001 ------------------------------- Operations and Director of Pioneer Danny Kellum USA /s/ Rich Dealy Vice President and Chief Accounting March 28, 2001 ------------------------------- Officer of Pioneer USA Rich Dealy 27 1116 PARKER & PARSLEY 90-B CONV., L.P. INDEX TO EXHIBITS The following documents are incorporated by reference in response to Item 14(c): Exhibit No. Description Page ----------- --------------- 3(a) Form of Agreement of Limited Partnership - of Parker & Parsley 90-B Conv., L.P. incorporated by reference to Exhibit A of the Post-Effective Amendment No. 1 of the Partnership's Registration Statement on Form S-1 (Registration No. 33-26097) 4(b) Form of Limited Partner Subscription Agreement - incorporated by reference to Exhibit C of the Post-Effective Amendment No. 1 of the Partnership's Registration Statement on Form S-1 (Registration No. 33-26097) 4(b) Form of General Partner Subscription Agreement - incorporated by reference to Exhibit D of the Post-Effective Amendment No. 1 of the Partnership's Registration Statement on Form S-1 (Registration No. 33-26097) 4(b) Power of Attorney incorporated by reference to - Exhibit B of Amendment No. 1 of the Partnership's Registration Statement on Form S-1 (Registration No. 33-26097) 4(c) Specimen Certificate of Limited Partnership - Interest incorporated by reference to Exhibit 4c of the Partnership's Registration Statement on Form S-1 (Registration No. 33-26097) 10(b) Form of Development Drilling Program - Agreement incorporated by reference to Exhibit B of the Post-Effective Amendment No. 1 of the Partnership's Registration Statement on Form S-1 (Registration No. 33-26097) 28 1117 PARKER & PARSLEY 90-B CONV., L.P. SELECTED FINANCIAL DATA The following selected financial data for the Partnership should be read in connection with Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements included in the attached supplemental information. Three months ended March 31, Years ended December 31, --- 2001 2000 2000 1999 1998 1997 1996 -------- ---------- ---------- ---------- ---------- ---------- ---------- Operating results: Oil and gas sales $ $ 330,703 $1,513,122 $ 907,791 $ 764,787 $1,118,628 $1,382,265 ======== ========= ========= ========= ========= ========= ========= Impairment of oil and gas properties $ $ -- $ 31,774 $ 88,497 $ 275,430 $ 328,594 $ 22,474 ======== ========= ========= ========= ========= ========= ========= Net income (loss) $ $ 164,319 $ 787,438 $ 164,414 $ (373,956) $ (55,191) $ 544,919 ======== ========= ========= ========= ========= ========= ========= Allocation of net income (loss): Managing general partner $ $ 1,643 $

7,874 $ 1,644 $ (3,740) $ (552) $ 5,449 ======== ========= ========= ========= ========= ========= ========= Limited partners $ $ 162,676 $ 779,564 $ 162,770 $ (370,216) $ (54,639) $ 539,470 ======== ========= ========= ========= ========= ========= ========= Limited partners' net income (loss) per limited partnership interest $ $ 13.67 $ 65.53 $ 13.68 $ (31.12) $ (4.59) $ 45.35 ======== ========= ========= ========= ========= ========= ========= Limited partners' cash distributions per limited partnership interest $ $ 14.98 $ 69.36 $ 22.83 $ 23.66 $ 52.38 $ 56.21 ======== ========= ========= ========= ========= ========= ========= At year end: Identifiable assets $ $1,936,371 $1,894,220 $1,949,209 $2,057,408 $2,727,510 $3,402,932 ======== ========= ========= ========= ========= ========= ========= 1118 PIONEER NATURAL RESOURCES COMPANY PIONEER NATURAL RESOURCES USA, INC. 1400 WILLIAMS SQUARE WEST 5205 NORTH O'CONNOR BLVD. IRVING, TEXAS 75039 SUPPLEMENTAL INFORMATION OF PARKER & PARSLEY 90-B, L.P., A DELAWARE LIMITED PARTNERSHIP TO PROXY STATEMENT/PROSPECTUS DATED , 2001 ---------- THE DATE OF THIS SUPPLEMENT IS , 2001 ---------- This document contains important information specific to Parker & Parsley 90-B, L.P., and supplements the proxy statement/prospectus dated , 2001, of Pioneer Natural Resources Company and Pioneer Natural Resources USA, Inc., by which Pioneer USA is soliciting proxies to be voted at a special meeting of limited partners of the partnership. The purpose of the special meeting is for you to vote upon the merger of the partnership with and into Pioneer USA that, if completed, will result in your receiving common stock of Pioneer Natural Resources Company and cash for your partnership interests. This document contains the following information concerning Parker & Parsley 90-B, L.P.: o A table containing: -- the aggregate initial investment by the limited partners -- the aggregate historical limited partner distributions through March 31, 2001 -- the aggregate merger value attributable to partnership interests of limited partners, excluding Pioneer USA -- the merger value per $1,000 limited partner investment as of March 31, 2001 -- the merger value per $1,000 limited partner investment as a multiple of distributions for the 12 months ended March 31, 2001 -- the book value per $1,000 limited partner investment as of March 31, 2001 and as of December 31, 2000 -- the going concern value per $1,000 limited partner investment as of March 31, 2001 -- the liquidation value per $1,000 limited partner investment as of March 31, 2001 -- the ordinary tax loss per $1,000 limited partner investment in year of initial investment o Information about the legal opinion for the limited partners o The partnership's quarterly report on Form 10-Q, including management's discussion and analysis of financial condition and results of operations, for the three months ended March 31, 2001 o The partnership's annual report on Form 10-K, including management's discussion and analysis of financial condition and results of operations, for the year ended December 31, 2000 o Selected historical financial data for the partnership for the three months ended March 31, 2001 and 2000 and the five years ended December 31, 2000 -1- 1119 PARKER & PARSLEY 90-B, L.P. SUPPLEMENTAL INFORMATION TABLE Aggregate Initial Investment by the Limited Partners(a) $ 32,264 Aggregate Historical Limited Partner Distributions through March 31, 2001(a) $ 22,350 Aggregate Merger Value Attributable to Partnership Interests of Limited Partners, $ 8,325 Excluding Pioneer USA(a) Merger Value per $1,000 Limited Partner Investment as of March 31, 2001(b) $ 258.68 Merger Value per $1,000 Limited Partner Investment as a Multiple of Distributions for the 3.72 times 12 Months ended March 31, 2001(b) Book Value per $1,000 Limited Partner Investment: -- as of March 31, 2001(b) $ -- as of December 31, 2000(b) $ 156.56 Going Concern Value per $1,000 Limited Partner Investment as of March 31, 2001(b) $ 234.47 Liquidation Value per $1,000 Limited Partner Investment as of March 31, 2001(b) $ 251.74 Ordinary Tax Loss per $1,000 Limited Partner Investment in Year of Initial Investment $ 155 (b), (c) ---------- (a) Stated in thousands. (b) Interests in some partnerships were sold in units at prices other than $1,000. We have presented this information based on a $1,000 initial investment for ease of use and comparison among partnerships. You should not assume that the amount shown per $1,000 investment is the same as the value or amount attributable to a single unit investment. (c) Your ability to use your distributive share of the partnership's loss to offset your other income may have been subject to certain limitations at your level as a partner, and you may therefore wish to consult your tax advisor to determine the additional value, if any, actually realized by you in your particular circumstances. INFORMATION ABOUT THE LEGAL OPINION FOR THE LIMITED PARTNERS The partnership agreement for the partnership requires that special legal counsel render an opinion on behalf of the limited partners to Pioneer USA that neither the grant nor the exercise of the right to approve the merger of the partnership by its limited partners will adversely affect the federal income tax classification of the partnership or any of its limited partners. Although not required by the partnership agreement, the opinion will also state that neither the grant nor exercise of such right will result in the loss of any limited partner's limited liability. In addition, the counsel designated to render the opinion is not required to be counsel other than counsel to Pioneer USA or the partnership. Both the designated counsel and the legal opinion must be approved by the limited partners. Pioneer USA has retained __________ of Dallas, Texas for the purpose of rendering this legal opinion on behalf of the limited partners to Pioneer USA. The merger proposals include an approval of that counsel and the form of its opinion. A copy of the opinion is attached as an exhibit to the merger proposals. -2- 1120 UNITED STATES SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D. C. 20549 FORM 10-K Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000 COMMISSION FILE NO. 33-26097-07 PARKER & PARSLEY 90-B, L.P. (Exact name of Registrant as specified in its charter) DELAWARE 75-2329287 ------------------------------------ ------------------------- (State or other jurisdiction of (I.R.S. Employer incorporation or organization) Identification Number) 1400 WILLIAMS SQUARE WEST, 5205 N. O'CONNOR BLVD., IRVING, TEXAS 75039 --- ---------- (Address of principal executive offices) (Zip code) Registrant's Telephone Number, including area code: (972) 444-9001 Securities registered pursuant to Section 12(b) of the Act: NONE Securities registered pursuant to Section 12(g) of the Act: LIMITED PARTNERSHIP INTERESTS ($1,000 PER UNIT) Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES / X / NO / / Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. / X / No market currently exists for the limited partnership interests of the Registrant. Based on the original purchase price, the aggregate market value of limited partnership interests owned by non-affiliates of the Registrant is $32,181,000. As of March 8, 2001, the number of outstanding limited partnership interests was 32,264. The following documents are incorporated by reference into the indicated parts of this Annual Report on Form 10-K: None PARTS I AND II OF THIS ANNUAL REPORT ON FORM 10-K (THE "REPORT") CONTAIN FORWARD LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. ACCORDINGLY, NO ASSURANCES CAN BE GIVEN THAT THE ACTUAL EVENTS AND RESULTS WILL NOT BE MATERIALLY DIFFERENT THAN THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS. SEE "ITEM 1. BUSINESS" FOR A DESCRIPTION OF VARIOUS FACTORS THAT COULD MATERIALLY AFFECT THE ABILITY OF THE PARTNERSHIP TO ACHIEVE THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS. 1121 PART I ITEM 1. BUSINESS Parker & Parsley 90-B, L.P. (the "Partnership") is a limited partnership organized in 1990 under the laws of the State of Delaware. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA"). Pioneer USA is a wholly-owned subsidiary of Pioneer Natural Resources Company ("Pioneer"). As of March 8, 2001, the Partnership had 32,264 limited partnership interests outstanding. The Partnership does not have any employees of its own. Pioneer USA employs 701 persons, many of whom dedicated a part of their time to the conduct of the Partnership's business during the period for which this Report is filed. Pioneer USA supplies all management functions. The Partnership engages in oil and gas development and production and is not involved in any industry segment other than oil and gas. The Partnership's production is geographically concentrated in West Texas. The principal markets during 2000 for the oil produced by the Partnership were refineries and oil transmission companies that have facilities near the Partnership's oil producing properties. During 2000, Pioneer USA marketed the Partnership's gas to a variety of purchasers, none of which accounted for 10% or more of the Partnership's oil and gas revenues. Of the Partnership's total oil and gas revenues for 2000, approximately 48% was attributable to sales made to Plains Marketing, L.P., 10% to TEPPCO Crude Oil LLC and 10% to Phillips Petroleum Company. Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on its ability to sell its oil, natural gas liquids ("NGLs") and gas production. The Partnership's revenues, profitability, cash flow and future rate of growth are highly dependent on the prevailing prices of oil and gas, which are affected by numerous factors beyond the Partnership's control. Oil and gas prices historically have been very volatile. A substantial or extended decline in the prices of oil or gas could have a material adverse effect on the Partnership's revenues, profitability and cash flow and could, under certain circumstances, result in a reduction in the carrying value of the Partnership's oil and gas properties. Oil and gas production operations are subject to various types of regulations by local, state and federal agencies. The Partnership's operations are also subject to state conservation laws and regulations, including the establishment of maximum rates of production from wells and the regulation of spacing, plugging and abandonment of wells. Each state generally imposes a production or severance tax with respect to production and sale of oil and gas within their respective jurisdictions. Noncompliance with the laws and regulations may subject the Partnership to penalties, damages or other liabilities and compliance may increase the cost of the Partnership's operations. The oil and gas business is also subject to environmental hazards such as oil spills, gas leaks and ruptures and discharges of toxic substances or gases that could expose the Partnership to substantial 2 1122 liability due to pollution and other environmental damages. Although the Partnership believes that its business operations do not impair environmental quality and that its costs of complying with any applicable environmental regulations are not currently significant, the Partnership cannot predict what, if any, effect these environmental regulations may have on its current or future operations. Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves. No material part of the Partnership's business is seasonal and the Partnership conducts no foreign operations. ITEM 2. PROPERTIES The Partnership's properties consist of leasehold interests in properties on which oil and gas wells are located. Such property interests are often subject to landowner royalties, overriding royalties and other oil and gas leasehold interests. Fractional working interests in developmental oil and gas prospects located primarily in the Spraberry Trend Area of West Texas were acquired by the Partnership, resulting in the Partnership's participation in the drilling of 104 oil and gas wells. One well has been plugged and abandoned. At December 31, 2000, the Partnership had 103 producing oil and gas wells. For information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities for the years then ended, see Note 7 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" below. Such reserves have been evaluated by Williamson Petroleum Consultants, Inc., an independent petroleum consultant. ITEM 3. LEGAL PROCEEDINGS The Partnership from time to time is a party to various legal proceedings incidental to its business involving claims in oil and gas leases or interests, other claims for damages in amounts not in excess of 10% of its current assets and other matters, none of which Pioneer USA believes to be material to the Partnership. ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS There were no matters submitted to a vote of the partners during the fourth quarter of 2000. 3 1123 PART II ITEM 5. MARKET FOR LIMITED PARTNERSHIP INTERESTS AND LIMITED PARTNERSHIP DISTRIBUTIONS At March 8, 2001, the Partnership had 32,264 outstanding limited partnership interests held of record by 2,201 subscribers. There is no established public trading market for the limited partnership interests. Under the limited partnership agreement, Pioneer USA has made certain commitments to purchase partnership interests at a computed value. Revenues which, in the sole judgement of the managing general partner, are not required to meet the Partnership's obligations are distributed to the partners at least quarterly in accordance with the limited partnership agreement. During the years ended December 31, 2000 and 1999, $2,237,802 and $736,663, respectively, of such revenue-related distributions were made to the limited partners. ITEM 6. SELECTED FINANCIAL DATA The following table sets forth selected financial data for the years ended December 31: 2000 1999 1998 1997 1996 ------------ ----------- ---------- ----------- ----------- Operating results: ----------------- Oil and gas sales $ 4,103,548 $ 2,461,819 $ 2,074,056 $ 3,033,675 $ 3,748,608 =========== =========== ========== =========== =========== Impairment of oil and gas properties $ 86,231 $ 240,063 $ 744,642 $ 891,257 $ 61,080 =========== =========== ========== =========== =========== Net income (loss) $ 2,136,271 $ 447,469 $(1,011,459) $ (149,382) $ 1,479,052 =========== =========== ========== =========== =========== Allocation of net income (loss): Managing general partner $ 21,363 $ 4,475 $ (10,115) $ (1,494) $ 14,790 =========== =========== ========== =========== =========== Limited partners $ 2,114,908 $ 442,994 $(1,001,344) $ (147,888) $ 1,464,262 =========== =========== ========== =========== =========== Limited partners' net income (loss) per limited partnership interest $ 65.55 $ 13.73 $ (31.04) $ (4.58) $ 45.38 =========== =========== ========== =========== =========== Limited partners' cash distributions per limited partnership interest $ 69.36 $ 22.83 $ 23.66 $ 52.38 $ 56.25 =========== =========== ========== =========== =========== At year end: ----------- Identifiable assets $ 5,144,391 $ 5,292,769 $ 5,585,045 $ 7,399,664 $ 9,230,704 =========== =========== ========== =========== =========== 4 1124 ITEM 7. MANAGEMENT' DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

AND RESULTS OF OPERATIONS Results of Operations 2000 compared to 1999 The Partnership's oil and gas revenues increased 67% to $4,103,548 for 2000 as compared to $2,461,819 in 1999. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 2000, 99,252 barrels of oil, 45,552 barrels of natural gas liquids ("NGLs") and 175,696 mcf of gas were sold, or 174,087 barrel of oil equivalents ("BOEs"). In 1999, 98,658 barrels of oil, 47,406 barrels of NGLs and 192,016 mcf of gas were sold, or 178,067 BOEs. Due to the decline characteristics of the Partnership's oil and gas properties, management expects a certain amount of decline in production in the future until the Partnership's economically recoverable reserves are fully depleted. The average price received per barrel of oil increased $12.00, or 70%, from $17.23 in 1999 to $29.23 in 2000. The average price received per barrel of NGLs increased $5.96, or 63%, from $9.49 in 1999 to $15.45 in 2000. The average price received per mcf of gas increased 75% from $1.62 in 1999 to $2.84 in 2000. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received in 2000. Gain on disposition of assets of $5,487 recognized in 2000 was due to equipment credits received on one fully depleted well. Total costs and expenses decreased in 2000 to $2,004,420 as compared to $2,029,978 in 1999, a decrease of $25,558, or 1%. The decrease was due to declines in the impairment of oil and gas properties and depletion, offset by increases in production costs and general and administrative expenses ("G&A"). Production costs were $1,511,223 in 2000 and $1,296,822 in 1999, resulting in an increase of $214,401, or 17%. The increase was primarily due to higher production taxes associated with higher oil and gas prices and additional well maintenance and workover costs incurred to stimulate well production. G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 31% from $93,562 in 1999 to $122,731 in 2000 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner $109,474 in 2000 and $73,707 in 1999 for G&A incurred on behalf of the Partnership. The remaining G&A was paid directly by the Partnership. The managing general partner determines the allocated expenses based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities. 5 1125 In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the managing general partner reviews the Partnership's oil and gas properties for impairment whenever events or circumstances indicate a decline in the recoverability of the carrying value of the Partnership's assets may have occurred. As a result of the review and evaluation of its long-lived assets for impairment, the Partnership recognized non-cash charges of $86,231 and $240,063 related to its oil and gas properties during 2000 and 1999, respectively. Depletion was $284,235 in 2000 compared to $399,531 in 1999, representing a decrease of $115,296, or 29%. This decrease was primarily due to an 81,075 barrels of oil increase in proved reserves during 2000 as a result of higher commodity prices and a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 1999. 1999 compared to 1998 The Partnership's 1999 oil and gas revenues increased 19% to $2,461,819 from $2,074,056 in 1998. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 1999, 98,658 barrels of oil, 47,406 barrels of NGLs and 192,016 mcf of gas were sold, or 178,067 BOEs. In 1998, 111,585 barrels of oil, 47,190 barrels of NGLs and 199,215 mcf of gas were sold, or 191,978 BOEs. The average price received per barrel of oil increased $4.11, or 31%, from $13.12 in 1998 to $17.23 in 1999. The average price received per barrel of NGLs increased $2.89, or 44%, from $6.60 in 1998 to $9.49 in 1999. The average price received per mcf of gas increased 8% from $1.50 in 1998 to $1.62 in 1999. A gain on disposition of assets of $4,527 recognized during 1998 was due to credits received from the disposal of oil and gas equipment on one fully depleted well and one well that was plugged and abandoned in a prior year. Total costs and expenses decreased in 1999 to $2,029,978 as compared to $3,108,696 in 1998, a decrease of $1,078,718, or 35%. The decrease was due to declines in the impairment of oil and gas properties, depletion and production costs, offset by an increase in G&A. Production costs were $1,296,822 in 1999 and $1,403,494 in 1998, resulting in a $106,672 decrease, or 8%. The decrease was due to declines in well maintenance costs, ad valorem taxes and workover costs. During this period, G&A increased 29% from $72,284 in 1998 to $93,562 in 1999 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner $73,707 in 1999 and $62,152 in 1998 for G&A incurred on behalf of the Partnership. The Partnership recognized non-cash SFAS 121 charges of $240,063 and $744,642 related to its oil and gas properties during 1999 and 1998, respectively. 6 1126 Depletion was $399,531 in 1999 compared to $888,276 in 1998. This represented a decrease of $488,745, or 55%. This decrease was primarily due to an increase in proved reserves of 761,146 barrels of oil during 1999 due to higher commodity prices, a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 1998 and a decline in oil production of 12,927 barrels for the period ended December 31, 1999 compared to the same period in 1998. Petroleum industry The petroleum industry has been characterized by volatile oil, NGL and natural gas commodity prices and relatively stable supplier costs during the three years ended December 31, 2000. During 1998, weather patterns, regional economic recessions and political matters combined to cause worldwide oil supplies to exceed demand resulting in a substantial decline in oil prices. Also during 1998, but to a lesser extent, market prices for natural gas declined. During 1999 and 2000, the Organization of Petroleum Exporting Countries ("OPEC") and certain other crude oil exporting nations announced reductions in their planned export volumes. Those announcements, together with the enactment of the announced reductions in export volumes, had a positive impact on world oil prices, as have overall natural gas supply and demand fundamentals on North American natural gas prices. Although the favorable commodity price environment and stable field service cost environment is expected to continue during 2001, there is no assurance that commodity prices will not return to a less favorable level or that field service costs will not escalate in the future, both of which could negatively impact the Partnership's future results of operations and cash distributions. Liquidity and capital resources Net Cash Provided by Operating Activities Net cash provided by operating activities increased $1,473,163 during the year ended December 31, 2000 from 1999. This increase was due to an increase in oil and gas sales receipts of $1,657,757 and a decline in working capital of $58,976, offset by increases in production costs paid of $214,401 and G&A expenses paid of $29,169. The increase in oil and gas receipts resulted from the increase in commodity prices during 2000 which contributed an additional $1,715,313 to oil and gas receipts, offset by $57,556 resulting from the decline in production during 2000. The increase in production costs was primarily due to increased production taxes associated with higher oil and gas prices and additional well maintenance and workover costs incurred to stimulate well production. The increase in G&A was primarily due to higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. Net Cash Used in Investing Activities The Partnership's principal investing activities during 2000 and 1999 included expenditures related to equipment upgrades on active oil and gas properties. Proceeds from disposition of assets of $5,487 recognized in 2000 were due to equipment credits received on one fully depleted well. 7 1127 Net Cash Used in Financing Activities In 2000, cash distributions to the partners were $2,260,406, of which $22,604 was distributed to the managing general partner and $2,237,802 to the limited partners. In 1999, cash distributions to the partners were $744,104, of which $7,441 was distributed to the managing general partner and $736,663 to the limited partners. 8 1128 ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA INDEX TO FINANCIAL STATEMENTS Page ---- 9 1129 INDEPENDENT AUDITORS' REPORT The Partners Parker & Parsley 90-B, L.P. (A Delaware Limited Partnership): We have audited the balance sheets of Parker & Parsley 90-B, L.P. as of December 31, 2000 and 1999, and the related statements of operations, partners' capital and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion. In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parker & Parsley 90-B, L.P. as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States. Ernst & Young LLP Dallas, Texas March 9, 2001 10 1130 PARKER & PARSLEY 90-B, L.P. (A Delaware Limited Partnership) BALANCE SHEETS December 31 2000 1999 ----------- ---------- ASSETS ------ Current assets: Cash $ 364,895 $ 311,017 Accounts receivable - oil and gas sales 568,283 441,577 ----------- ---------- Total current assets 933,178 752,594 ----------- ---------- Oil and gas properties - at cost, based on the successful efforts accounting method 26,110,930 26,069,426 Accumulated depletion (21,899,717) (21,529,251) ----------- ---------- Net oil and gas properties 4,211,213 4,540,175 ----------- ---------- $ 5,144,391 $ 5,292,769 =========== ========== LIABILITIES AND PARTNERS' CAPITAL --------------------------------- Current liabilities: Accounts payable - affiliate $ 42,091 $ 66,334 Partners' capital: Managing general partner 51,027 52,268 Limited partners (32,264 interests) 5,051,273 5,174,167 ----------- ---------- 5,102,300 5,226,435 ----------- ---------- $ 5,144,391 $ 5,292,769 =========== ========== The accompanying notes are an integral part of these financial statements. 11 1131 PARKER & PARSLEY 90-B, L.P. (A Delaware Limited Partnership) STATEMENTS OF OPERATIONS For the years ended December 31 2000 1999 1998 ---------- ---------- ---------- Revenues: Oil and gas $ 4,103,548 $ 2,461,819 $ 2,074,056 Interest 31,656 15,628 18,654 Gain on disposition of assets 5,487 - 4,527 ---------- ---------- ---------- 4,140,691 2,477,447 2,097,237 ---------- ---------- ---------- Costs and expenses: Oil and gas production 1,511,223 1,296,822 1,403,494 General and administrative 122,731 93,562 72,284 Impairment of oil and gas properties 86,231 240,063 744,642 Depletion 284,235 399,531 888,276 ---------- ---------- ---------- 2,004,420 2,029,978 3,108,696 ---------- ---------- ---------- Net income (loss) $ 2,136,271 $ 447,469 $(1,011,459) ========== ========== ========== Allocation of net income (loss): Managing general partner $ 21,363 $ 4,475 $ (10,115) ========== ========== ========== Limited partners $ 2,114,908 $ 442,994 $(1,001,344) ========== ========== ========== Net income (loss) per limited partnership interest $ 65.55 $ 13.73 $ (31.04) ========== ========== ========== The accompanying notes are an integral part of these financial statements. 12 1132 PARKER & PARSLEY 90-B, L.P. (A Delaware Limited Partnership) STATEMENTS OF PARTNERS' CAPITAL Managing general Limited partner partners Total --------- ---------- ---------- Partners' capital at January 1, 1998 $ 73,061 $ 7,232,631 $ 7,305,692 Distributions (7,712) (763,451) (771,163) Net loss (10,115) (1,001,344) (1,011,459) --------- ---------- ---------- Partners' capital at December 31, 1998 55,234 5,467,836 5,523,070 Distributions (7,441) (736,663) (744,104) Net income 4,475 442,994 447,469 --------- ---------- ---------- Partners' capital at December 31, 1999 52,268 5,174,167 5,226,435 Distributions (22,604) (2,237,802) (2,260,406) Net income 21,363 2,114,908 2,136,271 --------- ---------- ---------- Partners' capital at December 31, 2000 $ 51,027 $ 5,051,273 $ 5,102,300 ========= ========== ========== The accompanying notes are an integral part of these financial statements. 13 1133 PARKER & PARSLEY 90-B, L.P. (A Delaware Limited Partnership) STATEMENTS OF CASH FLOWS For the years ended December 31 2000 1999 1998 ---------- ---------- ----------- Cash flows from operating activities: Net income (loss) $ 2,136,271 $ 447,469 $ (1,011,459) Adjustments to reconcile net income (loss) to net cash provided by operating activities: Impairment of oil and gas properties 86,231 240,063 744,642 Depletion 284,235 399,531 888,276 Gain on disposition of assets (5,487) - (4,527) Changes in assets and liabilities: Accounts receivable (126,706) (214,284) 116,516 Accounts payable (24,243) 4,359 (31,997) ---------- ---------- ----------- Net cash provided by operating activities 2,350,301 877,138 701,451 ---------- ---------- ----------- Cash flows from investing activities: Additions to oil and gas properties (41,504) (33,486) (49,747) Proceeds from disposition of assets 5,487 - 4,527 ---------- ---------- ----------- Net cash used in investing activities (36,017) (33,486) (45,220) ---------- ---------- ----------- Cash flows used in financing activities: Cash distributions to partners (2,260,406) (744,104) (771,163) ---------- ---------- ----------- Net increase (decrease) in cash 53,878 99,548 (114,932) Cash at beginning of year 311,017 211,469 326,401 ---------- ---------- ----------- Cash at end of year $ 364,895 $ 311,017 $ 211,469 ========== ========== =========== The accompanying notes are an integral part of these financial statements. 14 1134 PARKER & PARSLEY 90-B, L.P. (A Delaware Limited Partnership) NOTES TO FINANCIAL STATEMENTS December 31, 2000, 1999 and 1998 NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS Parker & Parsley 90-B, L.P. (the "Partnership") is a limited partnership organized in 1990 under the laws of the State of Delaware. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA"). The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas. NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows: Oil and gas properties - The Partnership utilizes the successful efforts method of accounting for its oil and gas properties and equipment. Under this method, all costs associated with productive wells and nonproductive development wells are capitalized while nonproductive exploration costs are expensed. Capitalized costs relating to proved properties are depleted using the unit-of- production method on a property-by-property basis based on proved oil (dominant mineral) reserves as evaluated by independent petroleum consultants. The carrying amounts of properties sold or otherwise disposed of and the related allowances for depletion are eliminated from the accounts and any gain or loss is included in results of operations. Impairment of long-lived assets - In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the Partnership reviews its long-lived assets to be held and used on an individual property basis, including oil and gas properties accounted for under the successful efforts method of accounting, whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. An impairment loss is indicated if the sum of the expected future cash flows is less than the carrying amount of the assets. In this circumstance, the Partnership recognizes an impairment loss for the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset. Use of estimates in the preparation of financial statements - Preparation of the accompanying financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. Net income (loss) per limited partnership interest - The net income (loss) per limited partnership interest is calculated by using the number of outstanding limited partnership interests. Income taxes - A Federal income tax provision has not been included in the financial statements as the income of the Partnership is included in the individual Federal income tax returns of the respective partners. 15 1135 Statements of cash flows - For purposes of reporting cash flows, cash includes depository accounts held by banks. General and administrative expenses - General and administrative expenses are allocated in part to the Partnership by the managing general partner. Allocated expenses are determined by the managing general partner based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities. Reclassifications - Certain reclassifications may have been made to the 1999 and 1998 financial statements to conform to the 2000 financial statement presentations. Environmental - The Partnership is subject to extensive federal, state and local environmental laws and regulations. These laws, which are constantly changing, regulate the discharge of materials into the environment and may require the Partnership to remove or mitigate the environmental effects of the disposal or release of petroleum or chemical substances at various sites. Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Liabilities for expenditures of a noncapital nature are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated. Such liabilities are generally undiscounted unless the timing of cash payments for the liability or component are fixed or reliably determinable. No such liabilities have been accrued as of December 31, 2000. Revenue recognition - The Partnership uses the entitlements method of accounting for oil, natural gas liquids ("NGLs") and natural gas revenues. NOTE 3. IMPAIRMENT OF LONG-LIVED ASSETS In accordance with SFAS 121, the Partnership reviews its proved oil and gas properties for impairment whenever events and circumstances indicate a decline in the recoverability of the carrying value of the Partnership's oil and gas properties. The Partnership has estimated the expected future cash flows of its oil and gas properties as of December 31, 2000, 1999 and 1998, based on proved reserves, and compared such estimated future cash flows to the respective carrying amount of the oil and gas properties to determine if the carrying amounts were likely to be recoverable. For those proved oil and gas properties for which the carrying amount exceeded the estimated future cash flows, an impairment was determined to exist; therefore, the Partnership adjusted the carrying amount of those oil and gas properties to their fair value as determined by discounting their expected future cash flows at a discount rate commensurate with the risks involved in the industry. As a result, the Partnership recognized non-cash impairment provisions of $86,231, $240,063 and $744,642 related to its proved oil and gas properties during 2000, 1999 and 1998, respectively. 16 1136 NOTE 4. INCOME TAXES The financial statement basis of the Partnership's net assets and liabilities was $632,807 greater than the tax basis at December 31, 2000. The following is a reconciliation of net income (loss) per statements of operations with the net income per Federal income tax returns for the years ended December 31: 2000 1999 1998 ------------ ------------ ------------- Net income (loss) per statements of operations $ 2,136,271 $ 447,469 $ (1,011,459) Depletion and depreciation provisions for tax reporting purposes less than amounts for financial reporting purposes 246,057 359,438 475,607 Impairment of oil and gas properties for financial reporting purposes 86,231 240,063 744,642 Other, net (4,768) (12,935) 11,120 ------------ ------------ ------------- Net income per Federal income tax returns $ 2,463,791 $ 1,034,035 $ 219,910 ============ ============ ============= NOTE 5. OIL AND GAS PRODUCING ACTIVITIES The following is a summary of the costs incurred, whether capitalized or expensed, related to the Partnership's oil and gas producing activities for the years ended December 31: 2000 1999 1998 --------- --------- --------- Development costs $ 41,504 $ 33,486 $ 49,747 ======== ======== ======== Capitalized oil and gas properties consist of the following: 2000 1999 ------------ ------------- Proved properties: Property acquisition costs $ 1,002,057 $ 1,002,057 Completed wells and equipment 25,108,873 25,067,369 ------------ ------------- 26,110,930 26,069,426 Accumulated depletion (21,899,717) (21,529,251) ------------ ------------- Net oil and gas properties $ 4,211,213 $ 4,540,175 ============ ============= NOTE 6. RELATED PARTY TRANSACTIONS Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31: 2000 1999 1998 --------- --------- --------- Payment of lease operating and supervision charges in accordance with standard industry operating agreements $ 572,323 $ 581,191 $ 568,275 --------- --------- --------- Reimbursement of general and administrative expenses $ 109,474 $ 73,707 $ 62,152 17 1137 The Partnership participates in oil and gas activities through an income tax partnership (the "Program") pursuant to the Program agreement. Pioneer USA and P&P Employees 90-B Conv., L.P. ("EMPL"), Parker & Parsley 90-B Conv., L.P. and the Partnership (the "Partnerships") are parties to the Program agreement. EMPL is a limited partnership organized for the benefit of certain employees of Pioneer USA. EMPL was merged with Pioneer USA on December 28, 2000. The costs and revenues of the Program are allocated to Pioneer USA and the Partnerships as follows: Pioneer USA(1) Partnerships(2) -------------- -------------- Revenues: Proceeds from disposition of depreciable and depletable properties First three years 14.141414% 85.858586% After first three years 19.191919% 80.808081% All other revenues First three years 14.141414% 85.858586% After first three years 19.191919% 80.808081% Costs and expenses: Lease acquisition costs, drilling and completion costs and all other costs 9.090909% 90.909091% Operating costs, reporting and legal expenses and general and administrative expenses First three years 14.141414% 85.858586% After first three years 19.191919% 80.808081% (1) Excludes Pioneer USA's 1% general partner ownership which is allocated at the Partnership level and 83 limited partner interests owned by Pioneer USA. (2) The allocation between the Partnership and Parker & Parsley 90-B Conv., L.P. is 73.05994% and 26.94006%, respectively. NOTE 7. OIL AND GAS INFORMATION (UNAUDITED) The following table presents information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities during the years then ended. All of the Partnership's reserves are proved developed and located within the United States. The Partnership's reserves are based on an evaluation prepared by Williamson Petroleum Consultants, Inc., an independent petroleum consultant, using criteria established by the Securities and Exchange Commission. Oil and NGLs Gas (bbls) (mcf) ----------- ---------- Net proved reserves at January 1, 1998 2,481,201 2,344,959 Revisions (1,210,571) (517,240) Production (158,775) (199,215) ----------- ---------- Net proved reserves at December 31, 1998 1,111,855 1,628,504 Revisions 1,181,592 1,807,095 Production (146,064) (192,016) ----------- ---------- Net proved reserves at December 31, 1999 2,147,383 3,243,583 Revisions 46,430 (419,625) Production (144,804) (175,696) ----------- ---------- Net proved reserves at December 31, 2000 2,049,009 2,648,262 =========== ========== 18 1138 As of December 31, 2000, the estimated present value of future net revenues of proved reserves, calculated using December 31, 2000 prices of $26.64 per barrel of oil, $13.19 per barrel of NGLs and $7.66 per mcf of gas, discounted at 10% was approximately $15,617,000 and undiscounted was $31,632,000. Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves. The Partnership emphasizes that reserve estimates are inherently imprecise and, accordingly, the estimates are expected to change as future information becomes available. Disclosures about Oil & Gas Producing Activities Standardized Measure of Discounted Future Net Cash Flows The standardized measure of discounted future net cash flows is computed by applying year-end prices of oil and gas (with consideration of price changes only to the extent provided by contractual arrangements) to the estimated future production of proved oil and gas reserves less estimated future expenditures (based on year-end costs) to be incurred in developing and producing the proved reserves, discounted using a rate of 10% per year to reflect the estimated timing of the future cash flows. A Federal income tax provision has not been calculated as the income of the Partnership is included in the individual Federal income tax returns of the respective partners. Discounted future cash flow estimates like those shown below are not intended to represent estimates of the fair value of oil and gas properties. Estimates of fair value should also consider probable reserves, anticipated future oil and gas prices, interest rates, changes in development and production costs and risks associated with future production. Because of these and other considerations, any estimate of fair value is necessarily subjective and imprecise. For the years ended December 31, ------------------------------------ 2000 1999 1998 ---------- ---------- ---------- (in thousands) Oil and gas producing activities: Future cash inflows $ 65,926 $ 52,962 $ 12,063 Future production costs (34,294) (29,776) (9,053) ---------- ---------- ---------- 31,632 23,186 3,010 10% annual discount factor (16,015) (11,296) (1,016) ---------- ---------- ---------- Standardized measure of discounted future net cash flows $ 15,617 $ 11,890 $ 1,994 ========== ========== ========== For the years ended December 31, ------------------------------------ 2000 1999 1998 ----------- ----------- ---------- (in thousands) Oil and Gas Producing Activities: Oil and gas sales, net of production costs $ (2,592) $ (1,165) $ (671) Net changes in prices and production costs 5,824 5,796 (6,480) Revisions of previous quantity estimates (153) 8,478 (1,405) Accretion of discount 1,189 199 982 Changes in production rates, timing and other (541) (3,412) (254) ---------- ---------- --------- Change in present value of future net revenues 3,727 9,896 (7,828) ---------- ---------- --------- Balance, beginning of year 11,890 1,994 9,822 ---------- ---------- --------- Balance, end of year $ 15,617 $ 11,890 $ 1,994 ========== ========== ========= 19 1139 NOTE 8. MAJOR CUSTOMERS The following table reflects the major customers of the Partnership's oil and gas sales (a major customer is defined as a customer whose sales exceed 10% of total sales) during the years ended December 31: 2000 1999 1998 -------- -------- -------- Plains Marketing, L.P. 48% 46% - TEPPCO Crude Oil LLC 10% 11% - Genesis Crude Oil, L.P. - - 58% Western Gas Resources, Inc. 4% 5% 22% Phillips Petroleum Company 10% 5% 5% At December 31, 2000, the amounts receivable from Plains Marketing, L.P., TEPPCO Crude Oil LLC and Phillips Petroleum Company were $177,462, $37,001 and $20,032, respectively, which are included in the caption "Accounts receivable - oil and gas sales" in the accompanying Balance Sheet. Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on the ability of the Partnership to sell its oil, NGLs and gas production. NOTE 9. PARTNERSHIP AGREEMENT The following is a brief summary of the more significant provisions of the limited partnership agreement: Managing general partner - The managing general partner of the Partnership is Pioneer USA. Pioneer USA has the power and authority to manage, control and administer all Program and Partnership affairs. As managing general partner and operator of the Partnership's properties, all production expenses are incurred by Pioneer USA and billed to the Partnership. The 20 1140 majority of the Partnership's oil and gas revenues are received directly by the Partnership, however, a portion of the oil and gas revenue is initially received by Pioneer USA prior to being paid to the Partnership. Under the Partnership agreement, the managing general partner pays 1% of the Partnership's acquisition, drilling and completion costs and 1% of its operating and general and administrative expenses. In return, it is allocated 1% of the Partnership's revenues. Limited partner liability - The maximum amount of liability of any limited partner is the total contributions of such partner plus his share of any undistributed profits. Initial capital contributions - The limited partners entered into subscription agreements for aggregate capital contributions of $32,264,000. The managing general partner is required to contribute amounts equal to 1% of initial Partnership capital less commission and organization and offering costs allocated to the limited partners and to contribute amounts necessary to pay costs and expenses allocated to it under the Partnership agreement to the extent its share of revenues does not cover such costs. ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE None. 21 1141 PART III ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE PARTNERSHIP The Partnership does not have any officers or directors. Under the limited partnership agreement, the Partnership's managing general partner, Pioneer USA, is granted the exclusive right and full authority to manage, control and administer the Partnership's business. Set forth below are the names, ages and positions of the directors and executive officers of Pioneer USA. Directors of Pioneer USA are elected to serve until the next annual meeting of stockholders or until their successors are elected and qualified. Age at December 31, Name 2000 Position ---- ---- -------- Scott D. Sheffield 48 President Timothy L. Dove 44 Executive Vice President, Chief Financial Officer and Director Dennis E. Fagerstone 51 Executive Vice President and Director

Mark L. Withrow 53 Executive Vice President, General Counsel and Director Danny Kellum 46 Executive Vice President - Domestic Operations and Director Rich Dealy 34 Vice President and Chief Accounting Officer Scott D. Sheffield. Mr. Sheffield is a graduate of The University of Texas with a B.S. in Petroleum Engineering. Since August 1997, he has served as President, Chief Executive Officer and a director of Pioneer and President of Pioneer USA. Mr. Sheffield assumed the position of Chairman of the Board of Pioneer in August 1999. He served as a director of Pioneer USA from August 1997 until his resignation from the board in June 1999. Mr. Sheffield was the President and a director of Parker & Parsley Petroleum Company ("Parker & Parsley") from May 1990 until August 1997 and was the Chairman of the Board and Chief Executive Officer of Parker & Parsley from October 1990 until August 1997. He was the sole director of Parker & Parsley from May 1990 until October 1990. Mr. Sheffield joined Parker & Parsley Development Company ("PPDC"), a predecessor of Parker & Parsley, as a petroleum engineer in 1979. He 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 and Chief Executive Officer of PPDC. Before joining PPDC's predecessor, Mr. Sheffield was employed as a production and reservoir engineer for Amoco Production Company. 22 1142 Timothy L. Dove. Mr. Dove earned a B.S. in Mechanical Engineering from Massachusetts Institute of Technology in 1979 and received his M.B.A. in 1981 from the University of Chicago. He became Executive Vice President - Business Development of Pioneer and Pioneer USA in August 1997 and was also appointed a director of Pioneer USA in August 1997. Mr. Dove assumed the position of Chief Financial Officer of Pioneer and Pioneer USA effective February 1, 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. Prior to 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 marketing and planning and development. Dennis E. Fagerstone. Mr. Fagerstone, a graduate of the Colorado School of Mines with a B.S. in Petroleum Engineering, became an Executive Vice President of Pioneer and Pioneer USA in August 1997. He was also appointed a director of Pioneer USA in August 1997. He served as Executive Vice President and Chief Operating Officer of MESA Inc. ("Mesa") from March 1, 1997 until August 1997. From October 1996 to February 1997, Mr. Fagerstone served as Senior Vice President and Chief Operating Officer of Mesa and from May 1991 to October 1996, he served as Vice President - Exploration and Production of Mesa. From June 1988 to May 1991, Mr. Fagerstone served as Vice President - Operations of Mesa. Mark L. Withrow. Mr. Withrow, a graduate of Abilene Christian University with a B. S. in Accounting and Texas Tech University with a Juris Doctorate degree, became Executive Vice President, General Counsel and Secretary of Pioneer and Pioneer USA in August 1997. He was also appointed a director of Pioneer USA in August 1997. Mr. Withrow was Vice President - General Counsel of Parker & Parsley from January 1991, when he joined Parker & Parsley, to January 1995, when he was appointed Senior Vice President - General Counsel. He was Parker & Parsley's Secretary from August 1992 until August 1997. Prior to joining Parker & Parsley, Mr. Withrow was the managing partner of the law firm of Turpin, Smith, Dyer, Saxe & MacDonald, Midland, Texas. Danny Kellum. Mr. Kellum, who received a Bachelor of Science degree in Petroleum Engineering from Texas Tech University in 1979, was elected Executive Vice President - Domestic Operations of Pioneer and Pioneer USA on May 18, 2000 and Director of Pioneer USA on February 1, 2000. From January 2000 until May 2000, Mr. Kellum served as Vice President - Domestic Operations of Pioneer and Pioneer USA. Mr. Kellum served as Vice President Permian Division of Pioneer and Pioneer USA from April 1998 until December 1999. From 1989 until 1994 he served as Spraberry District Manager and as Vice President of the Spraberry and Permian Division for Parker & Parsley until August of 1997. Mr. Kellum joined Parker & Parsley as an operations engineer in 1981 after a brief career with Mobil Oil Corporation. Rich Dealy. Mr. Dealy is a graduate of Eastern New Mexico University with a B.B.A. in Accounting and Finance and is a Certified Public Accountant. He became Vice President and Chief Accounting Officer of Pioneer and Pioneer USA in February 1998. Mr. Dealy served as Controller of Pioneer USA from August 1997 to February 1998. He served as Controller of Parker & Parsley from August 1995 to August 1997. Mr. Dealy joined Parker & Parsley as an Accounting Manager in July, 1992. He was previously employed with KPMG Peat Marwick as an Audit Senior, in charge of Parker & Parsley's audit. 23 1143 ITEM 11. EXECUTIVE COMPENSATION The Partnership does not have any directors or officers. Management of the Partnership is performed by Pioneer USA, the managing general partner. The Partnership participates in oil and gas activities through an income tax partnership (the "Program") pursuant to the Program agreement. Under the Program agreement, Pioneer USA pays approximately 10% of the

Program's acquisition, drilling and completion costs and approximately 15% during the first three years and approximately 20% after three years of its operating and general and administrative expenses. In return, they are allocated approximately 15% during the first three years and approximately 20% after three years of the Program's revenues. The Partnership does not directly pay any salaries of the executive officers of Pioneer USA, but does pay a portion of Pioneer USA's general and administrative expenses of which these salaries are a part. See Notes 6 and 9 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" for information regarding fees and reimbursements paid to the managing general partner by the Partnership. ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT (a) Beneficial owners of more than five percent The Partnership is not aware of any person who beneficially owns 5% or more of the outstanding limited partnership interests of the Partnership. Pioneer USA owned 83 limited partnership interests at January 1, 2001. (b) Security ownership of management The Partnership does not have any officers or directors. The managing general partner of the Partnership, Pioneer USA, has the exclusive right and full authority to manage, control and administer the Partnership's business. Under the limited partnership agreement, limited partners holding a majority of the outstanding limited partnership interests have the right to take certain actions, including the removal of the managing general partner or any other general partner. The Partnership is not aware of any current arrangement or activity which may lead to such removal. The Partnership is not aware of any officer or director of Pioneer USA who beneficially owns limited partnership interests in the Partnership. ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS Transactions with the managing general Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31: 24 1144 2000 1999 1998 -------- --------- -------- Payment of lease operating and supervision charges in accordance with standard industry operating agreements $ 572,323 $ 581,191 $ 568,275 Reimbursement of general and administrative expenses $ 109,474 $ 73,707 $ 62,152 Under the limited partnership agreement, the managing general partner pays 1% of the Partnership's acquisition, drilling and completion costs and 1% of its operating and general and administrative expenses. In return, it is allocated 1% of the Partnership's revenues. Also see Notes 6 and 9 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data", regarding the Partnership's participation with the managing general partner in oil and gas activities of the Program. 25 1145 PART IV ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K (a) 1. Financial statements The following are filed as part of this Report: Independent Auditors' Report Balance sheets as of December 31, 2000 and 1999 Statements of operations for the years ended December 31, 2000, 1999 and 1998 Statements of partners' capital for the years ended December 31, 2000, 1999 and 1998 Statements of cash flows for the years ended December 31, 2000, 1999 and 1998 Notes to financial statements 2. Financial statement schedules All financial statement schedules have been omitted since the required information is in the financial statements or notes thereto, or is not applicable nor required. (b) Reports on Form 8-K None. (c) Exhibits The exhibits listed on the accompanying index to exhibits are filed or incorporated by reference as part of this Report. 26 1146 S I G N A T U R E S Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized. PARKER & PARSLEY 90-B, L.P. Dated: March 28, 2001 By: Pioneer Natural Resources USA, Inc. Managing General Partner By: /s/ Scott D. Sheffield ------------------------------ Scott D. Sheffield, President Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated. /s/ Scott D. Sheffield President of Pioneer USA March 28, 2001 ------------------------------ Scott D. Sheffield /s/ Timothy L. Dove Executive Vice President, Chief March 28, 2001 ------------------------------ Financial Officer and Director of Timothy L. Dove Pioneer USA /s/ Dennis E. Fagerstone Executive Vice President and March 28, 2001 ------------------------------ Director of Pioneer USA Dennis E. Fagerstone /s/ Mark L. Withrow Executive Vice President, General March 28, 2001 ------------------------------ Counsel and Director of Pioneer USA Mark L. Withrow /s/ Danny Kellum Executive Vice President - Domestic March 28, 2001 ------------------------------ Operations and Director of Pioneer Danny Kellum USA /s/ Rich Dealy Vice President and Chief Accounting March 28, 2001 ------------------------------ Officer of Pioneer USA Rich Dealy 27 1147 PARKER & PARSLEY 90-B, L.P. INDEX TO EXHIBITS The following documents are incorporated by reference in response to Item 14(c): Exhibit No. Description Page ----------- ----------- ---- 3(a) Form of Agreement of Limited Partnership - of Parker & Parsley 90-B, L.P. incorporated by reference to Exhibit A of the Post-Effective Amendment No. 1 of the Partnership's Registration Statement on Form S-1 (Registration No. 33-26097) 4(b) Form of Limited Partner Subscription Agreement -

incorporated by reference to Exhibit C of the Post-Effective Amendment No. 1 of the Partnership's Registration Statement on Form S-1 (Registration No. 33-26097) 4(b) Form of General Partner Subscription Agreement - incorporated by reference to Exhibit D of the Post-Effective Amendment No. 1 of the Partnership's Registration Statement on Form S-1 (Registration No. 33-26097) 4(b) Power of Attorney incorporated by reference to - Exhibit B of Amendment No. 1 of the Partnership's Registration Statement on Form S-1 (Registration No. 33-26097) 4(c) Specimen Certificate of Limited Partnership - Interest incorporated by reference to Exhibit 4c of the Partnership's Registration Statement on Form S-1 (Registration No. 33-26097) 10(b) Form of Development Drilling Program - Agreement incorporated by reference to Exhibit B of the Post-Effective Amendment No. 1 of the Partnership's Registration Statement on Form S-1 (Registration No. 33-26097) 28 1148 PARKER & PARSLEY 90-B, L.P. SELECTED FINANCIAL DATA The following selected financial data for the Partnership should be read in connection with Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements included in the attached supplemental information. Three months ended March 31, Years ended December 31, -------------------- -- 2001 2000 2000 1999 1998 1997 1996 -------- ---------- ---------- ---------- ---------- ---------- ---------- Operating results: Oil and gas sales $ $ 896,935 $4,103,548 $2,461,819 $ 2,074,056 $3,033,675 $3,748,608 ======== ========== ========== ========== ========== ========== ========== Impairment of oil and gas properties $ $ -- $ 86,231 $ 240,063 $ 744,642 $ 891,257 $ 61,080 ======== ========== ========== ========== =========== ========== ========== Net income (loss) $ $ 445,716 $2,136,271 $ 447,469 $(1,011,459) $ (149,382) $1,479,052 ======== ========== ========== ========== =========== ========== ========== Allocation of net income (loss): Managing general partner $ $ 4,457 $ 21,363 $ 4,475 $ (10,115) $ (1,494) $ 14,790 ======== ========== ========== ========== =========== ========== ========== Limited partners $ $ 441,259 $2,114,908 $ 442,994 $(1,001,344) $ (147,888) $1,464,262 ======== ========== ========== ========== =========== ========== ========== Limited partners' net income (loss) per limited partnership interest $ $ 13.68 $ 65.55 $ 13.73 $ (31.04) $ (4.58) $ 45.38 ======== ========== ========== ========== =========== ========== ========== Limited partners' cash distributions per limited partnership interest $ $ 14.98 $ 69.36 $ 22.83 $ 23.66 $ 52.38 $ 56.25 ======== ========== ========== ========== =========== ========== ========== At year end: Identifiable assets $ $5,258,178 $5,144,391 $5,292,769 $ 5,585,045 $7,399,664 $9,230,704 ======== ========== ========== ========== =========== ========== ========== 1149 PIONEER NATURAL RESOURCES COMPANY PIONEER NATURAL RESOURCES USA, INC. 1400 WILLIAMS SQUARE WEST 5205 NORTH O'CONNOR BLVD. IRVING, TEXAS 75039 SUPPLEMENTAL INFORMATION OF PARKER & PARSLEY 90-C CONV., L.P., A DELAWARE LIMITED PARTNERSHIP TO PROXY STATEMENT/PROSPECTUS DATED , 2001 ---------- THE DATE OF THIS SUPPLEMENT IS , 2001 ---------- This document contains important information specific to Parker & Parsley 90-C Conv., L.P., and supplements the proxy statement/prospectus dated , 2001, of Pioneer Natural Resources Company and Pioneer Natural Resources USA, Inc., by which Pioneer USA is soliciting proxies to be voted at a special meeting of limited partners of the partnership. The purpose of the special meeting is for you to vote upon the merger of the partnership with and into Pioneer USA that, if completed, will result in your receiving common stock of Pioneer Natural Resources Company and cash for your partnership interests. This document contains the following information concerning Parker & Parsley 90-C Conv., L.P.: o A table containing: -- the aggregate initial investment by the limited partners -- the aggregate historical limited partner distributions through March 31, 2001 -- the aggregate merger value attributable to partnership interests of limited partners, excluding Pioneer USA -- the merger value per $1,000 limited partner investment as of March 31, 2001 -- the merger value per $1,000 limited partner investment as a multiple of distributions for the 12 months ended March 31, 2001 -- the book value per $1,000 limited partner investment as of March 31, 2001 and as of December 31, 2000 -- the going concern value per $1,000 limited partner investment as of March 31, 2001 -- the liquidation value per $1,000 limited partner investment as of March 31, 2001 -- the ordinary tax loss per $1,000 limited partner investment in year of initial investment o Information about the legal opinion for the limited partners o The partnership's quarterly report on Form 10-Q, including management's discussion and analysis of financial condition and results of operations, for the three months ended March 31, 2001 o The partnership's annual report on Form 10-K, including management's discussion and analysis of financial condition and results of operations, for the year ended December 31, 2000 o Selected historical financial data for the partnership for the three months ended March 31, 2001 and 2000 and the five years ended December 31, 2000 -1- 1150 PARKER

& PARSLEY 90-C CONV., L.P. SUPPLEMENTAL INFORMATION TABLE Aggregate Initial Investment by the Limited Partners(a) $ 7,531 Aggregate Historical Limited Partner Distributions through March 31, 2001(a) $ 4,676 Aggregate Merger Value Attributable to Partnership Interests of Limited Partners, $ 1,792 Excluding Pioneer USA(a) Merger Value per $1,000 Limited Partner Investment as of March 31, 2001(b) $ 238.88 Merger Value per $1,000 Limited Partner Investment as a Multiple of Distributions for the 3.64 times 12 Months ended March 31, 2001(b) Book Value per $1,000 Limited Partner Investment: -- as of March 31, 2001(b) $ -- as of December 31, 2000(b) $ 132.75 Going Concern Value per $1,000 Limited Partner Investment as of March 31, 2001(b) $ 216.27 Liquidation Value per $1,000 Limited Partner Investment as of March 31, 2001(b) $ 232.55 Ordinary Tax Loss per $1,000 Limited Partner Investment in Year of Initial Investment $ 149 (b), (c) ---------- (a) Stated in thousands. (b) Interests in some partnerships were sold in units at prices other than $1,000. We have presented this information based on a $1,000 initial investment for ease of use and comparison among partnerships. You should not assume that the amount shown per $1,000 investment is the same as the value or amount attributable to a single unit investment. (c) Your ability to use your distributive share of the partnership's loss to offset your other income may have been subject to certain limitations at your level as a partner, and you may therefore wish to consult your tax advisor to determine the additional value, if any, actually realized by you in your particular circumstances. INFORMATION ABOUT THE LEGAL OPINION FOR THE LIMITED PARTNERS The partnership agreement for the partnership requires that special legal counsel render an opinion on behalf of the limited partners to Pioneer USA that neither the grant nor the exercise of the right to approve the merger of the partnership by its limited partners will adversely affect the federal income tax classification of the partnership or any of its limited partners. Although not required by the partnership agreement, the opinion will also state that neither the grant nor exercise of such right will result in the loss of any limited partner's limited liability. In addition, the counsel designated to render the opinion is not required to be counsel other than counsel to Pioneer USA or the partnership. Both the designated counsel and the legal opinion must be approved by the limited partners. Pioneer USA has retained __________ of Dallas, Texas for the purpose of rendering this legal opinion on behalf of the limited partners to Pioneer USA. The merger proposals include an approval of that counsel and the form of its opinion. A copy of the opinion is attached as an exhibit to the merger proposals. -2- 1151 UNITED STATES SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D. C. 20549 FORM 10-K Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000 COMMISSION FILE NO. 33-26097-10 PARKER & PARSLEY 90-C CONV., L.P. (Exact name of Registrant as specified in its charter) DELAWARE 75-2347264 ------------------------------ ------------------------- (State or other jurisdiction of (I.R.S. Employer incorporation or organization) Identification Number) 1400 WILLIAMS SQUARE WEST, 5205 N. O'CONNOR BLVD., IRVING, TEXAS 75039 --- ------------- (Address of principal executive offices) (Zip code) Registrant's Telephone Number, including area code: (972) 444-9001 Securities registered pursuant to Section 12(b) of the Act: NONE Securities registered pursuant to Section 12(g) of the Act: LIMITED PARTNERSHIP INTERESTS ($1,000 PER UNIT) --- Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES / X / NO / / Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. / X / No market currently exists for the limited partnership interests of the Registrant. Based on the original purchase price, the aggregate market value of limited partnership interests owned by non-affiliates of the Registrant is $7,501,000. As of March 8, 2001, the number of outstanding limited partnership interests was 7,531. The following documents are incorporated by reference into the indicated parts of this Annual Report on Form 10-K: None PARTS I AND II OF THIS ANNUAL REPORT ON FORM 10-K (THE "REPORT") CONTAIN FORWARD LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. ACCORDINGLY, NO ASSURANCES CAN BE GIVEN THAT THE ACTUAL EVENTS AND RESULTS WILL NOT BE MATERIALLY DIFFERENT THAN THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS. SEE "ITEM 1. BUSINESS" FOR A DESCRIPTION OF VARIOUS FACTORS THAT COULD MATERIALLY AFFECT THE ABILITY OF THE PARTNERSHIP TO ACHIEVE THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS. 1152 PART I ITEM 1.

BUSINESS Parker & Parsley 90-C Conv., L.P. (the "Partnership") is a general partnership organized in 1990 under the laws of the State of Texas. The Partnership converted to a Delaware limited partnership on August 1, 1991. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA"). Pioneer USA is a wholly-owned subsidiary of Pioneer Natural Resources Company ("Pioneer"). As of March 8, 2001, the Partnership had 7,531 limited partnership interests outstanding. The Partnership does not have any employees of its own. Pioneer USA employs 701 persons, many of whom dedicated a part of their time to the conduct of the Partnership's business during the period for which this Report is filed. Pioneer USA is responsible for all management functions. The Partnership engages in oil and gas development and production and is not involved in any industry segment other than oil and gas. The Partnership's production is geographically concentrated in West Texas. The principal markets during 2000 for the oil produced by the Partnership were refineries and oil transmission companies that have facilities near the Partnership's oil producing properties. During 2000, Pioneer USA marketed the Partnership's gas to a variety of purchasers, none of which accounted for 10% or more of the Partnership's oil and gas revenues. Of the Partnership's total oil and gas revenues for 2000, approximately 64% was attributable to sales made to Plains Marketing, L.P. Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on its ability to sell its oil, natural gas liquids ("NGLs") and gas production. The Partnership's revenues, profitability, cash flow and future rate of growth are highly dependent on the prevailing prices of oil and gas, which are affected by numerous factors beyond the Partnership's control. Oil and gas prices historically have been very volatile. A substantial or extended decline in the prices of oil or gas could have a material adverse effect on the Partnership's revenues, profitability and cash flow and could, under certain circumstances, result in a reduction in the carrying value of the Partnership's oil and gas properties. Oil and gas production operations are subject to various types of regulations by local, state and federal agencies. The Partnership's operations are also subject to state conservation laws and regulations, including the establishment of maximum rates of production from wells and the regulation of spacing, plugging and abandonment of wells. Each state generally imposes a production or severance tax with respect to production and sale of oil and gas within their respective jurisdictions. Noncompliance with the laws and regulations may subject the Partnership to penalties, damages or other liabilities and compliance may increase the cost of the Partnership's operations. The oil and gas business is also subject to environmental hazards such as oil spills, gas leaks and ruptures and discharges of toxic substances or gases that could expose the Partnership to substantial 2 1153 liability due to pollution and other environmental damages. Although the Partnership believes that its business operations do not impair environmental quality and that its costs of complying with any applicable environmental regulations are not currently significant, the Partnership cannot predict what, if any, effect these environmental regulations may have on its current or future operations. Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves. No material part of the Partnership's business is seasonal and the Partnership conducts no foreign operations. ITEM 2. PROPERTIES The Partnership's properties consist of leasehold interests in properties on which oil and gas wells are located. Such property interests are often subject to landowner royalties, overriding royalties and other oil and gas leasehold interests. Fractional working interests in developmental oil and gas prospects located primarily in the Spraberry Trend Area of West Texas were acquired by the Partnership, resulting in the Partnership's participation in the drilling of 44 oil and gas wells. One well was sold and one well was plugged and abandoned due to uneconomical operations. At December 31, 2000, the Partnership had 42 producing oil and gas wells. For information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities for the years then ended, see Note 7 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" below. Such reserves have been evaluated by Williamson Petroleum Consultants, Inc., an independent petroleum consultant. ITEM 3. LEGAL PROCEEDINGS The Partnership from time to time is a party to various legal proceedings incidental to its business involving claims in oil and gas leases or interests, other claims for damages in amounts not in excess of 10% of its current assets and other matters, none of which Pioneer USA believes to be material to the Partnership. ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS There were no matters submitted to a vote of the partners during the fourth quarter of 2000. 3 1154 PART II ITEM 5. MARKET FOR LIMITED PARTNERSHIP INTERESTS AND LIMITED PARTNERSHIP DISTRIBUTIONS At March 8, 2001, the Partnership had 7,531 outstanding limited partnership interests held of record by 505 subscribers. There is no established public trading market for the limited partnership interests. Under the limited partnership agreement, Pioneer USA has made certain commitments to purchase partnership interests at a computed value. Revenues which, in the sole judgement of the managing general partner, are not required to meet the Partnership's obligations are distributed to the partners at least quarterly in accordance with the limited partnership agreement. During the years ended December 31, 2000 and 1999, $492,300 and $135,825, respectively, of such revenue-related distributions were made to the limited partners. ITEM 6. SELECTED FINANCIAL DATA The following table sets forth selected financial data for the years ended December 31: 2000 1999 1998 1997 1996 ----------- ----------- ----------- ----------- ----------- Operating results: ----------------- Oil and gas sales $ 917,184 $ 537,893 $ 430,499 $ 661,475 $ 837,849 =========== =========== =========== =========== =========== Impairment of oil and gas properties $ - $ - $ 185,784 $ 79,288 $ - =========== =========== =========== =========== =========== Net income (loss) $ 509,518 $ 137,106 $ (258,625) $ 105,740 $ 359,349 =========== =========== =========== =========== =========== Allocation of net income (loss): Managing general partner $ 5,095 $ 1,371 $ (2,586) $ 1,057 $ 3,593 =========== =========== =========== =========== =========== Limited partners $ 504,423 $ 135,735 $ (256,039) $ 104,683 $ 355,756 =========== =========== =========== =========== =========== Limited partners' net income (loss) per limited partnership interest $ 66.98 $ 18.02 $ (34.00) $ 13.90 $ 47.24 =========== =========== =========== =========== =========== Limited partners' cash distributions per limited partnership interest $ 65.37 $ 18.04 $ 17.30 $ 47.53 $ 51.98 =========== =========== =========== =========== =========== At year end: ----------- Identifiable assets $ 1,023,864 $ 1,014,263 $ 1,011,034 $ 1,411,804 $ 1,661,127 =========== =========== =========== =========== =========== 4 1155 ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS Results of Operations 2000 compared to 1999 The Partnership's oil and gas revenues increased 71% to $917,184 for 2000 as compared to $537,893 in 1999. The increase in revenues resulted from higher average prices received and an increase in production. In 2000, 23,602 barrels of oil, 9,171 barrels of natural gas liquids ("NGLs") and 30,423 mcf of gas were sold, or 37,844 barrel of oil equivalents ("BOEs"). In 1999, 23,568 barrels of oil, 9,050 barrels of NGLs and 29,399 mcf of gas were sold, or 37,518 BOEs. Due to the decline characteristics of the Partnership's oil and gas properties, management expects a certain amount of decline in production in the future until the Partnership's economically recoverable reserves are fully depleted. The average price received per barrel of oil increased $12.21, or 71%, from $17.13 in 1999 to $29.34 in 2000. The average price received per barrel of NGLs increased $5.60, or 60%, from $9.31 in 1999 to $14.91 in 2000. The average price received per mcf of gas increased 70% from $1.70 in 1999 to $2.89 in 2000. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than received in 2000. Gains on dispositions of assets of $388 and $104 recognized during 2000 and 1999, respectively, were due to equipment credits received on a fully depleted well in each year. Total costs and expenses increased in 2000 to $416,488 compared to $405,150 in 1999, an increase of $11,338, or 3%. This increase was due to increases in production costs and general and administrative expenses ("G&A"), offset by a decline in depletion. Production costs were $334,055 in 2000 and $297,353 in 1999, resulting in an increase of $36,702, or 12%. The increase was primarily due to higher production taxes associated with higher oil and gas prices and additional well maintenance costs incurred to stimulate well production. G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period G&A increased 45% from $20,987 in 1999 to $30,429 in 2000 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner $27,439 in 2000 and $16,060 in 1999 for G&A incurred on behalf of the Partnership. The remaining G&A was paid directly by the Partnership. The managing general partner determines the allocated expenses based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities. 5 1156 Depletion was $52,004 in 2000 as compared to $86,810 in 1999, representing a decrease of $34,806, or 40%. This decrease was primarily due to a 31,374 barrels of oil increase in proved reserves during 2000 as a result of higher commodity prices. 1999 compared to 1998 The Partnership's 1999 oil and gas revenues increased 25% to $537,893 from $430,499 in 1998. The increase in revenues resulted from higher average prices received, offset by a decline in production. In

1999, 23,568 barrels of oil, 9,050 barrels of NGLs and 29,399 mcf of gas were sold, or 37,518 BOEs. In 1998, 24,493 barrels of oil, 8,694 barrels of NGLs and 30,348 mcf of gas were sold, or 38,245 BOEs. The average price received per barrel of oil increased $3.89, or 29%, from $13.24 in 1998 to $17.13 in 1999. The average price received per barrel of NGLs increased $2.51, or 37%, from $6.80 in 1998 to $9.31 in 1999. The average price received per mcf of gas increased 10% from $1.55 in 1998 to $1.70 in 1999. Total costs and expenses decreased in 1999 to $405,150 compared to $693,871 in 1998, a decrease of $288,721, or 42%. This decrease was due to declines in the impairment of oil and gas properties, depletion and production costs, offset by an increase in G&A. Production costs were $297,353 in 1999 and $314,363 in 1998, resulting in a decrease of $17,010, or 5%. The decrease was due to declines in well maintenance costs and ad valorem taxes, offset by an increase in production taxes. During this period G&A increased 39% from $15,084 in 1998 to $20,987 in 1999 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner $16,060 in 1999 and $12,838 in 1998 for G&A incurred on behalf of the Partnership. In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the managing general partner reviews the Partnership's oil and gas properties for impairment whenever events or circumstances indicate a decline in the recoverability of the carrying value of the Partnership's assets may have occurred. As a result of the review and evaluation of its long-lived assets for impairment, the Partnership recognized a non-cash charge of $185,784 related to its oil and gas properties during 1998. Depletion was $86,810 in 1999 compared to $178,640 in 1998. This represented a decrease of $91,830, or 51%. This decrease was primarily the result of an increase in proved reserves of 207,077 barrels of oil during 1999 as a result of higher commodity prices and a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 1998. 6 1157 Petroleum industry The petroleum industry has been characterized by volatile oil, NGL and natural gas commodity prices and relatively stable supplier costs during the three years ended December 31, 2000. During 1998, weather patterns, regional economic recessions and political matters combined to cause worldwide oil supplies to exceed demand resulting in a substantial decline in oil prices. Also during 1998, but to a lesser extent, market prices for natural gas declined. During 1999 and 2000, the Organization of Petroleum Exporting Countries ("OPEC") and certain other crude oil exporting nations announced reductions in their planned export volumes. Those announcements, together with the enactment of the announced reductions in export volumes, had a positive impact on world oil prices, as have overall natural gas supply and demand fundamentals on North American natural gas prices. Although the favorable commodity price environment and stable field service cost environment is expected to continue during 2001, there is no assurance that commodity prices will not return to a less favorable level or that field service costs will not escalate in the future, both of which could negatively impact the Partnership's future results of operations and cash distributions. Liquidity and capital resources Net Cash Provided by Operating Activities Net cash provided by operating activities increased $330,268 during the year ended December 31, 2000 from 1999. This increase was due to an increase in oil and gas sales receipts of $383,466, offset by increases in production costs paid of $36,702, G&A expenses paid of $9,442 and working capital of $7,054. The increase in oil and gas receipts resulted from the increase in commodity prices during 2000 which contributed an additional $377,706 to oil and gas receipts and $5,760 resulting from the increase in production during 2000. The increase in production costs was primarily due to increased production taxes associated with higher oil and gas prices and well maintenance costs incurred to stimulate well production. The increase in G&A was primarily due to higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. Net Cash Used in Investing Activities The Partnership's investing activities during 2000 and 1999 included expenditures related to equipment upgrades on active oil and gas properties. Proceeds from dispositions of assets of $388 and $104 recognized during 2000 and 1999, respectively, were related to equipment credits received on a fully depleted well in each year. Net Cash Used in Financing Activities In 2000, cash distributions to the partners were $497,273, of which $4,973 was distributed to the managing general partner and $492,300 to the limited partners. In 1999, cash distributions to the partners were $137,197, of which $1,372 was distributed to the managing general partner and $135,825 to the limited partners. 7 1158 ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA INDEX TO FINANCIAL STATEMENTS Page ----

 8 1159 INDEPENDENT AUDITORS' REPORT The Partners Parker & Parsley 90-C Conv., L.P. (A Delaware Limited Partnership): We have audited the balance sheets of Parker & Parsley 90-C Conv., L.P. as of December 31, 2000 and 1999, and the related statements of operations, partners' capital and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion. In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parker & Parsley 90-C Conv., L.P. as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States. Ernst & Young LLP Dallas, Texas March 9, 2001 9 1160 PARKER & PARSLEY 90-C CONV., L.P. (A Delaware Limited Partnership) BALANCE SHEETS December 31 2000 1999 ------------- ------------ ASSETS ------ Current assets: Cash $ 106,593 $ 107,295 Accounts receivable - oil and gas sales 119,396 79,853 ------------- ------------ Total current assets 225,989 187,148 ------------- ------------ Oil and gas properties - at cost, based on the successful efforts accounting method 5,798,493 5,775,729 Accumulated depletion (5,000,618) (4,948,614) ------------- ------------ Net oil and gas properties 797,875 827,115 ------------- ------------ $ 1,023,864 $ 1,014,263 ============= ============ LIABILITIES AND PARTNERS' CAPITAL --------------------------------- Current liabilities: Accounts payable - affiliate $ 14,074 $ 16,718 Partners' capital: Managing general partner 10,067 9,945 Limited partners (7,531 interests) 999,723 987,600 ------------- ------------ 1,009,790 997,545 ------------- ------------ $ 1,023,864 $ 1,014,263 ============= ============ The accompanying notes are an integral part of these financial statements. 10 1161 PARKER & PARSLEY 90-C CONV., L.P. (A Delaware Limited Partnership) STATEMENTS OF OPERATIONS For the years ended December 31 2000 1999 1998 ----------- ----------- ----------- Revenues: Oil and gas $ 917,184 $ 537,893 $ 430,499 Interest 8,434 4,259 4,747 Gain on disposition of assets 388 104 - ---------- ---------- ---------- 926,006 542,256 435,246 ---------- ---------- ---------- Costs and expenses: Oil and gas production 334,055 297,353 314,363 General and administrative 30,429 20,987 15,084 Impairment of oil and gas properties - - 185,784 Depletion 52,004 86,810 178,640 ---------- ---------- ---------- 416,488 405,150 693,871 ---------- ---------- ---------- Net income (loss) $ 509,518 $ 137,106 $ (258,625) ========== ========== ========== Allocation of net income (loss): Managing general partner $ 5,095 $ 1,371 $ (2,586) ========== ========== ========== Limited partners $ 504,423 $ 135,735 $ (256,039) ========== ========== ========== Net income (loss) per limited partnership interest $ 66.98 $ 18.02 $ (34.00) ========== ========== ========== The accompanying notes are an integral part of these financial statements. 11 1162 PARKER & PARSLEY 90-C CONV., L.P. (A Delaware Limited Partnership) STATEMENTS OF PARTNERS' CAPITAL Managing general Limited partner partners Total ------------ ------------ ------------ Partners' capital at January 1, 1998 $ 13,848 $ 1,374,010 $ 1,387,858 Distributions (1,316) (130,281) (131,597) Net loss (2,586) (256,039) (258,625) ----------- ------------ ------------ Partners' capital at December 31, 1998 9,946 987,690 997,636 Distributions (1,372) (135,825) (137,197) Net income 1,371 135,735 137,106 ----------- ------------ ------------ Partners' capital at December 31, 1999 9,945 987,600 997,545 Distributions (4,973) (492,300) (497,273) Net income 5,095 504,423 509,518 ----------- ------------ ------------ Partners' capital at December 31, 2000 $ 10,067 $ 999,723 $ 1,009,790 =========== ============ ============ The accompanying notes are an integral part of these financial statements. 12 1163 PARKER & PARSLEY 90-C CONV., L.P. (A Delaware Limited Partnership) STATEMENTS OF CASH FLOWS For the years ended December 31 2000 1999 1998 ------------ ------------- ------------- Cash flows from operating activities: Net income (loss) $ 509,518 $ 137,106 $ (258,625) Adjustments to reconcile net income (loss) to net cash provided by operating activities: Impairment of oil and gas properties - - 185,784 Depletion 52,004 86,810 178,640 Gain on disposition of assets (388) (104) - Changes in assets and liabilities: Accounts receivable (39,543) (38,453) 28,491 Accounts payable (2,644) 3,320 (10,548) -----------

------------ ------------ Net cash provided by operating activities 518,947 188,679 123,742 ----------- ------------ ------------ Cash flows from investing activities: Additions to oil and gas properties (22,764) (10,512) (13,347) Proceeds from disposition of assets 388 104 - ----------- ------------ ------------ Net cash used in investing activities (22,376) (10,408) (13,347) ----------- ------------ ------------ Cash flows used in financing activities: Cash distributions to partners (497,273) (137,197) (131,597) ----------- ------------ ------------ Net increase (decrease) in cash (702) 41,074 (21,202) Cash at beginning of year 107,295 66,221 87,423 ----------- ------------ ------------ Cash at end of year $ 106,593 $ 107,295 $ 66,221 =========== ============ ============ The accompanying notes are an integral part of these financial statements. 13 1164 PARKER & PARSLEY 90-C CONV., L.P. (A Delaware Limited Partnership) NOTES TO FINANCIAL STATEMENTS December 31, 2000, 1999 and 1998 NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS Parker & Parsley 90-C Conv., L.P. (the "Partnership") is a general partnership organized in 1990 under the laws of the State of Texas. The Partnership converted to a Delaware limited partnership on August 1, 1991. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA"). The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas. NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows: Oil and gas properties - The Partnership utilizes the successful efforts method of accounting for its oil and gas properties and equipment. Under this method, all costs associated with productive wells and nonproductive development wells are capitalized while nonproductive exploration costs are expensed. Capitalized costs relating to proved properties are depleted using the unit-of- production method on a property-by-property basis based on proved oil (dominant mineral) reserves as evaluated by independent petroleum consultants. The carrying amounts of properties sold or otherwise disposed of and the related allowances for depletion are eliminated from the accounts and any gain or loss is included in results of operations. Impairment of long-lived assets - In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the Partnership reviews its long-lived assets to be held and used on an individual property basis, including oil and gas properties accounted for under the successful efforts method of accounting, whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. An impairment loss is indicated if the sum of the expected future cash flows is less than the carrying amount of the assets. In this circumstance, the Partnership recognizes an impairment loss for the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset. Use of estimates in the preparation of financial statements - Preparation of the accompanying financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. Net income (loss) per limited partnership interest - The net income (loss) per limited partnership interest is calculated by using the number of outstanding limited partnership interests. Income taxes - A Federal income tax provision has not been included in the financial statements as the income (loss) of the Partnership is included in the individual Federal income tax returns of the respective partners. 14 1165 Statements of cash flows - For purposes of reporting cash flows, cash includes depository accounts held by banks. General and administrative expenses - General and administrative expenses are allocated in part to the Partnership by the managing general partner. Allocated expenses are determined by the managing general partner based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities. Reclassifications - Certain reclassifications may have been made to the 1999 and 1998 financial statements to conform to the 2000 financial statement presentations. Environmental - The Partnership is subject to extensive federal, state and local environmental laws and regulations. These laws, which are constantly changing, regulate the discharge of materials into the environment and may require the Partnership to remove or mitigate the environmental effects of the disposal or release of petroleum or chemical substances at various sites. Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Liabilities for expenditures of a noncapital nature are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated. Such liabilities are generally undiscounted unless the timing of cash payments for the liability or component are fixed or reliably determinable. No such liabilities have been accrued as of December 31, 2000. Revenue recognition - The Partnership uses the entitlements method of accounting for oil, natural gas liquids ("NGLs") and natural gas revenues. NOTE 3. IMPAIRMENT OF LONG-LIVED ASSETS In accordance with SFAS 121, the Partnership reviews its proved oil and gas properties for impairment whenever events and circumstances indicate a decline in the recoverability of the carrying value of the Partnership's oil and gas properties. The Partnership has estimated the expected future cash flows of its oil and gas properties as of December 31, 2000, 1999 and 1998, based on proved reserves, and compared such estimated future cash flows to the respective carrying amount of the oil and gas properties to determine if the carrying amounts were likely to be recoverable. For those proved oil and gas properties for which the carrying amount exceeded the estimated future cash flows, an impairment was determined to exist; therefore, the Partnership adjusted the carrying amount of those oil and gas properties to their fair value as determined by discounting their expected future cash flows at a discount rate commensurate with the risks involved in the industry. As a result, the Partnership recognized a non-cash impairment provision of $185,784 related to its proved oil and gas properties during 1998. 15 1166 NOTE 4. INCOME TAXES The financial statement basis of the Partnership's net assets and liabilities was $49,618 less than the tax basis at December 31, 2000. The following is a reconciliation of net income (loss) per statements of operations with the net income (loss) per Federal income tax returns for the years ended December 31: 2000 1999 1998 -------------- -------------- ------------- Net income (loss) per statements of operations $ 509,518 $ 137,106 $ (258,625) Depletion and depreciation provisions for tax reporting purposes less than amounts for financial reporting purposes 40,369 76,676 50,997 Impairment of oil and gas properties for financial reporting purposes - - 185,784 Intangible development costs capitalized for financial reporting purposes and expensed for tax reporting purposes (385) - - Other, net (1,143) (1,786) 1,870 ------------- ------------- ------------ Net income (loss) per Federal income tax returns $ 548,359 $ 211,996 $ (19,974) ============= ============= ============ NOTE 5. OIL AND GAS PRODUCING ACTIVITIES The following is a summary of the costs incurred, whether capitalized or expensed, related to the Partnership's oil and gas producing activities for the years ended December 31: 2000 1999 1998 ------------- ------------ ------------ Development costs $ 22,764 $ 10,512 $ 13,347 ============ =========== =========== Capitalized oil and gas properties consist of the following: 2000 1999 ------------ ------------ Proved properties: Property acquisition costs $ 226,701 $ 226,701 Completed wells and equipment 5,571,792 5,549,028 ----------- ----------- 5,798,493 5,775,729 Accumulated depletion (5,000,618) (4,948,614) ----------- ----------- Net oil and gas properties $ 797,875 $ 827,115 =========== =========== NOTE 6. RELATED PARTY TRANSACTIONS Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31: 16 1167 2000 1999 1998 ------------- ------------- ------------- Payment of lease operating and supervision charges in accordance with standard industry operating agreements $ 130,806 $ 126,701 $ 124,074 Reimbursement of general and administrative expenses $ 27,439 $ 16,060 $ 12,838 The Partnership participates in oil and gas activities through an income tax partnership (the "Program") pursuant to the Program agreement. Pioneer USA, P&P Employees 90-C Conv., L.P. ("EMPL"), Parker & Parsley 90-C, L.P. and the Partnership (the "Partnerships") are parties to the Program agreement. EMPL is a limited partnership organized for the benefit of certain employees of Pioneer USA. EMPL was merged with Pioneer USA on December 28, 2000. The costs and revenues of the Program are allocated to Pioneer USA and the Partnerships as follows: Pioneer USA (1) Partnerships (2) -------------- --------------- Revenues: Proceeds from disposition of depreciable and depletable properties - First three years 14.141414% 85.858586% After first three years 19.191919% 80.808081% All other revenues - First three years 14.141414% 85.858586% After first three years 19.191919% 80.808081% Costs and expenses: Lease acquisition costs, drilling and completion costs and all other costs 9.090909% 90.909091% Operating costs, reporting and legal expenses and general and administrative expenses - First three years 14.141414% 85.858586% After first three years 19.191919% 80.808081% (1) Excludes Pioneer USA's 1% general partner ownership which is allocated at the Partnership level and 30 limited partner interests owned by Pioneer USA. (2) The allocation between the Partnership and Parker & Parsley 90-C, L.P. is 38.349119% and 61.650881%, respectively. NOTE 7. OIL AND GAS INFORMATION (UNAUDITED) The following table represents information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities during the years then ended. All of the Partnership's reserves are proved developed and located within the United States. The Partnership's reserves are based on an evaluation prepared by Williamson Petroleum Consultants, Inc., an independent petroleum consultant, using criteria established by the

Securities and Exchange Commission. 17 1168 Oil and NGLs Gas (bbls) (mcf) ------------ ---------- Net proved reserves at January 1, 1998 424,601 426,720 Revisions (204,124) (171,338) Production (33,187) (30,348) ---------- ---------- Net proved reserves at December 31, 1998 187,290 225,034 Revisions 293,912 357,964 Production (32,618) (29,399) ---------- ---------- Net proved reserves at December 31, 1999 448,584 553,599 Revisions 50,848 (55,441) Production (32,773) (30,423) ---------- ---------- Net proved reserves at December 31, 2000 466,659 467,735 ========== ========== As of December 31, 2000, the estimated present value of future net revenues of proved reserves, calculated using December 31, 2000 prices of $26.64 per barrel of oil, $13.22 per barrel of NGLs and $7.80 per mcf of gas, discounted at 10% was approximately $3,245,000 and undiscounted was $6,366,000. Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves. The Partnership emphasizes that reserve estimates are inherently imprecise and, accordingly, the estimates are expected to change as future information becomes available. Disclosures about Oil & Gas Producing Activities Standardized Measure of Discounted Future Net Cash Flows The standardized measure of discounted future net cash flows is computed by applying year-end prices of oil and gas (with consideration of price changes only to the extent provided by contractual arrangements) to the estimated future production of proved oil and gas reserves less estimated future expenditures (based on year-end costs) to be incurred in developing and producing the proved reserves, discounted using a rate of 10% per year to reflect the estimated timing of the future cash flows. A Federal income tax provision has not been calculated as the income of the Partnership is included in the individual Federal income tax returns of the respective partners. Discounted future cash flow estimates like those shown below are not intended to represent estimates of the fair value of oil and gas properties. Estimates of fair value should also consider anticipated future oil and gas prices, interest rates, changes in development and production costs and risks associated with future production. Because of these and other considerations, any estimate of fair value is necessarily subjective and imprecise. For the years ended December 31, -- 2000 1999 1998 ------------ ------------ ------------ (in thousands) Oil and gas producing activities: Future cash inflows $ 14,206 $ 11,167 $ 2,041 Future production costs (7,840) (6,472) (1,624) ------------ ------------ ------------ 6,366 4,695 417 10% annual discount factor (3,121) (2,211) (116) ------------ ------------ ------------ Standardized measure of discounted future net cash flows $ 3,245 $ 2,484 $ 301 ============ ============ ============ 18 1169 For the years ended December 31, -- 2000 1999 1998 ------------ ------------ ------------ (in thousands) Oil and Gas Producing Activities: Oil and gas sales, net of production costs $ (583) $ (241) $ (116) Net changes in prices and production costs 932 1,084 (1,115) Revisions of previous quantity estimates 257 2,216 (238) Accretion of discount 248 30 167 Changes in production rates, timing and other (93) (906) (65) ------------ ------------ ------------ Change in present value of future net revenues 761 2,183 (1,367) ------------ ------------ ------------ Balance, beginning of year 2,484 301 1,668 ------------ ------------ ------------ Balance, end of year $ 3,245 $ 2,484 $ 301 ============ ============ ============ NOTE 8. MAJOR CUSTOMERS The following table reflects the major customers of the Partnership's oil and gas sales (a major customer is defined as a customer whose sales exceed 10% of total sales) during the years ended December 31: 2000 1999 1998 -------- -------- -------- Plains Marketing, L.P. 64% 62% - Genesis Crude Oil, L.P. - - 69% Western Gas Resources, Inc. 2% 3% 13% At December 31, 2000, the amount receivable from Plains Marketing, L.P. was $48,722 which is included in the caption "Accounts receivable - oil and gas sales" in the accompanying Balance Sheet. Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on the ability of the Partnership to sell its oil, NGLs and gas production. NOTE 9. PARTNERSHIP AGREEMENT The following is a brief summary of the more significant provisions of the limited partnership agreement: Managing general partner - The managing general partner of the Partnership is Pioneer USA. Pioneer USA has the power and authority to manage, control and administer all Program and Partnership affairs. As managing general partner and operator of the Partnership's properties, all production expenses are incurred by Pioneer USA and billed to the Partnership. The majority of the Partnership's oil and gas revenues are received directly by the Partnership, however, a portion of the oil and gas revenue is initially received by Pioneer USA prior to being paid to the Partnership. Under the Partnership agreement, the managing general partner pays 19 1170 1% of the Partnership's acquisition, drilling and completion costs and 1% of its operating and general and administrative expenses. In return, it is allocated 1% of the Partnership's revenues. Limited partner liability - The maximum amount of liability of any limited partner is the total contributions of such partner plus his share of any undistributed profits. Initial capital contributions - The partners entered into subscription agreements for aggregate capital contributions of $7,531,000. Pioneer USA is required to contribute amounts equal to 1% of initial Partnership capital less commission and organization and offering costs allocated to the limited partners and to contribute amounts necessary to pay costs and expenses allocated to it under the Partnership agreement to the extent its share of revenues does not cover such costs. ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE None. 20 1171 PART III ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE PARTNERSHIP The Partnership does not have any officers or directors. Under the limited partnership agreement, the Partnership's managing general partner, Pioneer USA, is granted the exclusive right and full authority to manage, control and administer the Partnership's business. Set forth below are the names, ages and positions of the directors and executive officers of Pioneer USA. Directors of Pioneer USA are elected to serve until the next annual meeting of stockholders or until their successors are elected and qualified. Age at December 31, Name 2000 Position ---- ---- -------- Scott D. Sheffield 48 President Timothy L. Dove 44 Executive Vice President, Chief Financial Officer and Director Dennis E. Fagerstone 51 Executive Vice President and Director Mark L. Withrow 53 Executive Vice President, General Counsel and Director Danny Kellum 46 Executive Vice President - Domestic Operations and Director Rich Dealy 34 Vice President and Chief Accounting Officer Scott D. Sheffield. Mr. Sheffield is a graduate of The University of Texas with a B.S. in Petroleum Engineering. Since August 1997, he has served as President, Chief Executive Officer and a director of Pioneer and President of Pioneer USA. Mr. Sheffield assumed the position of Chairman of the Board of Pioneer in August 1999. He served as a director of Pioneer USA from August 1997 until his resignation from the board in June 1999. Mr. Sheffield was the President and a director of Parker & Parsley Petroleum Company ("Parker & Parsley") from May 1990 until August 1997 and was the Chairman of the Board and Chief Executive Officer of Parker & Parsley from October 1990 until August 1997. He was the sole director of Parker & Parsley from May 1990 until October 1990. Mr. Sheffield joined Parker & Parsley Development Company ("PPDC"), a predecessor of Parker & Parsley, as a petroleum engineer in 1979. He 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 and Chief Executive Officer of PPDC. Before joining PPDC's predecessor, Mr. Sheffield was employed as a production and reservoir engineer for Amoco Production Company. 21 1172 Timothy L. Dove. Mr. Dove earned a B.S. in Mechanical Engineering from Massachusetts Institute of Technology in 1979 and received his M.B.A. in 1981 from the University of Chicago. He became Executive Vice President - Business Development of Pioneer and Pioneer USA in August 1997 and was also appointed a director of Pioneer USA in August 1997. Mr. Dove assumed the position of Chief Financial Officer of Pioneer and Pioneer USA effective February 1, 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. Prior to 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 marketing and planning and development. Dennis E. Fagerstone. Mr. Fagerstone, a graduate of the Colorado School of Mines with a B.S. in Petroleum Engineering, became an Executive Vice President of Pioneer and Pioneer USA in August 1997. He was also appointed a director of Pioneer USA in August 1997. He served as Executive Vice President and Chief Operating Officer of MESA Inc. ("Mesa") from March 1, 1997 until August 1997. From October 1996 to February 1997, Mr. Fagerstone served as Senior Vice President and Chief Operating Officer of Mesa and from May 1991 to October 1996, he served as Vice President - Exploration and Production of Mesa. From June 1988 to May 1991, Mr. Fagerstone served as Vice President - Operations of Mesa. Mark L. Withrow. Mr. Withrow, a graduate of Abilene Christian University with a B. S. in Accounting and Texas Tech University with a Juris Doctorate degree, became Executive Vice President, General Counsel and Secretary of Pioneer and Pioneer USA in August 1997. He was also appointed a director of Pioneer USA in August 1997. Mr. Withrow was Vice President - General Counsel of Parker & Parsley from January 1991, when he joined Parker & Parsley, to January 1995, when he was appointed Senior Vice President - General Counsel. He was Parker & Parsley's Secretary from August 1992 until August 1997. Prior to joining Parker & Parsley, Mr. Withrow was the managing partner of the law firm of Turpin, Smith, Dyer, Saxe & MacDonald, Midland, Texas. Danny Kellum. Mr. Kellum, who received a Bachelor of Science degree in Petroleum Engineering from Texas Tech University in 1979, was elected Executive Vice President - Domestic Operations of Pioneer and Pioneer USA on May 18, 2000 and Director of Pioneer USA on February 1, 2000. From January 2000 until May 2000, Mr. Kellum served as Vice President - Domestic Operations of Pioneer and

Pioneer USA. Mr. Kellum served as Vice President Permian Division of Pioneer and Pioneer USA from April 1998 until December 1999. From 1989 until 1994 he served as Spraberry District Manager and as Vice President of the Spraberry and Permian Division for Parker & Parsley until August of 1997. Mr. Kellum joined Parker & Parsley as an operations engineer in 1981 after a brief career with Mobil Oil Corporation. Rich Dealy. Mr. Dealy is a graduate of Eastern New Mexico University with a B.B.A. in Accounting and Finance and is a Certified Public Accountant. He became Vice President and Chief Accounting Officer of Pioneer and Pioneer USA in February 1998. Mr. Dealy served as Controller of Pioneer USA from August 1997 to February 1998. He served as Controller of Parker & Parsley from August 1995 to August 1997. Mr. Dealy joined Parker & Parsley as an Accounting Manager in July, 1992. He was previously employed with KPMG Peat Marwick as an Audit Senior, in charge of Parker & Parsley's audit. 22 1173 ITEM 11. EXECUTIVE COMPENSATION The Partnership does not have any directors or officers. Management of the Partnership is performed by Pioneer USA, the managing general partner. The Partnership participates in oil and gas activities through an income tax partnership (the "Program") pursuant to the Program agreement. Under the Program agreement, Pioneer USA pays approximately 10% of the Program's acquisition, drilling and completion costs and approximately 15% during the first three years and approximately 20% after three years of its operating and general and administrative expenses. In return, they are allocated approximately 15% during the first three years and approximately 20% after three years of the Program's revenues. The Partnership does not directly pay any salaries of the executive officers of Pioneer USA, but does pay a portion of Pioneer USA's general and administrative expenses of which these salaries are a part. See Notes 6 and 9 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" for information regarding fees and reimbursements paid to the managing general partner by the Partnership. ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT (a) Beneficial owners of more than five percent The Partnership is not aware of any person who beneficially owns 5% or more of the outstanding limited partnership interests of the Partnership. Pioneer USA owned 30 limited partner interests at January 1, 2001. (b) Security ownership of management The Partnership does not have any officers or directors. The managing general partner of the Partnership, Pioneer USA, has the exclusive right and full authority to manage, control and administer the Partnership's business. Under the limited partnership agreement, limited partners holding a majority of the outstanding limited partnership interests have the right to take certain actions, including the removal of the managing general partner or any other general partner. The Partnership is not aware of any current arrangement or activity which may lead to such removal. The Partnership is not aware of any officer or director of Pioneer USA who beneficially owns limited partnership interests in the Partnership. ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS Transactions with the managing general partner Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31: 23 1174 2000 1999 1998 ------------- ------------- ------------- Payment of lease operating and supervision charges in accordance with standard industry operating agreements $ 130,806 $ 126,701 $ 124,074 Reimbursement of general and administrative expenses $ 27,439 $ 16,060 $ 12,838 Under the limited partnership agreement, the managing general partner pays 1% of the Partnership's acquisition, drilling and completion costs and 1% of its operating and general and administrative expenses. In return, it is allocated 1% of the Partnership's revenues. Also, see Notes 6 and 9 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data", regarding the Partnership's participation with the managing general partner in oil and gas activities of the Program. 24 1175 PART IV ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K (a) 1. Financial statements The following are filed as part of this Report: Independent Auditors' Report Balance sheets as of December 31, 2000 and 1999 Statements of operations for the years ended December 31, 2000, 1999 and 1998 Statements of partners' capital for the years ended December 31, 2000, 1999 and 1998 Statements of cash flows for the years ended December 31, 2000, 1999 and 1998 Notes to financial statements 2. Financial statement schedules All financial statement schedules have been omitted since the required information is in the financial statements or notes thereto, or is not applicable nor required. (b) Reports on Form 8-K None. (c) Exhibits The exhibits listed on the accompanying index to exhibits are filed or incorporated by reference as part of this Report. 25 1176 S I G N A T U R E S Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized. PARKER & PARSLEY 90-C CONV., L.P. Dated: March 26, 2001 By: Pioneer Natural Resources USA, Inc. Managing General Partner By: /s/ Scott D. Sheffield ----------------------------- Scott D. Sheffield, President Pursuant to the requirements of the Securities Exchange Act of

1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated. /s/ Scott D. Sheffield President of Pioneer USA March 26, 2001 ------------------------------------- Scott D. Sheffield /s/ Timothy L. Dove Executive Vice President, Chief March 26, 2001 ------------------------------------- Financial Officer and Director of Timothy L. Dove Pioneer USA /s/ Dennis E. Fagerstone Executive Vice President and March 26, 2001 ------------------------------------- Director of Pioneer USA Dennis E. Fagerstone /s/ Mark L. Withrow Executive Vice President, General March 26, 2001 ------------------------------------- Counsel and Director of Pioneer USA Mark L. Withrow /s/ Danny Kellum Executive Vice President - Domestic March 26, 2001 ------------------------------------- Operations and Director of Pioneer Danny Kellum USA /s/ Rich Dealy Vice President and Chief Accounting March 26, 2001 ------------------------------------- Officer of Pioneer USA Rich Dealy 26 1177 PARKER & PARSLEY 90-C CONV., L.P. INDEX TO EXHIBITS The following documents are incorporated by reference in response to Item 14(c): Exhibit No. Description Page ---------- ---------- ---- 3(a) Form of Agreement of Limited Partnership - of Parker & Parsley 90-C Conv., L.P. incorporated by reference to Exhibit A of the Post-Effective Amendment No. 1 of the Partnership's Registration Statement on Form S-1 (Registration No. 33-26097) 4(b) Form of Limited Partner Subscription Agreement - incorporated by reference to Exhibit C of the Post-Effective Amendment No. 1 of the Partnership's Registration Statement on Form S-1 (Registration No. 33-26097) 4(b) Form of General Partner Subscription Agreement - incorporated by reference to Exhibit D of the Post-Effective Amendment No. 1 of the Partnership's Registration Statement on Form S-1 (Registration No. 33-26097) 4(b) Power of Attorney incorporated by reference to - Exhibit B of Amendment No. 1 of the Partnership's Registration Statement on Form S-1 (Registration No. 33-26097) 4(c) Specimen Certificate of Limited Partnership - Interest incorporated by reference to Exhibit 4c of the Partnership's Registration Statement on Form S-1 (Registration No. 33-26097) 10(b) Form of Development Drilling Program - Agreement incorporated by reference to Exhibit B of the Post-Effective Amendment No. 1 of the Partnership's Registration Statement on Form S-1 (Registration No. 33-26097) 27 1178 PARKER & PARSLEY 90-C CONV., L.P. SELECTED FINANCIAL DATA The following selected financial data for the Partnership should be read in connection with Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements included in the attached supplemental information. Three months ended March 31, Years ended December 31, --------------------- --- 2001 2000 2000 1999 1998 1997 1996 -------- ---------- ---------- ---------- ---------- ---------- ---------- Operating results: Oil and gas sales $ $ 193,711 $ 917,184 $ 537,893 $ 430,499 $ 661,475 $ 837,849 ======== ========== ========== ========== ========== ========== ========== Impairment of oil and gas properties $ $ -- $ -- $ -- $ 185,784 $ 79,288 $ -- ======== ========== ========== ========== ========== ========== ========== Net income (loss) $ $ 91,821 $ 509,518 $ 137,106 $ (258,625) $ 105,740 $ 359,349 ======== ========== ========== ========== ========== ========== ========== Allocation of net income (loss): Managing general partner $ $ 918 $ 5,095 $ 1,371 $ (2,586) $ 1,057 $ 3,593 ======== ========== ========== ========== ========== ========== ========== Limited partners $ $ 90,903 $ 504,423 $ 135,735 $ (256,039) $ 104,683 $ 355,756 ======== ========== ========== ========== ========== ========== ========== Limited partners' net income (loss) per limited partnership interest $ $ 12.07 $ 66.98 $ 18.02 $ (34.00) $ 13.90 $ 47.24 ======== ========== ========== ========== ========== ========== ========== Limited partners' cash distributions per limited partnership interest $ $ 13.62 $ 65.37 $ 18.04 $ 17.30 $ 47.53 $ 51.98 ======== ========== ========== ========== ========== ========== ========== At year end: Identifiable assets $ $1,004,603 $1,023,864 $1,014,263 $1,011,034 $1,411,804 $1,661,127 ======== ========== ========== ========== ========== ========== ========== 1179 PIONEER NATURAL RESOURCES COMPANY PIONEER NATURAL RESOURCES USA, INC. 1400 WILLIAMS SQUARE WEST 5205 NORTH O'CONNOR BLVD. IRVING, TEXAS 75039 SUPPLEMENTAL INFORMATION OF PARKER & PARSLEY 90-C, L.P., A DELAWARE LIMITED PARTNERSHIP TO PROXY STATEMENT/PROSPECTUS DATED , 2001 ---------- THE DATE OF THIS SUPPLEMENT IS , 2001 ---------- This document contains important information specific to Parker & Parsley 90-C, L.P., and supplements the proxy statement/prospectus dated , 2001, of Pioneer Natural Resources Company and Pioneer Natural Resources USA, Inc., by which Pioneer USA is soliciting proxies to be voted at a special meeting of limited partners of the partnership. The purpose of the special meeting is for you to vote upon the merger of the partnership with and into Pioneer USA that, if completed, will result in your receiving common stock of Pioneer Natural Resources Company and cash for your partnership interests. This document contains the following information concerning Parker & Parsley 90-C, L.P.: o A table containing: -- the aggregate initial investment by the limited partners -- the aggregate historical limited partner distributions through March 31, 2001 -- the aggregate merger value attributable to partnership interests of limited partners, excluding Pioneer USA -- the merger value per $1,000 limited partner investment as of March 31, 2001 -- the merger value per $1,000 limited partner investment as a multiple of distributions for the 12 months ended March 31, 2001 -- the book value per $1,000 limited partner investment as of March 31, 2001 and as of December 31, 2000 -- the going concern value per $1,000 limited partner investment as of March 31, 2001 -- the liquidation value per $1,000 limited partner investment as of March 31, 2001 -- the ordinary tax loss per $1,000 limited partner investment in year of initial investment o Information about the legal opinion for the limited partners o The partnership's quarterly report on Form 10-Q, including management's discussion and analysis of financial condition and results of operations, for the three months ended March 31, 2001 o The partnership's annual report on Form 10-K, including management's discussion and analysis of financial condition and results of operations, for the year ended December 31, 2000 o Selected historical financial data for the partnership for the three months ended March 31, 2001 and 2000 and the five years ended December 31, 2000 -1- 1180 PARKER & PARSLEY 90-C, L.P. SUPPLEMENTAL INFORMATION TABLE Aggregate Initial Investment by the Limited Partners(a) $ 12,107 Aggregate Historical Limited Partner Distributions through March 31, 2001(a) $ 7,518 Aggregate Merger Value Attributable to Partnership Interests of Limited Partners, $ 2,877 Excluding Pioneer USA(a) Merger Value per $1,000 Limited Partner Investment as of March 31, 2001(b) $ 238.17 Merger Value per $1,000 Limited Partner Investment as a Multiple of Distributions for the 3.64 times 12 Months ended March 31, 2001(b) Book Value per $1,000 Limited Partner Investment: -- as of March 31, 2001(b) $ -- as of December 31, 2000(b) $ 131.96 Going Concern Value per $1,000 Limited Partner Investment as of March 31, 2001(b) $ 215.56 Liquidation Value per $1,000 Limited Partner Investment as of March 31, 2001(b) $ 231.84 Ordinary Tax Loss per $1,000 Limited Partner Investment in Year of Initial Investment $ 149 (b), (c) ---------- (a) Stated in thousands. (b) Interests in some partnerships were sold in units at prices other than $1,000. We have presented this information based on a $1,000 initial investment for ease of use and comparison among partnerships. You should not assume that the amount shown per $1,000 investment is the same as the value or amount attributable to a single unit investment. (c) Your ability to use your distributive share of the partnership's loss to offset your other income may have been subject to certain limitations at your level as a partner, and you may therefore wish to consult your tax advisor to determine the additional value, if any, actually realized by you in your particular circumstances. INFORMATION ABOUT THE LEGAL OPINION FOR THE LIMITED PARTNERS The partnership agreement for the partnership requires that special legal counsel render an opinion on behalf of the limited partners to Pioneer USA that neither the grant nor the exercise of the right to approve the merger of the partnership by its limited partners will adversely affect the federal income tax classification of the partnership or any of its limited partners. Although not required by the partnership agreement, the opinion will also state that neither the grant nor exercise of such right will result in the loss of any limited partner's limited liability. In addition, the counsel designated to render the opinion is not required to be counsel other than counsel to Pioneer USA or the partnership. Both the designated counsel and the legal opinion must be approved by the limited partners. Pioneer USA has retained __________ of Dallas, Texas for the purpose of rendering this legal opinion on behalf of the limited partners to Pioneer USA. The merger proposals include an approval of that counsel and the form of its opinion. A copy of the opinion is attached as an exhibit to the merger proposals. -2- 1181 UNITED STATES SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D. C. 20549 FORM 10-K Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000 COMMISSION FILE NO. 33-26097-09 PARKER & PARSLEY 90-C, L.P. (Exact name of Registrant as specified in its charter) DELAWARE 75-2347262 ------------------------------- ------------------------ (State or other jurisdiction of (I.R.S. Employer incorporation or organization) Identification Number) 1400 WILLIAMS SQUARE WEST, 5205 N. O'CONNOR BLVD., IRVING, TEXAS 75039 -- ------------ (Address of principal executive offices) (Zip code) Registrant's Telephone Number, including area code : (972) 444-9001 Securities registered pursuant to Section 12(b) of the Act: NONE Securities registered pursuant to Section 12(g) of the Act: LIMITED PARTNERSHIP INTERESTS ($1,000 PER UNIT) Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES / X / NO / / Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation

S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. / X / No market currently exists for the limited partnership interests of the Registrant. Based on the original purchase price, the aggregate market value of limited partnership interests owned by non-affiliates of the Registrant is $12,080,000. As of March 8, 2001, the number of outstanding limited partnership interests was 12,107. The following documents are incorporated by reference into the indicated parts of this Annual Report on Form 10-K: None Parts I and II of this annual report on Form 10-K (the "Report") contain forward looking statements that involve risks and uncertainties. Accordingly, no assurances can be given that the actual events and results will not be materially different than the anticipated results described in the forward looking statements. See "Item 1. Business" for a description of various factors that could materially affect the ability of the Partnership to achieve the anticipated results described in the forward looking statements. 1182 PART I ITEM 1. BUSINESS Parker & Parsley 90-C, L.P. (the "Partnership") is a limited partnership organized in 1990 under the laws of the State of Delaware. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA"). Pioneer USA is a wholly-owned subsidiary of Pioneer Natural Resources Company ("Pioneer"). As of March 8, 2001, the Partnership had 12,107 limited partnership interests outstanding. The Partnership does not have any employees of its own. Pioneer USA employs 701 persons, many of whom dedicated a part of their time to the conduct of the Partnership's business during the period for which this Report is filed. Pioneer USA is responsible for all management functions. The Partnership engages in oil and gas development and production and is not involved in any industry segment other than oil and gas. The Partnership's production is geographically concentrated in West Texas. The principal markets during 2000 for the oil produced by the Partnership were refineries and oil transmission companies that have facilities near the Partnership's oil producing properties. During 2000, Pioneer USA marketed the Partnership's gas to a variety of purchasers, none of which accounted for 10% or more of the Partnership's oil and gas revenues. Of the Partnership's total oil and gas revenues for 2000, approximately 64% was attributable to sales made to Plains Marketing, L.P. Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on its ability to sell its oil, natural gas liquids ("NGLs") and gas production. The Partnership's revenues, profitability, cash flow and future rate of growth are highly dependent on the prevailing prices of oil and gas, which are affected by numerous factors beyond the Partnership's control. Oil and gas prices historically have been very volatile. A substantial or extended decline in the prices of oil or gas could have a material adverse effect on the Partnership's revenues, profitability and cash flow and could, under certain circumstances, result in a reduction in the carrying value of the Partnership's oil and gas properties. Oil and gas production operations are subject to various types of regulations by local, state and federal agencies. The Partnership's operations are also subject to state conservation laws and regulations, including the establishment of maximum rates of production from wells and the regulation of spacing, plugging and abandonment of wells. Each state generally imposes a production or severance tax with respect to production and sale of oil and gas within their respective jurisdictions. Noncompliance with the laws and regulations may subject the Partnership to penalties, damages or other liabilities and compliance may increase the cost of the Partnership's operations. The oil and gas business is also subject to environmental hazards such as oil spills, gas leaks and ruptures and discharges of toxic substances or gases that could expose the Partnership to substantial liability due to pollution and other environmental damages. Although the Partnership believes that 2 1183 its business operations do not impair environmental quality and that its costs of complying with any applicable environmental regulations are not currently significant, the Partnership cannot predict what, if any, effect these environmental regulations may have on its current or future operations. Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves. No material part of the Partnership's business is seasonal and the Partnership conducts no foreign operations. ITEM 2. PROPERTIES The Partnership's properties consist of leasehold interests in properties on which oil and gas are located. Such property interests are often subject to landowner royalties, overriding royalties and other oil and gas leasehold interests. Fractional working interests in developmental oil and gas prospects located primarily in the Spraberry Trend Area of West Texas were acquired by the Partnership, resulting in the Partnership's participation in the drilling of 44 oil and gas wells. One well was sold and one well was plugged and abandoned due to uneconomical operations. At December 31, 2000, the Partnership had 42 producing oil and gas wells. For information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities for the years then ended, see Note 7 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" below. Such reserves have been evaluated by Williamson Petroleum Consultants, Inc., an independent petroleum consultant. ITEM 3. LEGAL PROCEEDINGS The Partnership from time to time is a party to various legal proceedings incidental to its business involving claims in oil and gas leases or interests, other claims for damages in amounts not in excess of 10% of its current assets and other matters, none of which Pioneer USA believes to be material to the Partnership. ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS There were no matters submitted to a vote of the partners during the fourth quarter of 2000. 3 1184 PART II ITEM 5. MARKET FOR LIMITED PARTNERSHIP INTERESTS AND LIMITED PARTNERSHIP DISTRIBUTIONS At March 8, 2001, the Partnership had 12,107 outstanding limited partnership interests held of record by 901 subscribers. There is no established public trading market for the limited partnership interests. Under the limited partnership agreement, Pioneer USA has made certain commitments to purchase partnership interests at a computed value. Revenues which, in the sole judgement of the managing general partner, are not required to meet the Partnership's obligations are distributed to the partners at least quarterly in accordance with the limited partnership agreement. During the years ended December 31, 2000 and 1999, $791,434 and $218,354, respectively, of such revenue-related distributions were made to the limited partners. ITEM 6. SELECTED FINANCIAL DATA The following table sets forth selected financial data for the years ended December 31: 2000 1999 1998 1997 1996 ---------- ---------- ---------- ---------- ---------- Operating results: ----------------- Oil and gas sales $1,474,499 $ 864,722 $ 692,090 $1,063,396 $ 1,346,937 ========== ========== ========== ========== =========== Impairment of oil and gas properties $ -- $ -- $ 298,622 $ 127,213 $ -- ========== ========== ========== ========== =========== Net income (loss) $ 818,778 $ 220,855 $ (416,064) $ 168,261 $ 577,803 ========== ========== ========== ========== =========== Allocation of net income (loss): Managing general partner $ 8,188 $ 2,209 $ (4,161) $ 1,683 $ 5,778 ========== ========== ========== ========== =========== Limited partners $ 810,590 $ 218,646 $ (411,903) $ 166,578 $ 572,025 ========== ========== ========== ========== =========== Limited partners' net income (loss) per limited partnership interest $ 66.95 $ 18.06 $ (34.02) $ 13.76 $ 47.25 ========== ========== ========== ========== =========== Limited partners' cash distributions per limited partnership interest $ 65.37 $ 18.04 $ 17.30 $ 47.53 $ 51.98 ========== ========== ========== ========== =========== At year end: ------------- Identifiable assets $1,636,242 $1,621,156 $1,617,114 $2,261,689 $ 2,664,141 ========== ========== ========== ========== =========== 4 1185 ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS Results of Operations 2000 compared to 1999 The Partnership's oil and gas revenues increased 71% to $1,474,499 for 2000 as compared to $864,722 in 1999. The increase in revenues resulted from higher average prices received and an increase in production. In 2000, 37,944 barrels of oil, 14,742 barrels of natural gas liquids ("NGLs") and 48,907 mcf of gas were sold, or 60,837 barrel of oil equivalents ("BOEs"). In 1999, 37,886 barrels of oil, 14,547 barrels of NGLs and 47,265 mcf of gas were sold, or 60,311 BOEs. Due to the decline characteristics of the Partnership's oil and gas properties, management expects a certain amount of decline in production in the future until the Partnership's economically recoverable reserves are fully depleted. The average price received per barrel of oil increased $12.21, or 71%, from $17.13 in 1999 to $29.34 in 2000. The average price received per barrel of NGLs increased $5.60, or 60%, from $9.31 in 1999 to $14.91 in 2000. The average price received per mcf of gas increased 70% from $1.70 in 1999 to $2.89 in 2000. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received in 2000. Gains on disposition of assets of $624 and $167 recognized during 2000 and 1999, respectively, were due to equipment credits received on a fully depleted well in each year. Total costs and expenses increased in 2000 to $669,449 as compared to $650,544 in 1999, an increase of $18,905, or 3%. This increase was due to increases in production costs and general and administrative expenses ("G&A"), offset by a decline in depletion. Production costs were $537,048 in 2000 and $477,835 in 1999, resulting in an increase of $59,213, or 12%. The increase was primarily due to higher production taxes associated with higher oil and gas prices and additional well maintenance costs incurred to stimulate well production G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period G&A increased 47% from $33,223 in 1999 to $48,801 in 2000 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner $44,112 in 2000 and $25,818 in 1999 for G&A incurred on behalf of the Partnership. The remaining G&A was paid directly by the Partnership. The managing general partner determines the allocated expenses based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities. 5 1186 Depletion was $83,600 in 2000 compared to $139,486 in 1999, representing a decrease of $55,886, or 40%. This decrease was primarily due to a 50,718 barrels of oil increase in proved reserves during 2000 as a result of higher commodity prices. 1999 compared to 1998 The Partnership's 1999 oil and gas revenues increased 25% to $864,722 from $692,090 in 1998. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 1999, 37,886 barrels of oil, 14,547 barrels of NGLs and 47,265 mcf of gas were sold, or 60,311 BOEs. In 1998, 39,380 barrels of oil, 13,978 barrels of NGLs and 48,787 mcf of gas were sold, or 61,489 BOEs. The average price received per barrel of oil increased $3.89, or 29%, from $13.24 in 1998 to $17.13 in 1999. The average price received per barrel of NGLs increased $2.51, or 37%, from $6.80 in 1998 to $9.31 in 1999. The average price received per mcf of gas increased 10% from $1.55 in 1998 to $1.70 in 1999. Total costs and expenses decreased in 1999 to $650,544 as compared to $1,115,454 in 1998, a decrease of $464,910, or 42%. This decrease was due to declines in the impairment of oil and gas properties, depletion and production costs, offset by an increase in G&A. Production costs were $477,835 in 1999 and $505,571 in 1998, resulting in a $27,736 decrease, or 5%. The decrease was due to declines in well maintenance costs and ad valorem taxes, offset by an increase in production taxes During this period G&A increased 37% from $24,190 in 1998 to $33,223 in 1999 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner $25,818 in 1999 and $20,639 in 1998 for G&A incurred on behalf of the Partnership. In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the managing general partner reviews the Partnership's oil and gas properties for impairment whenever events or circumstances indicate a decline in the recoverability of the carrying value of the Partnership's assets may have occurred. As a result of the review and evaluation of its long-lived assets for impairment, the Partnership recognized a non-cash charge of $298,622 related to its oil and gas properties during 1998. Depletion was $139,486 in 1999 compared to $287,071 in 1998. This represented a decrease of $147,585, or 51%. This decrease was primarily the result of an increase in proved reserves of 332,733 barrels of oil during 1999 as a result of higher commodity prices and a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 1998. Petroleum industry The petroleum industry has been characterized by volatile oil, NGL and natural gas commodity prices and relatively stable supplier costs during the three years ended December 31, 2000. During 1998, 6 1187 weather patterns, regional economic recessions and political matters combined to cause worldwide oil supplies to exceed demand resulting in a substantial decline in oil prices. Also during 1998, but to a lesser extent, market prices for natural gas declined. During 1999 and 2000, the Organization of Petroleum Exporting Countries ("OPEC") and certain other crude oil exporting nations announced reductions in their planned export volumes. Those announcements, together with the enactment of the announced reductions in export volumes, had a positive impact on world oil prices, as have overall natural gas supply and demand fundamentals on North American natural gas prices. Although the favorable commodity price environment and stable field service cost environment is expected to continue during 2001, there is no assurance that commodity prices will not return to a less favorable level or that field service costs will not escalate in the future, both of which could negatively impact the Partnership's future results of operations and cash distributions. Liquidity and capital resources Net Cash Provided by Operating Activities Net cash provided by operating activities increased $532,008 during the year ended December 31, 2000 from 1999. This increase was due to an increase in oil and gas sales receipts of $616,371, offset by increases in production costs paid of $59,213, G&A expenses paid of $15,578 and working capital of $9,572. The increase in oil and gas receipts resulted from the increase in commodity prices during 2000 which contributed an additional $607,017 to oil and gas receipts and an increase of $9,354 resulting from the increase in production during 2000. The increase in production costs was primarily due to increased production taxes associated with higher oil and gas prices and well maintenance costs incurred to stimulate well production. The increase in G&A was primarily due to higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. Net Cash Used in Investing

Activities The Partnership's investing activities during 2000 and 1999 included expenditures related to equipment upgrades on active oil and gas properties. Proceeds from disposition of assets of $624 and $167 recognized during 2000 and 1999, respectively, were related to equipment credits received on a fully depleted well in each year. Net Cash Used in Financing Activities In 2000, cash distributions to the partners were $799,428, of which $7,994 was distributed to the managing general partner and $791,434 to the limited partners. In 1999, cash distributions to the partners were $220,560, of which $2,206 was distributed to the managing general partner and $218,354 to the limited partners. 7 1188 ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA INDEX TO FINANCIAL STATEMENTS Page ---- 8 1189 INDEPENDENT AUDITORS' REPORT The Partners Parker & Parsley 90-C, L.P. (A Delaware Limited Partnership): We have audited the balance sheets of Parker & Parsley 90-C, L.P. as of December 31, 2000 and 1999, and the related statements of operations, partners' capital and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion. In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parker & Parsley 90-C, L.P. as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States. Ernst & Young LLP Dallas, Texas March 9, 2001 9 1190 PARKER & PARSLEY 90-C, L.P. (A Delaware Limited Partnership) BALANCE SHEETS December 31 2000 1999 ---------------- ---------------- ASSETS ------ Current assets: Cash $ 162,620 $ 164,100 Accounts receivable - oil and gas sales 191,950 128,379 --------- --------- Total current assets 354,570 292,479 --------- --------- Oil and gas properties - at cost, based on the successful efforts accounting method 9,321,783 9,285,188 Accumulated depletion (8,040,111) (7,956,511) --------- --------- Net oil and gas properties 1,281,672 1,328,677 --------- --------- $ 1,636,242 $ 1,621,156 ========= ========= LIABILITIES AND PARTNERS' CAPITAL --------------------------------- Current liabilities: Accounts payable - affiliate $ 22,567 $ 26,831 Partners' capital: Managing general partner 16,087 15,893 Limited partners (12,107 interests) 1,597,588 1,578,432 --------- --------- 1,613,675 1,594,325 $ 1,636,242 $ 1,621,156 ========= ========= The accompanying notes are an integral part of these financial statements. 10 1191 PARKER & PARSLEY 90-C, L.P. (A Delaware Limited Partnership) STATEMENTS OF OPERATIONS For the years ended December 31 2000 1999 1998 ----------- ----------- ----------- Revenues: Oil and gas $ 1,474,499 $ 864,722 $ 692,090 Interest 13,104 6,510 7,300 Gain on disposition of assets 624 167 -- ----------- ----------- ----------- 1,488,227 871,399 699,390 ----------- ----------- ----------- Costs and expenses: Oil and gas production 537,048 477,835 505,571 General and administrative 48,801 33,223 24,190 Impairment of oil and gas properties -- -- 298,622 Depletion 83,600 139,486 287,071 ----------- ----------- ----------- 669,449 650,544 1,115,454 ----------- ----------- ----------- Net income (loss) $ 818,778 $ 220,855 $ (416,064) =========== =========== =========== Allocation of net income (loss): Managing general partner $ 8,188 $ 2,209 $ (4,161) =========== =========== =========== Limited partners $ 810,590 $ 218,646 $ (411,903) =========== =========== =========== Net income (loss) per limited partnership interest $ 66.95 $ 18.06 $ (34.02) =========== =========== =========== The accompanying notes are an integral part of these financial statements. 11 1192 PARKER & PARSLEY 90-C, L.P. (A Delaware Limited Partnership) STATEMENTS OF PARTNERS' CAPITAL Managing general Limited partner partners Total ------------- ------------- --------------- Partners' capital at January 1, 1998 $ 22,166 $2,199,485 $2,221,651 Distributions (2,115) (209,442) (211,557) Net loss (4,161) (411,903) (416,064) ------- -------- -------- Partners' capital at December 31, 1998 15,890 1,578,140 1,594,030 Distributions (2,206) (218,354) (220,560) Net income 2,209 218,646 220,855 ------- -------- -------- Partners' capital at December 31, 1999 15,893 1,578,432 1,594,325 Distributions (7,994) (791,434) (799,428) Net income 8,188 810,590 818,778 ------- -------- -------- Partners' capital at December 31, 2000 $ 16,087 $1,597,588 $1,613,675 ======== ========= ========= The accompanying notes are an integral part of these financial statements. 12 1193 PARKER & PARSLEY 90-C, L.P. (A Delaware Limited Partnership) STATEMENTS OF CASH FLOWS For the years ended December 31 2000 1999 1998 ------------ ------------- -------------- Cash flows from operating activities: Net income (loss) $ 818,778 $ 220,855 $(416,064) Adjustments to reconcile net income (loss) to net cash provided by operating activities: Impairment of oil and gas properties - - 298,622 Depletion 83,600 139,486 287,071 Gain on disposition of assets (624) (167) - Changes in assets and liabilities: Accounts receivable (63,571) (62,010) 45,989 Accounts payable (4,264) 3,747 (16,954) ------- ------- ------- Net cash provided by operating activities 833,919 301,911 198,664 ------- ------- ------- Cash flows from investing activities: Additions to oil and gas properties (36,595) (16,900) (21,456) Proceeds from disposition of assets 624 167 - ------- ------- ------- Net cash used in investing activities (35,971) (16,733) (21,456) ------- ------- ------- Cash flows used in financing activities: Cash distributions to partners (799,428) (220,560) (211,557) -------- -------- -------- Net increase (decrease) in cash (1,480) 64,618 (34,349) Cash at beginning of year 164,100 99,482 133,831 ------- ------- ------- Cash at end of year $ 162,620 $ 164,100 $ 99,482 ======== ======== ======== The accompanying notes are an integral part of these financial statements. 13 1194 PARKER & PARSLEY 90-C, L.P. (A Delaware Limited Partnership) NOTES TO FINANCIAL STATEMENTS December 31, 2000, 1999 and 1998 NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS Parker & Parsley 90-C, L.P. (the "Partnership") is a limited partnership organized in 1990 under the laws of the State of Delaware. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA"). The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas. NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows: Oil and gas properties - The Partnership utilizes the successful efforts method of accounting for its oil and gas properties and equipment. Under this method, all costs associated with productive wells and nonproductive development wells are capitalized while nonproductive exploration costs are expensed. Capitalized costs relating to proved properties are depleted using the unit-of-production method on a property-by-property basis based on proved oil (dominant mineral) reserves as evaluated by independent petroleum consultants. The carrying amounts of properties sold or otherwise disposed of and the related allowances for depletion are eliminated from the accounts and any gain or loss is included in results of operations. Impairment of long-lived assets - In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the Partnership reviews its long-lived assets to be held and used on an individual property basis, including oil and gas properties accounted for under the successful efforts method of accounting, whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. An impairment loss is indicated if the sum of the expected future cash flows is less than the carrying amount of the assets. In this circumstance, the Partnership recognizes an impairment loss for the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset. Use of estimates in the preparation of financial statements - Preparation of the accompanying financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. Net income (loss) per limited partnership interest - The net income (loss) per limited partnership interest is calculated by using the number of outstanding limited partnership interests. Income taxes - A Federal income tax provision has not been included in the financial statements as the income (loss) of the Partnership is included in the individual Federal income tax returns of the respective partners. 14 1195 Statements of cash flows - For purposes of reporting cash flows, cash includes depository accounts held by banks. General and administrative expenses - General and administrative expenses are allocated in part to the Partnership by the managing general partner. Allocated expenses are determined by the managing general partner based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities. Reclassifications - Certain reclassifications may have been made to the 1999 and 1998 financial statements to conform to the 2000 financial statement presentations. Environmental - The Partnership is subject to extensive federal, state and local environmental laws and regulations. These laws, which are constantly changing, regulate the discharge of materials into the environment and may require the Partnership to remove or mitigate the environmental effects of the disposal or release of petroleum or chemical substances at various sites. Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Liabilities for expenditures of a noncapital nature are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated. Such liabilities are generally undiscounted unless the timing of cash payments for the liability or component are fixed or reliably determinable. No such liabilities have been accrued as of December 31, 2000. Revenue recognition - The Partnership uses the entitlements method of accounting for oil, natural gas liquids ("NGLs") and natural gas revenues. NOTE 3. IMPAIRMENT OF LONG-LIVED ASSETS In accordance with SFAS 121, the Partnership reviews its proved oil and gas properties for impairment whenever events and circumstances indicate a decline in the recoverability of the carrying value of the Partnership's oil and gas properties. The Partnership has estimated the expected future cash flows of its oil and gas properties as of December 31, 2000, 1999 and 1998, based on proved reserves, and compared such estimated future cash flows to the respective carrying amount of the oil and gas properties to determine if the carrying amounts were likely to be recoverable. For those proved oil and gas properties for which the carrying amount exceeded the estimated future cash flows, an impairment was determined to exist; therefore, the Partnership adjusted the carrying amount of those oil and gas properties to their fair value as determined by discounting their expected future cash flows at a discount rate commensurate with the risks involved in the industry. As a result, the Partnership recognized a non-cash impairment provision of $298,622 related to its proved oil and gas properties during 1998. 15 1196 NOTE 4. INCOME TAXES The financial statement basis of the Partnership's net assets and liabilities was $81,171 less than the tax basis at December 31, 2000. The following is a reconciliation of net income (loss) per statements of operations with the net income (loss) per Federal income tax returns for the years ended December 31: 2000 1999 1998 --------- --------- --------- Net income (loss) per statements of operations $ 818,778 $ 220,855 $(416,064) Depletion and depreciation provisions for tax reporting purposes less than amounts for financial reporting purposes 64,630 123,267 81,152 Impairment of oil and gas properties for financial reporting purposes -- -- 298,622 Intangible development costs capitalized for financial reporting purposes and expensed for tax reporting purposes (619) -- -- Other, net (1,775) (4,424) 4,552 --------- --------- --------- Net income (loss) per Federal income tax return $ 881,014 $ 339,698 $ (31,738) ========= ========= ========= NOTE 5. OIL AND GAS PRODUCING ACTIVITIES The following is a summary of the costs incurred, whether capitalized or expensed, related to the Partnership's oil and gas producing activities for the years ended December 31: 2000 1999 1998 ----------- ------------ ------------- Development costs $ 36,595 $ 16,900 $ 21,456 ======== ======== ======== Capitalized oil and gas properties consist of the following: 2000 1999 ----------- ----------- Proved properties: Property acquisition costs $ 364,450 $ 364,450 Completed wells and equipment 8,957,333 8,920,738 ----------- ----------- 9,321,783 9,285,188 Accumulated depletion (8,040,111) (7,956,511) ----------- ----------- Net oil and gas properties $ 1,281,672 $ 1,328,677 =========== =========== NOTE 6. RELATED PARTY TRANSACTIONS Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31: 2000 1999 1998 ------------ ------------- ------------- Payment of lease operating and supervision charges in accordance with standard industry operating agreements $ 210,287 $ 203,686 $ 199,461 Reimbursement of general and administrative expenses $ 44,112 $ 25,818 $ 20,639 16 1197 The Partnership participates in oil and gas activities through an income tax partnership (the "Program") pursuant to the Program agreement. Pioneer USA and P&P Employees 90-C Conv., L.P. ("EMPL") (the "Entities"), Parker & Parsley 90-C Conv., L.P. and the Partnership (the "Partnerships") are parties to the Program agreement. EMPL is a limited partnership organized for the benefit of certain employees of Pioneer USA. EMPL was merged with Pioneer USA on December 28, 2000. The costs and revenues of the Program are allocated to Pioneer USA and the Partnerships as follows: Pioneer USA (1) Partnerships(2) -------------- -------------- Revenues: Proceeds from disposition of depreciable and depletable properties: First three years 14.141414% 85.858586% After first three years 19.191919% 80.808081% All other revenues: First three years 14.141414% 85.858586% After first three years 19.191919% 80.808081% Costs and expenses: Lease acquisition costs, drilling and completion costs and all other costs 9.090909% 90.909091% Operating costs, reporting and legal expenses and general and administrative expenses: First three years

14.141414% 85.858586% After first three years 19.191919% 80.808081% (1) Excludes Pioneer USA's 1% general partner ownership which is allocated at the Partnership level and 27 limited partner interests owned by Pioneer USA. (2) The allocation between the Partnership and Parker & Parsley 90-C Conv., L.P. is 61.650881% and 38.349119%, respectively. NOTE 7. OIL AND GAS INFORMATION (UNAUDITED) The following table presents information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities during the years then ended. All of the Partnership's reserves are proved developed and located within the United States. The Partnership's reserves are based on an evaluation prepared by Williamson Petroleum Consultants, Inc., an independent petroleum consultant, using criteria established by the Securities and Exchange Commission. Oil and NGLs Gas (bbls) (mcf) ------------ ------------ Net proved reserves at January 1, 1998 682,212 685,617 Revisions (327,935) (275,264) Production (53,358) (48,787) -------- -------- Net proved reserves at December 31, 1998 300,919 361,566 Revisions 472,259 575,173 Production (52,433) (47,265) -------- -------- Net proved reserves at December 31, 1999 720,745 889,474 Revisions 82,135 (88,650) Production (52,686) (48,907) -------- -------- Net proved reserves at December 31, 2000 750,194 751,917 ======== ======== 17 1198 As of December 31, 2000, the estimated present value of future net revenues of proved reserves, calculated using December 31, 2000 prices of $26.64 per barrel of oil, $13.22 per barrel of NGLs and $7.80 per mcf of gas, discounted at 10% was approximately $5,217,000 and undiscounted was $10,234,000. Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves. The Partnership emphasizes that reserve estimates are inherently imprecise and, accordingly, the estimates are expected to change as future information becomes available. Disclosures about Oil & Gas Producing Activities Standardized Measure of Discounted Future Net Cash Flows The standardized measure of discounted future net cash flows is computed by applying year-end prices of oil and gas (with consideration of price changes only to the extent provided by contractual arrangements) to the estimated future production of proved oil and gas reserves less estimated future expenditures (based on year-end costs) to be incurred in developing and producing the proved reserves, discounted using a rate of 10% per year to reflect the estimated timing of the future cash flows. A Federal income tax provision has not been calculated as the income of the Partnership is included in the individual Federal income tax returns of the respective partners. Discounted future cash flow estimates like those shown below are not intended to represent estimates of the fair value of oil and gas properties. Estimates of fair value should also consider anticipated future oil and gas prices, interest rates, changes in development and production costs and risks associated with future production. Because of these and other considerations, any estimate of fair value is necessarily subjective and imprecise. For the years ended December 31, -------------------------------- 2000 1999 1998 -------- -------- -------- (in thousands) Oil and gas producing activities: Future cash inflows $ 22,838 $ 17,942 $ 3,279 Future production costs (12,604) (10,399) (2,609) -------- -------- -------- 10,234 7,543 670 10% annual discount factor (5,017) (3,552) (187) -------- -------- -------- Standardized measure of discounted future net cash flows $ 5,217 $ 3,991 $ 483 ======== ======== ======== 18 1199 For the years ended December 31, ------------------------------------ 2000 1999 1998 -------- --------- -------- (in thousands) Oil and Gas Producing Activities: Oil and gas sales, net of production costs $ (937) $ (387) $ (187) Net changes in prices and production costs 1,497 1,742 (1,792) Revisions of previous quantity estimates 417 3,560 (381) Accretion of discount 399 48 268 Changes in production rates, timing and other (150) (1,455) (105) -------- --------- -------- Change in present value of future net revenues 1,226 3,508 (2,197) -------- --------- -------- Balance, beginning of year 3,991 483 2,680 -------- --------- -------- Balance, end of year $ 5,217 $ 3,991 $ 483 ========= ========= ========= NOTE 8. MAJOR CUSTOMERS The following table reflects the major customers of the Partnership's oil and gas sales (a major customer is defined as a customer whose sales exceed 10% of total sales) during the years ended December 31: 2000 1999 1998 -------- -------- -------- Plains Marketing, L.P. 64% 62% - Genesis Crude Oil, L.P. - - 69% Western Gas Resources, Inc. 2% 3% 13% At December 31, 2000, the amount receivable from Plains Marketing, L.P. was $78,327 which is included in the caption "Accounts receivable - oil and gas sales" in the accompanying Balance Sheet. Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on the ability of the Partnership to sell its oil, NGLs and gas production. NOTE 9. PARTNERSHIP AGREEMENT The following is a brief summary of the more significant provisions of the limited partnership agreement: Managing general partner - The managing general partner of the Partnership is Pioneer USA. Pioneer USA has the power and authority to manage, control and administer all Program and Partnership affairs. As managing general partner and operator of the Partnership's properties, all production expenses are incurred by Pioneer USA and billed to the Partnership. The majority of the Partnership's oil and gas revenues are received directly by the Partnership, however, a portion of the oil and gas revenue is initially received by Pioneer USA prior to being paid to the Partnership. Under the Partnership agreement, the managing general partner pays 1% of the Partnership's acquisition, drilling and completion costs and 1% of its operating and general and administrative expenses. In return, it is allocated 1% of the Partnership's revenues. 19 1200 Limited partner liability - The maximum amount of liability of any limited partner is the total contributions of such partner plus his share of any undistributed profits. Initial capital contributions - The limited partners entered into subscription agreements for aggregate capital contributions of $12,107,000. The managing general partner is required to contribute amounts equal to 1% of initial Partnership capital less commission and organization and offering costs allocated to the limited partners and to contribute amounts necessary to pay costs and expenses allocated to it under the Partnership agreement to the extent its share of revenues does not cover such costs. ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE None. 20 1201 PART III ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE PARTNERSHIP The Partnership does not have any officers or directors. Under the limited partnership agreement, the Partnership's managing general partner, Pioneer USA, is granted the exclusive right and full authority to manage, control and administer the Partnership's business. Set forth below are the names, ages and positions of the directors and executive officers of Pioneer USA. Directors of Pioneer USA are elected to serve until the next annual meeting of stockholders or until their successors are elected and qualified. Age at December 31, Name 2000 Position ---- ---- -------- Scott D. Sheffield 48 President Timothy L. Dove 44 Executive Vice President, Chief Financial Officer and Director Dennis E. Fagerstone 51 Executive Vice President and Director Mark L. Withrow 53 Executive Vice President, General Counsel and Director Danny Kellum 46 Executive Vice President - Domestic Operations and Director Rich Dealy 34 Vice President and Chief Accounting Officer Scott D. Sheffield. Mr. Sheffield is a graduate of The University of Texas with a B.S. in Petroleum Engineering. Since August 1997, he has served as President, Chief Executive Officer and a director of Pioneer and President of Pioneer USA. Mr. Sheffield assumed the position of Chairman of the Board of Pioneer in August 1999. He served as a director of Pioneer USA from August 1997 until his resignation from the board in June 1999. Mr. Sheffield was the President and a director of Parker & Parsley Petroleum Company ("Parker & Parsley") from May 1990 until August 1997 and was the Chairman of the Board and Chief Executive Officer of Parker & Parsley from October 1990 until August 1997. He was the sole director of Parker & Parsley from May 1990 until October 1990. Mr. Sheffield joined Parker & Parsley Development Company ("PPDC"), a predecessor of Parker & Parsley, as a petroleum engineer in 1979. He 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 and Chief Executive Officer of PPDC. Before joining PPDC's predecessor, Mr. Sheffield was employed as a production and reservoir engineer for Amoco Production Company. 21 1202 Timothy L. Dove. Mr. Dove earned a B.S. in Mechanical Engineering from Massachusetts Institute of Technology in 1979 and received his M.B.A. in 1981 from the University of Chicago. He became Executive Vice President - Business Development of Pioneer and Pioneer USA in August 1997 and was also appointed a director of Pioneer USA in August 1997. Mr. Dove assumed the position of Chief Financial Officer of Pioneer and Pioneer USA effective February 1, 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. Prior to 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 marketing and planning and development. Dennis E. Fagerstone. Mr. Fagerstone, a graduate of the Colorado School of Mines with a B.S. in Petroleum Engineering, became an Executive Vice President of Pioneer and Pioneer USA in August 1997. He was also appointed a director of Pioneer USA in August 1997. He served as Executive Vice President and Chief Operating Officer of MESA Inc. ("Mesa") from March 1, 1997 until August 1997. From October 1996 to February 1997, Mr. Fagerstone served as Senior Vice President and Chief Operating Officer of Mesa and from May 1991 to October 1996, he served as Vice President - Exploration and Production of Mesa. From June 1988 to May 1991, Mr. Fagerstone served as Vice President - Operations of Mesa. Mark L. Withrow. Mr. Withrow, a graduate of Abilene Christian University with a B. S. in Accounting and Texas Tech University with a Juris Doctorate degree, became Executive Vice President, General Counsel and Secretary of Pioneer and Pioneer USA in August 1997. He was also appointed a director of Pioneer USA in August 1997. Mr. Withrow was Vice President - General Counsel of Parker & Parsley from January 1991, when he joined Parker & Parsley, to January 1995, when he was appointed Senior Vice President - General Counsel. He was Parker & Parsley's Secretary from August 1992 until August 1997. Prior to joining Parker & Parsley, Mr. Withrow was the managing partner of the law firm of Turpin, Smith, Dyer, Saxe & MacDonald, Midland, Texas. Danny Kellum. Mr. Kellum, who received a Bachelor of Science degree in Petroleum Engineering from Texas Tech University in 1979, was elected Executive Vice President - Domestic Operations of Pioneer and Pioneer USA on May 18, 2000 and Director of Pioneer USA on February 1, 2000. From January 2000 until May 2000, Mr. Kellum served as Vice President - Domestic Operations of Pioneer and Pioneer USA. Mr. Kellum served as Vice President Permian Division of Pioneer and Pioneer USA from April 1998 until December 1999. From 1989 until 1994 he served as Spraberry District Manager and as Vice President of the Spraberry and Permian Division for Parker & Parsley until August of 1997. Mr. Kellum joined Parker & Parsley as an operations engineer in 1981 after a brief career with Mobil Oil Corporation. Rich Dealy. Mr. Dealy is a graduate of Eastern New Mexico University with a B.B.A. in Accounting and Finance and is a Certified Public Accountant. He became Vice President and Chief Accounting Officer of Pioneer and Pioneer USA in February 1998. Mr. Dealy served as Controller of Pioneer USA from August 1997 to February 1998. He served as Controller of Parker & Parsley from August 1995 to August 1997. Mr. Dealy joined Parker & Parsley as an Accounting Manager in July, 1992. He was previously employed with KPMG Peat Marwick as an Audit Senior, in charge of Parker & Parsley's audit. 22 1203 ITEM 11. EXECUTIVE COMPENSATION The Partnership does not have any directors or officers. Management of the Partnership is performed by Pioneer USA, the managing general partner. The Partnership participates in oil and gas activities through an income tax partnership (the "Program") pursuant to the Program agreement. Under the Program agreement, Pioneer USA pays approximately 10% of the Program's acquisition, drilling and completion costs and approximately 15% during the first three years and approximately 20% after three years of its operating and general and administrative expenses. In return, they are allocated approximately 15% during the first three years and approximately 20% after three years of the Program's revenues. The Partnership does not directly pay any salaries of the executive officers or employees of Pioneer USA, but does pay a portion of Pioneer USA's general and administrative expenses of which these salaries are a part. See Notes 6 and 9 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" for information regarding fees and reimbursements paid to the managing general partner by the Partnership. ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT (a) Beneficial owners of more than five percent The Partnership is not aware of any person who beneficially owns 5% or more of the outstanding limited partnership interests of the Partnership. Pioneer USA owned 27 limited partner interests at January 1, 2001. (b) Security ownership of management The Partnership does not have any officers or directors. The managing general partner of the Partnership, Pioneer USA, has the exclusive right and full authority to manage, control and administer the Partnership's business. Under the limited partnership agreement, limited partners holding a majority of the outstanding limited partnership interests have the right to take certain actions, including the removal of the managing general partner or any other general partner. The Partnership is not aware of any current arrangement or activity which may lead to such removal. The Partnership is not aware of any officer or director of Pioneer USA who beneficially owns limited partnership interests in the Partnership. ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS Transactions with the managing general partner Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31: 23 1204 2000 1999 1998 ------------ ------------ ------------ Payment of lease operating and supervision charges in accordance with standard industry operating agreements $ 210,287 $ 203,686 $199,461 Reimbursement of general and administrative expenses $ 44,112 $ 25,818 $ 20,639 Under the limited partnership agreement, the managing general partner pays 1% of the Partnership's acquisition, drilling and completion costs and 1% of its operating and general and administrative expenses. In return, it is allocated 1% of the Partnership's revenues. Also, see Notes 6 and 9 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data", regarding the Partnership's participation with the managing general partner in oil and gas activities of the Program. 24 1205 PART IV ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K (a) 1. Financial statements The following are filed as part of this Report: Independent Auditors' Report Balance sheets as of December 31, 2000 and 1999 Statements of operations for the years ended December 31, 2000, 1999 and 1998 Statements of partners' capital for the years ended December 31, 2000, 1999 and 1998 Statements of cash flows for the years ended December 31, 2000, 1999 and 1998 Notes to financial statements 2.

Financial statement schedules All financial statement schedules have been omitted since the required information is in the financial statements or notes thereto, or is not applicable nor required. (b) Reports on Form 8-K None. (c) Exhibits The exhibits listed on the accompanying index to exhibits are filed or incorporated by reference as part of this Report. 25 1206 S I G N A T U R E S Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized. PARKER & PARSLEY 90-C, L.P. Dated: March 26, 2001 By: Pioneer Natural Resources USA, Inc. Managing General Partner By: /s/ Scott D. Sheffield ------------------------------ Scott D. Sheffield, President Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated. /s/ Scott D. Sheffield President of Pioneer USA March 26, 2001 ------------------------------ Scott D. Sheffield /s/ Timothy L. Dove Executive Vice President, Chief March 26, 2001 ------------------------------ Financial Officer and Director of Timothy L. Dove Pioneer USA /s/ Dennis E. Fagerstone Executive Vice President and March 26, 2001 ------------------------------ Director of Pioneer USA Dennis E. Fagerstone /s/ Mark L. Withrow Executive Vice President, General March 26, 2001 ------------------------------ Counsel and Director of Pioneer USA Mark L. Withrow /s/ Danny Kellum Executive Vice President - Domestic March 26, 2001 ------------------------------ Operations and Director of Pioneer Danny Kellum USA /s/ Rich Dealy Vice President and Chief Accounting March 26, 2001 ------------------------------ Officer of Pioneer USA Rich Dealy 26 1207 PARKER & PARSLEY 90-C, L.P. INDEX TO EXHIBITS The following documents are incorporated by reference in response to Item 14(c): Exhibit No. Description Page ---------- ---------- ---- 3(a) Form of Agreement of Limited Partnership - of Parker & Parsley 90-C, L.P. incorporated by reference to Exhibit A of the Post-Effective Amendment No. 1 of the Partnership's Registration Statement on Form S-1 (Registration No. 33-26097) 4(b) Form of Limited Partner Subscription Agreement - incorporated by reference to Exhibit C of the Post-Effective Amendment No. 1 of the Partnership's Registration Statement on Form S-1 (Registration No. 33-26097) 4(b) Form of General Partner Subscription Agreement - incorporated by reference to Exhibit D of the Post-Effective Amendment No. 1 of the Partnership's Registration Statement on Form S-1 (Registration No. 33-26097) 4(b) Power of Attorney incorporated by reference to - Exhibit B of Amendment No. 1 of the Partnership's Registration Statement on Form S-1 (Registration No. 33-26097) 4(c) Specimen Certificate of Limited Partnership - Interest incorporated by reference to Exhibit 4c of the Partnership's Registration Statement on Form S-1 (Registration No. 33-26097) 10(b) Form of Development Drilling Program - Agreement incorporated by reference to Exhibit B of the Post-Effective Amendment No. 1 of the Partnership's Registration Statement on Form S-1 (Registration No. 33-26097) 27 1208 PARKER & PARSLEY 90-C, L.P. SELECTED FINANCIAL DATA The following selected financial data for the Partnership should be read in connection with Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements included in the attached supplemental information. Three months ended March 31, Years ended December 31, -------------------- -- 2001 2000 2000 1999 1998 1997 1996 -------- --------- --------- --------- --------- --------- --------- Operating results: Oil and gas sales $ $ 311,387 $1,474,499 $ 864,722 $ 692,090 $1,063,396 $1,346,937 ======== ========= ========= ========= ========= ========= ========= Impairment of oil and gas properties $ $ -- $ -- $ -- $ 298,622 $ 127,213 $ -- ======== ========= ========= ========= ========= ========= ========= Net income (loss) $ $ 147,498 $ 818,778 $ 220,855 $ (416,064) $ 168,261 $ 577,803 ======== ========= ========= ========= ========= ========= ========= Allocation of net income (loss): Managing general partner $ $ 1,475 $ 8,188 $ 2,209 $ (4,161) $ 1,683 $ 5,778 ======== ========= ========= ========= ========= ========= ========= Limited partners $ $ 146,023 $ 810,590 $ 218,646 $ (411,903) $ 166,578 $ 572,025 ======== ========= ========= ========= ========= ========= ========= Limited partners' net income (loss) per limited partnership interest $ $ 12.06 $ 66.95 $ 18.06 $ (34.02) $ 13.76 $ 47.25 ======== ========= ========= ========= ========= ========= ========= Limited partners' cash distributions per limited partnership interest $ $ 13.62 $ 65.37 $ 18.04 $ 17.30 $ 47.53 $ 51.98 ======== ========= ========= ========= ========= ========= ========= At year end: Identifiable assets $ $1,605,556 $1,636,242 $1,621,156 $1,617,114 $2,261,689 $2,664,141 ======== ========= ========= ========= ========= ========= ========= 1209 PIONEER NATURAL RESOURCES COMPANY PIONEER NATURAL RESOURCES USA, INC. 1400 WILLIAMS SQUARE WEST 5205 NORTH O'CONNOR BLVD. IRVING, TEXAS 75039 SUPPLEMENTAL INFORMATION OF PARKER & PARSLEY PRIVATE INVESTMENT 90, L.P., A DELAWARE LIMITED PARTNERSHIP TO PROXY

STATEMENT/PROSPECTUS DATED , 2001 ---------- THE DATE OF THIS SUPPLEMENT IS , 2001 ---------- This document contains important information specific to Parker & Parsley Private Investment 90, L.P., and supplements the proxy statement/prospectus dated , 2001, of Pioneer Natural Resources Company and Pioneer Natural Resources USA, Inc., by which Pioneer USA is soliciting proxies to be voted at a special meeting of limited partners of the partnership. The purpose of the special meeting is for you to vote upon the merger of the partnership with and into Pioneer USA that, if completed, will result in your receiving common stock of Pioneer Natural Resources Company and cash for your partnership interests. This document contains the following information concerning Parker & Parsley Private Investment 90, L.P.: o A table containing: -- the aggregate initial investment by the limited partners -- the aggregate historical limited partner distributions through March 31, 2001 -- the aggregate merger value attributable to partnership interests of limited partners, excluding Pioneer USA -- the merger value per $1,000 limited partner investment as of March 31, 2001 -- the merger value per $1,000 limited partner investment as a multiple of distributions for the 12 months ended March 31, 2001 -- the book value per $1,000 limited partner investment as of March 31, 2001 and as of December 31, 2000 -- the going concern value per $1,000 limited partner investment as of March 31, 2001 -- the liquidation value per $1,000 limited partner investment as of March 31, 2001 -- the ordinary tax loss per $1,000 limited partner investment in year of initial investment o Information about the legal opinion for the limited partners o The partnership's financial statements, including management's discussion and analysis of financial condition and results of operations, for the three months ended March 31, 2001 o The partnership's financial statements, including management's discussion and analysis of financial condition and results of operations, for the year ended December 31, 2000 o Selected historical financial data for the partnership for the three months ended March 31, 2001 and 2000 and the five years ended December 31, 2000 -1- 1210 PARKER & PARSLEY PRIVATE INVESTMENT 90, L.P. SUPPLEMENTAL INFORMATION TABLE Aggregate Initial Investment by the Limited Partners(a) $ 10,970 Aggregate Historical Limited Partner Distributions through March 31, 2001(a) $ 8,504 Aggregate Merger Value Attributable to Partnership Interests of Limited Partners, $ 3,262 Excluding Pioneer USA(a) Merger Value per $1,000 Limited Partner Investment as of March 31, 2001(b) $ 299.03 Merger Value per $1,000 Limited Partner Investment as a Multiple of Distributions for the 3.79 times 12 Months ended March 31, 2001(b) Book Value per $1,000 Limited Partner Investment: -- as of March 31, 2001(b) $ -- as of December 31, 2000(b) $ 156.96 Going Concern Value per $1,000 Limited Partner Investment as of March 31, 2001(b) $ 272.79 Liquidation Value per $1,000 Limited Partner Investment as of March 31, 2001(b) $ 291.01 Ordinary Tax Loss per $1,000 Limited Partner Investment in Year of Initial Investment $ 165 (b), (c) ----------- (a) Stated in thousands. (b) Interests in some partnerships were sold in units at prices other than $1,000. We have presented this information based on a $1,000 initial investment for ease of use and comparison among partnerships. You should not assume that the amount shown per $1,000 investment is the same as the value or amount attributable to a single unit investment. (c) Your ability to use your distributive share of the partnership's loss to offset your other income may have been subject to certain limitations at your level as a partner, and you may therefore wish to consult your tax advisor to determine the additional value, if any, actually realized by you in your particular circumstances. INFORMATION ABOUT THE LEGAL OPINION FOR THE LIMITED PARTNERS The partnership agreement for the partnership requires that special legal counsel render an opinion on behalf of the limited partners to Pioneer USA that neither the grant nor the exercise of the right to approve the merger of the partnership by its limited partners will adversely affect the federal income tax classification of the partnership or any of its limited partners. Although not required by the partnership agreement, the opinion will also state that neither the grant nor exercise of such right will result in the loss of any limited partner's limited liability. In addition, the counsel designated to render the opinion is not required to be counsel other than counsel to Pioneer USA or the partnership. Both the designated counsel and the legal opinion must be approved by the limited partners. Pioneer USA has retained __________ of Dallas, Texas for the purpose of rendering this legal opinion on behalf of the limited partners to Pioneer USA. The merger proposals include an approval of that counsel and the form of its opinion. A copy of the opinion is attached as an exhibit to the merger proposals. -2- 1211 PARKER & PARSLEY PRIVATE INVESTMENT 90, L.P. (A Delaware Limited Partnership) FINANCIAL STATEMENTS WITH INDEPENDENT AUDITORS' REPORT December 31, 2000 and 1999 1212 INDEPENDENT AUDITORS' REPORT The Partners Parker & Parsley Private Investment 90, L.P. (A Delaware Limited Partnership): We have audited the balance sheets of Parker & Parsley Private Investment 90, L.P. as of December 31, 2000 and 1999, and the related statements of operations, partners' capital and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the

Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion. In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parker & Parsley Private Investment 90, L.P. as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States. Ernst & Young LLP Dallas, Texas March 9, 2001 2 1213 PARKER & PARSLEY PRIVATE INVESTMENT 90, L.P. (A Delaware Limited Partnership) BALANCE SHEETS December 31 2000 1999 ----------- ----------- ASSETS ------ Current assets: Cash $ 168,054 $ 174,341 Accounts receivable - oil and gas sales 197,750 117,410 ----------- ----------- Total current assets 365,804 291,751 ----------- ----------- Oil and gas properties - at cost, based on the successful efforts accounting method 8,464,366 8,438,988 Accumulated depletion (7,073,249) (6,916,963) ----------- ----------- Net oil and gas properties 1,391,117 1,522,025 ----------- ----------- $ 1,756,921 $ 1,813,776 =========== =========== LIABILITIES AND PARTNERS' CAPITAL --------------------------------- Current liabilities: Accounts payable - affiliate $ 13,453 $ 24,649 Partners' capital: Managing general partner 21,649 22,105 Limited partners (274.25 interests) 1,721,819 1,767,022 ----------- ----------- 1,743,468 1,789,127 ----------- ----------- $ 1,756,921 $ 1,813,776 =========== =========== The accompanying notes are an integral part of these financial statements. 3 1214 PARKER & PARSLEY PRIVATE INVESTMENT 90, L.P. (A Delaware Limited Partnership) STATEMENTS OF OPERATIONS For the years ended December 31 2000 1999 1998 ----------- ----------- ----------- Revenues: Oil and gas $ 1,508,541 $ 776,849 $ 648,378 Interest 14,348 7,221 9,116 Gain on disposition of assets 2,385 - - ----------- ----------- ----------- 1,525,274 784,070 657,494 ----------- ----------- ----------- Costs and expenses: Oil and gas production 502,676 379,923 481,924 General and administrative 41,729 29,997 20,196 Impairment of oil and gas properties 49,757 - 373,422 Depletion 106,529 143,268 224,780 ----------- ----------- ----------- 700,691 553,188 1,100,322 ----------- ----------- ----------- Net income (loss) $ 824,583 $ 230,882 $ (442,828) =========== =========== =========== Allocation of net income (loss): Managing general partner $ 8,246 $ 2,309 $ (4,428) =========== =========== =========== Limited partners $ 816,337 $ 228,573 $ (438,400) =========== =========== =========== Net income (loss) per limited partnership interest $ 2,976.62 $ 833.45 $ (1,598.54) =========== =========== =========== The accompanying notes are an integral part of these financial statements. 4 1215 PARKER & PARSLEY PRIVATE INVESTMENT 90, L.P. (A Delaware Limited Partnership) STATEMENTS OF PARTNERS' CAPITAL Managing general Limited partner partners Total ----------- ----------- ----------- Partners' capital at January 1, 1998 $ 29,418 $ 2,491,033 $ 2,520,451 Distributions (2,635) (260,830) (263,465) Net loss (4,428) (438,400) (442,828) ----------- ----------- ----------- Partners' capital at December 31, 1998 22,355 1,791,803 1,814,158 Distributions (2,559) (253,354) (255,913) Net income 2,309 228,573 230,882 ----------- ----------- ----------- Partners' capital at December 31, 1999 22,105 1,767,022 1,789,127 Distributions (8,702) (861,540) (870,242) Net income 8,246 816,337 824,583 ----------- ----------- ----------- Partners' capital at December 31, 2000 $ 21,649 $ 1,721,819 $ 1,743,468 =========== =========== =========== The accompanying notes are an integral part of these financial statements. 5 1216 PARKER & PARSLEY PRIVATE INVESTMENT 90, L.P. (A Delaware Limited Partnership) STATEMENTS OF CASH FLOWS For the years ended December 31 2000 1999 1998 --------- --------- --------- Cash flows from operating activities: Net income (loss) $ 824,583 $ 230,882 $(442,828) Adjustments to reconcile net income (loss)to net cash provided by operating activities: Impairment of oil and gas properties 49,757 - 373,422 Depletion 106,529 143,268 224,780 Gain on disposition of assets (2,385) - - Changes in assets and liabilities: Accounts receivable (80,340) (50,462) 48,403 Accounts payable (11,196) 4,017 (8,903) --------- --------- --------- Net cash provided by operating activities 886,948 327,705 194,874 --------- --------- --------- Cash flows from investing activities: Additions to oil and gas properties (25,378) (14,048) (11,793) Proceeds from asset dispositions 2,385 2,124 11,927 --------- --------- --------- Net cash provided by (used in) investing activities (22,993) (11,924) 134 --------- --------- --------- Cash flows used in financing activities: Cash distributions to partners (870,242) (255,913) (263,465) --------- --------- --------- Net increase (decrease) in cash (6,287) 59,868 (68,457) Cash at beginning of year 174,341 114,473 182,930 --------- --------- --------- Cash at end of year $ 168,054 $ 174,341 $

114,473 ========= ========= ========= The accompanying notes are an integral part of these financial statements. 6 1217 PARKER & PARSLEY PRIVATE INVESTMENT 90, L.P. (A Delaware Limited Partnership) NOTES TO FINANCIAL STATEMENTS December 31, 2000, 1999 and 1998 NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS Parker & Parsley Private Investment 90, L.P. (the "Partnership") was organized in 1990 as a general partnership under the laws of the State of Texas and was converted to a Delaware limited partnership in 1991. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA"). The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas. NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows: Oil and gas properties - The Partnership utilizes the successful efforts method of accounting for its oil and gas properties and equipment. Under this method, all costs associated with productive wells and nonproductive development wells are capitalized while nonproductive exploration costs are expensed. Capitalized costs relating to proved properties are depleted using the unit-of- production method on a property-by-property basis based on proved oil (dominant mineral) reserves as evaluated by independent petroleum consultants. The carrying amounts of properties sold or otherwise disposed of and the related allowances for depletion are eliminated from the accounts and any gain or loss is included in results of operations. Impairment of long-lived assets - In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the Partnership reviews its long-lived assets to be held and used on an individual property basis, including oil and gas properties accounted for under the successful efforts method of accounting, whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. An impairment loss is indicated if the sum of the expected future cash flows is less than the carrying amount of the assets. In this circumstance, the Partnership recognizes an impairment loss for the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset. Use of estimates in the preparation of financial statements - Preparation of the accompanying financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. Net income (loss) per limited partnership interest - The net income (loss) per limited partnership interest is calculated by using the number of outstanding limited partnership interests. 7 1218 Income taxes - A Federal income tax provision has not been included in the financial statements as the income of the Partnership is included in the individual Federal income tax returns of the respective partners. Statements of cash flows - For purposes of reporting cash flows, cash includes depository accounts held by banks. General and administrative expenses - General and administrative expenses are allocated in part to the Partnership by the managing general partner. Allocated expenses are determined by the managing general partner based upon the level of activity of the Partnership relative to the non- partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities. Reclassifications - Certain reclassifications may have been made to the 1999 and 1998 financial statements to conform to the 2000 financial statement presentations. Environmental - The Partnership is subject to extensive federal, state and local environmental laws and regulations. These laws, which are constantly changing, regulate the discharge of materials into the environment and may require the Partnership to remove or mitigate the environmental effects of the disposal or release of petroleum or chemical substances at various sites. Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Liabilities for expenditures of a noncapital nature are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated. Such liabilities are generally discounted unless the timing of cash payments for the liability or component are fixed or reliably determinable. No such liabilities have been accrued as of December 31, 2000. Revenue recognition - The Partnership uses the entitlements method of accounting for oil, natural gas liquids ("NGLs") and natural gas revenues. NOTE 3. IMPAIRMENT OF LONG-LIVED ASSETS In accordance with SFAS 121, the Partnership reviews its proved oil and gas properties for impairment whenever events and circumstances indicate a decline in the recoverability of the carrying value of the Partnership's oil and gas properties. The Partnership has estimated the expected future cash flows of its oil and gas properties as of December 31, 2000, 1999 and 1998, based on proved reserves, and compared such estimated future cash flows to the respective carrying amount of the oil and gas properties to determine if the carrying amounts were likely to be recoverable. For those proved oil and gas properties for which the carrying amount exceeded the estimated future cash flows, an impairment was determined to exist; therefore, the Partnership adjusted the carrying amount of those oil and gas properties to their fair value as determined by discounting their expected future cash flows at a discount rate commensurate with the risks involved in the industry. As a result, the Partnership recognized non-cash impairment provisions of $49,757 and $373,422 related to its proved oil and gas properties during 2000 and 1998, respectively. 8 1219 NOTE 4. INCOME TAXES The financial statement basis of the Partnership's net assets and liabilities was $139,996 greater than the tax basis at December 31, 2000. The following is a reconciliation of net income (loss) per statements of operations with the net income per Federal income tax returns for the years ended December 31: 2000 1999 1998 --------- --------- --------- Net income (loss) per statements of operations $ 824,583 $ 230,882 $(442,828) Depletion and depreciation for tax reporting purposes less than amounts for financial reporting purposes 93,056 131,771 204,399 Impairment of oil and gas properties for financial reporting purposes 49,757 - 373,422 Other, net (1,853) 432 13,939 --------- --------- --------- Net income per Federal income tax returns $ 965,543 $ 363,085 $ 148,932 ========= ========= ========= NOTE 5. OIL AND GAS PRODUCING ACTIVITIES The following is a summary of the costs incurred, whether capitalized or expensed, related to the Partnership's oil and gas producing activities for the years ended December 31: 2000 1999 1998 ---------- --------- ---------- Development costs $ 25,378 $ 14,048 $ 11,793 ========== ========= ========== Capitalized oil and gas properties consist of the following: 2000 1999 ----------- ----------- Proved properties: Property acquisition costs $ 98,110 $ 98,110 Completed wells and equipment 8,366,256 8,340,878 ----------- ----------- 8,464,366 8,438,988 Accumulated depletion (7,073,249) (6,916,963) ----------- ----------- Net oil and gas properties $ 1,391,117 $ 1,522,025 =========== =========== 9 1220 NOTE 6. RELATED PARTY TRANSACTIONS Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31: 2000 1999 1998 --------- --------- --------- Payment of lease operating and supervision charges in accordance with standard industry operating agreements $ 186,568 $ 174,796 $ 187,435 Reimbursement of general and administrative expenses $ 37,554 $ 23,205 $ 16,483 The Partnership participates in oil and gas activities through an income tax partnership (the "Program") pursuant to the Program agreement. Pioneer USA, P&P Employees 90 Private Conv., L.P. ("EMPL") and the Partnership are parties to the Program agreement. EMPL is a limited partnership organized for the benefit of certain employees of Pioneer USA. EMPL was merged with Pioneer USA on December 28, 2000. The costs and revenues of the Program are allocated to Pioneer USA and the Partnership as follows: Pioneer USA (1) Partnership -------------- -------------- Revenues: Proceeds from disposition of depreciable and depletable properties - First three years 14.141414% 85.858586% After three years 19.191919% 80.808081% All other revenues - First three years 14.141414% 85.858586% After three years 19.191919% 80.808081% Costs and expenses: Lease acquisition costs, drilling and completion costs 9.090909% 90.909091% Operating costs, reporting and legal expenses and general and administrative expenses - First three years 14.141414% 85.858586% After three years 19.191919% 80.808081% (1) Excludes Pioneer USA's 1% general partner ownership which is allocated at the Partnership level. NOTE 7. OIL AND GAS INFORMATION (UNAUDITED) The following table presents information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities during the years then ended. All of the Partnership's reserves are proved developed and located within the United States. The Partnership's reserves are based on an evaluation prepared by Williamson Petroleum Consultants, Inc., an independent petroleum consultant, using criteria established by the Securities and Exchange Commission. Oil and NGLs Gas (bbls) (mcf) ------------ --------- Net proved reserves at January 1, 1998 745,340 883,417 Revisions (342,345) (365,103) Production (49,468) (54,218) --------- --------- Net proved reserves at December 31, 1998 353,527 464,096 Revisions 394,885 538,864 Production (46,335) (47,331) --------- --------- Net proved reserves at December 31, 1999 702,077 955,629 Revisions 172,617 (96,553) Production (52,913) (49,484) --------- --------- Net proved reserves at December 31, 2000 821,781 809,592 ========= ========= 10 1221 As of December 31, 2000, the estimated present value of future net revenues of proved reserves, calculated using December 31, 2000 prices of $26.64 per barrel of oil, $13.49 per barrel of NGLs and $7.81 per mcf of gas, discounted at 10% was approximately $5,749,000 and undiscounted was $12,495,000. Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves. The Partnership emphasizes that reserve estimates are inherently imprecise and, accordingly, the estimates are expected to change as future information becomes available. Disclosures about Oil & Gas Producing Activities Standardized Measure of Discounted Future Net Cash Flows The standardized measure of discounted future net cash flows is computed by applying year-end prices of oil and gas (with consideration of price changes only to the extent provided by contractual arrangements) to the estimated future production of proved oil and gas reserves less estimated future expenditures (based on year-end costs) to be incurred in developing and producing the proved reserves, discounted using a rate of 10% per year to reflect the estimated timing of the future cash flows. A Federal income tax provision has not been calculated as the income of the Partnership is included in the individual Federal income tax returns of the respective partners. Discounted future cash flow estimates like those shown below are not intended to represent estimates of the fair value of oil and gas properties. Estimates of fair value should also consider anticipated future oil and gas prices, interest rates, changes in development and production costs and risks associated with future production. Because of these and other considerations, any estimate of fair value is necessarily subjective and imprecise. For the years ended December 31, --- 2000 1999 1998 --------- --------- --------- (in thousands) Oil and gas producing activities: Future cash inflows $ 25,174 $ 17,513 $ 3,860 Future production costs (12,679) (9,819) (3,004) --------- --------- --------- 12,495 7,694 856 10% annual discount factor (6,746) (3,770) (271) --------- --------- --------- Standardized measure of discounted future net cash flows $ 5,749 $ 3,924 $ 585 ========= ========= ========= 11 1222 For the years ended December 31, --------------------------------------- 2000 1999 1998 -------- -------- -------- (in thousands) Oil and Gas Producing Activities: Oil and gas sales, net of production costs $ (1,006) $ (397) $ (166) Net changes in prices and production costs 1,905 2,019 (1,974) Revisions of previous quantity estimates 1,043 2,961 (437) Accretion of discount 392 58 299 Changes in production rates, timing and other (509) (1,302) (128) -------- -------- -------- Change in present value of future net revenues 1,825 3,339 (2,406) -------- -------- -------- Balance, beginning of year 3,924 585 2,991 -------- -------- -------- Balance, end of year $ 5,749 $ 3,924 $ 585 ======== ======== ======== NOTE 8. MAJOR CUSTOMERS The following table reflects the major customers of the Partnership's oil and gas sales (a major customer is defined as a customer whose sales exceed 10% of total sales) during the years ended December 31: 2000 1999 1998 -------- -------- -------- Plains Marketing, L.P. 71% 69% - Genesis Crude Oil, L.P. - - 64% Western Gas Resources, Inc. 3% 4% 17% At December 31, 2000, the amount receivable from Plains Marketing, L.P. was $93,082 which is included in the caption "Accounts receivable - oil and gas sales" in the accompanying Balance Sheet. Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on the ability of the Partnership to sell its oil, NGLs and gas production. NOTE 9. PARTNERSHIP AGREEMENT The following is a brief summary of the more significant provisions of the Partnership agreement: Managing general partner - The managing general partner of the Partnership is Pioneer USA. Pioneer USA has the power and authority to manage, control and administer all Program and Partnership affairs. As managing general partner and operator of the Partnership's properties, all production expenses are incurred by Pioneer USA and billed to the Partnership. The majority of the Partnership's oil and gas revenues are received directly by the Partnership, however, a portion of the oil and gas revenue is initially received by Pioneer USA prior to being paid to the Partnership. Under the Partnership agreement, the managing general partner pays 1% of the Partnership's acquisition, drilling and completion costs and 1% of its operating and general and administrative expenses. The managing general partner is also responsible for 1% of guaranty and loan commitment fees. In return, it is allocated 1% of the Partnership's revenues. 12 1223 Limited partner liability - The maximum amount of liability of any limited partner is the total contributions of such partner plus his share of any undistributed profits. Initial capital contributions - The partners entered into subscription agreements for aggregate capital contributions of $10,970,000. The managing general partner is required to contribute amounts equal to 1% of initial Partnership capital less commission, organization and offering costs allocated to the limited partners and to contribute amounts necessary to pay costs and expenses allocated to it under the Partnership agreement to the extent that its share of revenues does not cover such costs. 13 1224 PARKER & PARSLEY PRIVATE INVESTMENT 90, L.P. (A DELAWARE LIMITED PARTNERSHIP) THIS REPORT CONTAINS FORWARD LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. ACCORDINGLY, NO ASSURANCES CAN BE GIVEN THAT THE ACTUAL EVENTS AND RESULTS WILL NOT BE MATERIALLY DIFFERENT THAN THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS Results of operations 2000 compared to 1999 The Partnership's oil and gas revenues increased 94% to $1,508,541 for 2000 as compared to $776,849 in 1999. The increase in revenues resulted from higher average prices received and an increase in production. In 2000, 39,040 barrels of oil, 13,873 barrels of natural gas liquids ("NGLs") and 49,484 mcf of gas were sold, or 61,160 barrel of oil equivalents ("BOEs"). In 1999, 32,789 barrels of oil, 13,546 barrels of NGLs and 47,331 mcf of gas were sold, or 54,224 BOEs. Due to the decline characteristics of the Partnership's oil and gas properties, management expects a certain amount of decline in production in the future until the Partnership's economically recoverable reserves are fully depleted. The average price received per barrel of oil increased $12.05, or 70%, from $17.30 in 1999 to $29.35 in 2000. The average price received per barrel of NGLs increased $6.36, or 67%, from $9.46 in 1999 to $15.82 in 2000. The average price received per mcf of gas increased 69% from $1.72 in 1999 to $2.90 in 2000. The market price for oil and gas has been extremely volatile in the past decade, and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received in 2000. Total costs and expenses increased in 2000 to $700,691 as compared to $553,188 in 1999, an increase of $147,503, or 27%. The increase was primarily due to increases in the impairment of oil and gas properties, production costs and general and administrative expenses ("G&A"), offset by a decline in depletion. Production costs were $502,676 in 2000 and $379,923 in 1999, resulting in a $122,753 increase, or 32%. The increase was primarily due to higher production taxes associated with higher oil and gas prices and additional well maintenance costs incurred to stimulate well production. G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 39% from $29,997 in 1999 to $41,729 in 2000, primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner $37,554 in 2000 and $23,205 in 1999 for G&A incurred on behalf of the Partnership. The remaining G&A was paid directly by the Partnership. The managing general partner determines the allocated expenses based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities. In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the managing general partner reviews the Partnership's oil and gas properties for impairment whenever events or circumstances indicate a decline in the recoverability of the carrying value of the Partnership's assets may have occurred. As a result of the review and evaluation of its long-lived assets for impairment, the Partnership recognized a non-cash charge of $49,757 related to its oil and gas properties during 2000. Depletion was $106,529 in 2000 as compared to $143,268 in 1999, representing a decrease of $36,739, or 26%. This decrease was primarily due to a 148,753 barrels of oil increase in proved reserves during 2000 as a result of higher commodity prices, offset by an increase in oil production of 6,251 barrels for the period ended December 31, 2000 compared to the same period in 1999. 1225 1999 compared to 1998 The Partnership's 1999 oil and gas revenues increased 20% to $776,849 from $648,378 in 1998. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 1999, 32,789 barrels of oil, 13,546 barrels of NGLs and 47,331 mcf of gas were sold, or 54,224 BOEs. In 1998, 35,555 barrels of oil, 13,913 barrels of NGLs and 54,218 mcf of gas were sold, or 58,504 BOEs. The average price received per barrel of oil increased $4.11, or 31%, from $13.19 in 1998 to $17.30 in 1999. The average price received per barrel of NGLs increased $2.69, or 40%, from $6.77 in 1998 to $9.46 in 1999. The average price received per mcf of gas increased 10% from $1.57 in 1998 to $1.72 in 1999. Total costs and expenses decreased in 1999 to $553,188 as compared to $1,100,322 in 1998, a decrease of $547,134, or 50%. The decrease was primarily due to declines in the impairment of oil and gas properties, production costs and depletion, offset by an increase in G&A. Production costs were $379,923 in 1999 and $481,924 in 1998, resulting in a $102,001 decrease, or 21%. The decrease was due to declines in well maintenance costs and ad valorem taxes. During this period, G&A increased 49% from $20,196 in 1998 to $29,997 in 1999 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner $23,205 in 1999 and $16,483 in 1998 for G&A incurred on behalf of the Partnership. The Partnership recognized a non-cash SFAS 121 charge of $373,422 related to its oil and gas properties during 1998. Depletion was $143,268 in 1999 compared to $224,780 in 1998, representing a decrease of $81,512, or 36%. This decrease was the result of an increase in proved reserves of 266,736 barrels of oil during 1999 as a result of higher commodity prices and a reduction in the

Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 1998. Petroleum industry The petroleum industry has been characterized by volatile oil, NGL and natural gas commodity prices and relatively stable supplier costs during the three years ended December 31, 2000. During 1998, weather patterns, regional economic recessions and political matters combined to cause worldwide oil supplies to exceed demand resulting in a substantial decline in oil prices. Also during 1998, but to a lesser extent, market prices for natural gas declined. During 1999 and 2000, the Organization of Petroleum Exporting Countries ("OPEC") and certain other crude oil exporting nations announced reductions in their planned export volumes. Those announcements, together with the enactment of the announced reductions in export volumes, had a positive impact on world oil prices, as have overall natural gas supply and demand fundamentals on North American natural gas prices. Although the favorable commodity price environment and stable field service cost environment is expected to continue during 2001, there is no assurance that commodity prices will not return to a less favorable level or that field service costs will not escalate in the future, both of which could negatively impact the Partnership's future results of operations and cash distributions. 1226 Liquidity and capital resources Net Cash Provided by Operating Activities Net cash provided by operating activities increased $559,243 during the year ended December 31, 2000 from 1999. This increase was due to an increase in oil and gas sales receipts of $738,819, offset by increases in production costs paid of $122,753, G&A expenses paid of $11,732 and working capital of $45,091. The increase in oil and gas receipts resulted from the increase in commodity prices during 2000 which contributed an additional $543,958 to oil and gas receipts and an increase of $194,861 resulting from the increase in production during 2000. The increase in production costs was primarily due to increased production taxes associated with higher oil and gas prices and well maintenance costs incurred to stimulate well production. The increase in G&A was primarily due to higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. Net Cash Provided by (Used in) Investing Activities The Partnership's principal investing activities during 2000 and 1999 included expenditures related to equipment upgrades on active properties. Proceeds from asset dispositions of $2,385 and $2,124 recognized during 2000 and 1999, respectively, were due to equipment credits received on active properties. Net Cash Used in Financing Activities In 2000, cash distributions to the partners were $870,242, of which $8,702 was distributed to the managing general partner and $861,540 to the limited partners. In 1999, cash distributions to the partners were $255,913, of which $2,559 was distributed to the managing general partner and $253,354 to the limited partners. 1227 PARKER & PARSLEY PRIVATE INVESTMENT 90, L.P. SELECTED FINANCIAL DATA The following selected financial data for the Partnership should be read in connection with Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements included in the attached supplemental information. Three months ended March 31, Years ended December 31, -------------------- --- 2001 2000 2000 1999 1998 1997 1996 -------- ---------- ---------- ---------- ---------- ---------- ---------- Operating results: Oil and gas sales $ $ 337,608 $1,508,541 $ 776,849 $ 648,378 $1,043,119 $1,237,784 ======== ========== ========== ========== ========== ========== ========== Impairment of oil and gas properties $ $ -- $ 49,757 $ -- $ 373,422 $ -- $ -- ======== ========== ========== ========== ========== ========== ========== Net income (loss) $ $ 185,526 $ 824,583 $ 230,882 $ (442,828) $ 403,823 $ 571,998 ======== ========== ========== ========== ========== ========== ========== Allocation of net income (loss): Managing general partner $ $ 1,855 $ 8,246 $ 2,309 $ (4,428) $ 4,038 $ 5,720 ======== ========== ========== ========== ========== ========== ========== Limited partners $ $ 183,671 $ 816,337 $ 228,573 $ (438,400) $ 399,785 $ 566,278 ======== ========== ========== ========== ========== ========== ========== Limited partners' net income (loss) per limited partnership interest $ $ 669.72 $ 2,976.62 $ 833.45 $(1,598.54) $ 1,457.74 $ 2,064.82 ======== ========== ========== ========== ========== ========== ========== Limited partners' cash distributions per limited partnership interest $ $ 601.81 $ 3,141.44 $ 923.81 $ 951.07 $ 2,289.37 $ 2,184.00 ======== ========== ========== ========== ========== ========== ========== At year end: Total assets $ $1,833,220 $1,756,921 $1,813,776 $1,834,790 $2,549,986 $2,769,711 ======== ========== ========== ========== ========== ========== ========== 1228 PIONEER NATURAL RESOURCES COMPANY PIONEER NATURAL RESOURCES USA, INC. 1400 WILLIAMS SQUARE WEST 5205 NORTH O'CONNOR BLVD. IRVING, TEXAS 75039 SUPPLEMENTAL INFORMATION OF PARKER & PARSLEY 90 SPRABERRY PRIVATE DEVELOPMENT, L.P., A DELAWARE LIMITED PARTNERSHIP TO PROXY STATEMENT/PROSPECTUS DATED , 2001 ---------- THE DATE OF THIS SUPPLEMENT IS , 2001 ----------

This document contains important information specific to Parker & Parsley 90 Spraberry Private Development, L.P., and supplements the proxy statement/prospectus dated , 2001, of Pioneer Natural Resources Company and Pioneer Natural Resources USA, Inc., by which Pioneer USA is soliciting proxies to be voted at a special meeting of limited partners of the partnership. The purpose of the special meeting is for you to vote upon the merger of the partnership with and into Pioneer USA that, if completed, will result in your receiving common stock of Pioneer Natural Resources Company and cash for your partnership interests. This document contains the following information concerning Parker & Parsley 90 Spraberry Private Development, L.P.: o A table containing: -- the aggregate initial investment by the limited partners -- the aggregate historical limited partner distributions through March 31, 2001 -- the aggregate merger value attributable to partnership interests of limited partners, excluding Pioneer USA -- the merger value per $1,000 limited partner investment as of March 31, 2001 -- the merger value per $1,000 limited partner investment as a multiple of distributions for the 12 months ended March 31, 2001 -- the book value per $1,000 limited partner investment as of March 31, 2001 and as of December 31, 2000 -- the going concern value per $1,000 limited partner investment as of March 31, 2001 -- the liquidation value per $1,000 limited partner investment as of March 31, 2001 -- the ordinary tax loss per $1,000 limited partner investment in year of initial investment o Information about the legal opinion for the limited partners o The partnership's financial statements, including management's discussion and analysis of financial condition and results of operations, for the three months ended March 31, 2001 o The partnership's financial statements, including management's discussion and analysis of financial condition and results of operations, for the year ended December 31, 2000 o Selected historical financial data for the partnership for the three months ended March 31, 2001 and 2000 and the five years ended December 31, 2000 -1- 1229 PARKER & PARSLEY 90 SPRABERRY PRIVATE DEVELOPMENT, L.P. SUPPLEMENTAL INFORMATION TABLE Aggregate Initial Investment by the Limited Partners(a) $ 5,200 Aggregate Historical Limited Partner Distributions through March 31, 2001(a) $ 3,731 Aggregate Merger Value Attributable to Partnership Interests of Limited Partners, $ 1,426 Excluding Pioneer USA(a) Merger Value per $1,000 Limited Partner Investment as of March 31, 2001(b) $ 274.15 Merger Value per $1,000 Limited Partner Investment as a Multiple of Distributions for the 4.68 times 12 Months ended March 31, 2001(b) Book Value per $1,000 Limited Partner Investment: -- as of March 31, 2001(b) $ -- as of December 31, 2000(b) $ 141.88 Going Concern Value per $1,000 Limited Partner Investment as of March 31, 2001(b) $ 249.16 Liquidation Value per $1,000 Limited Partner Investment as of March 31, 2001(b) $ 266.65 Ordinary Tax Loss per $1,000 Limited Partner Investment in Year of Initial Investment $ 168 (b), (c) ----------- (a) Stated in thousands. (b) Interests in some partnerships were sold in units at prices other than $1,000. We have presented this information based on a $1,000 initial investment for ease of use and comparison among partnerships. You should not assume that the amount shown per $1,000 investment is the same as the value or amount attributable to a single unit investment. (c) Your ability to use your distributive share of the partnership's loss to offset your other income may have been subject to certain limitations at your level as a partner, and you may therefore wish to consult your tax advisor to determine the additional value, if any, actually realized by you in your particular circumstances. INFORMATION ABOUT THE LEGAL OPINION FOR THE LIMITED PARTNERS The partnership agreement for the partnership requires that special legal counsel render an opinion on behalf of the limited partners to Pioneer USA that neither the grant nor the exercise of the right to approve the merger of the partnership by its limited partners will adversely affect the federal income tax classification of the partnership or any of its limited partners. Although not required by the partnership agreement, the opinion will also state that neither the grant nor exercise of such right will result in the loss of any limited partner's limited liability. In addition, the counsel designated to render the opinion is not required to be counsel other than counsel to Pioneer USA or the partnership. Both the designated counsel and the legal opinion must be approved by the limited partners. Pioneer USA has retained __________ of Dallas, Texas for the purpose of rendering this legal opinion on behalf of the limited partners to Pioneer USA. The merger proposals include an approval of that counsel and the form of its opinion. A copy of the opinion is attached as an exhibit to the merger proposals. -2- 1230 PARKER & PARSLEY 90 SPRABERRY PRIVATE DEVELOPMENT, L.P. (A Delaware Limited Partnership) FINANCIAL STATEMENTS WITH INDEPENDENT AUDITORS' REPORT December 31, 2000 and 1999 1231 INDEPENDENT AUDITORS' REPORT The Partners Parker & Parsley 90 Spraberry Private Development, L.P. (A Delaware Limited Partnership): We have audited the balance sheets of Parker & Parsley 90 Spraberry Private Development, L.P. as of December 31, 2000 and 1999, and the related statements of operations, partners' capital and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion. In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parker & Parsley 90 Spraberry Private Development, L.P. as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States. Ernst & Young LLP Dallas, Texas March 9, 2001 2 1232 PARKER & PARSLEY 90 SPRABERRY PRIVATE DEVELOPMENT, L.P. (A Delaware Limited Partnership) BALANCE SHEETS December 31 2000 1999 ---------- ----------- ASSETS ------ Current assets: Cash $ 47,337 $ 84,843 Accounts receivable - oil and gas sales 91,915 49,977 ----------- ----------- Total current assets 139,252 134,820 ----------- ----------- Oil and gas properties - at cost, based on the successful efforts accounting method 3,666,171 3,660,488 Accumulated depletion (3,046,352) (3,005,158) ----------- ----------- Net oil and gas properties 619,819 655,330 ----------- ----------- $ 759,071 $ 790,150 =========== =========== LIABILITIES AND PARTNERS' CAPITAL -------------------------------- Current liabilities: Accounts payable - affiliate $ 12,584 $ 81,557 Partners' capital: Managing general partner 8,737 8,358 Limited partners (130 interests) 737,750 700,235 ----------- ----------- 746,487 708,593 ----------- ----------- $ 759,071 $ 790,150 =========== =========== The accompanying notes are an integral part of these financial statements. 3 1233 PARKER & PARSLEY 90 SPRABERRY PRIVATE DEVELOPMENT, L.P. (A Delaware Limited Partnership) STATEMENTS OF OPERATIONS For the years ended December 31 2000 1999 1998 --------- --------- ---------- Revenues: Oil and gas $ 638,385 $ 345,743 $ 275,856 Interest 5,441 3,213 3,779 Gain on disposition of assets -- -- 213 --------- --------- ---------- 643,826 348,956 279,848 --------- --------- ---------- Costs and expenses: Oil and gas production 235,823 177,422 184,952 General and administrative 20,910 14,767 10,935 Impairment of oil and gas properties -- -- 90,823 Depletion 41,194 84,045 126,372 --------- --------- ---------- 297,927 276,234 413,082 --------- --------- ---------- Net income (loss) $ 345,899 $ 72,722 $ (133,234) ========= ========= ========== Allocation of net income (loss): Managing general partner $ 3,459 $ 727 $ (1,332) ========= ========= ========== Limited partners $ 342,440 $ 71,995 $ (131,902) ========= ========= ========== Net income (loss) per limited partnership interest $2,634.15 $ 553.81 $(1,014.63) ========= ========= ========== The accompanying notes are an integral part of these financial statements. 4 1234 PARKER & PARSLEY 90 SPRABERRY PRIVATE DEVELOPMENT, L.P. (A Delaware Limited Partnership) STATEMENTS OF PARTNERS' CAPITAL Managing general Limited partner partners Total ----------- ----------- ----------- Partners' capital at January 1, 1998 $ 11,813 $ 1,042,323 $ 1,054,136 Distributions (1,443) (142,847) (144,290) Net loss (1,332) (131,902) (133,234) ----------- ----------- ----------- Partners' capital at December 31, 1998 9,038 767,574 776,612 Distributions (1,407) (139,334) (140,741) Net income 727 71,995 72,722 ----------- ----------- ----------- Partners' capital at December 31, 1999 8,358 700,235 708,593 Distributions (3,080) (304,925) (308,005) Net income 3,459 342,440 345,899 ----------- ----------- ----------- Partners' capital at December 31, 2000 $ 8,737 $ 737,750 $ 746,487 =========== =========== =========== The accompanying notes are an integral part of these financial statements. 5 1235 PARKER & PARSLEY 90 SPRABERRY PRIVATE DEVELOPMENT, L.P. (A Delaware Limited Partnership) STATEMENTS OF CASH FLOWS For the years ended December 31 2000 1999 1998 --------- --------- --------- Cash flows from operating activities: Net income (loss) $ 345,899 $ 72,722 $(133,234) Adjustments to reconcile net income (loss) to net cash provided by operating activities: Impairment of oil and gas properties -- -- 90,823 Depletion 41,194 84,045 126,372 Gain on disposition of assets -- -- (213) Changes in assets and liabilities: Accounts receivable (41,938) (22,812) 21,422 Accounts payable (68,973) 39,718 31,154 --------- --------- --------- Net cash provided by operating activities 276,182 173,673 136,324 --------- --------- --------- Cash flows from investing activities: Additions to oil and gas properties (5,683) (2,042) (7,821) Proceeds from asset dispositions -- 3,269 213 --------- --------- --------- Net cash provided by (used in) investing activities (5,683) 1,227 (7,608) --------- --------- --------- Cash flows used in financing activities: Cash distributions to partners (308,005) (140,741) (144,290) --------- --------- --------- Net increase (decrease) in cash (37,506) 34,159 (15,574) Cash at beginning of year 84,843 50,684 66,258 --------- --------- --------- Cash at end of year $ 47,337 $ 84,843 $ 50,684 ========= =========

========= The accompanying notes are an integral part of these financial statements. 6 1236 PARKER & PARSLEY 90 SPRABERRY PRIVATE DEVELOPMENT, L.P. (A Delaware Limited Partnership) NOTES TO FINANCIAL STATEMENTS December 31, 2000, 1999 and 1998 NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS Parker & Parsley 90 Spraberry Private Development, L.P. (the "Partnership") was organized in 1990 as a general partnership under the laws of the State of Texas and was converted to a Delaware limited partnership in 1991. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA"). The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas. NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows: Oil and gas properties - The Partnership utilizes the successful efforts method of accounting for its oil and gas properties and equipment. Under this method, all costs associated with productive wells and nonproductive development wells are capitalized while nonproductive exploration costs are expensed. Capitalized costs relating to proved properties are depleted using the unit-of-production method on a property-by-property basis based on proved oil (dominant mineral) reserves as evaluated by independent petroleum consultants. The carrying amounts of properties sold or otherwise disposed of and the related allowances for depletion are eliminated from the accounts and any gain or loss is included in results of operations. Impairment of long-lived assets - In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the Partnership reviews its long-lived assets to be held and used on an individual property basis, including oil and gas properties accounted for under the successful efforts method of accounting, whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. An impairment loss is indicated if the sum of the expected future cash flows is less than the carrying amount of the assets. In this circumstance, the Partnership recognizes an impairment loss for the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset. Use of estimates in the preparation of financial statements - Preparation of the accompanying financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. Net income (loss) per limited partnership interest - The net income (loss) per limited partnership interest is calculated by using the number of outstanding limited partnership interests. 7 1237 Income taxes - A Federal income tax provision has not been included in the financial statements as the income of the Partnership is included in the individual Federal income tax returns of the respective partners. Statements of cash flows - For purposes of reporting cash flows, cash includes depository accounts held by banks. General and administrative expenses - General and administrative expenses are allocated in part to the Partnership by the managing general partner. Allocated expenses are determined by the managing general partner based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities. Reclassifications - Certain reclassifications may have been made to the 1999 and 1998 financial statements to conform to the 2000 financial statement presentations. Environmental - The Partnership is subject to extensive federal, state and local environmental laws and regulations. These laws, which are constantly changing, regulate the discharge of materials into the environment and may require the Partnership to remove or mitigate the environmental effects of the disposal or release of petroleum or chemical substances at various sites. Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Liabilities for expenditures of a noncapital nature are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated. Such liabilities are generally undiscounted unless the timing of cash payments for the liability or component are fixed or reliably determinable. No such liabilities have been accrued as of December 31, 2000. Revenue recognition - The Partnership uses the entitlements method of accounting for oil, natural gas liquids ("NGLs") and natural gas revenues. NOTE 3. IMPAIRMENT OF LONG-LIVED ASSETS In accordance with SFAS 121, the Partnership reviews its proved oil and gas properties for impairment whenever events and circumstances indicate a decline in the recoverability of the carrying value of the Partnership's oil and gas properties. The Partnership has estimated the expected future cash flows of its oil and gas properties as of December 31, 2000, 1999 and 1998, based on proved reserves, and compared such estimated future cash flows to the respective carrying amount of the oil and gas properties to determine if the carrying amounts were likely to be recoverable. For those proved oil and gas properties for which the carrying amount exceeded the estimated future cash flows, an impairment was determined to exist; therefore, the Partnership adjusted the carrying amount of those oil and gas properties to their fair value as determined by discounting their expected future cash flows at a discount rate commensurate with the risks involved in the industry. As a result, the Partnership recognized a non-cash impairment provision of $90,823 related to its proved oil and gas properties during 1998. 8 1238 NOTE 4. INCOME TAXES The financial statement basis of the Partnership's net assets and liabilities was $43,760 greater than the tax basis at December 31, 2000. The following is a reconciliation of net income (loss) per statements of operations with the net income per Federal income tax returns for the years ended December 31: 2000 1999 1998 --------- --------- --------- Net income (loss) per statements of operations $ 345,899 $ 72,722 $(133,234) Impairment of oil and gas properties for financial reporting purposes - - 90,823 Depletion, depreciation and amortization for tax reporting purposes less than amounts for financial reporting purposes 36,539 79,135 110,651 Other, net (76,555) 39,044 36,173 --------- --------- --------- Net income per Federal income tax returns $ 305,883 $ 190,901 $ 104,413 ========= ========= ========= NOTE 5. OIL AND GAS PRODUCING ACTIVITIES The following is a summary of the net costs incurred, whether capitalized or expensed, related to the Partnership's oil and gas producing activities for the years ended December 31: 2000 1999 1998 --------- --------- ------ Development costs $ 5,683 $ 2,042 $7,821 ========= ========= ====== Capitalized oil and gas properties consist of the following: 2000 1999 ----------- ----------- Proved properties: Property acquisition costs $ 19,608 $ 19,608 Completed wells and equipment 3,646,563 3,640,880 ----------- ----------- 3,666,171 3,660,488 Accumulated depletion (3,046,352) (3,005,158) ----------- ----------- Net oil and gas properties $ 619,819 $ 655,330 =========== =========== 9 1239 NOTE 6. RELATED PARTY TRANSACTIONS Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31: 2000 1999 1998 ------- ------- ------- Payment of lease operating and supervision charges in accordance with standard industry operating agreements $88,496 $85,512 $81,995 Reimbursement of general and administrative expenses $18,935 $11,455 $ 9,241 The Partnership participates in oil and gas activities through an income tax partnership (the "Program") pursuant to the Program agreement. Pioneer USA, P&P Employees 90 Spraberry Private Conv., L.P. ("EMPL") and the Partnership are parties to the Program agreement. EMPL is a limited partnership organized for the benefit of certain employees of Pioneer USA. EMPL was merged with Pioneer USA on December 28, 2000. The costs and revenues of the Program are allocated to Pioneer USA and the Partnership as follows: Pioneer USA (1) Partnership -------------- ----------- Revenues: Proceeds from disposition of depreciable and depletable properties - First three years 14.141414% 85.858586% After three years 19.191919% 80.808081% All other revenues - First three years 14.141414% 85.858586% After three years 19.191919% 80.808081% Costs and expenses: Lease acquisition costs, drilling and completion costs 9.090909% 90.909091% Operating costs, reporting and legal expenses and general and administrative expenses - First three years 14.141414% 85.858586% After three years 19.191919% 80.808081% (1) Excludes Pioneer USA's 1% general partner ownership which is allocated at the Partnership level. NOTE 7. OIL AND GAS INFORMATION (UNAUDITED) The following table presents information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities during the years then ended. All of the Partnership's reserves are proved developed and located within the United States. The Partnership's reserves are based on an evaluation prepared by Williamson Petroleum Consultants, Inc., an independent petroleum consultant, using criteria established by the Securities and Exchange Commission. 10 1240 Oil and NGLs Gas (bbls) (mcf) ------------ -------- Net proved reserves at January 1, 1998 270,590 306,642 Revisions (126,717) (142,535) Production (20,835) (24,095) -------- -------- Net proved reserves at December 31, 1998 123,038 140,012 Revisions 214,995 265,098 Production (20,688) (19,579) -------- -------- Net proved reserves at December 31, 1999 317,345 385,531 Revisions 122,969 18,001 Production (22,593) (22,121) -------- -------- Net proved reserves at December 31, 2000 417,721 381,411 ======== ======== As of December 31, 2000, the estimated present value of future net revenues of proved reserves, calculated using December 31, 2000 prices of $26.64 per barrel of oil, $13.12 per barrel of NGLs and $7.64 per mcf of gas, discounted at 10% was approximately $2,575,000 and undiscounted was $5,966,000. Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves. The Partnership emphasizes that reserve estimates are inherently imprecise and, accordingly, the estimates are expected to change as future information becomes available. Disclosures about Oil & Gas Producing Activities Standardized Measure of Discounted Future Net Cash Flows The standardized measure of discounted future net cash flows is computed by applying year-end prices of oil and gas (with consideration of price changes only to the extent provided by contractual arrangements) to the estimated future production of proved oil and gas reserves less estimated future expenditures (based on year-end costs) to be incurred in developing and producing the proved reserves, discounted using a rate of 10% per year to reflect the estimated timing of the future cash flows. A Federal income tax provision has not been calculated as the income of the Partnership is included in the individual Federal income tax returns of the respective partners. Discounted future cash flow estimates like those shown below are not intended to represent estimates of the fair value of oil and gas properties. Estimates of fair value should also consider anticipated future oil and gas prices, interest rates, changes in development and production costs and risks associated with future production. Because of these and other considerations, any estimate of fair value is necessarily subjective and imprecise. For the years ended December 31, -- 2000 1999 1998 -------- -------- -------- (in thousands) Oil and gas producing activities: Future cash inflows $ 12,670 $ 7,807 $ 1,314 Future production costs (6,704) (4,572) (1,058) -------- -------- -------- 5,966 3,235 256 10% annual discount factor (3,391) (1,487) (67) -------- -------- -------- Standardized measure of discounted future net cash flows $ 2,575 $ 1,748 $ 189 ======== ======== ======== 11 1241 For the years ended December 31, -------------------------------- 2000 1999 1998 ------- ------- ------- (in thousands) Oil and Gas Producing Activities: Oil and gas sales, net of production costs $ (403) $ (168) $ (91) Net changes in prices and production costs 840 719 (692) Revisions of previous quantity estimates 844 1,623 (150) Accretion of discount 175 19 106 Changes in production rates, timing and other (629) (634) (48) ------- ------- ------- Change in present value of future net revenues 827 1,559 (875) ------- ------- ------- Balance, beginning of year 1,748 189 1,064 ------- ------- ------- Balance, end of year $ 2,575 $ 1,748 $ 189 ======= ======= ======= NOTE 8. MAJOR CUSTOMERS The following table reflects the major customers of the Partnership's oil and gas sales (a major customer is defined as a customer whose sales exceed 10% of total sales) during the years ended December 31: 2000 1999 1998 -------- -------- -------- Plains Marketing, L.P. 56% 50% - TEPPCO Crude Oil LLC 10% 10% - Genesis Crude Oil, L.P. - - 47% Phillips Petroleum Company 17% 14% 12% Western Gas Resources, Inc. 2% 3% 9% At December 31, 2000, the amounts receivable from Plains Marketing, L.P., Phillips Petroleum Company and TEPPCO Crude Oil LLC were $29,695, $12,633 and $4,023, respectively, which are included in the caption "Accounts receivable - oil and gas sales" in the accompanying Balance Sheet. Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on the ability of the Partnership to sell its oil, NGLs and gas production. NOTE 9. PARTNERSHIP AGREEMENT The following is a brief summary of the more significant provisions of the Partnership agreement: Managing general partner - The managing general partner of the Partnership is Pioneer USA. Pioneer USA has the power and authority to manage, control and administer all Program and Partnership affairs. As managing general partner and operator of the Partnership's properties, all production expenses are incurred by Pioneer USA and billed to the Partnership. The majority of the Partnership's oil and gas revenues are received directly by the Partnership, however, a portion of the oil and gas revenue is initially received by Pioneer USA prior to being 12 1242 paid to the Partnership. Under the Partnership agreement, the managing general partner pays 1% of the Partnership's acquisition, drilling and completion costs and 1% of its operating, general and administrative expenses. The managing general partner is also responsible for 1% of guaranty and loan commitment fees. In return, it is allocated 1% of the Partnership's revenues. Limited partner liability - The maximum amount of liability of any limited partner is the total contributions of such partner plus his share of any undistributed profits. Initial capital contributions - The partners entered into subscription agreements for aggregate capital contributions of $5,200,000. Pioneer USA is required to contribute amounts equal to 1% of initial Partnership capital less commission and organization and offering costs allocated to the limited partners and to contribute amounts necessary to pay costs and expenses allocated to it under the Partnership agreement to the extent that its share of revenues does not cover such costs. 13 1243 PARKER & PARSLEY 90 SPRABERRY PRIVATE DEVELOPMENT, L.P. (A DELAWARE LIMITED PARTNERSHIP) THIS REPORT CONTAINS FORWARD LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. ACCORDINGLY, NO ASSURANCES CAN BE GIVEN THAT THE ACTUAL EVENTS AND RESULTS WILL NOT BE MATERIALLY DIFFERENT THAN THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

AND RESULTS OF OPERATIONS In September 2000, restated financial statements for 1999 and 1998 were issued to the partners to correct a revenue allocation error for one well in the Partnership. The 1999 and 1998 amounts contained in the following discussion of financial condition and the results of operation are based on the restated amounts. Results of operations 2000 compared to 1999 The Partnership's oil and gas revenues increased 85% to $638,385 from 2000 as compared to $345,743 in 1999. The increase in revenues resulted from higher average prices received and an increase in production. In 2000, 16,344 barrels of oil, 6,249 barrels of natural gas liquids ("NGLs") and 22,121 mcf of gas were sold, or 26,280 barrel of oil equivalents ("BOEs"). In 1999, 15,384 barrels of oil, 5,304 barrels of NGLs and 19,579 mcf of gas were sold, or 23,951 BOEs. Due to the decline characteristics of the Partnership's oil and gas properties, management expects a certain amount of decline in production in the future until the Partnership's economically recoverable reserves are fully depleted. The average price received per barrel of oil increased $12.13, or 71%, from $17.04 in 1999 to $29.17 in 2000. The average price received per barrel of NGLs increased $5.86, or 60%, from $9.70 in 1999 to $15.56 in 2000. The average price received per mcf of gas increased 76% from $1.65 in 1999 to $2.91 in 2000. The market price for oil and gas has been extremely volatile in the past decade, and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received in 2000. Total costs and expenses increased in 2000 to $297,927 as compared to $276,234 in 1999, an increase of $21,693, or 8%. The increase was due to increases in production costs and general and administrative expenses ("G&A"), offset by a decline in depletion. Production costs were $235,823 in 2000 and $177,422 in 1999, resulting in a $58,401 increase, or 33%. The increase was primarily due to higher production taxes associated with higher oil and gas prices and additional well maintenance costs incurred to stimulate well production. G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A increased 42% from $14,767 in 1999 to $20,910 in 2000, primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner $18,935 in 2000 and $11,455 in 1999 for G&A incurred on behalf of the Partnership. The remaining G&A was paid directly by the Partnership. The managing general partner determines the allocated expenses based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities. Depletion was $41,194 in 2000 as compared to $84,045 in 1999, representing a decrease of $42,851, or 51%. This decrease was primarily due to a 106,156 barrels of oil increase in proved reserves during 2000 as a result of higher commodity prices. 1244 1999 compared to 1998 The Partnership's 1999 oil and gas revenues increased 25% to $345,743 from $275,856 in 1998. The increase in revenues resulted from higher average prices received and an increase in production. In 1999, 15,384 barrels of oil, 5,304 barrels of NGLs and 19,579 mcf of gas were sold, or 23,951 BOEs. In 1998, 15,196 barrels of oil, 5,639 barrels of NGLs and 24,095 mcf of gas were sold, or 24,851 BOEs. The average price received per barrel of oil increased $3.98, or 30%, from $13.06 in 1998 to $17.04 in 1999. The average price received per barrel of NGLs increased $2.81, or 41%, from $6.89 in 1998 to $9.70 in 1999. The average price received per mcf of gas increased 3% from $1.60 in 1998 to $1.65 in 1999. Gain on disposition of assets of $213 recognized during 1998 was related to equipment salvage received on a well plugged and abandoned in a prior year. Total costs and expenses decreased in 1999 to $276,234 as compared to $413,082 in 1998, a decrease of $136,848, or 33%. The decrease was due to reductions in the impairment of oil and gas properties, depletion and production costs, offset by an increase in G&A. Production costs were $177,422 in 1999 and $184,952 in 1998, resulting in a $7,530 decrease, or 4%. The decrease was due to reductions in well maintenance costs and ad valorem taxes. During this period, G&A increased 35% from $10,935 in 1998 to $14,767 in 1999 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner $11,455 in 1999 and $9,241 in 1998 for G&A incurred on behalf of the Partnership. In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the managing general partner reviews the Partnership's oil and gas properties for impairment whenever events or circumstances indicate a decline in the recoverability of the carrying value of the Partnership's assets may have occurred. As a result of the review and evaluation of its long-lived assets for impairment, the Partnership recognized a non-cash charge of $90,823 related to its oil and gas properties during 1998. Depletion was $84,045 in 1999 compared to $126,372 in

1998, representing a decrease of $42,327, or 33%. This decrease was primarily due to an increase in proved reserves of 151,444 barrels of oil during 1999 as a result of higher commodity prices and a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 1998. Petroleum industry The petroleum industry has been characterized by volatile oil, NGL and natural gas commodity prices and relatively stable supplier costs during the three years ended December 31, 2000. During 1998, weather patterns, regional economic recessions and political matters combined to cause worldwide oil supplies to exceed demand resulting in a substantial decline in oil prices. Also during 1998, but to a lesser extent, market prices for natural gas declined. During 1999 and 2000, the Organization of Petroleum Exporting Countries ("OPEC") and certain other crude oil exporting nations announced reductions in their planned export volumes. Those announcements, together with the enactment of the announced reductions in export volumes, had a positive impact on world oil prices, as have overall natural gas supply and demand fundamentals on North American natural gas prices. Although the favorable commodity price environment and stable field service cost environment is expected to continue during 2001, there is no assurance that commodity prices will not return to a less favorable level or that field service costs will not escalate in the future, both of which could negatively impact the Partnership's future results of operations and cash distributions. 1245 Liquidity and capital resources Net Cash Provided by Operating Activities Net cash provided by operating activities increased $102,509 during the year ended December 31, 2000 from 1999. This increase was due to an increase in oil and gas sales receipts of $294,870, offset by increases in production costs paid of $58,401, G&A expenses paid of $6,143 and working capital of $127,817. The increase in oil and gas receipts resulted from the increase in commodity prices during 2000 which contributed an additional $244,760 to oil and gas receipts and an increase of $50,110 resulting from the increase in production during 2000. The increase in production costs was primarily due to increased production taxes associated with higher oil and gas prices and additional well maintenance costs incurred to stimulate well production. The increase in G&A was primarily due to higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. Net Cash Provided by (Used in) Investing Activities The Partnership's principal investing activities during 2000 and 1999 included expenditures related to equipment upgrades on active properties. Proceeds from asset dispositions of $3,269 in 1999 were due to equipment credits received on active wells. Net Cash Used in Financing Activities In 2000, cash distributions to the partners were $308,005, of which $3,080 was distributed to the managing general partner and $304,925 to the limited partners. In 1999, cash distributions to the partners were $140,741, of which $1,407 was distributed to the managing general partner and $139,334 to the limited partners. 1246 PARKER & PARSLEY 90 SPRABERRY PRIVATE DEVELOPMENT, L.P. SELECTED FINANCIAL DATA The following selected financial data for the Partnership should be read in connection with Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements included in the attached supplemental information. Three months ended March 31, Years ended December 31, ---------------------
-- 2001 2000 2000 1999 1998 1997 1996 -------- --------- ---------
---------- ---------- ---------- ---------- (Restated) (Restated) Operating results: Oil and gas sales $ $ 144,982 $ 638,385 $ 345,743 $ 275,856 $ 432,783 $ 522,399 ======== ========= ========= ========= =========
========= ========= Impairment of oil and gas properties $ $ -- $ -- $ -- $ 90,823 $ 257,009 $ -- ========
========= ========= ========= ========= ========= ========= Net income (loss) $ $ 69,372 $ 345,899 $ 72,722 $ (133,234) $ (152,931) $ 203,213 ======== ========= ========= =========
========= ========= ========= Allocation of net income (loss): Managing general partner $ $ 694 $ 3,459 $ 727 $ (1,332) $ (1,529) $ 2,032 ======== ========= ========= ========= ========= =========
========= Limited partners $ $ 68,678 $ 342,440 $ 71,995 $ (131,902) $ (151,402) $ 201,181 ========
========= ========= ========= ========= ========= ========= Limited partners' net income (loss) per limited partnership interest $ $ 528.29 $ 2,634.15 $ 553.81 $(1,014.63) $(1,164.63) $ 1,547.55 ========
========= ========= ========= ========= ========= ========= Limited partners' cash distributions per limited partnership interest $ $ 667.21 $ 2,345.58 $ 1,071.80 $ 1,098.82 $ 1,762.53 $ 1,836.00
======== ========= ========= ========= ========= ========= ========= At year end: Total assets $ $ 770,965 $ 759,071 $ 790,150 $ 818,273 $1,064,821 $1,450,363 ======== ========= =========
========= ========= ========= ========= 1247 PIONEER NATURAL RESOURCES COMPANY PIONEER NATURAL RESOURCES USA, INC. 1400 WILLIAMS SQUARE WEST 5205 NORTH O'CONNOR BLVD. IRVING, TEXAS 75039 SUPPLEMENTAL INFORMATION OF PARKER & PARSLEY 91-A, L.P., A

DELAWARE LIMITED PARTNERSHIP TO PROXY STATEMENT/PROSPECTUS DATED , 2001 ---------- THE DATE OF THIS SUPPLEMENT IS , 2001 ---------- This document contains important information specific to Parker & Parsley 91-A, L.P., and supplements the proxy statement/prospectus dated , 2001, of Pioneer Natural Resources Company and Pioneer Natural Resources USA, Inc., by which Pioneer USA is soliciting proxies to be voted at a special meeting of limited partners of the partnership. The purpose of the special meeting is for you to vote upon the merger of the partnership with and into Pioneer USA that, if completed, will result in your receiving common stock of Pioneer Natural Resources Company and cash for your partnership interests. This document contains the following information concerning Parker & Parsley 91-A, L.P.: o A table containing: -- the aggregate initial investment by the limited partners -- the aggregate historical limited partner distributions through March 31, 2001 -- the aggregate merger value attributable to partnership interests of limited partners, excluding Pioneer USA -- the merger value per $1,000 limited partner investment as of March 31, 2001 -- the merger value per $1,000 limited partner investment as a multiple of distributions for the 12 months ended March 31, 2001 -- the book value per $1,000 limited partner investment as of March 31, 2001 and as of December 31, 2000 -- the going concern value per $1,000 limited partner investment as of March 31, 2001 -- the liquidation value per $1,000 limited partner investment as of March 31, 2001 -- the ordinary tax loss per $1,000 limited partner investment in year of initial investment o Information about the legal opinion for the limited partners o The partnership's quarterly report on Form 10-Q, including management's discussion and analysis of financial condition and results of operations, for the three months ended March 31, 2001 o The partnership's annual report on Form 10-K, including management's discussion and analysis of financial condition and results of operations, for the year ended December 31, 2000 o Selected historical financial data for the partnership for the three months ended March 31, 2001 and 2000 and the five years ended December 31, 2000 -1- 1248 PARKER & PARSLEY 91-A, L.P. SUPPLEMENTAL INFORMATION TABLE Aggregate Initial Investment by the Limited Partners(a) $ 11,620 Aggregate Historical Limited Partner Distributions through March 31, 2001(a) $ 9,304 Aggregate Merger Value Attributable to Partnership Interests of Limited Partners, $ 4,442 Excluding Pioneer USA(a) Merger Value per $1,000 Limited Partner Investment as of March 31, 2001(b) $ 383.74 Merger Value per $1,000 Limited Partner Investment as a Multiple of Distributions for the 3.82 times 12 Months ended March 31, 2001(b) Book Value per $1,000 Limited Partner Investment: -- as of March 31, 2001(b) $ -- as of December 31, 2000(b) $ 206.61 Going Concern Value per $1,000 Limited Partner Investment as of March 31, 2001(b) $ 350.67 Liquidation Value per $1,000 Limited Partner Investment as of March 31, 2001(b) $ 373.35 Ordinary Tax Loss per $1,000 Limited Partner Investment in Year of Initial Investment $ 158 (b), (c) ---------- (a) Stated in thousands. (b) Interests in some partnerships were sold in units at prices other than $1,000. We have presented this information based on a $1,000 initial investment for ease of use and comparison among partnerships. You should not assume that the amount shown per $1,000 investment is the same as the value or amount attributable to a single unit investment. (c) Your ability to use your distributive share of the partnership's loss to offset your other income may have been subject to certain limitations at your level as a partner, and you may therefore wish to consult your tax advisor to determine the additional value, if any, actually realized by you in your particular circumstances. INFORMATION ABOUT THE LEGAL OPINION FOR THE LIMITED PARTNERS The partnership agreement for the partnership requires that special legal counsel render an opinion on behalf of the limited partners to Pioneer USA that neither the grant nor the exercise of the right to approve the merger of the partnership by its limited partners will adversely affect the federal income tax classification of the partnership or any of its limited partners. Although not required by the partnership agreement, the opinion will also state that neither the grant nor exercise of such right will result in the loss of any limited partner's limited liability. In addition, the counsel designated to render the opinion is not required to be counsel other than counsel to Pioneer USA or the partnership. Both the designated counsel and the legal opinion must be approved by the limited partners. Pioneer USA has retained __________ of Dallas, Texas for the purpose of rendering this legal opinion on behalf of the limited partners to Pioneer USA. The merger proposals include an approval of that counsel and the form of its opinion. A copy of the opinion is attached as an exhibit to the merger proposals. -2- 1249 UNITED STATES SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D. C. 20549 FORM 10-K Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000 COMMISSION FILE NO. 33-38582-01 PARKER & PARSLEY 91-A, L.P. (Exact name of Registrant as specified in its charter) DELAWARE 75-2387572 ------------------------------- ------------------------- (State or other jurisdiction of (I.R.S. Employer incorporation or organization) Identification Number) 1400 WILLIAMS SQUARE WEST, 5205 N. O'CONNOR BLVD., IRVING, TEXAS 75039

-- ------------- (Address of principal executive offices) (Zip code) Registrant's Telephone Number, including area code: (972) 444-9001 Securities registered pursuant to Section 12(b) of the Act: NONE Securities registered pursuant to Section 12(g) of the Act: LIMITED PARTNERSHIP INTERESTS ($1,000 PER UNIT) -- Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES / X / NO / / Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. / X / No market currently exists for the limited partnership interests of the Registrant. Based on the original purchase price, the aggregate market value of limited partnership interests owned by non-affiliates of the Registrant is $11,575,000. As of March 8, 2001, the number of outstanding limited partnership interests was 11,620. The following documents are incorporated by reference into the indicated parts of this Annual Report on Form 10-K: None PARTS I AND II OF THIS ANNUAL REPORT ON FORM 10-K (THE "REPORT") CONTAIN FORWARD LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. ACCORDINGLY, NO ASSURANCES CAN BE GIVEN THAT THE ACTUAL EVENTS AND RESULTS WILL NOT BE MATERIALLY DIFFERENT THAN THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS. SEE "ITEM 1. BUSINESS" FOR A DESCRIPTION OF VARIOUS FACTORS THAT COULD MATERIALLY AFFECT THE ABILITY OF THE PARTNERSHIP TO ACHIEVE THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS. 1250 PART I ITEM 1. BUSINESS Parker & Parsley 91-A, L.P. (the "Partnership") is a limited partnership organized in 1991 under the laws of the State of Delaware. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA"). Pioneer USA is a wholly-owned subsidiary of Pioneer Natural Resources Company ("Pioneer"). As of March 8, 2001, the Partnership had 11,620 limited partnership interests outstanding. The Partnership does not have any employees of its own. Pioneer USA employs 701 persons, many of whom dedicated a part of their time to the conduct of the Partnership's business during the period for which this Report is filed. Pioneer USA is responsible for all management functions. The Partnership engages in oil and gas development and production and is not involved in any industry segment other than oil and gas. The Partnership's production is geographically concentrated in West Texas. The principal markets during 2000 for the oil produced by the Partnership were refineries and oil transmission companies that have facilities near the Partnership's oil producing properties. During 2000, Pioneer USA marketed the Partnership's gas to a variety of purchasers, none of which accounted for 10% or more of the Partnership's oil and gas revenues. Of the Partnership's total oil and gas revenues for 2000, approximately 38% and 16% were attributable to sales made to Plains Marketing, L.P. and TEPPCO Crude Oil LLC, respectively. Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on its ability to sell its oil, natural gas liquids ("NGLs") and gas production. The Partnership's revenues, profitability, cash flow and future rate of growth are highly dependent on the prevailing prices of oil and gas, which are affected by numerous factors beyond the Partnership's control. Oil and gas prices historically have been very volatile. A substantial or extended decline in the prices of oil or gas could have a material adverse effect on the Partnership's revenues, profitability and cash flow and could, under certain circumstances, result in a reduction in the carrying value of the Partnership's oil and gas properties. Oil and gas production operations are subject to various types of regulations by local, state and federal agencies. The Partnership's operations are also subject to state conservation laws and regulations, including the establishment of maximum rates of production from wells and the regulation of spacing, plugging and abandonment of wells. Each state generally imposes a production or severance tax with respect to production and sale of oil and gas within their respective jurisdictions. Noncompliance with the laws and regulations may subject the Partnership to penalties, damages or other liabilities and compliance may increase the cost of the Partnership's operations. The oil and gas business is also subject to environmental hazards such as oil spills, gas leaks and ruptures and discharges of toxic substances or gases that could expose the Partnership to substantial 2 1251 liability due to pollution and other environmental damages. Although the Partnership believes that its business operations do not impair environmental quality and that its costs of complying with any applicable environmental regulations are not currently significant, the Partnership cannot predict what, if any, effect these environmental regulations may have on its current or future operations. Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves. No material part of the Partnership's business is seasonal and the Partnership conducts no foreign operations. ITEM 2. PROPERTIES The Partnership's properties consist of leasehold interests in properties on which oil and gas wells are located. Such property interests are often subject to landowner royalties, overriding royalties and other oil and gas leasehold interests. Fractional working interests in developmental oil and gas prospects located primarily in the Spraberry Trend Area of West Texas were acquired by the Partnership, resulting in the Partnership's participation in the drilling of 48 oil and gas wells. One well has been plugged and abandoned. At December 31, 2000, the Partnership had 47 wells producing. For information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998, see Note 7 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" below. Such reserves have been evaluated by Williamson Petroleum Consultants, Inc., an independent petroleum consultant. ITEM 3. LEGAL PROCEEDINGS The Partnership from time to time is a party to various legal proceedings incidental to its business involving claims in oil and gas leases or interests, other claims for damages in amounts not in excess of 10% of its current assets and other matters, none of which Pioneer USA believes to be material to the Partnership. ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS There were no matters submitted to a vote of the partners during the fourth quarter of 2000. 3 1252 PART II ITEM 5. MARKET FOR LIMITED PARTNERSHIP INTERESTS AND LIMITED PARTNERSHIP DISTRIBUTIONS At March 8, 2001, the Partnership had 11,620 outstanding limited partnership interests held of record by 724 subscribers. There is no established public trading market for the limited partnership interests. Under the limited partnership agreement, Pioneer USA has made certain commitments to purchase partnership interests at a computed value. Revenues which, in the sole judgement of the managing general partner, are not required to meet the Partnership's obligations are distributed to the partners at least quarterly in accordance with the limited partnership agreement. During the years ended December 31, 2000 and 1999, distributions of $1,162,365 and $432,629, respectively, were made to the limited partners. ITEM 6. SELECTED FINANCIAL DATA The following table sets forth selected financial data for the years ended December 31: 2000 1999 1998 1997 1996 ------------- ------------- ------------ ------------- ------------- Operating results: ----------------- Oil and gas sales $ 1,899,948 $ 1,140,335 $ 955,645 $ 1,411,247 $ 1,629,975 ============ ============ =========== ============ ============ Impairment of oil and gas properties $ 12,824 $ 66,898 $ 306,043 $ 485,158 $ - ============ ============ =========== ============ ============ Net income (loss) $ 1,115,704 $ 266,803 $ (280,631) $ (7,029) $ 654,054 ============ ============ =========== ============ ============ Allocation of net income (loss): Managing general partner $ 11,157 $ 2,668 $ (2,806) $ (70) $ 6,540 ============ ============ =========== ============ ============ Limited partners $ 1,104,547 $ 264,135 $ (277,825) $ (6,959) $ 647,514 ============ ============ =========== ============ ============ Limited partners' net income (loss) per limited partnership interest $ 95.06 $ 22.73 $ (23.91) $ (.60) $ 55.72 ============ ============ =========== ============ ============ Limited partners' cash distributions per limited partnership interest $ 100.03 $ 37.23 $ 36.77 $ 75.11 $ 70.97 ============ ============ =========== ============ ============ At year end: ----------- Identifiable assets $ 2,457,656 $ 2,531,606 $ 2,667,803 $ 3,402,546 $ 4,289,878 ============ ============ =========== ============ ============ 4 1253 ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS Results of Operations 2000 compared to 1999 The Partnership's oil and gas revenues increased 67% to $1,899,948 for 2000 as compared to $1,140,335 in 1999. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 2000, 43,704 barrels of oil, 20,425 barrels of natural gas liquids ("NGLs") and 94,315 mcf of gas were sold, or 79,848 barrel of oil equivalents ("BOEs"). In 1999, 44,203 barrels of oil, 20,617 barrels of NGLs and 100,615 mcf of gas were sold, or 81,589 BOEs. Due to the decline characteristics of the Partnership's oil and gas properties, management expects a certain amount of decline in production in the future until the Partnership's economically recoverable reserves are fully depleted. The average price received per barrel of oil increased $12.33, or 70%, from $17.57 in 1999 to $29.90 in 2000. The average price received per barrel of NGLs increased $5.60, or 60%, from $9.34 in 1999 to $14.94 in 2000. The average price received per mcf of gas increased 80% from $1.70 in 1999 to $3.06 in 2000. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received in 2000. A gain on disposition of assets of $1,096 recognized during 1999 was from equipment credits received on one temporarily abandoned property. Total costs and expenses decreased in 2000 to $802,130 as compared to $884,937 in 1999, a decrease of $82,807, or 9%. The decrease was due to declines in depletion, the impairment of oil and gas properties and general and administrative expenses ("G&A"), offset by an increase in production costs. Production costs were $589,344 in 2000 and $514,994 in 1999, resulting in an increase of $74,350, or 14%. This increase was primarily due to higher production taxes associated with higher oil and gas prices and additional well maintenance costs incurred to stimulate well production. G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A decreased 21% from $75,454 in 1999 to $59,962 in 2000. The Partnership paid the managing general partner $41,213 in 2000 and $34,110 in 1999 for G&A incurred on behalf of the Partnership. The remaining G&A was paid directly by the Partnership. The managing general partner determines the allocated expenses based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities. In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the managing general partner reviews the Partnership's oil and gas properties for impairment whenever events or circumstances indicate a decline in the recoverability of the carrying value of the Partnership's assets may have occurred. As a result of the review and evaluation of its long-lived assets for impairment, the Partnership recognized non-cash charges of $12,824 and $66,898 related to its oil and gas properties during 2000 and 1999, respectively. 5 1254 Depletion decreased in 2000 to $140,000 as compared to $227,591 in 1999, representing a decrease of $87,591, or 38%. This decrease was primarily due to a 127,977 barrels of oil increase in proved reserves during 2000 as a result of higher commodity prices and a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 1999. 1999 compared to 1998 The Partnership's 1999 oil and gas revenues increased 19% to $1,140,335 from $955,645 in 1998. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 1999, 44,203 barrels of oil, 20,617 barrels of NGLs and 100,615 mcf of gas were sold, or 81,589 BOEs. In 1998, 49,403 barrels of oil, 21,220 barrels of NGLs and 108,617 mcf of gas were sold, or 88,726 BOEs. The average price received per barrel of oil increased $4.42, or 34%, from $13.15 in 1998 to $17.57 in 1999. The average price received per barrel of NGLs increased $2.90, or 45%, from $6.44 in 1998 to $9.34 in 1999. The average price received per mcf of gas increased 9% from $1.56 in 1998 to $1.70 in 1999. A gain on disposition of assets of $1,096 recognized during 1999 was from equipment credits received on one temporarily abandoned property. Total costs and expenses decreased in 1999 to $884,937 as compared to $1,247,302 in 1998, a decrease of $362,365, or 29%. The decrease was due to declines in the impairment of oil and gas properties, depletion and production costs, offset by an increase in G&A. Production costs were $514,994 in 1999 and $535,948 in 1998, resulting in a decrease of $20,954, or 4%. This decrease resulted from declines in ad valorem taxes, well maintenance costs and workover costs, offset by an increase in production taxes due to increased oil and gas revenues. During this period, G&A increased 72% from $43,977 in 1998 to $75,454 in 1999 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner $34,110 in 1999 and $24,415 in 1998 for G&A incurred on behalf of the Partnership. The Partnership recognized non-cash SFAS 121 charges of $66,898 and $306,043 related to its oil and gas properties during 1999 and 1998, respectively. Depletion decreased in 1999 to $227,591 as compared to $361,334 in 1998. This represented a decrease of $133,743, or 37%. This decrease was the result of an increase in proved reserves of 281,767 barrels of oil during 1999 as a result of higher commodity prices, a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 1998 and a decline in oil production of 5,200 barrels for the period ended December 31, 1999 compared to the same period in 1998. Petroleum industry The petroleum industry has been characterized by volatile oil, NGL and natural gas commodity prices and relatively stable supplier costs during the three years ended December 31, 2000. During 1998, 6 1255 weather patterns, regional economic recessions and political matters combined to cause worldwide oil supplies to exceed demand resulting in a substantial decline in oil prices. Also during 1998, but to a lesser extent, market prices for natural gas declined. During 1999 and 2000, the Organization of Petroleum Exporting Countries ("OPEC") and certain other crude oil exporting nations announced reductions in their planned export volumes. Those announcements, together with the enactment of the announced reductions in export volumes, had a positive impact on world oil prices, as have overall natural gas supply and demand fundamentals on North American natural gas prices. Although the favorable commodity price environment and stable field service cost environment is expected to continue during 2001, there is no assurance that commodity prices will not return to a less favorable level or that field service costs will not escalate in the future, both of which could negatively impact the Partnership's future results of operations and cash distributions. Liquidity and Capital Resources Net Cash Provided by Operating Activities Net cash provided by operating activities increased $647,967 during the year ended December 31, 2000 from 1999. This increase was due to an increase in oil and gas sales receipts of $767,190 and a decline in G&A expenses paid of $15,492, offset by an increase in production costs paid of $74,350 and working capital of $60,365. The increase in oil and gas receipts resulted from the increase in commodity prices during 2000 which contributed an additional $804,227 to oil and gas receipts, offset by $37,037 resulting from the decline in production during 2000. The increase in production costs was primarily due to increased production taxes associated with higher oil and gas prices and additional well maintenance costs incurred to stimulate well production. Net Cash Used in Investing Activities The Partnership's investing activities during 2000 and 1999 included expenditures related to equipment upgrades on various oil and gas properties. Proceeds from asset dispositions of $11,549 and $1,096 recognized during 2000 and 1999, respectively, were from the disposition of oil and gas equipment on active wells. Net Cash Used in Financing Activities In 2000, cash distributions to the partners were $1,174,106, of which $11,741 was distributed to the managing general partner and $1,162,365 to the limited partners. In 1999, cash distributions to the partners were $436,999, of which $4,370 was distributed to the managing general partner and $432,629 to the limited partners. 7 1256 ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA INDEX TO FINANCIAL STATEMENTS 8 1257 INDEPENDENT AUDITORS' REPORT The Partners Parker & Parsley 91-A, L.P. (A Delaware Limited Partnership): We have audited the balance sheets of Parker & Parsley 91-A, L.P. as of December 31, 2000 and 1999, and the related statements of operations, partners' capital and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion. In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parker & Parsley 91-A, L.P. as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States. Ernst & Young LLP Dallas, Texas March 9, 2001 9 1258 PARKER & PARSLEY 91-A, L.P. (A Delaware Limited Partnership) BALANCE SHEETS December 31 2000 1999 -------------- ------------- ASSETS ------ Current assets: Cash $ 219,827 $ 226,846 Accounts receivable - oil and gas sales 255,270 177,988 ------------- ------------ Total current assets 475,097 404,834 ------------- ------------ Oil and gas properties - at cost, based on the successful efforts accounting method 9,710,132 9,701,521 Accumulated depletion (7,727,573) (7,574,749) ------------- ------------ Net oil and gas properties 1,982,559 2,126,772 ------------- ------------ $ 2,457,656 $ 2,531,606 ============= ============ LIABILITIES AND PARTNERS' CAPITAL -------------------------------- Current liabilities: Accounts payable - affiliate $ 32,513 $ 48,061 Partners' capital: Managing general partner 24,295 24,879 Limited partners (11,620 interests) 2,400,848 2,458,666 ------------- ------------ 2,425,143 2,483,545 ------------- ------------ $ 2,457,656 $ 2,531,606 ============= ============ The accompanying notes are an integral part of these financial statements. 10 1259 PARKER & PARSLEY 91-A, L.P. (A Delaware Limited Partnership) STATEMENTS OF OPERATIONS For the years ended December 31 2000 1999 1998 ------------- ------------ ------------- Revenues: Oil and gas $ 1,899,948 $ 1,140,335 $ 955,645 Interest 17,886

10,309 11,026 Gain on disposition of assets - 1,096 - ------------ ----------- ------------ 1,917,834 1,151,740 966,671 ------------ ----------- ------------ Costs and expenses: Oil and gas production 589,344 514,994 535,948 General and administrative 59,962 75,454 43,977 Impairment of oil and gas properties 12,824 66,898 306,043 Depletion 140,000 227,591 361,334 ------------ ----------- ------------ 802,130 884,937 1,247,302 ------------ ----------- ------------ Net income (loss) $ 1,115,704 $ 266,803 $ (280,631) ============ =========== ============ Allocation of net income (loss): Managing general partner $ 11,157 $ 2,668 $ (2,806) ============ =========== ============ Limited partners $ 1,104,547 $ 264,135 $ (277,825) ============ =========== ============ Net income (loss) per limited partners' interest $ 95.06 $ 22.73 $ (23.91) ============ =========== ============ The accompanying notes are an integral part of these financial statements. 11 1260 PARKER & PARSLEY 91-A, L.P. (A Delaware Limited Partnership) STATEMENTS OF PARTNERS' CAPITAL Managing general Limited partner partners Total ----------- ----------- ------------ Partners' capital at January 1, 1998 $ 33,702 $ 3,332,223 $ 3,365,925 Distributions (4,315) (427,238) (431,553) Net loss (2,806) (277,825) (280,631) ----------- ----------- ------------ Partners' capital at December 31, 1998 26,581 2,627,160 2,653,741 Distributions (4,370) (432,629) (436,999) Net income 2,668 264,135 266,803 ----------- ----------- ------------ Partners' capital at December 31, 1999 24,879 2,458,666 2,483,545 Distributions (11,741) (1,162,365) (1,174,106) Net income 11,157 1,104,547 1,115,704 ----------- ----------- ------------ Partners' capital at December 31, 2000 $ 24,295 $ 2,400,848 $ 2,425,143 =========== =========== ============ The accompanying notes are an integral part of these financial statements. 12 1261 PARKER & PARSLEY 91-A, L.P. (A Delaware Limited Partnership) STATEMENTS OF CASH FLOWS For the years ended December 31 2000 1999 1998 ------------ ------------ ------------ Cash flows from operations: Net income (loss) $ 1,115,704 $ 266,803 $ (280,631) Adjustment to reconcile net income (loss) to net cash provided by operating activities: Impairment of oil and gas properties 12,824 66,898 306,043 Depletion 140,000 227,591 361,334 Gain on disposition of assets - (1,096) - Changes in assets and liabilities: Accounts receivable (77,282) (66,464) 54,318 Accounts payable (15,548) 33,999 (22,559) ----------- ----------- ----------- Net cash provided by operating activities 1,175,698 527,731 418,505 ----------- ----------- ----------- Cash flows from investing activities: Additions to oil and gas properties (20,160) (23,360) (15,294) Proceeds from asset disposition 11,549 1,096 5,617 ----------- ----------- ----------- Net cash used in investing activities (8,611) (22,264) (9,677) ----------- ----------- ----------- Cash flows used in financing activities: Cash distributions to partners (1,174,106) (436,999) (431,553) ----------- ----------- ----------- Net increase (decrease) in cash (7,019) 68,468 (22,725) Cash at beginning of year 226,846 158,378 181,103 ----------- ----------- ----------- Cash at end of year $ 219,827 $ 226,846 $ 158,378 =========== =========== =========== The accompanying notes are an integral part of these financial statements. 13 1262 PARKER & PARSLEY 91-A, L.P. (A Delaware Limited Partnership) NOTES TO FINANCIAL STATEMENTS December 31, 2000, 1999 and 1998 NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS Parker & Parsley 91-A, L.P. (the "Partnership") is a limited partnership organized in 1991 under the laws of the State of Delaware. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA"). The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas. NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows: Oil and gas properties - The Partnership utilizes the successful efforts method of accounting for its oil and gas properties and equipment. Under this method, all costs associated with productive wells and nonproductive development wells are capitalized while nonproductive exploration costs are expensed. Capitalized costs relating to proved properties are depleted using the unit-of- production method on a property-by-property basis based on proved oil (dominant mineral) reserves as evaluated by independent petroleum consultants. The carrying amounts of properties sold or otherwise disposed of and the related allowances for depletion are eliminated from the accounts and any gain or loss is included in results of operations. Impairment of long-lived assets - In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the Partnership reviews its long-lived assets to be held and used on an individual property basis, including oil and gas properties accounted for under the successful efforts method of accounting, whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. An impairment loss is indicated if the sum of the expected future cash flows is less than the carrying amount of the assets. In this circumstance, the Partnership recognizes an impairment loss for the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset. Use of estimates in the preparation of financial statements - Preparation of the accompanying financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. Net income (loss) per limited partnership interest - The net income (loss) per limited partnership interest is calculated by using the number of outstanding limited partnership interests. Income taxes - A Federal income tax provision has not been included in the financial statements as the income of the Partnership is included in the individual Federal income tax returns of the respective partners. 14 1263 Statements of cash flows - For purposes of reporting cash flows, cash includes depository accounts held by banks. General and administrative expenses - General and administrative expenses are allocated, in part, to the Partnership by the managing general partner. Allocated expenses are determined by the managing general partner based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities. Reclassifications - Certain reclassifications may have been made to the 1999 and 1998 financial statements to conform to the 2000 financial statement presentations. Environmental - The Partnership is subject to extensive federal, state and local environmental laws and regulations. These laws, which are constantly changing, regulate the discharge of materials into the environment and may require the Partnership to remove or mitigate the environmental effects of the disposal or release of petroleum or chemical substances at various sites. Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Liabilities for expenditures of a noncapital nature are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated. Such liabilities are generally undiscounted unless the timing of cash payments for the liability or component are fixed or reliably determinable. No such liabilities have been accrued as of December 31, 2000. Revenue recognition - The Partnership uses the entitlements method of accounting for oil, natural gas liquids ("NGLs") and natural gas revenues. NOTE 3. IMPAIRMENT OF LONG-LIVED ASSETS In accordance with SFAS 121, the Partnership reviews its proved oil and gas properties for impairment whenever events and circumstances indicate a decline in the recoverability of the carrying value of the Partnership's oil and gas properties. The Partnership has estimated the expected future cash flows of its oil and gas properties as of December 31, 2000, 1999 and 1998, based on proved reserves, and compared such estimated future cash flows to the respective carrying amount of the oil and gas properties to determine if the carrying amounts were likely to be recoverable. For those proved oil and gas properties for which the carrying amount exceeded the estimated future cash flows, an impairment was determined to exist; therefore, the Partnership adjusted the carrying amount of those oil and gas properties to their fair value as determined by discounting their expected future cash flows at a discount rate commensurate with the risks involved in the industry. As a result, the Partnership recognized non-cash impairment provisions of $12,824, $66,898 and $306,043 related to its proved oil and gas properties during 2000, 1999 and 1998, respectively. 15 1264 NOTE 4. INCOME TAXES The financial statement basis of the Partnership's net assets and liabilities was $946,627 greater than the tax basis at December 31, 2000. The following is a reconciliation of net income (loss) per statements of operations with the net income per Federal income tax returns for the years ended December 31: 2000 1999 1998 ------------ ------------ ----------- Net income (loss) per statements of operations $ 1,115,704 $ 266,803 $ (280,631) Depletion and depreciation provisions for tax reporting purposes (greater than) less than amounts for financial reporting purposes 120,160 106,971 (11,376) Impairment of oil and gas properties for financial reporting purposes 12,824 66,898 306,043 Other, net 8,901 (4,139) 8,462 ------------ ----------- ----------- Net income per Federal income tax returns $ 1,257,589 $ 436,533 $ 22,498 =========== =========== ========== NOTE 5. OIL AND GAS PRODUCING ACTIVITIES The following is a summary of the costs incurred, whether capitalized or expensed, related to the Partnership's oil and gas producing activities for the years ended December 31: 2000 1999 1998 ------------ ------------ ----------- Development costs $ 20,160 $ 23,360 $ 15,294 =========== =========== ========== Capitalized oil and gas properties consist of the following: 2000 1999 ------------- ------------ Property acquisition costs $ 343,666 $ 343,666 Completed wells and equipment 9,366,466 9,357,855 ------------- ----------- 9,710,132 9,701,521 Accumulated depletion (7,727,573) (7,574,749) ------------- ----------- Net oil and gas properties $ 1,982,559 $ 2,126,772 ============ =========== NOTE 6. RELATED PARTY TRANSACTIONS Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31: 2000 1999 1998 -------------- -------------- -------------- Payment of lease operating and supervision charges in accordance with standard industry operating agreements $ 202,739 $ 213,969 $ 210,197 Reimbursement of general and administrative expenses $ 41,213 $ 34,110 $ 24,415 16 1265 The Partnership participates in oil and gas activities through an income tax partnership (the "Program") pursuant to the Program agreement. Pioneer USA, P&P Employees 91-A GP ("EMPL") and the Partnership are parties to the Program agreement. EMPL is a general partnership organized for the benefit of certain employees of Pioneer USA. EMPL was merged with Pioneer USA on December 28, 2000. The costs and revenues of the Program are allocated to Pioneer USA and the Partnership as follows: Pioneer USA (1) Partnership (1) --------------- --------------- Revenues: Proceeds from disposition of depreciable and depletable properties 34.3434343% 65.6565657% All other revenues 34.3434343% 65.6565657% Costs and expenses: Lease acquisition costs, drilling and completion costs and all other costs 24.2424242% 75.7575758% Operating costs, reporting and legal expenses and general and administrative expenses 34.3434343% 65.6565657% (1) Includes Pioneer USA's 1% general partner ownership which is allocated at the Partnership level and 45 limited partner interests owned by Pioneer USA. NOTE 7. OIL AND GAS INFORMATION (UNAUDITED) The following table presents information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities during the years then ended. All of the Partnership's reserves are proved developed and located within the United States. The Partnership's reserves are based on an evaluation prepared by Williamson Petroleum Consultants, Inc., an independent petroleum consultant, using criteria established by the Securities and Exchange Commission. Oil and NGLs Gas (bbls) (mcf) ------------- ------------ Net proved reserves at January 1, 1998 909,941 1,063,660 Revisions (333,709) (228,660) Production (70,623) (108,617) ------------- ------------ Net proved reserves at December 31, 1998 505,609 726,383 Revisions 430,559 692,465 Production (64,820) (100,615) ------------- ------------ Net proved reserves at December 31, 1999 871,348 1,318,233 Revisions 171,624 199,837 Production (64,129) (94,315) ------------- ------------ Net proved reserves at December 31, 2000 978,843 1,423,755 ============= ============ 17 1266 As of December 31, 2000, the estimated present value of future net revenues of proved reserves, calculated using December 31, 2000 prices of $26.72 per barrel of oil, $12.21 per barrel of NGLs and $7.85 per mcf of gas, discounted at 10% was approximately $8,217,000 and undiscounted was $17,966,000. Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves. The Partnership emphasizes that reserve estimates are inherently imprecise and, accordingly, the estimates are expected to change as future information becomes available. Disclosures about Oil & Gas Producing Activities Standardized Measure of Discounted Future Net Cash Flows The standardized measure of discounted future net cash flows is computed by applying year-end prices of oil and gas (with consideration of price changes only to the extent provided by contractual arrangements) to the estimated future production of proved oil and gas reserves less estimated future expenditures (based on year-end costs) to be incurred in developing and producing the proved reserves, discounted using a rate of 10% per year to reflect the estimated timing of the future cash flows. A Federal income tax provision has not been calculated as the income of the Partnership is included in the individual Federal income tax returns of the respective partners. Discounted future cash flow estimates like those shown below are not intended to represent estimates of the fair value of oil and gas properties. Estimates of fair value should also consider probable reserves, anticipated future oil and gas prices, interest rates, changes in development and production costs and risks associated with future production. Because of these and other considerations, any estimate of fair value is necessarily subjective and imprecise. For the years ended December 31, -- 2000 1999 1998 ------------ ------------ ------------ (in thousands) Oil and gas producing activities: Future cash inflows $ 32,836 $ 21,453 $ 5,509 Future production costs (14,870) (11,854) (4,104) ----------- ----------- ----------- 17,966 9,599 1,405 10% annual discount factor (9,749) (4,661) (456) ----------- ----------- ----------- Standardized measure of discounted future net cash flows $ 8,217 $ 4,938 $ 949 =========== =========== =========== 18 1267 For the years ended December 31, -- 2000 1999 1998 ------------ ------------ ------------ (in thousands) Oil and Gas Producing Activities: Oil and gas sales, net of production costs $ (1,311) $ (625) $ (420) Net changes in prices and production costs 3,414 2,743 (2,438) Revisions of previous quantity estimates 1,558 3,245 (441) Accretion of discount 494 95 391 Changes in production rates, timing and other (876) (1,469) (48) ----------- ----------- ----------- Change in present value of future net revenues 3,279 3,989 (2,956) ----------- -----------

------------ Balance, beginning of year 4,938 949 3,905 ------------ ------------ ------------ Balance, end of year $ 8,217 $ 4,938 $ 949 ============ ============ ============ NOTE 8. MAJOR CUSTOMERS The following table reflects the major customers of the Partnership`s oil and gas sales (a major customer is defined as a customer whose sales exceed 10% of total sales) during the years ended December 31: 2000 1999 1998 -------- -------- -------- Plains Marketing, L.P. 38% 36% - TEPPCO Crude Oil LLC 16% 17% - Genesis Crude Oil, L.P. - - 52% Western Gas Resources, Inc. 3% 5% 19% At December 31, 2000, the amounts receivable from Plains Marketing, L.P. and TEPPCO Crude Oil LLC were $64,973 and $19,274, respectively, which are included in the caption "Accounts receivable - oil and gas sales" in the accompanying Balance Sheet. Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on the ability of the Partnership to sell its oil, NGLs and gas production. NOTE 9. PARTNERSHIP AGREEMENT The following is a brief summary of the more significant provisions of the limited partnership agreement: Managing general partner - The managing general partner of the Partnership is Pioneer USA. Pioneer USA has the power and authority to manage, control and administer all Partnership affairs. As managing general partner and operator of the Partnership's properties, all production expenses are incurred by Pioneer USA and billed to the Partnership. The majority of the Partnership's oil and gas revenues are received directly by the Partnership, however, a portion of the oil and gas revenue is initially received by Pioneer USA prior to being paid to the Partnership. Under the limited partnership agreement, the managing general partner pays 1% 19 1268 of the Partnership's acquisition, drilling and completion costs, and 1% of its operating and general and administrative expenses. In return it is allocated 1% of the Partnership's revenues. Limited partner liability - The maximum amount of liability of any limited partner is the total contributions of such partner plus his share of any undistributed profits. Initial capital contributions - The limited partners entered into subscription agreements for aggregate capital contributions of $11,620,000. The managing general partner is required to contribute amounts equal to 1% of initial Partnership capital less sales commission costs allocated to the limited partners and to contribute amounts necessary to pay costs and expenses allocated to it under the partnership agreement to the extent its share of revenues does not cover such costs. ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE None. 20 1269 PART III ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE PARTNERSHIP The Partnership does not have any officers or directors. Under the limited partnership agreement, the Partnership's managing general partner, Pioneer USA, is granted the exclusive right and full authority to manage, control and administer the Partnership's business. Set forth below are the names, ages and positions of the directors and executive officers of Pioneer USA. Directors of Pioneer USA are elected to serve until the next annual meeting of stockholders or until their successors are elected and qualified. Age at December 31, Name 2000 Position ---- ---- -------- Scott D. Sheffield 48 President Timothy L. Dove 44 Executive Vice President, Chief Financial Officer and Director Dennis E. Fagerstone 51 Executive Vice President and Director Mark L. Withrow 53 Executive Vice President, General Counsel and Director Danny Kellum 46 Executive Vice President - Domestic Operations and Director Rich Dealy 34 Vice President and Chief Accounting Officer Scott D. Sheffield. Mr. Sheffield is a graduate of The University of Texas with a B.S. in Petroleum Engineering. Since August 1997, he has served as President, Chief Executive Officer and a director of Pioneer and President of Pioneer USA. Mr. Sheffield assumed the position of Chairman of the Board of Pioneer in August 1999. He served as a director of Pioneer USA from August 1997 until his resignation from the board in June 1999. Mr. Sheffield was the President and a director of Parker & Parsley Petroleum Company ("Parker & Parsley") from May 1990 until August 1997 and was the Chairman of the Board and Chief Executive Officer of Parker & Parsley from October 1990 until August 1997. He was the sole director of Parker & Parsley from May 1990 until October 1990. Mr. Sheffield joined Parker & Parsley Development Company ("PPDC"), a predecessor of Parker & Parsley, as a petroleum engineer in 1979. He 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 and Chief Executive Officer of PPDC. Before joining PPDC's predecessor, Mr. Sheffield was employed as a production and reservoir engineer for Amoco Production Company. 21 1270 Timothy L. Dove. Mr. Dove earned a B.S. in Mechanical Engineering from Massachusetts Institute of Technology in 1979 and received his M.B.A. in 1981 from the University of Chicago. He became Executive Vice President - Business Development of Pioneer and Pioneer USA in August 1997 and was also appointed a director of Pioneer USA in August 1997. Mr. Dove assumed the position of Chief Financial Officer of Pioneer and Pioneer USA effective February 1, 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. Prior to 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 marketing and planning and development. Dennis E. Fagerstone. Mr. Fagerstone, a graduate of the Colorado School of Mines with a B.S. in Petroleum Engineering, became an Executive Vice President of Pioneer and Pioneer USA in August 1997. He was also appointed a director of Pioneer USA in August 1997. He served as Executive Vice President and Chief Operating Officer of MESA Inc. ("Mesa") from March 1, 1997 until August 1997. From October 1996 to February 1997, Mr. Fagerstone served as Senior Vice President and Chief Operating Officer of Mesa and from May 1991 to October 1996, he served as Vice President - Exploration and Production of Mesa. From June 1988 to May 1991, Mr. Fagerstone served as Vice President - Operations of Mesa. Mark L. Withrow. Mr. Withrow, a graduate of Abilene Christian University with a B. S. in Accounting and Texas Tech University with a Juris Doctorate degree, became Executive Vice President, General Counsel and Secretary of Pioneer and Pioneer USA in August 1997. He was also appointed a director of Pioneer USA in August 1997. Mr. Withrow was Vice President - General Counsel of Parker & Parsley from January 1991, when he joined Parker & Parsley, to January 1995, when he was appointed Senior Vice President - General Counsel. He was Parker & Parsley's Secretary from August 1992 until August 1997. Prior to joining Parker & Parsley, Mr. Withrow was the managing partner of the law firm of Turpin, Smith, Dyer, Saxe & MacDonald, Midland, Texas. Danny Kellum. Mr. Kellum, who received a Bachelor of Science degree in Petroleum Engineering from Texas Tech University in 1979, was elected Executive Vice President - Domestic Operations of Pioneer and Pioneer USA on May 18, 2000 and Director of Pioneer USA on February 1, 2000. From January 2000 until May 2000, Mr. Kellum served as Vice President - Domestic Operations of Pioneer and Pioneer USA. Mr. Kellum served as Vice President Permian Division of Pioneer and Pioneer USA from April 1998 until December 1999. From 1989 until 1994 he served as Spraberry District Manager and as Vice President of the Spraberry and Permian Division for Parker & Parsley until August of 1997. Mr. Kellum joined Parker & Parsley as an operations engineer in 1981 after a brief career with Mobil Oil Corporation. Rich Dealy. Mr. Dealy is a graduate of Eastern New Mexico University with a B.B.A. in Accounting and Finance and is a Certified Public Accountant. He became Vice President and Chief Accounting Officer of Pioneer and Pioneer USA in February 1998. Mr. Dealy served as Controller of Pioneer USA from August 1997 to February 1998. He served as Controller of Parker & Parsley from August 1995 to August 1997. Mr. Dealy joined Parker & Parsley as an Accounting Manager in July, 1992. He was previously employed with KPMG Peat Marwick as an Audit Senior, in charge of Parker & Parsley's audit. 22 1271 ITEM 11. EXECUTIVE COMPENSATION The Partnership does not have any directors or officers. Management of the Partnership is performed by the managing general partner. The Partnership participates in oil and gas activities through an income tax partnership (the "Program") pursuant to the Program agreement. Under the Program agreement, Pioneer USA pays approximately 25% of the Program's acquisition, drilling and completion costs and approximately 35% of its operating and general and administrative expenses. In return, they are allocated approximately 35% of the Program's revenues. The Partnership does not directly pay any salaries of the executive officers or employees of Pioneer USA, but does pay a portion of Pioneer USA's general and administrative expenses of which these salaries are a part. See Notes 6 and 9 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" for information regarding fees and reimbursements paid to the managing general partner by the Partnership. ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT (a) Beneficial owners of more than five percent The Partnership is not aware of any person who beneficially owns 5% or more of the outstanding limited partnership interests of the Partnership. Pioneer USA owned 45 limited partner interests at January 1, 2001. (b) Security ownership of management The Partnership does not have any officers or directors. The managing general partner of the Partnership, Pioneer USA, has the exclusive right and full authority to manage, control and administer the Partnership's business. Under the limited partnership agreement, limited partners holding a majority of the outstanding limited partnership interests have the right to take certain actions, including the removal of the managing general partner or any other general partner. The Partnership is not aware of any current arrangement or activity which may lead to such removal. The Partnership is not aware of any officer or director of Pioneer USA who beneficially owns limited partnership interests in the Partnership. ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS Transactions with the managing general partner Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31: 23 1272 2000 1999 1998 ----------- ----------- ----------- Payment of lease operating and supervision charges in accordance with standard industry operating agreements $ 202,739 $ 213,969 $ 210,197 Reimbursement of general and administrative expenses $ 41,213 $ 34,110 $ 24,415 Under the limited partnership agreement, the managing general partner pays 1% of the Partnership's acquisition, drilling and completion costs and 1% of its operating and general and administrative expenses. In return, it is allocated 1% of the Partnership's revenues. Also, see Notes 6 and 9 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data", regarding the Partnership's participation in oil and gas activities of the Program. 24 1273 PART IV ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K (a) 1. Financial statements The following are filed as part of this Report: Independent Auditors' Report Balance sheets as of December 31, 2000 and 1999 Statements of operations for the years ended December 31, 2000, 1999 and 1998 Statements of partners' capital for the years ended December 31, 2000, 1999 and 1998 Statements of cash flows for the years ended December 31, 2000, 1999 and 1998 Notes to financial statements 2. Financial statement schedules All financial statement schedules have been omitted since the required information is in the financial statements or notes thereto, or is not applicable nor required. (b) Reports on Form 8-K None. (c) Exhibits The exhibits listed on the accompanying index to exhibits are filed or incorporated by reference as part of this Report. 25 1274 S I G N A T U R E S Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized. PARKER & PARSLEY 91-A, L.P. Dated: March 26, 2001 By: Pioneer Natural Resources USA, Inc. Managing General Partner By: /s/ Scott D. Sheffield ----------------------------- Scott D. Sheffield, President Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated. /s/ Scott D. Sheffield President of Pioneer USA March 26, 2001 ------------------------------------ Scott D. Sheffield /s/ Timothy L. Dove Executive Vice President, Chief March 26, 2001 ------------------------------------ Financial Officer and Director of Timothy L. Dove Pioneer USA /s/ Dennis E. Fagerstone Executive Vice President and March 26, 2001 ------------------------------------ Director of Pioneer USA Dennis E. Fagerstone /s/ Mark L. Withrow Executive Vice President, General March 26, 2001 ------------------------------------ Counsel and Director of Pioneer USA Mark L. Withrow /s/ Danny Kellum Executive Vice President - Domestic March 26, 2001 ------------------------------------ Operations and Director of Pioneer Danny Kellum USA /s/ Rich Dealy Vice President and Chief Accounting March 26, 2001 ------------------------------------ Officer of Pioneer USA Rich Dealy 26 1275 PARKER & PARSLEY 91-A, L.P. INDEX TO EXHIBITS The following documents are incorporated by reference in response to Item 14(c): Exhibit No. Description Page ----------- ----------- ---- 3(a) Form of Agreement of Limited Partnership - of Parker & Parsley 91-A, L.P. incorporated by reference to Exhibit A of the Partnership's Registration Statement on Form S-1 (Registration No. 33-38582) (hereinafter called the Partnership's Registration Statement) 4(b) Form of Limited Partner Subscription Agreement - incorporated by reference to Exhibit C of the Partnership's Registration Statement 4(b) Form of General Partner Subscription Agreement - incorporated by reference to Exhibit D of the Partnership's Registration Statement 4(b) Power of Attorney incorporated by reference to - Exhibit B of the Partnership's Registration Statement 4(c) Specimen Certificate of Limited Partnership - Interest incorporated by reference to Exhibit 4.3 of Amendment No. 2 of the Partnership's Registration Statement 10(b) Development Drilling Program Agreement - incorporated by reference to Exhibit B of the Partnership's Registration Statement 27 1276 PARKER & PARSLEY 91-A, L.P. SELECTED FINANCIAL DATA The following selected financial data for the Partnership should be read in connection with Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements included in the attached supplemental information. Three months ended March 31, Years ended December 31, -------------------- -- 2001 2000 2000 1999 1998 1997 1996 ------------------ ---------- ---------- ---------- ---------- ---------- ---------- Operating results: Oil and gas sales $ $ 424,423 $1,899,948 $1,140,335 $ 955,645 $1,411,247 $1,629,975 ======== ========= ========= ========= ========= ========= ========= Impairment of oil and gas properties $ $ -- $ 12,824 $ 66,898 $ 306,043 $ 485,158 $ -- ======== ========= ========= ========= ========= ========= ========= Net income (loss) $ $ 221,345 $1,115,704 $ 266,803 $ (280,631) $ (7,029) $ 654,054 ======== ========= ========= ========= ========= ========= ========= Allocation of net income (loss): Managing general partner $ $ 2,213 $ 11,157 $ 2,668 $ (2,806) $ (70) $ 6,540 ======== ========= ========= ========= ========= ========= ========= Limited partners $ $ 219,132 $1,104,547 $ 264,135 $ (277,825) $ (6,959) $ 647,514 ======== ========= ========= ========= ========= ========= ========= Limited partners' net income (loss) per limited partnership interest $ $ 18.86 $ 95.06 $ 22.73 $ (23.91) $ (.60) $ 55.72 ======== ========= ========= ========= ========= ========= ========= Limited partners' cash distributions per limited partnership interest $ $ 20.76 $ 100.03 $ 37.23 $ 36.77 $ 75.11 $ 70.97 ======== ========= ========= ========= ========= ========= ========= At year end: Identifiable assets $ $2,496,184 $2,457,656 $2,531,606 $2,667,803 $3,402,546 $4,289,878 ======== ========= ========= ========= ========= ========= ========= 1277 PIONEER NATURAL RESOURCES COMPANY PIONEER NATURAL RESOURCES USA, INC. 1400 WILLIAMS SQUARE WEST 5205 NORTH O'CONNOR BLVD. IRVING, TEXAS 75039 SUPPLEMENTAL INFORMATION OF PARKER & PARSLEY 91-B, L.P., A DELAWARE LIMITED PARTNERSHIP TO PROXY STATEMENT/PROSPECTUS DATED , 2001 ---------- THE DATE OF THIS SUPPLEMENT IS , 2001 ---------- This document contains important information specific to Parker & Parsley 91-B, L.P., and supplements the proxy statement/prospectus dated , 2001, of Pioneer Natural Resources Company and Pioneer Natural Resources USA, Inc., by which Pioneer USA is soliciting proxies to be voted at a special meeting of limited partners of the partnership. The purpose of the special meeting is for you to vote upon the merger of the partnership with and into Pioneer USA that, if completed, will result in your receiving common stock of Pioneer Natural Resources Company and cash for your partnership interests. This document contains the following information concerning Parker & Parsley 91-B, L.P.: o A table containing: -- the aggregate initial investment by the limited partners -- the aggregate historical limited partner distributions through March 31, 2001 -- the aggregate merger value attributable to partnership interests of limited partners, excluding Pioneer USA -- the merger value per $1,000 limited partner investment as of March 31, 2001 -- the merger value per $1,000 limited partner investment as a multiple of distributions for the 12 months ended March 31, 2001 -- the book value per $1,000 limited partner investment as of March 31, 2001 and as of December 31, 2000 -- the going concern value per $1,000 limited partner investment as of March 31, 2001 -- the liquidation value per $1,000 limited partner investment as of March 31, 2001 -- the ordinary tax loss per $1,000 limited partner investment in year of initial investment o Information about the legal opinion for the limited partners o The partnership's quarterly report on Form 10-Q, including management's discussion and analysis of financial condition and results of operations, for the three months ended March 31, 2001 o The partnership's annual report on Form 10-K, including management's discussion and analysis of financial condition and results of operations, for the year ended December 31, 2000 o Selected historical financial data for the partnership for the three months ended March 31, 2001 and 2000 and the five years ended December 31, 2000 -1- 1278 PARKER & PARSLEY 91-B, L.P. SUPPLEMENTAL INFORMATION TABLE Aggregate Initial Investment by the Limited Partners(a) $ 11,249 Aggregate Historical Limited Partner Distributions through March 31, 2001(a) $ 7,734 Aggregate Merger Value Attributable to Partnership Interests of Limited Partners, $ 4,754 Excluding Pioneer USA(a) Merger Value per $1,000 Limited Partner Investment as of March 31, 2001(b) $ 422.99 Merger Value per $1,000 Limited Partner Investment as a Multiple of Distributions for the 3.59 times 12 Months ended March 31, 2001(b) Book Value per $1,000 Limited Partner Investment: -- as of March 31, 2001(b) $ -- as of December 31, 2000(b) $ 160.69 Going Concern Value per $1,000 Limited Partner Investment as of March 31, 2001(b) $ 386.20 Liquidation Value per $1,000 Limited Partner Investment as of March 31, 2001(b) $ 411.52 Ordinary Tax Loss per $1,000 Limited Partner Investment in Year of Initial Investment $ 142 (b), (c) ---------- (a) Stated in thousands. (b) Interests in some partnerships were sold in units at prices other than $1,000. We have presented this information based on a $1,000 initial investment for ease of use and comparison among partnerships. You should not assume that the amount shown per $1,000 investment is the same as the value or amount attributable to a single unit investment. (c) Your ability to use your distributive share of the partnership's loss to offset your other income may have been subject to certain limitations at your level as a partner, and you may therefore wish to consult your tax advisor to determine the additional value, if any, actually realized by you in your particular circumstances. INFORMATION ABOUT THE LEGAL OPINION FOR THE LIMITED PARTNERS The partnership agreement for the partnership requires that special legal counsel render an opinion on behalf of the limited partners to Pioneer USA that neither the grant nor the exercise of the right to approve the merger of the partnership by its limited partners will adversely affect the federal income tax classification of the partnership or any of its limited partners. Although not required by the partnership agreement, the opinion will also state that neither the grant nor exercise of such right will result in the loss of any limited partner's limited liability. In addition, the counsel designated to render the opinion is not required to be counsel other than counsel to Pioneer USA or the partnership. Both the designated counsel and the legal opinion must be approved by the limited partners. Pioneer USA has retained __________ of Dallas, Texas for the purpose of rendering this legal opinion on behalf of the limited partners to Pioneer USA. The merger proposals include an approval of that counsel and the form of its opinion. A copy of the opinion is attached as an exhibit to the merger proposals. -2- 1279 UNITED STATES SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D. C. 20549 FORM 10-K Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2000 COMMISSION FILE NO. 33-38582-02 PARKER & PARSLEY 91-B, L.P. (Exact name of Registrant as specified in its charter) DELAWARE 75-2397335 ------------------------------------ --------------------- (State or other jurisdiction of (I.R.S. Employer incorporation or organization) Identification Number) 1400 WILLIAMS SQUARE WEST, 5205 N. O'CONNOR BLVD., IRVING, TEXAS 75039 --- ------------- (Address of principal executive offices) (Zip code) Registrant's Telephone Number, including area code : (972) 444-9001 Securities registered pursuant to Section 12(b) of the Act: NONE Securities registered pursuant to Section 12(g) of the Act: LIMITED PARTNERSHIP INTERESTS ($1,000 PER UNIT) Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES / X / NO / / Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. / X / No market currently exists for the limited partnership interests of the Registrant. Based on the original purchase price, the aggregate market value of limited partnership interests owned by non-affiliates of the Registrant is $11,239,000. As of March 8, 2001, the number of outstanding limited partnership interests was 11,249. The following documents are incorporated by reference into the indicated parts of this Annual Report on Form 10-K: None PARTS I AND II OF THIS ANNUAL REPORT ON FORM 10-K (THE "REPORT") CONTAIN FORWARD LOOKING STATEMENTS THAT INVOLVE RISKS AND UNCERTAINTIES. ACCORDINGLY, NO ASSURANCES CAN BE GIVEN THAT THE ACTUAL EVENTS AND RESULTS WILL NOT BE MATERIALLY DIFFERENT THAN THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS. SEE "ITEM 1. BUSINESS" FOR A DESCRIPTION OF VARIOUS FACTORS THAT COULD MATERIALLY AFFECT THE ABILITY OF THE PARTNERSHIP TO ACHIEVE THE ANTICIPATED RESULTS DESCRIBED IN THE FORWARD LOOKING STATEMENTS. 1280 PART I ITEM 1. BUSINESS Parker & Parsley 91-B, L.P. (the "Partnership") is a limited partnership organized in 1991 under the laws of the State of Delaware. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA"). Pioneer USA is a wholly-owned subsidiary of Pioneer Natural Resources Company ("Pioneer"). As of March 8, 2001, the Partnership had 11,249 limited partnership interests outstanding. The Partnership does not have any employees of its own. Pioneer USA employs 701 persons, many of whom dedicated a part of their time to the conduct of the Partnership's business during the period for which this Report is filed. Pioneer USA is responsible for all management functions. The Partnership engages in oil and gas development and production and is not involved in any industry segment other than oil and gas. The Partnership's production is geographically concentrated in West Texas. The principal markets during 2000 for the oil produced by the Partnership were refineries and oil transmission companies that have facilities near the Partnership's oil producing properties. During 2000, Pioneer USA marketed the Partnership's gas to a variety of purchasers, none of which accounted for 10% or more of the Partnership's oil and gas revenues. Of the Partnership's total oil and gas revenues for 2000, approximately 48% and 22% were attributable to sales made to Mobil Oil Corporation and Plains Marketing, L.P., respectively. Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on its ability to sell its oil, natural gas liquids ("NGLs") and gas production. The Partnership's revenues, profitability, cash flow and future rate of growth are highly dependent on the prevailing prices of oil and gas, which are affected by numerous factors beyond the Partnership's control. Oil and gas prices historically have been very volatile. A substantial or extended decline in the prices of oil or gas could have a material adverse effect on the Partnership's revenues, profitability and cash flow and could, under certain circumstances, result in a reduction in the carrying value of the Partnership's oil and gas properties. Oil and gas production operations are subject to various types of regulations by local, state and federal agencies. The Partnership's operations are also subject to state conservation laws and regulations, including the establishment of maximum rates of production from wells and the regulation of spacing, plugging and abandonment of wells. Each state generally imposes a production or severance tax with respect to production and sale of oil and gas within their respective jurisdictions. Noncompliance with the laws and regulations may subject the Partnership to penalties, damages or other liabilities and compliance may increase the cost of the Partnership's operations. The oil and gas business is also subject to environmental hazards such as oil spills, gas leaks and ruptures and discharges of toxic substances or gases that could expose the Partnership to substantial 2 1281 liability due to pollution and other environmental damages. Although the Partnership believes that its business operations do not impair environmental quality and that its costs of complying with any applicable environmental regulations are not currently significant, the Partnership cannot predict what, if any, effect these environmental regulations may have on its current or future operations. Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves. No material part of the Partnership's business is seasonal and the Partnership conducts no foreign operations. ITEM 2. PROPERTIES The Partnership's properties consist of leasehold interests in properties on which oil and gas wells are located. Such property interests are often subject to landowner royalties, overriding royalties and other oil and gas leasehold interests. Fractional working interests in developmental oil and gas prospects located primarily in the Spraberry Trend Area of West Texas were acquired by the Partnership, resulting in the Partnership's participation in the drilling of 29 oil and gas wells. At December 31, 2000, the Partnership had 29 producing oil and gas wells. For information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998, see Note 7 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" below. Such reserves have been evaluated by Williamson Petroleum Consultants, Inc., an independent petroleum consultant. ITEM 3. LEGAL PROCEEDINGS The Partnership from time to time is a party to various legal proceedings incidental to its business involving claims in oil and gas leases or interests, other claims for damages in amounts not in excess of 10% of its current assets and other matters, none of which Pioneer USA believes to be material to the Partnership. ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS There were no matters submitted to a vote of the partners during the fourth quarter of 2000. 3 1282 PART II ITEM 5. MARKET FOR LIMITED PARTNERSHIP INTERESTS AND LIMITED PARTNERSHIP DISTRIBUTIONS At March 8, 2001, the Partnership had 11,249 outstanding limited partnership interests held of record by 677 subscribers. There is no established public trading market for the limited partnership interests. Under the limited partnership agreement, Pioneer USA has made certain commitments to purchase partnership interests at a computed value. Revenues which, in the sole judgement of the managing general partner, are not required to meet the Partnership's obligations will be distributed to the partners at least quarterly in accordance with the limited partnership agreement. During the years ended December 31, 2000 and 1999, $1,324,583 and $481,274, respectively, of such revenue-related distributions were made to the limited partners. ITEM 6. SELECTED FINANCIAL DATA The following table sets forth selected financial data for the years ended December 31: 2000 1999 1998 1997 1996 -------------- ------------ ------------- ------------- ---------- Operating results: ------------------- Oil and gas sales $ 2,046,224 $ 1,136,073 $ 873,012 $ 1,273,373 $1,632,595 ============= ============= ============= ============= ========= Impairment of oil and gas properties $ -- $ -- $ 295,542 $ 323,078 $ -- ============= ============ ============= ============= ========= Net income (loss) $ 1,354,094 $ 490,669 $ (177,905) $ 222,730 $ 924,002 ============= ============ ============= ============= ========= Allocation of net income (loss): Managing general partner $ 13,541 $ 4,907 $ (1,779) $ 2,227 $ 9,240 ============= ============ ============= ============= ========= Limited partners $ 1,340,553 $ 485,762 $ (176,126) $ 220,503 $ 914,762 ============= ============ ============= ============= ========= Limited partners' net income (loss) per limited partnership interest $ 119.17 $ 43.18 $ (15.66) $ 19.60 $ 81.32 ============= ============ ============= ============= ========= Limited partners' cash distributions per limited partnership interest $ 117.75 $ 42.78 $ 36.76 $ 75.32 $ 84.40 ============= ============ ============= ============= ========= At year end: ------------- Identifiable assets $ 1,829,460 $ 1,843,803 $ 1,820,336 $ 2,424,808 $3,051,464 ============= ============ ============= ============= ========= 4 1283 ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS Results of Operations 2000 compared to 1999 The Partnership's oil and gas revenues increased 80% to $2,046,224 for 2000 as compared to $1,136,073 in 1999. The increase in revenues resulted from higher average prices received and an increase in production. In 2000, 47,684 barrels of oil, 21,866 barrels of natural gas liquids ("NGLs") and 85,556 mcf of gas were sold, or 83,809 barrel of oil equivalents ("BOEs"). In 1999, 46,030 barrels of oil, 19,026 barrels of NGLs and 74,025 mcf of gas were sold, or 77,394 BOEs. Due to the decline characteristics of the Partnership's oil and gas properties, management expects a certain amount of decline in production in the future until the Partnership's economically recoverable reserves are fully depleted. The average price received per barrel of oil increased $12.19, or 68%, from $17.90 in 1999 to $30.09 in 2000. The average price received per barrel of NGLs increased $6.35, or 63%, from $10.15 in 1999 to $16.50 in 2000. The average price received per mcf of gas increased 82% from $1.61 in 1999 to $2.93 in 2000. The market price for oil and gas has been extremely volatile in the past decade and management expects a certain amount of volatility to continue in the foreseeable future. The Partnership may therefore sell its future oil and gas production at average prices lower or higher than that received in 2000. Gain on disposition of assets of $2,273 was recognized during 2000 from equipment credits received on one fully depleted well. Total costs and expenses increased in 2000 to $713,527 as compared to $655,625 in 1999, an increase of $57,902, or 9%. The increase was due to an increase in production costs, offset by decreases in depletion and general and administrative expenses ("G&A"). Production costs were $576,561 in 2000 and $442,342 in 1999, resulting in an increase of $134,219, or 30%. This increase was primarily due to higher production taxes associated with higher oil and gas prices and additional well maintenance and workover costs incurred to stimulate well production. G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A decreased 22% from $68,860 in 1999 to $53,623 in 2000. The Partnership paid the managing general partner $38,999 in 2000 and $33,982 in 1999 for G&A incurred on behalf of the Partnership. The remaining G&A was paid directly by the Partnership. The managing general partner determines the allocated expenses based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities. Depletion was $83,343 in 2000 as compared to $144,423 in 1999, representing a decrease of $61,080, or 42%. This decrease was primarily due to a 82,084 barrels of oil increase in proved reserves during 2000 as a result of higher commodity prices. 5 1284 1999 compared to 1998 The Partnership's 1999 oil and gas revenues increased 30% to $1,136,073 from $873,012 in 1998. The increase in revenues resulted from higher average prices received, offset by a decline in production. In 1999, 46,030 barrels of oil, 19,026 barrels of NGLs and 74,025 mcf of gas were sold, or 77,394 BOEs. In 1998, 49,100 barrels of oil, 17,427 barrels of NGLs and 68,244 mcf of gas were sold, or 77,901 BOEs. The average price received per barrel of oil increased $4.57, or 34%, from $13.33 in 1998 to $17.90 in 1999. The average price received per barrel of NGLs increased $3.36, or 49%, from $6.79 in 1998 to $10.15 in 1999. The average price received per mcf of gas increased 10% from $1.47 in 1998 to $1.61 in 1999. Gain on disposition of assets of $197 recognized in 1998 was attributable to credits received from the disposal of oil and gas equipment on a saltwater disposal well that was plugged and abandoned in a prior year. Total costs and expenses decreased in 1999 to $655,625 as compared to $1,062,299 in 1998, a decrease of $406,674, or 38%. The decrease was due to declines in the impairment of oil and gas properties, depletion and production costs, offset by an increase in G&A. Production costs were $442,342 in 1999 and $464,489 in 1998, resulting in a $22,147 decrease, or 5%. This decrease was due to lower ad valorem taxes and well maintenance costs, offset by an increase in production taxes due to increased oil and gas revenues. During this period, G&A increased 58% from $43,606 in 1998 to $68,860 in 1999 primarily due to a higher percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of increased oil and gas revenues. The Partnership paid the managing general partner $33,982 in 1999 and $27,503 in 1998 for G&A incurred on behalf of the Partnership. In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121"), the managing general partner reviews the Partnership's oil and gas properties for impairment whenever events or circumstances indicate a decline in the recoverability of the carrying value of the Partnership's assets may have occurred. As a result of the review and evaluation of its long-lived assets for impairment, the Partnership recognized a non-cash charge of $295,542 related to its oil and gas properties during 1998. Depletion was $144,423 in 1999 compared to $258,662 in 1998. This represented a decrease of $114,239, or 44%. This decrease was primarily the result of an increase in proved reserves of 362,706 barrels of oil during 1999 as a result of higher commodity prices, a reduction in the Partnership's net depletable basis from charges taken in accordance with SFAS 121 during the fourth quarter of 1998. 6 1285 Petroleum industry The petroleum industry has been characterized by volatile oil, NGL and natural gas commodity prices and relatively stable supplier costs during the three years ended December 31,

2000. During 1998, weather patterns, regional economic recessions and political matters combined to cause worldwide oil supplies to exceed demand resulting in a substantial decline in oil prices. Also during 1998, but to a lesser extent, market prices for natural gas declined. During 1999 and 2000, the Organization of Petroleum Exporting Countries ("OPEC") and certain other crude oil exporting nations announced reductions in their planned export volumes. Those announcements, together with the enactment of the announced reductions in export volumes, had a positive impact on world oil prices, as have overall natural gas supply and demand fundamentals on North American natural gas prices. Although the favorable commodity price environment and stable field service cost environment is expected to continue during 2001, there is no assurance that commodity prices will not return to a less favorable level or that field service costs will not escalate in the future, both of which could negatively impact the Partnership's future results of operations and cash distributions. Liquidity and capital resources Net Cash Provided by Operating Activities Net cash provided by operating activities increased $766,498 during the year ended December 31, 2000 from 1999. This increase was due to an increase in oil and gas sales receipts of $919,054 and a decline in G&A expenses paid of $15,237, offset by increases in production costs paid of $134,219 and working capital of $33,574. The increase in oil and gas receipts resulted from the increase in commodity prices during 2000 which contributed an additional $788,626 to oil and gas receipts and $130,428 resulting from the increase in production during 2000. The increase in production costs was primarily due to increased production taxes associated with higher oil and gas prices and additional well maintenance and workover costs incurred to stimulate well production. Net Cash Used in Investing Activities The Partnership's principal investing activities during 2000 and 1999 were related to the addition of equipment on various oil and gas properties. Proceeds from asset dispositions of $2,372 recognized during 2000 were related to equipment credits on two active wells. Net Cash Used in Financing Activities In 2000, cash distributions to the partners were $1,337,963, of which $13,380 was distributed to the managing general partner and $1,324,583 to the limited partners. In 1999, cash distributions to the partners were $486,135, of which $4,861 was distributed to the managing general partner and $481,274 to the limited partners. 7 1286 ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA INDEX TO FINANCIAL STATEMENTS Page ---- 8 1287 INDEPENDENT AUDITORS' REPORT The Partners Parker & Parsley 91-B, L.P. (A Delaware Limited Partnership): We have audited the balance sheets of Parker & Parsley 91-B, L.P. as of December 31, 2000 and 1999, and the related statements of operations, partners' capital and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion. In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Parker & Parsley 91-B, L.P. as of December 31, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States. Ernst & Young LLP Dallas, Texas March 9, 2001 9 1288 PARKER & PARSLEY 91-B, L.P. (A Delaware Limited Partnership) BALANCE SHEETS December 31 2000 1999 ---------------- ---------------- ASSETS Current assets: Cash $ 185,644 $ 213,165 Accounts receivable - oil and gas sales 281,416 197,204 ------------- ------------- Total current assets 467,060 410,369 ------------- ------------- Oil and gas properties - at cost, based on the successful efforts accounting method 9,761,207 9,748,898 Accumulated depletion (8,398,807) (8,315,464) ------------- ------------- Net oil and gas properties 1,362,400 1,433,434 ------------- ------------- $ 1,829,460 $ 1,843,803 ============== ============== LIABILITIES AND PARTNERS' CAPITAL Current liabilities: Accounts payable - affiliate $ 6,714 $ 37,188 Partners' capital: Managing general partner 15,195 15,034 Limited partners (11,249 interests) 1,807,551 1,791,581 ------------- ------------- 1,822,746 1,806,615 ------------- ------------- $ 1,829,460 $ 1,843,803 ============= ============= The accompanying notes are an integral part of these financial statements. 10 1289 PARKER & PARSLEY 91-B, L.P. (A Delaware Limited Partnership) STATEMENTS OF OPERATIONS For the years ended December 31 2000 1999 1998 ----------- ----------- ----------- Revenues: Oil and gas $ 2,046,224 $ 1,136,073 $ 873,012 Interest 19,124 10,221 11,185 Gain on disposition of assets 2,273 -- 197 ----------- ----------- ----------- 2,067,621 1,146,294 884,394 ----------- ----------- ----------- Costs and expenses: Oil and gas production 576,561 442,342 464,489 General and administrative 53,623 68,860 43,606 Impairment of oil and gas properties -- -- 295,542 Depletion 83,343 144,423 258,662 ----------- ----------- ----------- 713,527 655,625 1,062,299 ----------- ----------- ----------- Net income (loss) $ 1,354,094 $ 490,669 $ (177,905) ========== =========== =========== Allocation of net income (loss): Managing general partner $ 13,541 $ 4,907 $ (1,779) =========== ========== ========== Limited partners $ 1,340,553 $ 485,762 $ (176,126) ========== =========== =========== Net income (loss) per limited partnership interest $ 119.17 $ 43.18 $ (15.66) =========== ========== ========== The accompanying notes are an integral part of these financial statements. 11 1290 PARKER & PARSLEY 91-B, L.P. (A Delaware Limited Partnership) STATEMENTS OF PARTNERS' CAPITAL Managing general Limited partner partners Total -------------- -------------- ---------------- Partners' capital at January 1, 1998 $ 20,944 $ 2,376,754 $ 2,397,698 Distributions (4,177) (413,535) (417,712) Net loss (1,779) (176,126) (177,905) ----------- ----------- ------------ Partners' capital at December 31, 1998 14,988 1,787,093 1,802,081 Distributions (4,861) (481,274) (486,135) Net income 4,907 485,762 490,669 ----------- ----------- ------------ Partners' capital at December 31, 1999 15,034 1,791,581 1,806,615 Distributions (13,380) (1,324,583) (1,337,963) Net income 13,541 1,340,553 1,354,094 ----------- ----------- ------------ Partners' capital at December 31, 2000 $ 15,195 $ 1,807,551 $ 1,822,746 ============ ============ ============ The accompanying notes are an integral part of these financial statements. 12 1291 PARKER & PARSLEY 91-B, L.P. (A Delaware Limited Partnership) STATEMENTS OF CASH FLOWS For the years ended December 31 2000 1999 1998 -------------- -------------- -------------- Cash flows from operations: Net income (loss) $ 1,354,094 $ 490,669 $ (177,905) Adjustments to reconcile net income (loss) to net cash provided by operating activities: Impairment of oil and gas properties - - 295,542 Depletion 83,343 144,423 258,662 Gain on disposition of assets (2,273) - (197) Changes in assets and liabilities: Accounts receivable (84,212) (100,045) 39,758 Accounts payable (30,474) 18,933 (8,855) ----------- ----------- ----------- Net cash provided by operating activities 1,320,478 553,980 407,005 ----------- ----------- ----------- Cash flows from investing activities: Additions to oil and gas properties (12,408) (19,911) (24,381) Proceeds from asset dispositions 2,372 - 197 ----------- ----------- ----------- Net cash used in investing activities (10,036) (19,911) (24,184) ----------- ----------- ----------- Cash flows used in financing activities: Cash distributions to partners (1,337,963) (486,135) (417,712) ----------- ----------- ----------- Net increase (decrease) in cash (27,521) 47,934 (34,891) Cash at beginning of year 213,165 165,231 200,122 ----------- ----------- ----------- Cash at end of year $ 185,644 $ 213,165 $ 165,231 ============ ============ ============ The accompanying notes are an integral part of these financial statements. 13 1292 PARKER & PARSLEY 91-B, L.P. (A Delaware Limited Partnership) NOTES TO FINANCIAL STATEMENTS December 31, 2000, 1999 and 1998 NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS Parker & Parsley 91-B, L.P. (the "Partnership") is a limited partnership organized in 1991 under the laws of the State of Delaware. The Partnership's managing general partner is Pioneer Natural Resources USA, Inc. ("Pioneer USA"). The Partnership engages in oil and gas development and production in Texas and is not involved in any industry segment other than oil and gas. NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows: Oil and gas properties - The Partnership utilizes the successful efforts method of accounting for its oil and gas properties and equipment. Under this method, all costs associated with productive wells and nonproductive development wells are capitalized while nonproductive exploration costs are expensed. Capitalized costs relating to proved properties are depleted using the unit-of-production method on a property-by-property basis based on proved oil (dominant mineral) reserves as evaluated by independent petroleum consultants. The carrying amounts of properties sold or otherwise disposed of and the related allowances for depletion are eliminated from the accounts and any gain or loss is included in results of operations. Impairment of long-lived assets - In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS

121"), the Partnership reviews its long-lived assets to be held and used on an individual property basis, including oil and gas properties accounted for under the successful efforts method of accounting, whenever events or circumstances indicate that the carrying value of those assets may not be recoverable. An impairment loss is indicated if the sum of the expected future cash flows is less than the carrying amount of the assets. In this circumstance, the Partnership recognizes an impairment loss for the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset. Use of estimates in the preparation of financial statements - Preparation of the accompanying financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. Net income (loss) per limited partnership interest - The net income (loss) per limited partnership interest is calculated by using the number of outstanding limited partnership interests. Income taxes - A Federal income tax provision has not been included in the financial statements as the income of the Partnership is included in the individual Federal income tax returns of the respective partners. 14 1293 Statements of cash flows - For purposes of reporting cash flows, cash includes depository accounts held by banks. General and administrative expenses - General and administrative expenses are allocated in part to the Partnership by the managing general partner. Allocated expenses are determined by the managing general partner based upon the level of activity of the Partnership relative to the non-partnership activities of the managing general partner. The method of allocation has been consistent over the past several years with certain modifications incorporated to reflect changes in Pioneer USA's overall business activities. Reclassifications - Certain reclassifications may have been made to the 1999 and 1998 financial statements to conform to the 2000 financial statement presentations. Environmental - The Partnership is subject to extensive federal, state and local environmental laws and regulations. These laws, which are constantly changing, regulate the discharge of materials into the environment and may require the Partnership to remove or mitigate the environmental effects of the disposal or release of petroleum or chemical substances at various sites. Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Liabilities for expenditures of a noncapital nature are recorded when environmental assessment and/or remediation is probable, and the costs can be reasonably estimated. Such liabilities are generally undiscounted unless the timing of cash payments for the liability or component are fixed or reliably determinable. No such liabilities have been accrued as of December 31, 2000. Revenue recognition - The Partnership uses the entitlements method of accounting for oil, natural gas liquids ("NGLs") and natural gas revenues. NOTE 3. IMPAIRMENT OF LONG-LIVED ASSETS In accordance with SFAS 121, the Partnership reviews its proved oil and gas properties for impairment whenever events and circumstances indicate a decline in the recoverability of the carrying value of the Partnership's oil and gas properties. The Partnership has estimated the expected future cash flows of its oil and gas properties as of December 31, 2000, 1999 and 1998, based on proved reserves, and compared such estimated future cash flows to the respective carrying amount of the oil and gas properties to determine if the carrying amounts were likely to be recoverable. For those proved oil and gas properties for which the carrying amount exceeded the estimated future cash flows, an impairment was determined to exist; therefore, the Partnership adjusted the carrying amount of those oil and gas properties to their fair value as determined by discounting their expected future cash flows at a discount rate commensurate with the risks involved in the industry. As a result, the Partnership recognized a non-cash impairment provision of $295,542 related to its proved oil and gas properties during 1998. 15 1294 NOTE 4. INCOME TAXES The financial statement basis of the Partnership's net assets and liabilities was $367,378 greater than the tax basis at December 31, 2000. The following is a reconciliation of net income (loss) per statements of operations with the net income (loss) per Federal income tax returns for the years ended December 31: 2000 1999 1998 ------------- ------------- ------------- Net income (loss) per statements of operations $ 1,354,094 $ 490,669 $ (177,905) Depletion and depreciation provisions for tax reporting purposes greater than amounts for financial reporting purposes (27,307) (115,006) (139,323) Impairment of oil and gas properties for financial reporting purposes - - 295,542 Salvage income - - Intangible development costs capitalized for financial reporting purposes and expensed for tax reporting purposes (328) - - Other, net (2,832) (4,142) 4,532 ------------ ----------- ----------- Net income (loss) per Federal income tax returns $ 1,323,627 $ 371,521 $ (17,154) ============= ============ ============ NOTE 5. OIL AND GAS PRODUCING ACTIVITIES The following is a summary of the net costs incurred, whether capitalized or expensed, related to the Partnership's oil and gas producing activities for the years ended December 31: 2000 1999 1998 -------------- -------------- -------------- Development costs $ 12,408 $ 19,911 $ 24,381 ============ ============ ============ Capitalized oil and gas properties consist of the following: 2000 1999 ---------------- ---------------- Property acquisition costs $ 949,486 $ 949,486 Completed wells and equipment 8,811,721 8,799,412 ------------- ------------- 9,761,207 9,748,898 Accumulated depletion (8,398,807) (8,315,464) ------------- ------------- Net oil and gas properties $ 1,362,400 $ 1,433,434 ============== ============== NOTE 6. RELATED PARTY TRANSACTIONS Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31: 16 1295 2000 1999 1998 -------------- -------------- -------------- Payment of lease operating and supervision charges in accordance with standard industry operating agreements $ 196,507 $ 189,784 $ 182,097 Reimbursement of general and administrative expenses $ 38,999 $ 33,982 $ 27,503 The Partnership participates in oil and gas activities through an income tax partnership (the "Program") pursuant to the Program agreement. Pioneer USA, P&P Employees 91-B GP ("EMPL") and the Partnership are parties to the Program agreement. EMPL is a general partnership organized for the benefit of certain employees of Pioneer USA. EMPL was merged with Pioneer USA on December 28, 2000. The costs and revenues of the Program are allocated to Pioneer USA and the Partnership as follows: Pioneer USA (1) Partnership (1) --------------- --------------- Revenues: Proceeds from disposition of depreciable and depletable properties 34.3434343% 65.6565657% All other revenues 34.3434343% 65.6565657% Costs and expenses: Lease acquisition costs, drilling and completion costs and all other costs 24.2424242% 75.7575758% Operating costs, reporting and legal expenses and general and administrative expenses 34.3434343% 65.6565657% (1) Includes Pioneer USA's 1% general partner ownership which is allocated at the Partnership level and 10 limited partner interests owned by Pioneer USA. NOTE 7. OIL AND GAS INFORMATION (UNAUDITED) The following table presents information relating to the Partnership's estimated proved oil and gas reserves at December 31, 2000, 1999 and 1998 and changes in such quantities during the years then ended. All of the Partnership's reserves are proved developed and located within the United States. The Partnership's reserves are based on an evaluation prepared by Williamson Petroleum Consultants, Inc., an independent petroleum consultant, using criteria established by the Securities and Exchange Commission. Oil and NGLs Gas (bbls) (mcf) ---------- ---------- Net proved reserves at January 1, 1998 803,868 767,367 Revisions (224,362) (91,817) Production (66,527) (68,244) ---------- ---------- Net proved reserves at December 31, 1998 512,979 607,306 Revisions 550,155 821,693 Production (65,056) (74,025) ---------- ---------- Net proved reserves at December 31, 1999 998,078 1,354,974 Revisions 113,248 (43,847) Production (69,550) (85,556) ---------- ---------- Net proved reserves at December 31, 2000 1,041,776 1,225,571 ========== ========== 17 1296 As of December 31, 2000, the estimated present value of future net revenues of proved reserves, calculated using December 31, 2000 prices of $26.64 per barrel of oil, $13.59 per barrel of NGLs and $7.73 per mcf of gas, discounted at 10% was approximately $8,364,000 and undiscounted was $17,283,000. Numerous uncertainties exist in estimating quantities of proved reserves and future net revenues therefrom. The estimates of proved reserves and related future net revenues set forth in this Report are based on various assumptions, which may ultimately prove to be inaccurate. Therefore, such estimates should not be construed as estimates of the current market value of the Partnership's proved reserves. The Partnership emphasizes that reserve estimates are inherently imprecise and, accordingly, the estimates are expected to change as future information becomes available. Disclosures about Oil & Gas Producing Activities Standardized Measure of Discounted Future Net Cash Flows The standardized measure of discounted future net cash flows is computed by applying year-end prices of oil and gas (with consideration of price changes only to the extent provided by contractual arrangements) to the estimated future production of proved oil and gas reserves less estimated future expenditures (based on year-end costs) to be incurred in developing and producing the proved reserves, discounted using a rate of 10% per year to reflect the estimated timing of the future cash flows. A Federal income tax provision has not been calculated as the income of the Partnership is included in the individual Federal income tax returns of the respective partners. Discounted future cash flow estimates like those shown below are not intended to represent estimates of the fair value of oil and gas properties. Estimates of fair value should also consider anticipated future oil and gas prices, interest rates, changes in development and production costs and risks associated with future production. Because of these and other considerations, any estimate of fair value is necessarily subjective and imprecise. For the years ended December 31, -- 2000 1999 1998 --------------- --------------- --------------- (in thousands) Oil and gas producing activities: Future cash inflows $ 33,121 $ 24,943 $ 5,585 Future production costs (15,838) (13,003) (4,101) ------------- ------------ ------------- 17,283 11,940 1,484 10% annual discount factor (8,919) (6,088) (509) ------------- ------------ ------------- Standardized measure of discounted future net cash flows $ 8,364 $ 5,852 $ 975 ============== ============= ============== 18 1297 For the years ended December 31, --- 2000 1999 1998 ---------------- ---------------- ---------------- (in thousands) Oil and Gas Producing Activities: Oil and gas sales, net of production costs $ (1,470) $ (694) $ (409) Net changes in prices and production costs 2,610 2,945 (1,842) Revisions of previous quantity estimates 721 4,406 (324) Accretion of discount 585 97 327 Changes in production rates, timing and other 66 (1,877) (45) ------------ ------------ ------------ Change in present value of future net revenues 2,512 4,877 (2,293) ------------ ------------ ------------ Balance, beginning of year 5,852 975 3,268 ------------ ------------ ------------ Balance, end of year $ 8,364 $ 5,852 $ 975 ============== ============= ============= NOTE 8. MAJOR CUSTOMERS The following table reflects the major customers of the Partnership's oil and gas sales (a major customer is defined as a customer whose sales exceed 10% of total sales) during the periods ended December 31: 2000 1999 1998 -------- -------- -------- Mobil Oil Corporation 48% 48% 48% Plains Marketing, L.P. 22% 23% - Genesis Crude Oil, L.P. - - 26% Western Gas Resources, Inc. 4% 6% 22% At December 31, 2000, the amounts receivable from Mobil Oil Corporation and Plains Marketing, L.P. were $64,224 and $32,862, respectively, which are included in the caption "Accounts receivable - oil and gas sales" in the accompanying Balance Sheet. Pioneer USA is of the opinion that the loss of any one purchaser would not have an adverse effect on the ability of the Partnership to sell its oil, NGLs and gas production. NOTE 9. PARTNERSHIP AGREEMENT The following is a brief summary of the more significant provisions of the limited partnership agreement: Managing general partner - The managing general partner of the Partnership is Pioneer USA. Pioneer USA has the power and authority to manage, control and administer all Partnership affairs. As managing general partner and operator of the Partnership's properties, all production expenses are incurred by Pioneer USA and billed to the Partnership. The majority of the Partnership's oil and gas revenues are received directly by the Partnership, however, a 19 1298 portion of the oil and gas revenue is initially received by Pioneer USA prior to being paid to the Partnership. Under the limited partnership agreement, the managing general partner pays 1% of the Partnership's acquisition, drilling and completion costs, and 1% of its operating and general and administrative expenses. In return it is allocated 1% of the Partnership's revenues. Limited partner liability - The maximum amount of liability of any limited partner is the total contributions of such partner plus his share of any undistributed profits. Initial capital contributions - The limited partners entered into subscription agreements for aggregate capital contributions of $11,249,000. The managing general partner is required to contribute amounts equal to 1% of initial Partnership capital less sales commission costs allocated to the limited partners and to contribute amounts necessary to pay costs and expenses allocated to it under the Partnership agreement to the extent its share of revenues does not cover such costs. ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE None. 20 1299 PART III ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE PARTNERSHIP The Partnership does not have any officers or directors. Under the limited partnership agreement, the Partnership's managing general partner, Pioneer USA, is granted the exclusive right and full authority to manage, control and administer the Partnership's business. Set forth below are the names, ages and positions of the directors and executive officers of Pioneer USA. Directors of Pioneer USA are elected to serve until the next annual meeting of stockholders or until their successors are elected and qualified. Age at December 31, Name 2000 Position ---- ---- -------- Scott D. Sheffield 48 President Timothy L. Dove 44 Executive Vice President, Chief Financial Officer and Director Dennis E. Fagerstone 51 Executive Vice President and Director Mark L. Withrow 53 Executive Vice President, General Counsel and Director Danny Kellum 46 Executive Vice President - Domestic Operations and Director Rich Dealy 34 Vice President and Chief Accounting Officer Scott D. Sheffield. Mr. Sheffield is a graduate of The University of Texas with a B.S. in Petroleum Engineering. Since August 1997, he has served as President, Chief Executive Officer and a director of Pioneer and President of Pioneer USA. Mr. Sheffield assumed the position of Chairman of the Board of Pioneer in August 1999. He served as a director of Pioneer USA from August 1997 until his resignation from the board in June 1999. Mr. Sheffield was the President and a director of Parker & Parsley Petroleum Company ("Parker & Parsley") from May 1990 until August 1997 and was the Chairman of the Board and Chief Executive Officer of Parker & Parsley from October 1990 until August 1997. He was the sole director of Parker & Parsley from May 1990 until October 1990. Mr. Sheffield joined Parker & Parsley Development Company ("PPDC"), a predecessor of Parker & Parsley, as a petroleum engineer in 1979. He 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 and Chief Executive Officer of PPDC. Before joining PPDC's predecessor, Mr. Sheffield was employed as a production and reservoir engineer for Amoco Production Company. 21 1300 Timothy L. Dove. Mr. Dove earned a B.S. in Mechanical Engineering from Massachusetts Institute of Technology in 1979 and received his M.B.A. in 1981 from the University of Chicago. He became Executive Vice President - Business Development of Pioneer and Pioneer USA in August 1997 and was also appointed a director of Pioneer USA in August 1997. Mr. Dove assumed the position of Chief Financial Officer of Pioneer and Pioneer USA effective February 1, 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. Prior to 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 marketing and planning and development. Dennis E. Fagerstone. Mr. Fagerstone, a graduate of the Colorado School of Mines with a B.S. in Petroleum Engineering, became an Executive Vice President of Pioneer and Pioneer USA in August 1997. He was also appointed a director of Pioneer USA in August 1997. He served as Executive Vice President and Chief Operating Officer of MESA Inc. ("Mesa") from March 1, 1997 until August 1997. From October 1996 to February 1997, Mr. Fagerstone served as Senior Vice President and Chief Operating Officer of Mesa and from May 1991 to October 1996, he served as Vice President - Exploration and Production of Mesa. From June 1988 to May 1991, Mr. Fagerstone served as Vice President - Operations of Mesa. Mark L. Withrow. Mr. Withrow, a graduate of Abilene Christian University with a B. S. in Accounting and Texas Tech University with a Juris Doctorate degree, became Executive Vice President, General Counsel and Secretary of Pioneer and Pioneer USA in August 1997. He was also appointed a director of Pioneer USA in August 1997. Mr. Withrow was Vice President - General Counsel of Parker & Parsley from January 1991, when he joined Parker & Parsley, to January 1995, when he was appointed Senior Vice President - General Counsel. He was Parker & Parsley's Secretary from August 1992 until August 1997. Prior to joining Parker & Parsley, Mr. Withrow was the managing partner of the law firm of Turpin, Smith, Dyer, Saxe & MacDonald, Midland, Texas. Danny Kellum. Mr. Kellum, who received a Bachelor of Science degree in Petroleum Engineering from Texas Tech University in 1979, was elected Executive Vice President - Domestic Operations of Pioneer and Pioneer USA on May 18, 2000 and Director of Pioneer USA on February 1, 2000. From January 2000 until May 2000, Mr. Kellum served as Vice President - Domestic Operations of Pioneer and Pioneer USA. Mr. Kellum served as Vice President Permian Division of Pioneer and Pioneer USA from April 1998 until December 1999. From 1989 until 1994 he served as Spraberry District Manager and as Vice President of the Spraberry and Permian Division for Parker & Parsley until August of 1997. Mr. Kellum joined Parker & Parsley as an operations engineer in 1981 after a brief career with Mobil Oil Corporation. Rich Dealy. Mr. Dealy is a graduate of Eastern New Mexico University with a B.B.A. in Accounting and Finance and is a Certified Public Accountant. He became Vice President and Chief Accounting Officer of Pioneer and Pioneer USA in February 1998. Mr. Dealy served as Controller of Pioneer USA from August 1997 to February 1998. He served as Controller of Parker & Parsley from August 1995 to August 1997. Mr. Dealy joined Parker & Parsley as an Accounting Manager in July, 1992. He was previously employed with KPMG Peat Marwick as an Audit Senior, in charge of Parker & Parsley's audit. 22 1301 ITEM 11. EXECUTIVE COMPENSATION The Partnership does not have any directors or officers. Management of the Partnership is performed by the managing general partner. The Partnership participates in oil and gas activities through an income tax partnership (the "Program") pursuant to the Program agreement. Under the Program agreement, Pioneer USA pays approximately 25% of the Program's acquisition, drilling and completion costs and approximately 35% of its operating and general and administrative expenses. In return, they are allocated approximately 35% of the Program's revenues. The Partnership does not directly pay any salaries of the executive officers or employees of Pioneer USA, but does pay a portion of Pioneer USA's general and administrative expenses of which these salaries are a part. See Notes 6 and 9 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data" for information regarding fees and reimbursements paid to the managing general partner by the Partnership. ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT (a) Beneficial owners of more than five percent The Partnership is not aware of any person who beneficially owns 5% or more of the outstanding limited partnership interests of the Partnership. Pioneer USA owned 10 limited partner interests at January 1, 2001. (b) Security ownership of management The Partnership does not have any officers or directors. The managing general partner of the Partnership, Pioneer USA, has the exclusive right and full authority to manage, control and administer the Partnership's business. Under the limited partnership agreement, limited partners holding a majority of the outstanding limited partnership interests have the right to take certain actions, including the removal of the managing general partner or any other general partner. The Partnership is not aware of any current arrangement or activity which may lead to such removal. The Partnership is not aware of any officer or director of Pioneer USA who beneficially owns limited partnership interests in the Partnership. ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS Transactions with the managing general partner Pursuant to the limited partnership agreement, the Partnership had the following related party transactions with the managing general partner during the years ended December 31: 23 1302 2000 1999 1998 ------------ ------------ ------------ Payment of lease operating and supervision charges in accordance with standard industry operating agreements $ 196,507 $ 189,784 $ 182,097 Reimbursement of general and administrative expenses $ 38,999 $ 33,982 $ 27,503 Under the limited partnership agreement, the managing general partner pays 1% of the Partnership's acquisition, drilling and completion costs and 1% of its operating and general and administrative expenses. In return, it is allocated 1% of the Partnership's revenues. Also, see Notes 6 and 9 of Notes to Financial Statements included in "Item 8. Financial Statements and Supplementary Data", regarding the Partnership's participation with the managing general partner in oil and gas activities of the Program. 24 1303 PART IV ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K (a) 1. Financial statements The following are filed as part of this Report: Independent Auditors' Report Balance sheets as of December 31, 2000 and 1999 Statements of operations for the years ended December 31, 2000, 1999 and 1998 Statements of partners' capital for the years ended December 31, 2000, 1999 and 1998 Statements of cash flows for the years ended December 31, 2000, 1999 and 1998 Notes to financial statements 2. Financial statement schedules All financial statement schedules have been omitted since the required information is in the financial statements or notes thereto, or is not applicable nor required. (b) Reports on Form 8-K None. (c) Exhibits The exhibits listed on the accompanying index to exhibits are filed or incorporated by reference as part of this Report. 25 1304 S I G N A T U R E S Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized. PARKER & PARSLEY 91-B, L.P. Dated: March 27, 2001 By: Pioneer Natural Resources USA, Inc. Managing General Partner By: /s/ Scott D. Sheffield ------------------------------- Scott D. Sheffield, President Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated. /s/ Scott D. Sheffield President of Pioneer USA March 27, 2001 -- Scott D. Sheffield /s/ Timothy L. Dove Executive Vice President, Chief March 27, 2001 -- Financial Officer and Director of Timothy L. Dove Pioneer USA /s/ Dennis E. Fagerstone Executive Vice President and March 27, 2001 -- Director of Pioneer USA Dennis E. Fagerstone /s/ Mark L. Withrow Executive Vice President, General March 27, 2001 -- Counsel and Director of Pioneer USA Mark L. Withrow /s/ Danny Kellum Executive Vice President - Domestic March 27, 2001 -- Operations and Director of Pioneer Danny Kellum USA /s/ Rich Dealy Vice President and Chief Accounting March 27, 2001 -- Officer of Pioneer USA Rich Dealy 26 1305 PARKER & PARSLEY 91-B, L.P. INDEX TO EXHIBITS The following documents are incorporated by reference in response to Item 14(c): Exhibit No. Description Page ---------- ---------- ---- 3(a) Form of Agreement of Limited Partnership - of Parker & Parsley 91-B, L.P. incorporated by reference to Exhibit A of the Partnership's Registration Statement on Form S-1 (Registration No. 33-38582) (hereinafter called the Partnership's Registration Statement) 4(b) Form of Limited Partner Subscription Agreement - incorporated by reference to Exhibit C of the Partnership's Registration Statement 4(b) Form of General Partner Subscription Agreement - incorporated by reference to Exhibit D of the Partnership's Registration Statement 4(b) Power of Attorney incorporated by reference to - Exhibit B of the Partnership's Registration Statement 4(c) Specimen Certificate of Limited Partnership - Interest incorporated by reference to Exhibit 4.3 of Amendment No. 2 of the Partnership's Registration Statement 10(b) Development Drilling Program Agreement - incorporated by reference to Exhibit B of the Partnership's Registration Statement 27 1306 PARKER & PARSLEY 91-B, L.P. SELECTED FINANCIAL DATA The following selected financial data for the Partnership should be read in connection with Management's Discussion and Analysis of Financial Condition and Results of Operations and the financial statements included in the attached supplemental information. Three months ended March 31, Years ended December 31, -------------------- -- 2001 2000 2000 1999 1998 1997 1996 -------- ---------- ---------- ---------- ---------- ---------- ---------- Operating results: Oil and gas sales $ $ 453,588 $2,046,224 $1,136,073 $ 873,012 $1,273,373 $1,632,595 ======== ========== ========== ==========

========= ========= ========= Impairment of oil and gas properties $ $ -- $ -- $ -- $ 295,542 $ 323,078 $ -- ======== ========= ========= ========= ========= ========= ========= Net income (loss) $ $ 277,672 $1,354,094 $ 490,669 $ (177,905) $ 222,730 $ 924,002 ======== ========= ========= ========= ========= ========= ========= Allocation of net income (loss): Managing general partner $ $ 2,777 $ 13,541 $ 4,907 $ (1,779) $ 2,227 $ 9,240 ======== ========= ========= ========= ========= ========= ========= Limited partners $ $ 274,895 $1,340,553 $ 485,762 $ (176,126) $ 220,503 $ 914,762 ======== ========= ========= ========= ========= ========= ========= Limited partners' net income (loss) per limited partnership interest $ $ 24.44 $ 119.17 $ 43.18 $ (15.66) $ 19.60 $ 81.32 ======== ========= ========= ========= ========= ========= ========= Limited partners' cash distributions per limited partnership interest $ $ 21.87 $ 117.75 $ 42.78 $ 36.76 $ 75.32 $ 84.40 ======== ========= ========= ========= ========= ========= ========= At year end: Identifiable assets $ $1,863,707 $1,829,460 $1,843,803 $1,820,336 $2,424,808 $3,051,464 ======== ========= ========= ========= ========= ========= ========= 1307 PART II INFORMATION NOT REQUIRED IN PROSPECTUS ITEM 20. INDEMNIFICATION OF OFFICERS AND DIRECTORS. Article Twelfth of the Amended and Restated Certificate of Incorporation of Pioneer provides that Pioneer must indemnify its officers and directors to the extent allowed by the Delaware General Corporation Law. Pursuant to Section 145 of the Delaware General Corporation Law, Pioneer generally has the power to indemnify its present and former directors and officers against expenses and liabilities incurred by them in connection with any suit to which they are, or are threatened to be made, a party by reason of their serving in those positions so long as they acted in good faith and in a manner they reasonably believed to be in, or not opposed to, the best interests of Pioneer, and with respect to any criminal action, they had no reasonable cause to believe their conduct was unlawful. With respect to suits by or in the right of Pioneer, however, indemnification is generally limited to attorneys' fees and other expenses and is not available if the person is adjudged to be liable to Pioneer unless the court determines that indemnification is appropriate. The statute expressly provides that the power to indemnify authorized thereby is not exclusive of any rights granted under any by-law, agreement, vote of stockholders or disinterested directors, or otherwise. Pioneer also has the power to purchase and maintain insurance for its directors and officers. Additionally, Article Twelfth of the Amended and Restated Certificate of Incorporation of Pioneer provides that, in the event that an officer or director files suit against Pioneer seeking indemnification of liabilities or expenses incurred, the burden will be on Pioneer to prove that the indemnification would not be permitted under the Delaware General Corporation Law. Pioneer has entered into indemnification agreements with each of its directors and officers. These agreements provide that Pioneer must, within 30 days of a request, indemnify an officer or director for liabilities incurred to the fullest extent permitted by the Delaware General Corporation Law. Pioneer must, within two days of a request, indemnify an officer or director for expenses incurred in the defense of a claim or other proceeding. The obligation of Pioneer to provide the indemnification does not apply if, before the date on which Pioneer must provide the indemnification, Pioneer's board of directors, or a representative chosen by the board of directors, concludes that indemnification would be improper under the Delaware General Corporation Law. The preceding discussion of Pioneer's Amended and Restated Certificate of Incorporation, Section 145 of the Delaware General Corporation Law, and the indemnification agreements is not intended to be exhaustive and is qualified in its entirety by such Amended and Restated Certificate of Incorporation, Section 145 of the Delaware General Corporation Law, and such indemnification agreements. II-1 1308 ITEM 21. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES. The following exhibits are filed with the registration statement: EXHIBIT NUMBER DESCRIPTION ------- ----------- 2.1 Agreement and Plan of Merger dated as of , 2001, among Pioneer, Pioneer USA and the partnerships named therein (included as Appendix E to the proxy statement/prospectus forming a part of this Registration Statement). 3.1 Amended and Restated Certificate of Incorporation of Pioneer (incorporated by reference to Exhibit 3.1 to Pioneer's Registration Statement on Form S-4 dated June 27, 1997, Registration No. 333-26951). 3.2 Restated Bylaws of Pioneer (incorporated by reference to Exhibit 3.2 to Pioneer's Registration Statement on Form S-4 dated June 27, 1997, Registration No. 333-26951). 3.3 Certificate of Designations of Special Preferred Voting Stock (incorporated by reference to Exhibit 3.3 of Pioneer's Registration Statement on Form S-3, Registration No. 333-42315, filed with the SEC on December 17, 1997). 3.4 Terms and Conditions of Exchangeable Shares (incorporated by reference to Annex F to the Definitive Joint Management Information Circular and Proxy Statement of Pioneer and Chauvco, File No. 001-13245, filed with the SEC on November 17, 1997). 4.1 Form of Certificate of Common Stock, par value $.01 per share, of Pioneer (incorporated by reference to Exhibit 4.1 to Pioneer's Registration Statement on Form S-4 dated June 27, 1997, Registration No. 333-26951). 4.2 Form of Certificate of Special Preferred Voting Stock (incorporated by reference to Exhibit 4.1 to Pioneer's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998). 4.3 Form of Certificate of Exchangeable Shares (incorporated by reference to Exhibit 4.2 to Pioneer's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998). 5.1* Form of opinion of Vinson & Elkins L.L.P. as to the legality of the securities to be registered. 8.1 Form of opinion of , as special legal counsel to the limited partners, regarding tax matters as required by the partnership agreement of each partnership (included as Exhibit A to Appendix D to the proxy statement/prospectus forming a part of this Registration Statement). 9.1 Voting and Exchange Trust Agreement dated as of December 18, 1997, among Pioneer, Pioneer Natural Resources (Canada) Ltd. ("Pioneer Canada"), and Montreal Trust Company of Canada, as trustee (incorporated by reference to Exhibit 2.4 to Pioneer's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998). 10.1 Indenture dated July 2, 1996, among Pioneer USA (formerly Mesa Operating Co. ("MOC")), as issuer, Pioneer, as guarantor, and Harris Trust and Savings Bank, as trustee, relating to the 11 5/8% Senior Subordinated Discount Notes Due 2006 (incorporated by reference to Exhibit 4.17 to MESA Inc.'s Quarterly Report on Form 10-Q for the period ended June 30, 1996). II-2 1309 EXHIBIT NUMBER DESCRIPTION ------- ----------- 10.2 First Supplemental Indenture dated as of April 15, 1997, among Pioneer USA (formerly MOC), as issuer, MESA Inc. ("Mesa"), the subsidiary guarantors named therein, Pioneer and Harris Trust and Savings Bank, as trustee, with respect to the indenture identified above as Exhibit 10.1 (incorporated by reference to Exhibit 10.1 to Pioneer's Quarterly Report on Form 10-Q for the period ended September 30, 1997, File No. 001-13245). 10.3 Second Supplemental Indenture dated as of August 7, 1997, among Pioneer USA (formerly MOC), as issuer, Mesa, the subsidiary guarantors named therein, Pioneer and Harris Trust and Savings Bank, as trustee, with respect to the indenture identified above as Exhibit 10.1 (incorporated by reference to Exhibit 10.2 to Pioneer's Quarterly Report on Form 10-Q for the period ended September 30, 1997, File No. 001-13245). 10.4 Third Supplemental Indenture dated as of December 18, 1997, among Pioneer USA, the subsidiary guarantors named therein, Pioneer and Harris Trust and Savings Bank, as trustee, with respect to the indenture identified above as Exhibit 10.1 (incorporated by reference to Exhibit 10.12 to Pioneer's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998). 10.5 Fourth Supplemental Indenture dated as of December 30, 1997, among Pioneer USA (formerly MOC), Pioneer, Pioneer NewSub1, Inc. and Harris Trust and Savings Bank, as trustee, with respect to the indenture identified above as Exhibit 10.1 (incorporated by reference to Exhibit 10.13 to Pioneer's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998). 10.6 Fifth Supplemental Indenture dated as of December 30, 1997, among Pioneer NewSub1, Inc. (as successor to Pioneer USA), Pioneer, Pioneer DebtCo., Inc. and Harris Trust and Savings Bank, as trustee, with respect to the indenture identified above as Exhibit 10.1 (incorporated by reference to Exhibit 10.14 to Pioneer's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998). 10.7 Sixth Supplemental Indenture dated as of December 30, 1997, among Pioneer DebtCo. Inc. (as successor to Pioneer NewSub1, Inc.), Pioneer, and Harris Trust and Savings Bank, as trustee, with respect to the indenture identified above as Exhibit 10.1 (incorporated by reference to Exhibit 10.15 to Pioneer's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998). 10.8 Indenture dated July 2, 1996, among Pioneer USA (formerly MOC), as issuer, Pioneer (as Mesa's successor), as guarantor, and Harris Trust and Savings Bank, as trustee, relating to the 10 5/8% Senior Subordinated Notes Due 2006 (incorporated by reference to Exhibit 4.18 to Mesa's Quarterly Report on Form 10-Q for the period ended June 30, 1996). 10.9 First Supplemental Indenture dated as of April 15, 1997, among Pioneer USA (formerly MOC), as issuer, Mesa, the subsidiary guarantors named therein, Pioneer and Harris Trust and Savings Bank, as trustee, with respect to the indenture identified above as Exhibit 10.8 (incorporated by reference to Exhibit 10.3 to Pioneer's Quarterly Report on Form 10-Q for the period ended September 30, 1997, File No. 001-13245). 10.10 Second Supplemental Indenture dated as of August 7, 1997, among Pioneer USA (formerly MOC), as issuer, Mesa, the subsidiary guarantors named therein, Pioneer and Harris Trust and Savings Bank, as trustee, with respect to the indenture identified above as Exhibit 10.8 (incorporated by reference to Exhibit 10.4 to Pioneer's Quarterly Report on Form 10-Q for the period ended September 30, 1997, File No. 001-13245). II-3 1310 EXHIBIT NUMBER DESCRIPTION ------- ----------- 10.11 Third Supplemental Indenture dated as of December 18, 1997, among Pioneer USA, the subsidiary guarantors named therein, Pioneer and Harris Trust and Savings Bank, as trustee, with respect to the indenture identified above as Exhibit 10.8 (incorporated by reference to Exhibit 10.6 to Pioneer's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998). 10.12 Fourth Supplemental Indenture dated as of December 30, 1997, among Pioneer USA, Pioneer, Pioneer NewSub1, Inc. and Harris Trust and Savings Bank, as trustee, with respect to the indenture identified above as Exhibit 10.8 (incorporated by reference to Exhibit 10.7 to Pioneer's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998). 10.13 Fifth Supplemental Indenture dated as of December 30, 1997, among Pioneer NewSub1, Inc. (as successor to Pioneer USA), Pioneer, Pioneer DebtCo, Inc. and Harris Trust and Savings Bank, as trustee, with respect to the indenture identified above as Exhibit 10.8 (incorporated by reference to Exhibit 10.8 to Pioneer's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998). 10.14 Sixth Supplemental Indenture dated as of December 30, 1997, among Pioneer DebtCo, Inc. (as successor to Pioneer NewSub1, Inc.), Pioneer and Harris Trust and Savings Bank, as trustee, with respect to the indenture identified above as Exhibit 10.8 (incorporated by reference to Exhibit 10.9 to Pioneer's Current Report on Form 8-K, File No. 001- 13245, filed with the SEC on January 2, 1998). 10.15 Indenture dated April 12, 1995, between Pioneer USA (successor to Parker & Parsley Petroleum Company ("Parker & Parsley")) and The Chase Manhattan Bank (National Association), as trustee (incorporated by reference to Exhibit 4.1 to Parker & Parsley's Current Report on Form 8-K dated April 12, 1995, File No. 1-10695). 10.16 First Supplemental Indenture dated as of August 7, 1997, among Parker & Parsley, The Chase Manhattan Bank, as trustee, and Pioneer USA, with respect to the indenture identified above as Exhibit 10.15 (incorporated by reference to Exhibit 10.5 to Pioneer's Quarterly Report on Form 10-Q for the period ended September 30, 1997, File No. 001-13245). 10.17 Second Supplemental Indenture dated as of December 30, 1997, among Pioneer USA, Pioneer NewSub1, Inc. and The Chase Manhattan Bank, as trustee, with respect to the indenture identified above as Exhibit 10.15 (incorporated by reference to Exhibit 10.17 to Pioneer's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998). 10.18 Third Supplemental Indenture dated as of December 30, 1997, among Pioneer NewSub1, Inc. (as successor to Pioneer USA), Pioneer DebtCo, Inc. and The Chase Manhattan Bank, as trustee, with respect to the indenture identified above as Exhibit 10.15 (incorporated by reference to Exhibit 10.18 to Pioneer's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998). 10.19 Fourth Supplemental Indenture dated as of December 30, 1997, among Pioneer DebtCo, Inc. (as successor to Pioneer NewSub1, Inc., as successor to Pioneer USA), Pioneer, Pioneer USA and The Chase Manhattan Bank, as trustee, with respect to the indenture identified above as Exhibit 10.15 (incorporated by reference to Exhibit 10.19 to Pioneer's Current Report on Form 8-K, File No. 001- 13245, filed with the SEC on January 2, 1998). II-4 1311 EXHIBIT NUMBER DESCRIPTION ------- ----------- 10.20 Guarantee dated as of December 30, 1997, by Pioneer USA relating to $150,000,000 in aggregate principal amount of 8 7/8% Senior Notes due 2005 and $150,000,000 in aggregate principal amount of 8 1/4% Senior Notes due 2007 issued under the indenture identified above as Exhibit 10.15 (incorporated by reference to Exhibit 10.20 to Pioneer's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998). 10.21 Form of 8 7/8% Senior Notes Due 2005 dated as of April 12, 1995, in the aggregate principal amount of $150,000,000, together with Officers' Certificate dated April 12, 1995, establishing the terms of the 8 7/8% Senior Notes Due 2005 pursuant to the indenture identified above as Exhibit 10.15 (incorporated by reference to Exhibit 4.2 to Parker & Parsley's Quarterly Report on Form 10-Q for the period ended June 30, 1995, File No. 001-10695). 10.22 Form of 8 1/4% Senior Notes due 2007 dated as of August 22, 1995, in the aggregate principal amount of $150,000,000, together with Officers' Certificate dated August 22, 1995, establishing the terms of the 8 1/4% Senior Notes due 2007 pursuant to the indenture identified above as Exhibit 10.15 (incorporated by reference to Exhibit 1.2 to Parker & Parsley's Current Report on Form 8-K dated August 17, 1995, File No. 001-10695). 10.23 Indenture dated January 13, 1998, between Pioneer and The Bank of New York, as trustee (incorporated by reference to Exhibit 99.1 to Pioneer's and Pioneer USA's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 14, 1998). 10.24 First Supplemental Indenture dated as of January 13, 1998, among Pioneer, Pioneer USA, as the subsidiary guarantor, and The Bank of New York, as trustee, with respect to the indenture identified above as Exhibit 10.23 (incorporated by reference to Exhibit 99.2 to Pioneer's and Pioneer USA's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 14, 1998). 10.25 Form of 6.50% Senior Notes Due 2008 of Pioneer (incorporated by reference to Exhibit 99.3 to Pioneer's and Pioneer USA's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 14, 1998). 10.26 Form of 7.20% Senior Notes Due 2028 of Pioneer (incorporated by reference to Exhibit 99.4 to Pioneer's and Pioneer USA's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 14, 1998). 10.27 Guarantee (2008 Notes) dated as of January 13, 1998, entered into by Pioneer USA (incorporated by reference to Exhibit 99.5 to Pioneer's and Pioneer USA's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 14, 1998). 10.28

Guarantee (2028 Notes) dated as of January 13, 1998, entered into by Pioneer USA (incorporated by reference to Exhibit 99.6 to Pioneer's and Pioneer USA's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 14, 1998). 10.29 1991 Stock Option Plan of Mesa (incorporated by reference to Exhibit 10(v) to Mesa's Annual Report on Form 10-K for the period ended December 31, 1991). 10.30 1996 Incentive Plan of Mesa (incorporated by reference to Exhibit 10.28 to Pioneer's Registration Statement on Form S-4 dated June 27, 1997, Registration No. 333-26951). 10.31 Parker & Parsley Long-Term Incentive Plan dated February 19, 1991 (incorporated by reference to Exhibit 4.1 to Parker & Parsley's Registration Statement on Form S-8, Registration No. 33-38971). II-5 1312 EXHIBIT NUMBER DESCRIPTION ------- ----------- 10.32 First Amendment to the Parker & Parsley Long-Term Incentive Plan dated August 23, 1991 (incorporated by reference to Exhibit 10.2 to Parker & Parsley's Registration Statement on Form S-1 dated February 28, 1992, Registration No. 33-46082). 10.33 Pioneer's Long-Term Incentive Plan (incorporated by reference to Exhibit 4.1 to Pioneer's Registration Statement on Form S-8, Registration No. 333-35087). 10.34 First Amendment to Pioneer's Long-Term Incentive Plan, effective as of November 23, 1998 (incorporated by reference to Exhibit 10.72 to Pioneer's Annual Report on Form 10-K for the period ended December 31, 1999, File No. 001-13245. 10.35 Amendment No. 2 to Pioneer's Long-Term Incentive Plan, effective as of May 20, 1998 (incorporated by reference to Exhibit 10.73 to Pioneer's Annual Report on Form 10-K for the period ended December 31, 1999, File No. 001-13245). 10.36 Amendment No. 3 to Pioneer's Long-Term Incentive Plan, effective as of February 17, 2000 (incorporated by reference to Exhibit 10.76 to Pioneer's Annual Report on Form 10-K for the period ended December 31, 1999, File No. 001-13245). 10.37 Pioneer's Employee Stock Purchase Plan (incorporated by reference to Exhibit 4.1 to Pioneer's Registration Statement on Form S-8, Registration No. 333-35165). 10.38 Amendment No. 1 to Pioneer's Employee Stock Purchase Plan dated December 9, 1998 (incorporated by reference to Pioneer's Annual Report on Form 10-K for the year ended December 31, 1998, File No. 001-13245). 10.39 Amendment No. 2 to Pioneer's Employee Stock Purchase Plan dated December 14, 1999 (incorporated by reference to Exhibit 10.74 to Pioneer's Annual Report on Form 10-K for the period ended December 31, 1999, File No. 001-13245). 10.40 Pioneer's Deferred Compensation Retirement Plan (incorporated by reference to Exhibit 4.1 to Pioneer's Registration Statement on Form S-8, Registration No. 333-39153). 10.41 Pioneer USA 401(k) Plan (incorporated by reference to Exhibit 4.1 to Pioneer's Registration Statement on Form S-8, Registration No. 333-39249). 10.42 Pioneer USA Matching Plan (incorporated by reference to Exhibit 10.42 to Pioneer's Annual Report on Form 10-K for the year ended December 31, 1997, File No. 001-13245). 10.43 Omnibus Amendment to Nonstatutory Stock Option Agreements, included as part of the Parker & Parsley Long-Term Incentive Plan dated as of November 16, 1995, between Parker & Parsley and named executive officers identified on Schedule 1 thereto, setting forth additional details relating to the Parker & Parsley Long-Term Incentive Plan (incorporated by reference to Parker & Parsley's Annual Report on Form 10-K for the period ended December 31, 1995, File No. 001-10695). 10.44 Severance Agreement dated as of August 8, 1997, between Pioneer and Scott D. Sheffield, together with a schedule identifying substantially identical agreements between Pioneer and each of the other named executive officers identified on Schedule I, for the purpose of defining the payment of certain benefits upon the termination of the officer's employment under certain circumstances (incorporated by reference to Exhibit 10.7 to Pioneer's Quarterly Report on Form 10-Q for the period ended September 30, 1997, File No. 001-13245). II-6 1313 EXHIBIT NUMBER DESCRIPTION ------- ----------- 10.45 Indemnification Agreement dated as of August 8, 1997, between Pioneer and Scott D. Sheffield, together with a schedule identifying substantially identical agreements between Pioneer and each of Pioneer's other directors and named executive officers identified on Schedule I thereto (incorporated by reference to Exhibit 10.8 to Pioneer's Quarterly Report on Form 10-Q for the period ended September 30, 1997, File No. 001-13245). 10.46 "B" Contract Production Allocation Agreement dated July 29, 1991, and effective as of January 1, 1991, between Colorado Interstate Gas Company and Mesa Operating Limited Partnership (incorporated by reference to Exhibit 10(r) to Mesa's Annual Report on Form 10-K for the period ended December 31, 1991). 10.47 Amendment to "B" Contract Production Allocation Agreement effective as of January 1, 1993, between Colorado Interstate Gas Company and Mesa Operating Limited Partnership (incorporated by reference to Exhibit 10.24 to Mesa's Registration Statement on Form S-1, Registration No. 33-51909). 10.48 Voting and Shareholders Agreement dated as of February 8, 2000, among Prize Energy Corp. and its stockholders (incorporated by reference to Exhibit 10.1 to Pioneer's statement on Schedule 13D relating to common stock of Prize Energy Corp., filed with the SEC on February 18, 2000, File No. 005-54797). 10.49 Second Supplemental Indenture dated as of April 11, 2000, among Pioneer, Pioneer USA, as the subsidiary guarantor, and the Bank of New York, as trustee, with respect to the Indenture dated January 13, 1998, between Pioneer and The Bank of New York, as trustee (incorporated by reference to Exhibit 10.1 to Pioneer's Quarterly Report on Form 10-Q, filed with the SEC on May 11, 2000). 10.50 Form of 9 5/8% Senior Notes Due April 1, 2010 dated as of April 11, 2000, in the aggregate principal amount of $425,000,000, together with Trustee's Certificate of Authentication dated April 11, 2000, establishing the terms of the 9 5/8% Senior Notes Due April 1, 2010 pursuant to the Second Supplemental Indenture identified above as Exhibit 10.49 (incorporated by reference to Exhibit 10.2 to Pioneer's Quarterly Report on Form 10-Q, filed with the SEC on May 11, 2000). 10.51 Guarantee, dated as of April 11, 2000, by Pioneer USA, as the subsidiary guarantor, relating to the $425,000,000 aggregate principal amount of 9 5/8% Senior Notes Due April 1, 2010 issued under the Second Supplemental Indenture identified above as Exhibit 10.49 (incorporated by reference to Exhibit 10.3 to Pioneer's Quarterly Report on Form 10-Q, filed with the SEC on May 11, 2000). 10.52 $575,000,000 Credit Agreement dated as of May 31, 2000, among Pioneer, as the borrower, Bank of America, N.A., as the administrative agent, Credit Suisse First Boston, as the documentation agent, The Chase Manhattan Bank, as the syndication agent, and certain lenders (incorporated by reference to Exhibit 10.4 to Pioneer's Quarterly Report on Form 10-Q, filed with the SEC on August 9, 2000). 10.53 Agreement and Plan of Merger dated as of November 28, 2000, among Pioneer, Pioneer USA, Parker & Parsley Employees Producing Properties 87-A, Ltd., Parker & Parsley Employees Producing Properties 87-B Ltd., P&P Employees Producing Properties 88-A, L.P., P&P Employees 89-A Conv., L.P., P&P Employees 89-B Conv., L.P., P&P Employees Private 89, L.P., P&P Employees 90-A Conv., L.P., P& P Employees 90-B Conv., L.P., P&P Employees 90-C Conv., L.P., P&P Employees Private 90, L.P., P&P Employees 90 Spraberry Private Development, L.P., P&P Employees 91-A Conv., L.P. and P&P Employees 91-B Conv., L.P. (incorporated by reference to Exhibit 10.53 to Pioneer's Annual Report on Form 10-K, filed with the SEC on February 27, 2001). II-7 1314 EXHIBIT NUMBER DESCRIPTION ------- ----------- 23.1 Consent of Vinson & Elkins L.L.P. (included in the opinion filed as Exhibit 5.1 to this Registration Statement). 23.2 Consent of ______________ (included in the opinion filed as Exhibit 8.1 to this Registration Statement). 23.3* Consent of Ernst & Young LLP. 23.4* Consent of Williamson Petroleum Consultants, Inc. 24.1 Powers of Attorney of directors and officers of Pioneer (included on page II-10 to this Registration Statement). 99.1 Form of opinion of Robert A. Stanger & Co, Inc. (included as Appendix C to the proxy statement/prospectus forming a part of this Registration Statement). 99.2* Consent of Robert A. Stanger & Co., Inc. 99.3* Form of Certification of Non-Foreign Status for Individual Partners. 99.4* Form of Certification of Non-Foreign Status for Individual Partners that are Entities. 99.5* Form of Proxy for Special Meeting of Limited Partners of Each of 46 Parker & Parsley Limited Partnerships. -------------------- * Filed herewith. II-8 1315 ITEM 22. UNDERTAKINGS. Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of Pioneer pursuant to the foregoing provisions, or otherwise, Pioneer has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities, other than the payment by Pioneer of expenses incurred or paid by a director, officer or controlling person of Pioneer in the successful defense of any action, suit or proceeding, is asserted by such director, officer or controlling person in connection with the securities being registered, Pioneer will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of such issue. Pioneer hereby undertakes: (1) That, for purposes of determining any liability under the Securities Act of 1933, each filing of Pioneer's annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each filing of an employee benefit plan's annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof; (2) That prior to any public reoffering of the securities registered hereunder through use of a prospectus which is a part of this registration statement by any person or party who is deemed to be an underwriter within the meaning of Rule 145(c), Pioneer undertakes that such reoffering prospectus will contain the information called for by the applicable registration form with respect to reofferings by persons who may be deemed underwriters, in addition to the information called for by the other items of the applicable form; (3) That every prospectus: (a) that is filed pursuant to paragraph (3) immediately preceding, or (b) that purports to meet the requirements of Section 10(a)(3) of the Securities Exchange Act of 1934 and is used in connection with an offering of securities subject to Rule 415, will be filed as a part of an amendment to the registration statement and will not be used until such amendment is effective, and that, for purposes of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof; (4) To respond to requests for information that is incorporated by reference into the prospectus pursuant to Items 4, 10(b), 11 or 13 of Form S-4, within one business day of receipt of such request, and to send the incorporated documents by first class mail or other equally prompt means. This includes information contained in documents filed subsequent to the effective date of the registration statement through the date of responding to the request; and (5) To supply by means of a post-effective amendment all information concerning a transaction, and the company being acquired involved therein, that was not the subject of and included in the registration statement when it became effective. II-9 1316 SIGNATURES Pursuant to the requirements of the Securities Act of 1933, Pioneer Natural Resources Company has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Irving, State of Texas, on April 17, 2001. PIONEER NATURAL RESOURCES COMPANY By: /s/ SCOTT D. SHEFFIELD ----------------------------------- Scott D. Sheffield Chairman of the Board of Directors, President and Chief Executive Officer POWER OF ATTORNEY Each person whose signature appears below hereby appoints Scott D. Sheffield, Timothy L. Dove and Mark L. Withrow, or any of them, as his true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to execute in the name of each such person who is then an officer or director of Pioneer Natural Resources Company and to file any amendments (including post-effective amendments) to this registration statement and any registration statement for the same offering filed pursuant to Rule 462 under the Securities Act of 1933, and to file the same, with all exhibits thereto and all other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing appropriate or necessary to be done, as fully and for all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or their substitute or substitutes may lawfully do or cause to be done by virtue hereof. Pursuant to the requirements of the Securities Act of 1933, as amended, this registration statement has been signed by the following persons in the capacities and on the dates indicated. SIGNATURE TITLE DATE Chairman of the Board of Directors, President and Chief Executive Officer (principal executive /s/ SCOTT D. SHEFFIELD officer) April 17, 2001 ----------------------------------- Scott D. Sheffield Executive Vice President and Chief Financial /s/ TIMOTHY L. DOVE Officer (principal financial officer) April 17, 2001 ----------------------------------- Timothy L. Dove Vice President and Chief Accounting Officer /s/ RICHARD P. DEALY (principal accounting officer) April 17, 2001 ----------------------------------- Richard P. Dealy /s/ JAMES R. BAROFFIO Director April 17, 2001 ----------------------------------- James R. Baroffio /s/ R. HARTWELL GARDNER Director April 17, 2001 ----------------------------------- R. Hartwell Gardner /s/ JAMES L. HOUGHTON Director April 17, 2001 ----------------------------------- James L. Houghton /s/ JERRY P. JONES Director April 17, 2001 ----------------------------------- Jerry P. Jones /s/ CHARLES E. RAMSEY, JR. Director April 17, 2001 ----------------------------------- Charles E. Ramsey, Jr. /s/ ROBERT L. STILLWELL Director April 17, 2001 ----------------------------------- Robert L. Stillwell II-10 1317 EXHIBIT NUMBER DESCRIPTION ------ ----------- 2.1 Agreement and Plan of Merger dated as of , 2001, among Pioneer, Pioneer USA and the partnerships named therein (included as Appendix E to the proxy statement/prospectus forming a part of this Registration Statement). 3.1 Amended and Restated Certificate of Incorporation of Pioneer (incorporated by reference to Exhibit 3.1 to Pioneer's Registration Statement on Form S-4 dated June 27, 1997, Registration No. 333-26951). 3.2 Restated Bylaws of Pioneer (incorporated by reference to Exhibit 3.2 to Pioneer's Registration Statement on Form S-4 dated June 27, 1997, Registration No. 333-26951). 3.3 Certificate of Designations of Special Preferred Voting Stock (incorporated by reference to Exhibit 3.3 of Pioneer's Registration Statement on Form S-3, Registration No. 333-42315, filed with the SEC on December 17, 1997). 3.4 Terms and Conditions of Exchangeable Shares (incorporated by reference to Annex F to the Definitive Joint Management Information Circular and Proxy Statement of Pioneer and Chauvco, File No. 001-13245, filed with the SEC on November 17, 1997). 4.1 Form of Certificate of Common Stock, par value $.01 per share, of Pioneer (incorporated by reference to Exhibit 4.1 to Pioneer's Registration Statement on Form S-4 dated June 27, 1997, Registration No. 333-26951). 4.2 Form of Certificate of Special Preferred Voting Stock (incorporated by reference to Exhibit 4.1 to Pioneer's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998). 4.3 Form of Certificate of Exchangeable Shares (incorporated by reference to Exhibit 4.2 to Pioneer's

Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998). 5.1* Form of opinion of Vinson & Elkins L.L.P. as to the legality of the securities to be registered. 8.1 Form of opinion of , as special legal counsel to the limited partners, regarding tax matters as required by the partnership agreement of each partnership (included as Exhibit A to Appendix D to the proxy statement/prospectus forming a part of this Registration Statement). 9.1 Voting and Exchange Trust Agreement dated as of December 18, 1997, among Pioneer, Pioneer Natural Resources (Canada) Ltd. ("Pioneer Canada"), and Montreal Trust Company of Canada, as trustee (incorporated by reference to Exhibit 2.4 to Pioneer's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998). 10.1 Indenture dated July 2, 1996, among Pioneer USA (formerly Mesa Operating Co. ("MOC")), as issuer, Pioneer, as guarantor, and Harris Trust and Savings Bank, as trustee, relating to the 11 5/8% Senior Subordinated Discount Notes Due 2006 (incorporated by reference to Exhibit 4.17 to MESA Inc.'s Quarterly Report on Form 10-Q for the period ended June 30, 1996). 10.2 First Supplemental Indenture dated as of April 15, 1997, among Pioneer USA (formerly MOC), as issuer, MESA Inc. ("Mesa"), the subsidiary guarantors named therein, Pioneer and Harris Trust and Savings Bank, as trustee, with respect to the indenture identified above as Exhibit 10.1 (incorporated by reference to Exhibit 10.1 to Pioneer's Quarterly Report on Form 10-Q for the period ended September 30, 1997, File No. 001-13245). 1318 EXHIBIT NUMBER DESCRIPTION ------ ----------- 10.3 Second Supplemental Indenture dated as of August 7, 1997, among Pioneer USA (formerly MOC), as issuer, Mesa, the subsidiary guarantors named therein, Pioneer and Harris Trust and Savings Bank, as trustee, with respect to the indenture identified above as Exhibit 10.1 (incorporated by reference to Exhibit 10.2 to Pioneer's Quarterly Report on Form 10-Q for the period ended September 30, 1997, File No. 001-13245). 10.4 Third Supplemental Indenture dated as of December 18, 1997, among Pioneer USA, the subsidiary guarantors named therein, Pioneer and Harris Trust and Savings Bank, as trustee, with respect to the indenture identified above as Exhibit 10.1 (incorporated by reference to Exhibit 10.12 to Pioneer's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998). 10.5 Fourth Supplemental Indenture dated as of December 30, 1997, among Pioneer USA (formerly MOC), Pioneer, Pioneer NewSub1, Inc. and Harris Trust and Savings Bank, as trustee, with respect to the indenture identified above as Exhibit 10.1 (incorporated by reference to Exhibit 10.13 to Pioneer's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998). 10.6 Fifth Supplemental Indenture dated as of December 30, 1997, among Pioneer NewSub1, Inc. (as successor to Pioneer USA), Pioneer, Pioneer DebtCo., Inc. and Harris Trust and Savings Bank, as trustee, with respect to the indenture identified above as Exhibit 10.1 (incorporated by reference to Exhibit 10.14 to Pioneer's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998). 10.7 Sixth Supplemental Indenture dated as of December 30, 1997, among Pioneer DebtCo. Inc. (as successor to Pioneer NewSub1, Inc.), Pioneer, and Harris Trust and Savings Bank, as trustee, with respect to the indenture identified above as Exhibit 10.1 (incorporated by reference to Exhibit 10.15 to Pioneer's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998). 10.8 Indenture dated July 2, 1996, among Pioneer USA (formerly MOC), as issuer, Pioneer (as Mesa's successor), as guarantor, and Harris Trust and Savings Bank, as trustee, relating to the 10 5/8% Senior Subordinated Notes Due 2006 (incorporated by reference to Exhibit 4.18 to Mesa's Quarterly Report on Form 10-Q for the period ended June 30, 1996). 10.9 First Supplemental Indenture dated as of April 15, 1997, among Pioneer USA (formerly MOC), as issuer, Mesa, the subsidiary guarantors named therein, Pioneer and Harris Trust and Savings Bank, as trustee, with respect to the indenture identified above as Exhibit 10.8 (incorporated by reference to Exhibit 10.3 to Pioneer's Quarterly Report on Form 10-Q for the period ended September 30, 1997, File No. 001-13245). 10.10 Second Supplemental Indenture dated as of August 7, 1997, among Pioneer USA (formerly MOC), as issuer, Mesa, the subsidiary guarantors named therein, Pioneer and Harris Trust and Savings Bank, as trustee, with respect to the indenture identified above as Exhibit 10.8 (incorporated by reference to Exhibit 10.4 to Pioneer's Quarterly Report on Form 10-Q for the period ended September 30, 1997, File No. 001-13245). 10.11 Third Supplemental Indenture dated as of December 18, 1997, among Pioneer USA, the subsidiary guarantors named therein, Pioneer and Harris Trust and Savings Bank, as trustee, with respect to the indenture identified above as Exhibit 10.8 (incorporated by reference to Exhibit 10.6 to Pioneer's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998). 1319 EXHIBIT NUMBER DESCRIPTION ------ ----------- 10.12 Fourth Supplemental Indenture dated as of December 30, 1997, among Pioneer USA, Pioneer, Pioneer NewSub1, Inc. and Harris Trust and Savings Bank, as trustee, with respect to the indenture identified above as Exhibit 10.8 (incorporated by reference to Exhibit 10.7 to Pioneer's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998). 10.13 Fifth Supplemental Indenture dated as of December 30, 1997, among Pioneer

NewSub1, Inc. (as successor to Pioneer USA), Pioneer, Pioneer DebtCo, Inc. and Harris Trust and Savings Bank, as trustee, with respect to the indenture identified above as Exhibit 10.8 (incorporated by reference to Exhibit 10.8 to Pioneer's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998). 10.14 Sixth Supplemental Indenture dated as of December 30, 1997, among Pioneer DebtCo, Inc. (as successor to Pioneer NewSub1, Inc.), Pioneer and Harris Trust and Savings Bank, as trustee, with respect to the indenture identified above as Exhibit 10.8 (incorporated by reference to Exhibit 10.9 to Pioneer's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998). 10.15 Indenture dated April 12, 1995, between Pioneer USA (successor to Parker & Parsley Petroleum Company ("Parker & Parsley")) and The Chase Manhattan Bank (National Association), as trustee (incorporated by reference to Exhibit 4.1 to Parker & Parsley's Current Report on Form 8-K dated April 12, 1995, File No. 1-10695). 10.16 First Supplemental Indenture dated as of August 7, 1997, among Parker & Parsley, The Chase Manhattan Bank, as trustee, and Pioneer USA, with respect to the indenture identified above as Exhibit 10.15 (incorporated by reference to Exhibit 10.5 to Pioneer's Quarterly Report on Form 10-Q for the period ended September 30, 1997, File No. 001-13245). 10.17 Second Supplemental Indenture dated as of December 30, 1997, among Pioneer USA, Pioneer NewSub1, Inc. and The Chase Manhattan Bank, as trustee, with respect to the indenture identified above as Exhibit 10.15 (incorporated by reference to Exhibit 10.17 to Pioneer's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998). 10.18 Third Supplemental Indenture dated as of December 30, 1997, among Pioneer NewSub1, Inc. (as successor to Pioneer USA), Pioneer DebtCo, Inc. and The Chase Manhattan Bank, as trustee, with respect to the indenture identified above as Exhibit 10.15 (incorporated by reference to Exhibit 10.18 to Pioneer's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998). 10.19 Fourth Supplemental Indenture dated as of December 30, 1997, among Pioneer DebtCo, Inc. (as successor to Pioneer NewSub1, Inc., as successor to Pioneer USA), Pioneer, Pioneer USA and The Chase Manhattan Bank, as trustee, with respect to the indenture identified above as Exhibit 10.15 (incorporated by reference to Exhibit 10.19 to Pioneer's Current Report on Form 8-K, File No. 001- 13245, filed with the SEC on January 2, 1998). 10.20 Guarantee dated as of December 30, 1997, by Pioneer USA relating to $150,000,000 in aggregate principal amount of 8 7/8% Senior Notes due 2005 and $150,000,000 in aggregate principal amount of 8 1/4% Senior Notes due 2007 issued under the indenture identified above as Exhibit 10.15 (incorporated by reference to Exhibit 10.20 to Pioneer's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 2, 1998). 1320 EXHIBIT NUMBER DESCRIPTION ------ ----------- 10.21 Form of 8 7/8% Senior Notes Due 2005 dated as of April 12, 1995, in the aggregate principal amount of $150,000,000, together with Officers' Certificate dated April 12, 1995, establishing the terms of the 8 7/8% Senior Notes Due 2005 pursuant to the indenture identified above as Exhibit 10.15 (incorporated by reference to Exhibit 4.2 to Parker & Parsley's Quarterly Report on Form 10-Q for the period ended June 30, 1995, File No. 001-10695). 10.22 Form of 8 1/4% Senior Notes due 2007 dated as of August 22, 1995, in the aggregate principal amount of $150,000,000, together with Officers' Certificate dated August 22, 1995, establishing the terms of the 8 1/4% Senior Notes due 2007 pursuant to the indenture identified above as Exhibit 10.15 (incorporated by reference to Exhibit 1.2 to Parker & Parsley's Current Report on Form 8-K dated August 17, 1995, File No. 001-10695). 10.23 Indenture dated January 13, 1998, between Pioneer and The Bank of New York, as trustee (incorporated by reference to Exhibit 99.1 to Pioneer's and Pioneer USA's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 14, 1998). 10.24 First Supplemental Indenture dated as of January 13, 1998, among Pioneer, Pioneer USA, as the subsidiary guarantor, and The Bank of New York, as trustee, with respect to the indenture identified above as Exhibit 10.23 (incorporated by reference to Exhibit 99.2 to Pioneer's and Pioneer USA's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 14, 1998). 10.25 Form of 6.50% Senior Notes Due 2008 of Pioneer (incorporated by reference to Exhibit 99.3 to Pioneer's and Pioneer USA's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 14, 1998). 10.26 Form of 7.20% Senior Notes Due 2028 of Pioneer (incorporated by reference to Exhibit 99.4 to Pioneer's and Pioneer USA's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 14, 1998). 10.27 Guarantee (2008 Notes) dated as of January 13, 1998, entered into by Pioneer USA (incorporated by reference to Exhibit 99.5 to Pioneer's and Pioneer USA's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 14, 1998). 10.28 Guarantee (2028 Notes) dated as of January 13, 1998, entered into by Pioneer USA (incorporated by reference to Exhibit 99.6 to Pioneer's and Pioneer USA's Current Report on Form 8-K, File No. 001-13245, filed with the SEC on January 14, 1998). 10.29 1991 Stock Option Plan of Mesa (incorporated by reference to Exhibit 10(v) to Mesa's Annual Report on Form 10-K for the period ended December 31, 1991). 10.30 1996 Incentive Plan of Mesa (incorporated by reference to Exhibit 10.28 to Pioneer's Registration Statement on Form S-4 dated June 27, 1997, Registration No. 333-26951). 10.31 Parker & Parsley Long-Term Incentive Plan dated February 19, 1991 (incorporated by reference to Exhibit 4.1 to Parker & Parsley's Registration Statement on Form S-8, Registration No. 33-38971). 10.32 First Amendment to the Parker & Parsley Long-Term Incentive Plan dated August 23, 1991 (incorporated by reference to Exhibit 10.2 to Parker & Parsley's Registration Statement on Form S-1 dated February 28, 1992, Registration No. 33-46082). 10.33 Pioneer's Long-Term Incentive Plan (incorporated by reference to Exhibit 4.1 to Pioneer's Registration Statement on Form S-8, Registration No. 333-35087). 1321 EXHIBIT NUMBER DESCRIPTION ------ ----------- 10.34 First Amendment to Pioneer's Long-Term Incentive Plan, effective as of November 23, 1998 (incorporated by reference to Exhibit 10.72 to Pioneer's Annual Report on Form 10-K for the period ended December 31, 1999, File No. 001-13245. 10.35 Amendment No. 2 to Pioneer's Long-Term Incentive Plan, effective as of May 20, 1998 (incorporated by reference to Exhibit 10.73 to Pioneer's Annual Report on Form 10-K for the period ended December 31, 1999, File No. 001-13245). 10.36 Amendment No. 3 to Pioneer's Long-Term Incentive Plan, effective as of February 17, 2000 (incorporated by reference to Exhibit 10.76 to Pioneer's Annual Report on Form 10-K for the period ended December 31, 1999, File No. 001-13245). 10.37 Pioneer's Employee Stock Purchase Plan (incorporated by reference to Exhibit 4.1 to Pioneer's Registration Statement on Form S-8, Registration No. 333-35165). 10.38 Amendment No. 1 to Pioneer's Employee Stock Purchase Plan dated December 9, 1998 (incorporated by reference to Pioneer's Annual Report on Form 10-K for the year ended December 31, 1998, File No. 001-13245). 10.39 Amendment No. 2 to Pioneer's Employee Stock Purchase Plan dated December 14, 1999 (incorporated by reference to Exhibit 10.74 to Pioneer's Annual Report on Form 10-K for the period ended December 31, 1999, File No. 001-13245). 10.40 Pioneer's Deferred Compensation Retirement Plan (incorporated by reference to Exhibit 4.1 to Pioneer's Registration Statement on Form S-8, Registration No. 333- 39153). 10.41 Pioneer USA 401(k) Plan (incorporated by reference to Exhibit 4.1 to Pioneer's Registration Statement on Form S-8, Registration No. 333-39249). 10.42 Pioneer USA Matching Plan (incorporated by reference to Exhibit 10.42 to Pioneer's Annual Report on Form 10-K for the year ended December 31, 1997, File No. 001-13245). 10.43 Omnibus Amendment to Nonstatutory Stock Option Agreements, included as part of the Parker & Parsley Long-Term Incentive Plan dated as of November 16, 1995, between Parker & Parsley and named executive officers identified on Schedule 1 thereto, setting forth additional details relating to the Parker & Parsley Long-Term Incentive Plan (incorporated by reference to Parker & Parsley's Annual Report on Form 10-K for the period ended December 31, 1995, File No. 001-10695). 10.44 Severance Agreement dated as of August 8, 1997, between Pioneer and Scott D. Sheffield, together with a schedule identifying substantially identical agreements between Pioneer and each of the other named executive officers identified on Schedule I, for the purpose of defining the payment of certain benefits upon the termination of the officer's employment under certain circumstances (incorporated by reference to Exhibit 10.7 to Pioneer's Quarterly Report on Form 10-Q for the period ended September 30, 1997, File No. 001-13245). 10.45 Indemnification Agreement dated as of August 8, 1997, between Pioneer and Scott D. Sheffield, together with a schedule identifying substantially identical agreements between Pioneer and each of Pioneer's other directors and named executive officers identified on Schedule I thereto (incorporated by reference to Exhibit 10.8 to Pioneer's Quarterly Report on Form 10-Q for the period ended September 30, 1997, File No. 001-13245). 1322 EXHIBIT NUMBER DESCRIPTION ------ ----------- 10.46 "B" Contract Production Allocation Agreement dated July 29, 1991, and effective as of January 1, 1991, between Colorado Interstate Gas Company and Mesa Operating Limited Partnership (incorporated by reference to Exhibit 10(r) to Mesa's Annual Report on Form 10-K for the period ended December 31, 1991). 10.47 Amendment to "B" Contract Production Allocation Agreement effective as of January 1, 1993, between Colorado Interstate Gas Company and Mesa Operating Limited Partnership (incorporated by reference to Exhibit 10.24 to Mesa's Registration Statement on Form S-1, Registration No. 33-51909). 10.48 Voting and Shareholders Agreement dated as of February 8, 2000, among Prize Energy Corp. and its stockholders (incorporated by reference to Exhibit 10.1 to Pioneer's statement on Schedule 13D relating to common stock of Prize Energy Corp., filed with the SEC on February 18, 2000, File No. 005-54797). 10.49 Second Supplemental Indenture dated as of April 11, 2000, among Pioneer, Pioneer USA, as the subsidiary guarantor, and the Bank of New York, as trustee, with respect to the Indenture dated January 13, 1998, between Pioneer and The Bank of New York, as trustee (incorporated by reference to Exhibit 10.1 to Pioneer's Quarterly Report on Form 10-Q, filed with the SEC on May 11, 2000). 10.50 Form of 9 5/8% Senior Notes Due April 1, 2010 dated as of April 11, 2000, in the aggregate principal amount of $425,000,000, together with Trustee's Certificate of Authentication dated April 11, 2000, establishing the terms of the 9 5/8% Senior

Notes Due April 1, 2010 pursuant to the Second Supplemental Indenture identified above as Exhibit 10.49 (incorporated by reference to Exhibit 10.2 to Pioneer's Quarterly Report on Form 10-Q, filed with the SEC on May 11, 2000). 10.51 Guarantee, dated as of April 11, 2000, by Pioneer USA, as the subsidiary guarantor, relating to the $425,000,000 aggregate principal amount of 9 5/8% Senior Notes Due April 1, 2010 issued under the Second Supplemental Indenture identified above as Exhibit 10.49 (incorporated by reference to Exhibit 10.3 to Pioneer's Quarterly Report on Form 10-Q, filed with the SEC on May 11, 2000). 10.52 $575,000,000 Credit Agreement dated as of May 31, 2000, among Pioneer, as the borrower, Bank of America, N.A., as the administrative agent, Credit Suisse First Boston, as the documentation agent, The Chase Manhattan Bank, as the syndication agent, and certain lenders (incorporated by reference to Exhibit 10.4 to Pioneer's Quarterly Report on Form 10-Q, filed with the SEC on August 9, 2000). 10.53 Agreement and Plan of Merger dated as of November 28, 2000, among Pioneer, Pioneer USA, Parker & Parsley Employees Producing Properties 87-A, Ltd., Parker & Parsley Employees Producing Properties 87-B Ltd., P&P Employees Producing Properties 88-A, L.P., P&P Employees 89-A Conv., L.P., P&P Employees 89-B Conv., L.P., P&P Employees Private 89, L.P., P&P Employees 90-A Conv., L.P., P& P Employees 90-B Conv., L.P., P&P Employees 90-C Conv., L.P., P&P Employees Private 90, L.P., P&P Employees 90 Spraberry Private Development, L.P., P&P Employees 91-A Conv., L.P. and P&P Employees 91-B Conv., L.P. (incorporated by reference to Exhibit 10.53 to Pioneer's Annual Report on Form 10-K, filed with the SEC on February 27, 2001). 23.1 Consent of Vinson & Elkins L.L.P. (included in the opinion filed as Exhibit 5.1 to this Registration Statement). 23.2 Consent of ______________ (included in the opinion filed as Exhibit 8.1 to this Registration Statement). 1323 EXHIBIT NUMBER DESCRIPTION ------ ----------- 23.3* Consent of Ernst & Young LLP. 23.4* Consent of Williamson Petroleum Consultants, Inc. 24.1 Powers of Attorney of directors and officers of Pioneer (included on page II-10 to this Registration Statement). 99.1 Form of opinion of Robert A. Stanger & Co, Inc. (included as Appendix C to the proxy statement/prospectus forming a part of this Registration Statement). 99.2* Consent of Robert A. Stanger & Co., Inc. 99.3* Form of Certification of Non-Foreign Status for Individual Partners. 99.4* Form of Certification of Non-Foreign Status for Individual Partners that are Entities. 99.5* Form of Proxy for Special Meeting of Limited Partners of Each of 46 Parker & Parsley Limited Partnerships. -------------------- * Filed herewith.