GOLD FIELDS LTD
Form SC 14D9/A
March 22, 2005

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# UNITED STATES

## SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# SCHEDULE 14D-9

**(Rule 14d-101)**

**SOLICITATION/RECOMMENDATION STATEMENT UNDER SECTION 14(d)(4)**

**OF THE SECURITIES EXCHANGE ACT OF 1934**

**(Amendment No. 17)**

# GOLD FIELDS LIMITED

*(Name of Subject Company)*

# GOLD FIELDS LIMITED

*(Name of Person(s) Filing Statement)*

**Ordinary Shares of nominal value Rand 0.50 each**

**American Depositary Shares, each representing one Ordinary Share**
*(Title of Class of Securities)*

**ZAE000018123 (Ordinary Shares)**

**38059T106 (American Depositary Shares)**
*(CUSIP Number of Class of Securities)*

**Cain Farell**

**24 St. Andrews Road**
**Parktown, 2193**
**South Africa**
**011-27-11-644-2400**
*(Name, Address, and Telephone Number of Person*
*Authorized to Receive Notices and Communications*
*On Behalf of the Person(s) Filing Statement)*

***Copy to:***

| | |
|---|---|
| **Jennifer M. Schneck**<br>**Linklaters**<br>**One Silk Street**<br>**London EC2Y 8HQ** | **Scott V. Simpson**<br>**Ann Beth Bejgrowicz**<br>**Skadden, Arps, State, Meagher & Flom (UK) LLP**<br>**40 Bank Street, Canary Wharf** |

**England**
**011-44-20-7456-2000**

**London E14 5DS**
**England**
**011-44-20-7519-7000**

o Check the box if the filing relates solely to preliminary communications made before the commencement of a tender offer.

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This Amendment No. 17 ( **Amendment No. 17** ) amends and supplements the Schedule 14D-9 (the **Schedule 14D-9** ), as amended, initially filed by Gold Fields with the Securities and Exchange Commission (the **SEC** ) on December 7, 2004 relating to the Subsequent Offer. Except as otherwise defined herein, capitalized terms shall have the meaning given to them in the Schedule 14D-9.

This Amendment No. 17 amends and supplements Item 8 as follows:

**ITEM 8. ADDITIONAL INFORMATION TO BE FURNISHED**

**Gold Fields Communications**

Gold Fields placed an advertisement on certain South African websites on March 22, 2005 relating to the offer by Harmony and the delivery of a competent persons report in respect of Harmony s gold reserves. A copy of the advertisement has been filed herewith as Exhibit 99.(a)(41) and is hereby incorporated herein by this reference.

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This Amendment No. 17 amends and restates Item 9 as follows:

**ITEM 9. EXHIBITS**

| Exhibit | Description |
|---|---|
| 99.(a)(1)* | Covenants Agreement between Gold Fields Limited, Mvelaphanda Resources Limited, Lexshell 579 Investments (Proprietary) Limited and Newshelf 706 Limited, dated November 26, 2003 |
| 99.(a)(2)* | Subscription and Share Exchange Agreement amongst Lexshell 579 Investments (Proprietary) Limited, GFL Mining South Africa Limited and Gold Fields Limited, dated December 11, 2003 |
| 99.(a)(3)* | GFI-SA Loan Agreement amongst Lexshell 579 Investments (Proprietary) Limited, First Rand Bank Limited, GFI Mining South Africa Limited, Gold Fields Limited, Gold Fields Australia Pty Limited and Gold Fields Guernsey Limited, dated December 11, 2003 |
| 99.(a)(4)+ | Application to the Competition Tribunal of South Africa, including a Notice of Motion and Founding Affidavit, dated October 26, 2004 |
| 99.(a)(5)+ | Application to the High Court of South Africa, dated October 28, 2004 |
| 99.(a)(6)+ | Letter from the South African Securities Regulation Panel, dated November 3, 2004 |
| 99.(a)(7)++ | Complaint filed in the United States District Court for the Southern District of New York against Harmony in connection with Harmony s two-step offer for Gold Fields Shares, dated November 5, 2004 |
| 99.(a)(8)++ | Press release announcing the commencement of litigation against Harmony in the United States District Court for the Southern District of New York, dated November 5, 2004 |
| 99.(a)(9)+++ | Gold Fields press release announcing a ruling by the South African Securities Regulation Panel, dated November 8, 2004 |
| 99.(a)(10)** | Announcement issued by the South African Securities Regulation Panel, dated November 9, 2004 |
| 99.(a)(11)*** | Judgment by the High Court of South Africa, dated November 11, 2004 |
| 99.(a)(12)*** | Amended Complaint filed in the United States District Court for the Southern District of New York, dated November 12, 2004 |
| 99.(a)(13)+ | Findings by the Competition Tribunal of South Africa, dated November 18, 2004 |
| 99.(a)(14) | Gold Fields Notice of Appeal filed in the Competition Appeal Court of South Africa, dated November 19, 2004 |
| 99.(a)(15)± | Decision and Order of United States District Court for the Southern District of New York, dated November 23, 2004 |
| 99.(a)(16)§ | Order by the Competition Appeal Court of South Africa, dated November 26, 2004 |
| 99.(a)(17)§ | Rulings of the Appeal Tribunal of the South African Securities Regulation Panel, dated November 29, 2004 |
| 99.(a)(18)§ | Order of the Constitutional Court of South Africa, dated December 1, 2004 |
| 99.(a)(19)# | Press release announcing that the proposed reverse takeover of IAMGold Corporation will not be completed, dated December 7, 2004 |
| 99.(a)(20)# | Press release rejecting suggestions made in the media by Harmony, dated December 9, 2004 |
| 99.(a)(21)# | Press release expressing concern over Harmony s delay in producing its Reserves Statement, dated December 10, 2004 |
| 99.(a)(22)# | Advertisement regarding Harmony s delay in delivering its Reserves Statement, dated December 10, 2004 |
| 99.(a)(23)# | Market and share performance data available on Gold Fields website |
| 99.(a)(24)# | Advertisement regarding Harmony s delay in delivering its Reserves Statement, dated December 12, 2004 |
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| 99.(a)(26)# | Letter from Ian Cockerill to Gold Fields employees, dated December 21, 2004 |
| 99.(a)(27)# | Press release reiterating the Gold Fields Board s position that Harmony s offer should be abandoned, dated January 11, 2005 |
| 99.(a)(28)# | Gold Fields advertisement relating to the Harmony offer and the prospective competent persons report on Harmony s gold reserves, dated January 24, 2005 |
| 99.(a)(29)# | Press release regarding Harmony s extension of the Offer and waiver of its 50% minimum acceptance condition, dated January 28, 2005 |
| 99.(a)(30)# | Announcement of its second quarter 2005 financial results, dated January 31, 2005 |
| 99.(a)(31)# | Presentation regarding its second quarter 2005 financial results, dated January 31, 2005 |
| 99.(a)(32)# | Transcript of presentation given by Gold Fields regarding its second quarter 2005 financial results, dated January 31, 2005 |
| 99.(a)(33)# | Transcript of conference call held by Gold Fields regarding its second quarter 2005 financial results, dated January 31, 2005 |
| 99.(a)(34)# | Press release regarding the recommendation of the Competition Commission of South Africa, dated February 11, 2005 |

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| 99.(a)(35)# | Advertisement relating to Harmony s offer and the prospective competent persons report on Harmony s gold reserves, dated February 14, 2005 |
| 99.(a)(36)# | Letter from Gold Fields to the holders of its Shares, dated February 18, 2005 |
| 99.(a)(37)# | Document from Gold Fields comparing the performance of Harmony and Gold Fields, dated February 18, 2005 |
| 99.(a)(38)# | Advertisement relating to Harmony s offer and the prospective competent persons report on Harmony s gold reserves, dated February 28, 2005 |
| 99.(a)(39)# | Advertisement relating to Harmony s offer and the prospective competent persons report on Harmony s gold reserves, dated March 7, 2005 |
| 99.(a)(40)# | Press release announcing that Gold Fields has withdrawn from the proceedings before the South African Securities Regulation Panel, dated March 16, 2005 |
| 99.(a)(41)° | Advertisement relating to Harmony s offer and the prospective competent persons report on Harmony s gold reserves, dated March 22, 2005 |

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| Exhibit | Description |
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| 99.(e)(1)+ | Agreement between Ian D. Cockerill and Gold Fields Guernsey Limited, effective March 1, 2004 |
| 99.(e)(2)+ | Service Agreement between Ian D. Cockerill and GFL Mining Services Limited, effective March 1, 2004 |
| 99.(e)(3)+ | Agreement between Nicholas J. Holland and Gold Fields Guernsey Limited, effective March 1, 2004 |
| 99.(e)(4)+ | Service Agreement between Nicholas J. Holland and GFL Mining Services Limited, effective March 1, 2004 |
| 99.(e)(5)+ | Agreement between John A. Munro and Gold Fields Guernsey Limited, effective March 1, 2004 |
| 99.(e)(6)+ | Service Agreement between John A. Munro and GFL Mining Services Limited, effective March 1, 2004 |
| 99.(e)(7)+ | Employment Agreement between Craig J. Nelsen and Gold Fields Exploration, Inc., as amended, effective May 1, 2003 |
| 99.(e)(8)+ | Service Agreement between Michael J. Prinsloo and GFI Mining South Africa (Pty) Limited, effective March 1, 2004 |
| 99.(e)(9) | The GF Management Incentive Scheme, adopted November 10, 1999 |
| 99.(e)(10)+ | Deed of Amendment to the GF Management Incentive Scheme between Gold Fields Limited and Tokyo Mosima Gabriel Sexwale and Gordon Rae Parker, adopted May 4, 2001 |
| 99.(e)(11)+ | Second Deed of Amendment to the GF Management Incentive Scheme between Gold Fields Limited and Tokyo Mosima Gabriel Sexwale and Gordon Rae Parker, adopted October 31, 2001 |
| 99.(e)(12) | The GF Non-Executive Director Share Plan, adopted October 31, 2000 |
| 99.(e)(13)+ | Deed of Amendment to the GF Non-Executive Share Plan, adopted December 6, 2002 |

° Filed herewith.

\# Previously filed.

\+ Incorporated by reference to the Recommendation/Solicitation Statement on Schedule 14D-9 (File No. 005-78350) filed by Gold Fields with the Securities and Exchange Commission on November 3, 2004.

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* Incorporated by reference to the Annual Report on Form 20-F (File No. 1-31318), filed by Gold Fields with the Securities and Exchange Commission on December 29, 2003.

Incorporated by reference to the Registration Statement on Form 20-F (File No. 1-31318), filed by Gold Fields with the Securities and Exchange Commission on May 6, 2002.

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**SIGNATURE**

After due inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

By: /s/ NICHOLAS J. HOLLAND

Name: Nicholas J. Holland
Title: Executive Director and
Chief Financial Officer
Date: March 22, 2005

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compared to the same period in 2000, offset by a decrease of $15,704 in average prices received for oil and NGLs during 2001. The increase in production costs was primarily due to higher ad valorem taxes and additional well maintenance costs incurred to stimulate well production, offset by lower workover costs. The increase in G&A was 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. Net Cash Used in Investing Activities The Partnership's principal investing activities during the nine months ended September 30, 2001 and 2000 were related to expenditures for equipment upgrades on various oil and gas properties. Proceeds of $76 recognized during the nine months ended September 30, 2000 were from equipment credits on one fully depleted well. Net Cash Used in Financing Activities For the nine months ended September 30, 2001, cash distributions to the partners were $157,877, of which $1,579 was distributed to the managing general partner and $156,298 to the limited partners. For the same period ended September 30, 2000, cash distributions to the partners were $174,206, of which $1,742 was distributed to the managing general partner and $172,464 to the limited partners. During 2001, the Partnership made distributions in March and July but no distributions were made by the Partnership during September pending the vote of the proposed merger of the Partnership into Pioneer Natural Resources USA, Inc. ("Pioneer USA"). For further information, see "Proposal to acquire partnerships" below. PROPOSAL TO ACQUIRE PARTNERSHIPS On October 22, 2001, Pioneer Natural Resources Company ("Pioneer") mailed definitive materials (the "proxy statement/prospectus") to solicit the approval of limited partners of 46 Parker & Parsley limited partnerships, including the Partnership, of an agreement and plan of merger among Pioneer, Pioneer USA, a wholly-owned subsidiary of Pioneer, and those limited partnerships. The special meetings of the limited partners to consider and vote on the merger proposal are scheduled for December 20, 2001. The record date to identify the limited partners who are entitled to notice of and to vote at the special meetings was September 21, 2001. Each partnership that approves the 10 agreement and plan of merger and the other related merger proposals will merge with and into Pioneer USA. As a result, the partnership interests of those partnerships will be converted into the right to receive Pioneer common stock. The proxy statement/prospectus is non-binding and is subject to, among other things, consideration of offers from third parties to purchase any partnership or its assets and the majority approval of the limited partnership interests in each partnership. A copy of the proxy statement/prospectus may be obtained without charge upon request from Pioneer Natural Resources Company, 5205 North O'Connor Blvd., Suite 1400, Irving, Texas 75039, Attention: Investor Relations. The limited partners are urged to read the proxy statement/prospectus of Pioneer filed with the Securities and Exchange Commission because it contains important information about the proposed mergers, including information about the direct and indirect interests of Pioneer USA and Pioneer in the mergers. The limited partners may also obtain the final proxy statement/prospectus and other relevant documents relating to the proposed mergers free through the internet web site that the Securities and Exchange Commission maintains at www.sec.gov. --------------- (1) "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" 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. 11 PIONEER NATURAL RESOURCES COMPANY PIONEER NATURAL RESOURCES USA, INC. 5205 NORTH O'CONNOR BLVD., SUITE 1400 IRVING, TEXAS 75039 SUPPLEMENT TO SUPPLEMENTAL INFORMATION OF PARKER & PARSLEY PRODUCING PROPERTIES 88-A, L.P., A DELAWARE LIMITED PARTNERSHIP TO PROXY STATEMENT/PROSPECTUS DATED OCTOBER 12, 2001 ---------- THE DATE OF THIS SUPPLEMENT TO SUPPLEMENTAL INFORMATION IS NOVEMBER 15, 2001 ---------- THIS DOCUMENT CONTAINS IMPORTANT INFORMATION SPECIFIC TO PARKER & PARSLEY PRODUCING PROPERTIES 88-A, L.P. AND SUPPLEMENTS THE SUPPLEMENTAL INFORMATION TO THE PROXY STATEMENT/PROSPECTUS DATED OCTOBER 12, 2001, OF PIONEER NATURAL RESOURCES COMPANY, A DELAWARE CORPORATION THAT WE CALL PIONEER PARENT, AND PIONEER NATURAL RESOURCES USA, INC., A DELAWARE CORPORATION THAT WE CALL PIONEER USA, BY WHICH PIONEER USA IS SOLICITING PROXIES TO BE VOTED AT A SPECIAL MEETING OF THE 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 PARENT FOR YOUR PARTNERSHIP INTERESTS. THIS DOCUMENT CONTAINS THE PARTNERSHIP'S QUARTERLY REPORT ON FORM 10-Q, INCLUDING MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL

CONDITION AND RESULTS OF OPERATIONS, FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2001. UNITED STATES SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D. C. 20549 FORM 10-Q Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2001 COMMISSION FILE NO. 33-19133-A PARKER & PARSLEY PRODUCING PROPERTIES 88-A, L.P. ---------------------------------------------- (Exact name of Registrant as specified in its charter) DELAWARE 75-2225758 --------------------------------------- ------------------------ (State or other jurisdiction of (I.R.S. Employer incorporation or organization) Identification Number) 5205 N. O'CONNOR BLVD., SUITE 1400, IRVING, TEXAS 75039 ---------------------------------------------- ------------- (Address of principal executive offices) (Zip code) Registrant's Telephone Number, including area code : (972) 444-9001 Not applicable ------------------------------------------------------------ (Former name, former address and former fiscal year, if changed since last report) Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES [X] NO [ ] PARKER & PARSLEY PRODUCING PROPERTIES 88-A, L.P. TABLE OF CONTENTS Page ----  2 PARKER & PARSLEY PRODUCING PROPERTIES 88-A, L.P. (A Delaware Limited Partnership) PART I. FINANCIAL INFORMATION ITEM 1. FINANCIAL STATEMENTS BALANCE SHEETS September 30, December 31, 2001 2000 -------------- -------------- (Unaudited) ASSETS Current assets: Cash $ 343,338 $ 253,499 Accounts receivable - oil and gas sales 72,540 115,810 -------------- -------------- Total current assets 415,878 369,309 -------------- -------------- Oil and gas properties - at cost, based on the successful efforts accounting method 4,855,712 4,855,712 Accumulated depletion (3,793,693) (3,719,241) -------------- -------------- Net oil and gas properties 1,062,019 1,136,471 -------------- -------------- $ 1,477,897 $ 1,505,780 ============== ============== LIABILITIES AND PARTNERS' CAPITAL Current liabilities: Accounts payable - affiliate $ 29,420 $ 11,054 Partners' capital: Managing general partner 14,416 14,879 Limited partners (11,222 interests) 1,434,061 1,479,847 -------------- -------------- 1,448,477 1,494,726 -------------- -------------- $ 1,477,897 $ 1,505,780 ============== ============== The financial information included as of September 30, 2001 has been prepared by the managing general partner without audit by independent public accountants. The accompanying notes are an integral part of these financial statements. 3 PARKER & PARSLEY PRODUCING PROPERTIES 88-A, L.P. (A Delaware Limited Partnership) STATEMENTS OF OPERATIONS (Unaudited) Three months ended Nine months ended September 30, September 30, ---------------------- ---------------------- 2001 2000 2001 2000 ---------- ---------- ---------- ---------- Revenues: Oil and gas $ 160,309 $ 182,810 $ 510,321 $ 529,705 Interest 2,283 4,475 8,508 12,279 Gain on disposition of assets -- -- 6,447 9,859 ---------- ---------- ---------- ---------- 162,592 187,285 525,276 551,843 ---------- ---------- ---------- ---------- Costs and expenses: Oil and gas production 72,619 64,917 199,948 264,170 General and administrative 3,974 5,484 14,480 15,891 Impairment of oil and gas properties 18,255 -- 18,255 -- Depletion 19,670 19,737 56,197 49,684 Abandoned property -- -- 10,766 -- ---------- ---------- ---------- ---------- 114,518 90,138 299,646 329,745 ---------- ---------- ---------- ---------- Net income $ 48,074 $ 97,147 $ 225,630 $ 222,098 ========== ========== ========== ========== Allocation of net income: Managing general partner $ 480 $ 971 $ 2,256 $ 2,221 ========== ========== ========== ========== Limited partners $ 47,594 $ 96,176 $ 223,374 $ 219,877 ========== ========== ========== ========== Net income per limited partnership interest $ 4.25 $ 8.57 $ 19.91 $ 19.59 ========== ========== ========== ========== The financial information included herein has been prepared by the managing general partner without audit by independent public accountants. The accompanying notes are an integral part of these financial statements. 4 PARKER & PARSLEY PRODUCING PROPERTIES 88-A, L.P. (A Delaware Limited Partnership) STATEMENT OF PARTNERS' CAPITAL (Unaudited) Managing general Limited partner partners Total ------------ ------------ ------------ Balance at January 1, 2001 $ 14,879 $ 1,479,847 $ 1,494,726 Distributions (2,719) (269,160) (271,879) Net income 2,256 223,374 225,630 ------------ ------------ ------------ Balance at September 30, 2001 $ 14,416 $ 1,434,061 $ 1,448,477 ============ ============ ============ The financial information included herein has been prepared by the managing general partner without audit by independent public accountants. The accompanying notes are an integral part of these financial statements. 5 PARKER & PARSLEY PRODUCING PROPERTIES 88-A, L.P. (A Delaware Limited Partnership) STATEMENTS OF CASH FLOWS (Unaudited) Nine months ended September 30, ----------------------------- 2001 2000 ------------ ------------ Cash flows from operating activities: Net income $ 225,630 $ 222,098 Adjustments to reconcile net income to net cash provided by operating activities: Impairment of oil and gas properties 18,255 -- Depletion 56,197 49,684 Gain on disposition of assets (6,447) (9,859) Changes in assets and liabilities: Accounts receivable 43,270 (1,287) Accounts payable 18,366 16,675 ------------ ------------ Net cash provided by operating activities 355,271 277,311 ------------ ------------ Cash flows from investing activities: Additions to oil and gas properties -- (782) Proceeds from asset dispositions 6,447 9,859 ------------ ------------ Net cash provided by investing activities 6,447 9,077 ------------ ------------ Cash flows used in financing activities: Cash distributions to partners (271,879) (339,285) ------------ ------------ Net increase (decrease) in cash 89,839 (52,897) Cash at beginning of period 253,499 323,271 ------------ ------------ Cash at end of period $ 343,338 $ 270,374 ============ ============ The financial information included herein has been prepared by the managing general partner without audit by independent public accountants. The accompanying notes are an integral part of these financial statements. 6 PARKER & PARSLEY PRODUCING PROPERTIES 88-A, L.P. (A Delaware Limited Partnership) NOTES TO FINANCIAL STATEMENTS September 30, 2001 (Unaudited) NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS Parker & Parsley Producing Properties 88-A, L.P. (the "Partnership") is a limited partnership organized in 1988 under the laws of the State of Delaware. 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. BASIS OF PRESENTATION In the opinion of management, the unaudited financial statements of the Partnership as of September 30, 2001 and for the three and nine months ended September 30, 2001 and 2000 include all adjustments and accruals consisting only of normal recurring accrual adjustments which are necessary for a fair presentation of the results for the interim period. These interim results are not necessarily indicative of results for a full year. Certain reclassifications may have been made to the September 30, 2000 financial statements to conform to the September 30, 2001 financial statement presentations. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in this Form 10-Q pursuant to the rules and regulations of the Securities and Exchange Commission. The financial statements should be read in conjunction with the financial statements and the notes thereto contained in the Partnership's Report on Form 10-K for the year ended December 31, 2000, as filed with the Securities and Exchange Commission, a copy of which is available upon request by writing to Rich Dealy, Vice President and Chief Accounting Officer, 5205 North O'Connor Boulevard, Suite 1400, Irving, Texas 75039-3746. NOTE 3. 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 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 September 30, 2001, 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 7 provision of $18,255 related to its proved oil and gas properties during the nine months ended September 30, 2001. NOTE 4. PROPOSAL TO ACQUIRE PARTNERSHIP On October 22, 2001, Pioneer Natural Resources Company ("Pioneer") mailed materials to the limited partners of the Partnership soliciting their approval of an agreement and plan of merger among Pioneer, Pioneer Natural Resources USA, Inc. ("Pioneer USA"), a wholly-owned subsidiary of Pioneer, and the Partnership. Pioneer has valued the Partnership interest at $2,088,664 of which $2,053,405 is attributable to the limited partners, excluding Pioneer USA in its capacity as a general partner or a limited partner. If a majority of the limited partners approve the transaction, each limited partner will receive their proportionate share of the value in the form of Pioneer common stock. ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (1) RESULTS OF OPERATIONS Nine months ended September 30, 2001 compared with nine months ended September 30, 2000 Revenues: The Partnership's oil and gas revenues decreased 4% to $510,321 for the nine months ended September 30, 2001 as compared to $529,705 for the same period in 2000. The decrease in revenues resulted from lower average prices received for oil and a decline in production, offset by higher average prices received for gas and natural gas liquids ("NGLs"). For the nine months ended September 30, 2001, 12,433 barrels of oil, 6,103 barrels of NGLs and 26,047 mcf of gas were sold, or 22,877 barrel of oil equivalents ("BOEs"). For the nine months ended September 30, 2000, 12,685 barrels of oil, 7,553 barrels of NGLs and 29,106 mcf of gas were sold, or 25,089 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 decreased $1.70, or 6%, from $28.54 for the nine months ended September 30, 2000 to $26.84 for the same period in 2001. The average price received per barrel of NGLs increased $.12, or 1%, from $13.80 during the nine months ended September 30, 2000 to $13.92 for the same period in 2001. The average price received per mcf of gas increased 61% from $2.18 during the nine months ended September 30, 2000 to $3.52 for the same period in 2001. 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 during the nine months ended September 30, 2001. 8 Gains on disposition of assets of $6,447 and $9,859 were recognized during the nine months ended September 30, 2001 and 2000, respectively. The gain recognized during the nine months ended September 30, 2001 resulted from equipment credits received on one well that was plugged and abandoned during the current period. Expenses incurred during the nine months ended September 30, 2001 to plug this well were $10,766. The gain recognized during the period ended September 30, 2000 resulted from equipment credits received on one fully depleted well. Costs and Expenses: Total costs and expenses decreased to $299,646 for the nine months ended September 30, 2001 as compared to $329,745 for the same period in 2000, a decrease of $30,099, or 9%. This decrease resulted from decreases in production costs and general and administrative expenses ("G&A"), offset by increases in the impairment of oil and gas properties, abandoned property costs and depletion. Production costs were $199,948 for the nine months ended September 30, 2001 and $264,170 for the same period in 2000 resulting in a $64,222 decrease, or 24%. The decrease was primarily due to lower workover expenses and well maintenance costs, offset by higher ad valorem taxes. G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A decreased 9% from $15,891 for the nine months ended September 30, 2000 to $14,480 for the same period in 2001, primarily due to a lower percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of lower oil and gas revenues. 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 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 September 30, 2001, 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 $18,255 related to its proved oil and gas properties during the nine months ended September 30, 2001. Depletion was $56,197 for the nine months ended September 30, 2001 as compared to $49,684 for the same period in 2000, representing an increase of $6,513, or 13%. This increase was primarily the result of a downward revision in proved reserves during the period ended September 30, 2001 due to lower commodity prices as compared to the same period in 2000. 9 Three months ended September 30, 2001 compared with three months ended September 30, 2000 Revenues: The Partnership's oil and gas revenues decreased 12% to $160,309 for the three months ended September 30, 2001 as compared to $182,810 for the same period in 2000. The decrease in revenues resulted from lower average prices received, offset by a slight increase in production. For the three months ended September 30, 2001, 4,175 barrels of oil, 2,263 barrels of NGLs and 9,878 mcf of gas were sold, or 8,084 BOEs. For the three months ended September 30, 2000, 4,197 barrels of oil, 2,315 barrels of NGLs and 8,704 mcf of gas were sold, or 7,963 BOEs. The average price received per barrel of oil decreased $4.06, or 13%, from $30.23 for the three months ended September 30, 2000 to $26.17 for the same period in 2001. The average price received per barrel of NGLs decreased $.38, or 3%, from $13.50 during the three months ended September 30, 2000 to $13.12 for the same period in 2001. The average price received per mcf of gas decreased 24% from $2.84 during the three months ended September 30, 2000 to $2.16 for the same period in 2001. Costs and Expenses: Total costs and expenses increased to $114,518 for the three months ended September 30, 2001 as compared to $90,138 for the same period in 2000, an increase of $24,380, or 27%. This increase was due to increases in the impairment of oil and gas properties and production costs, offset by declines in G&A and depletion. Production costs were $72,619 for the three months ended September 30, 2001 and $64,917 for the same period in 2000, resulting in a $7,702 increase, or 12%. The increase was primarily due to higher ad valorem taxes and additional well maintenance costs incurred to stimulate well production, offset by a decline in workover expenses. During this period, G&A decreased 28% from $5,484 for the three months ended September 30, 2000 to $3,974 for the same period in 2001, primarily due to a lower percentage of the managing general partner's G&A being allocated as a result of lower oil and gas revenues. The Partnership recognized a non-cash impairment provision of $18,255 related to its proved oil and gas properties during the three months ended September 30, 2001. Depletion was $19,670 for the three months ended September 30, 2001 as compared to $19,737 for the same period in 2000, representing a decrease in depletion of $67. LIQUIDITY AND CAPITAL RESOURCES Net Cash Provided by Operating Activities Net cash provided by operating activities increased $77,960 during the nine months ended September 30, 2001 from the same period ended September 30, 2000. This increase was due to decreases in 10 production costs of $64,222 and G&A expenses of $1,411 and a reduction of $46,248 in working capital, offset by a decrease in oil and gas sales receipts of $23,155 and an increase in abandoned property costs of $10,766. The decrease in production costs was primarily due to lower workover expenses and well maintenance costs, offset by higher ad valorem taxes. The decrease in G&A was primarily due to a lower percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of lower oil and gas revenues. The decrease in oil and gas receipts resulted from the decline in oil prices of $21,616 during 2001 and $37,714 resulting from the decline in production during 2001 as compared to the same period in 2000, offset by an increase in gas and NGL prices of $36,175. Net Cash Provided by Investing Activities The Partnership's principal investing activities during the nine months ended September 30, 2000 were related to equipment upgrades on various oil and gas properties. Proceeds from disposition of assets of $6,447 and $9,859 were recognized during the nine months ended September 30, 2001 and 2000, respectively. The proceeds recognized during the nine months ended September 30, 2001 resulted from equipment credits received on one well that was plugged and abandoned during the current period. The proceeds recognized during the period ended September 30, 2000 resulted from equipment credits received on one fully depleted well. Net Cash Used in Financing Activities For the nine months ended September 30, 2001, cash distributions to the partners were $271,879, of which $2,719 was distributed to the managing general partner and $269,160 to the limited partners. For the same period ended September 30, 2000, cash distributions to the partners were $339,285, of which $3,393 was distributed to the managing general partner and $335,892 to the limited partners. During 2001, the Partnership made distributions in March and July but no distributions were made by the Partnership during September pending the vote of the proposed merger of the Partnership into Pioneer Natural Resources USA, Inc. ("Pioneer USA"). For further information, see "Proposal to acquire partnerships" below. PROPOSAL TO ACQUIRE PARTNERSHIPS On October 22, 2001, Pioneer Natural Resources Company ("Pioneer") mailed definitive materials (the "proxy statement/prospectus") to solicit the approval of limited partners of 46 Parker & Parsley limited partnerships, including the Partnership, of an agreement and plan of merger among Pioneer, Pioneer USA, a wholly-owned subsidiary of Pioneer, and those limited partnerships. The special meetings of the limited partners to consider and vote on the merger proposal are scheduled for December 20, 2001. The record date to identify the limited partners who are entitled to notice of and to vote at the special meetings was September 21, 2001. Each partnership that approves the agreement and plan of merger and the other related merger proposals will merge with and into Pioneer USA. As a result, the partnership interests of those partnerships will be converted into the right to receive Pioneer common stock. 11 The proxy statement/prospectus is non-binding and is subject to, among other things, consideration of offers from third parties to purchase any partnership or its assets and the majority approval of the limited partnership interests in each partnership. A copy of the proxy statement/prospectus may be obtained without charge upon request from Pioneer Natural Resources Company, 5205 North O'Connor Blvd., Suite 1400, Irving, Texas 75039, Attention: Investor Relations. The limited partners are urged to read the proxy statement/prospectus of Pioneer filed with the Securities and Exchange Commission because it contains important information about the proposed mergers, including information about the direct and indirect interests of Pioneer USA and Pioneer in the mergers. The limited partners may also obtain the final proxy statement/prospectus and other relevant documents relating to the proposed mergers free through the internet web site that the Securities and Exchange Commission maintains at www.sec.gov. --------------- (1) "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" 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. PART II. OTHER INFORMATION ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K (a) Exhibits (b) Reports on Form 8-K - none 12 PARKER & PARSLEY PRODUCING PROPERTIES 88-A, L.P. (A Delaware Limited Partnership) 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 thereunto duly authorized. PARKER & PARSLEY PRODUCING PROPERTIES 88-A, L.P. By: Pioneer Natural Resources USA, Inc., Managing General Partner Dated: November 9, 2001 By: /s/ Rich Dealy ----------------------------------- Rich Dealy, Vice President and Chief Accounting Officer 13 PIONEER NATURAL RESOURCES COMPANY PIONEER NATURAL RESOURCES USA, INC. 5205 NORTH O'CONNOR BLVD., SUITE 1400 IRVING, TEXAS 75039 SUPPLEMENT TO SUPPLEMENTAL INFORMATION OF PARKER & PARSLEY 88-B, L.P., A DELAWARE LIMITED PARTNERSHIP TO PROXY STATEMENT/PROSPECTUS DATED OCTOBER 12, 2001 ------------------------------ THE DATE OF THIS SUPPLEMENT TO SUPPLEMENTAL INFORMATION IS NOVEMBER 15, 2001 ------------------------------ This document contains important information specific to Parker & Parsley 88-B, L.P. and supplements the supplemental information to the proxy statement/prospectus dated October 12, 2001, of Pioneer Natural Resources Company, a Delaware corporation that we call Pioneer Parent, and Pioneer Natural Resources USA, Inc., a Delaware corporation that we call Pioneer USA, by which Pioneer USA is soliciting proxies to be voted at a special meeting of the 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 Parent for your partnership interests. This document contains the partnership's quarterly report on Form 10-Q, including management's discussion and analysis of financial condition and results of operations, for the nine months ended September 30, 2001. UNITED STATES SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D. C. 20549 FORM 10-Q Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2001 COMMISSION FILE NO. 33-19659-02 PARKER & PARSLEY 88-B, L.P. -------------------------------- (Exact name of Registrant as specified in its charter) DELAWARE 75-2240121 ------------------------------ --------------------- (State or other jurisdiction of (I.R.S. Employer incorporation or organization) Identification Number) 5205 N. O'CONNOR BLVD., SUITE 1400, IRVING, TEXAS 75039 ---------------------------------------------- ------------- (Address of principal executive offices) (Zip code) Registrant's Telephone Number, including area code : (972) 444-9001 Not applicable ---------------------------------------------------- (Former name, former address and former fiscal year, if changed since last report) Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES /X/ NO / / PARKER & PARSLEY 88-B, L.P. TABLE OF CONTENTS Page ----  2 PARKER & PARSLEY 88-B, L.P. (A Delaware

Limited Partnership) PART I. FINANCIAL INFORMATION ITEM 1. FINANCIAL STATEMENTS BALANCE SHEETS September 30, December 31, 2001 2000 ------------- ------------ (Unaudited) ASSETS Current assets: Cash $ 320,866 $ 144,763 Accounts receivable - oil and gas sales 107,113 198,467 ------------- ------------ Total current assets 427,979 343,230 ------------- ------------ Oil and gas properties - at cost, based on the successful efforts accounting method 6,775,326 6,954,545 Accumulated depletion (5,888,350) (5,969,972) ------------- ------------ Net oil and gas properties 886,976 984,573 ------------- ------------ $ 1,314,955 $ 1,327,803 ============= ============ LIABILITIES AND PARTNERS' CAPITAL Current liabilities: Accounts payable - affiliate $ 47,325 $ 16,350 Partners' capital: Managing general partner 12,645 13,083 Limited partners (8,954 interests) 1,254,985 1,298,370 ------------- ------------ 1,267,630 1,311,453 ------------- ------------ $ 1,314,955 $ 1,327,803 ============= ============ The financial information included as of September 30, 2001 has been prepared by the managing general partner without audit by independent public accountants. The accompanying notes are an integral part of these financial statements. 3 PARKER & PARSLEY 88-B, L.P. (A Delaware Limited Partnership) STATEMENTS OF OPERATIONS (Unaudited) Three months ended Nine months ended September 30, September 30, ------------------------ ------------------------ 2001 2000 2001 2000 ---------- ---------- ---------- ---------- Revenues: Oil and gas $ 259,220 $ 352,159 $ 873,186 $ 943,505 Interest 1,927 3,636 6,841 8,813 Gain on disposition of assets -- 7,108 7,855 15,953 ---------- ---------- ---------- ---------- 261,147 362,903 887,882 968,271 ---------- ---------- ---------- ---------- Costs and expenses: Oil and gas production 133,495 114,143 366,524 319,196 General and administrative 6,594 10,565 21,943 28,305 Impairment of oil and gas properties 34,975 -- 34,975 -- Depletion 31,335 16,274 68,090 51,791 Abandoned property 17 8,226 10,258 8,226 ---------- ---------- ---------- ---------- 206,416 149,208 501,790 407,518 ---------- ---------- ---------- ---------- Net income $ 54,731 $ 213,695 $ 386,092 $ 560,753 ========== ========== ========== ========== Allocation of net income: Managing general partner $ 547 $ 2,137 $ 3,861 $ 5,608 ========== ========== ========== ========== Limited partners $ 54,184 $ 211,558 $ 382,231 $ 555,145 ========== ========== ========== ========== Net income per limited partnership interest $ 6.05 $ 23.63 $ 42.69 $ 62.00 ========== ========== ========== ========== The financial information included herein has been prepared by the managing general partner without audit by independent public accountants. The accompanying notes are an integral part of these financial statements. 4 PARKER & PARSLEY 88-B, L.P. (A Delaware Limited Partnership) STATEMENT OF PARTNERS' CAPITAL (Unaudited) Managing general Limited partner partners Total ----------- ----------- ----------- Balance at January 1, 2001 $ 13,083 $ 1,298,370 $ 1,311,453 Distributions (4,299) (425,616) (429,915) Net income 3,861 382,231 386,092 ----------- ----------- ----------- Balance at September 30, 2001 $ 12,645 $ 1,254,985 $ 1,267,630 =========== =========== =========== The financial information included herein has been prepared by the managing general partner without audit by independent public accountants. The accompanying notes are an integral part of these financial statements. 5 PARKER & PARSLEY 88-B, L.P. (A Delaware Limited Partnership) STATEMENTS OF CASH FLOWS (Unaudited) Nine months ended September 30, ------------------------- 2001 2000 ---------- ---------- Cash flows from operating activities: Net income $ 386,092 $ 560,753 Adjustments to reconcile net income to net cash provided by operating activities: Impairment of oil and gas properties 34,975 -- Depletion 68,090 51,791 Gain on disposition of assets (7,855) (15,953) Changes in assets and liabilities: Accounts receivable 91,354 (29,725) Accounts payable 32,919 22,569 ---------- ---------- Net cash provided by operating activities 605,575 589,435 ---------- ---------- Cash flows from investing activities: Additions to oil and gas properties (6,028) (5,788) Proceeds from asset dispositions 6,471 13,102 ---------- ---------- Net cash provided by investing activities 443 7,314 ---------- ---------- Cash flows used in financing activities: Cash distributions to partners (429,915) (556,511) ---------- ---------- Net increase in cash 176,103 40,238 Cash at beginning of period 144,763 129,430 ---------- ---------- Cash at end of period $ 320,866 $ 169,668 ========== ========== The financial information included herein has been prepared by the managing general partner without audit by independent public accountants. The accompanying notes are an integral part of these financial statements. 6 PARKER & PARSLEY 88-B, L.P. (A Delaware Limited Partnership) NOTES TO FINANCIAL STATEMENTS September 30, 2001 (Unaudited) NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS Parker & Parsley 88-B, L.P. (the "Partnership") is a limited partnership organized in 1988 under the laws of the State of Delaware. 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. BASIS OF PRESENTATION In the opinion of management, the unaudited financial statements of the Partnership as of September 30, 2001 and for the three and nine months ended September 30, 2001 and 2000 include all adjustments and accruals consisting only of normal recurring accrual adjustments which are necessary for a fair presentation of the results for the interim period. These interim results are not necessarily indicative of results for a full year. Certain reclassifications may have been made to the September 30, 2000 financial statements to conform to the September 30, 2001 financial statement presentations. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in this Form 10-Q pursuant to the rules and regulations of the Securities and Exchange Commission. The financial statements should be read in conjunction with the financial statements and the notes thereto contained in the Partnership's Report on Form 10-K for the year ended December 31, 2000, as filed with the Securities and Exchange Commission, a copy of which is available upon request by writing to Rich Dealy, Vice President and Chief Accounting Officer, 5205 North O'Connor Boulevard, Suite 1400, Irving, Texas 75039-3746. NOTE 3. 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 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 September 30, 2001, 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 7 provision of $34,975 related to its proved oil and gas properties during the nine months ended September 30, 2001. NOTE 4. PROPOSAL TO ACQUIRE PARTNERSHIP On October 22, 2001, Pioneer Natural Resources Company ("Pioneer") mailed materials to the limited partners of the Partnership soliciting their approval of an agreement and plan of merger among Pioneer, Pioneer Natural Resources USA, Inc. ("Pioneer USA"), a wholly-owned subsidiary of Pioneer, and the Partnership. Pioneer has valued the Partnership interest at $3,086,337 of which $3,023,397 is attributable to the limited partners, excluding Pioneer USA in its capacity as a general partner or a limited partner. If a majority of the limited partners approve the transaction, each limited partner will receive their proportionate share of the value in the form of Pioneer common stock. ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (1) RESULTS OF OPERATIONS Nine months ended September 30, 2001 compared with nine months ended September 30, 2000 Revenues: The Partnership's oil and gas revenues decreased 7% to $873,186 for the nine months ended September 30, 2001 as compared to $943,505 for the same period in 2000. The decrease in revenues resulted from lower average prices received for oil and a decline in production, offset by higher average prices received for gas and natural gas liquids ("NGLs"). For the nine months ended September 30, 2001, 22,346 barrels of oil, 7,311 barrels of NGLs and 32,649 mcf of gas were sold, or 35,099 barrel of oil equivalents ("BOEs"). For the nine months ended September 30, 2000, 24,263 barrels of oil, 10,130 barrels of NGLs and 41,502 mcf of gas were sold, or 41,310 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 decreased $.82, or 3%, from $28.32 for the nine months ended September 30, 2000 to $27.50 for the same period in 2001. The average price received per barrel of NGLs increased $.13, or 1%, from $15.11 during the nine months ended September 30, 2000 to $15.24 for the same period in 2001. The average price received per mcf of gas increased 81% from $2.49 during the nine months ended September 30, 2000 to $4.51 for the same period in 2001. 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 during the nine months ended September 30, 2001. Gain on disposition of assets of $7,855 was recognized during the nine months ended September 30, 2001 due to the sale of equipment on one well plugged and abandoned during the current period. A gain of $15,953 was recognized during the same period in 2000 resulting from an $11,638 salvage 8 income from one well plugged and abandoned during the current period and $4,315 from equipment credits received on one fully depleted well. Abandoned property costs of $10,528 and $8,226 were incurred during the nine months ended September 30, 2001 and 2000, respectively, to abandon these wells. Costs and Expenses: Total costs and expenses increased to $501,790 for the nine months ended September 30, 2001 as compared to $407,518 for the same period in 2000, an increase of $94,272, or 23%. This increase was due to increases in production costs, depletion, the impairment of oil and gas properties and abandoned property costs, offset by a decline in general and administrative expenses ("G&A"). Production costs were $366,524 for the nine months ended September 30, 2001 and $319,196 for the same period in 2000, resulting in an increase of $47,328, or 15%. The increase was primarily due to higher ad valorem taxes and additional well maintenance costs and workover expenses 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 $28,305 for the nine months ended September 30, 2000 to $21,943 for the same period in 2001, primarily due to a lower percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of decreased oil and gas revenues. 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 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 September 30, 2001, 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 $34,975 related to its proved oil and gas properties during the nine months ended September 30, 2001. Depletion was $68,090 for the nine months ended September 30, 2001 as compared to $51,791 for the same period in 2000, representing an increase of $16,299, or 31%. This increase was the result of a reduction in proved reserves during the period ended September 30, 2001 as a result of lower commodity prices as compared to the same period in 2000, offset by a decline in oil production of 1,917 barrels for the nine months ended September 30, 2001 as compared to the same period in 2000. 9 Three months ended September 30, 2001 compared with three months ended September 30, 2000 Revenues: The Partnership's oil and gas revenues decreased 26% to $259,220 for the three months ended September 30, 2001 as compared to $352,159 for the same period in 2000. The decrease in revenues resulted from lower average prices received and a decline in production. For the three months ended September 30, 2001, 7,949 barrels of oil, 2,619 barrels of NGLs and 11,857 mcf of gas were sold, or 12,544 BOEs. For the three months ended September 30, 2000, 7,752 barrels of oil, 3,707 barrels of NGLs and 14,807 mcf of gas were sold, or 13,927 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 decreased $5.15, or 16%, from $31.31 for the three months ended September 30, 2000 to $26.16 for the same period in 2001. The average price received per barrel of NGLs decreased $5.65, or 33%, from $16.90 during the three months ended September 30, 2000 to $11.25 for the same period in 2001. The average price received per mcf of gas decreased 42% from $3.16 during the three months ended September 30, 2000 to $1.84 for the same period in 2001. Gain on disposition of assets of $7,108 was recognized during the three months ended September 30, 2000. The gain was comprised of $4,315 from equipment credits received on one fully depleted well and $2,793 received from salvage income on one well plugged and abandoned during the current period. Abandoned property costs of $17 and $8,226 were incurred during the three months ended September 30, 2001 and 2000, respectively, resulting from one well plugged and abandoned during the current periods. Costs and Expenses: Total costs and expenses increased to $206,416 for the three months ended September 30, 2001 as compared to $149,208 for the same period in 2000, an increase of $57,208, or 38%. This increase was due to increases in the impairment of oil and gas properties, production costs and depletion, offset by decreases in abandoned property costs and G&A. Production costs were $133,495 for the three months ended September 30, 2001 and $114,143 for the same period in 2000 resulting in a $19,352 increase, or 17%. The increase was primarily due to higher ad valorem taxes and additional well maintenance costs incurred to stimulate well production, offset by lower production and ad valorem taxes. During this period, G&A decreased 38% from $10,565 for the three months ended September 30, 2000 to $6,594 for the same period in 2001, primarily due to a lower percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of decreased oil and gas revenues. 10 The Partnership recognized a non-cash impairment provision of $34,975 related to its proved oil and gas properties during the three months ended September 30, 2001. Depletion was $31,335 for the three months ended September 30, 2001 as compared to $16,274 for the same period in 2000, representing an increase of $15,061, or 93%. This increase was due to a decrease in proved reserves during the period ended September 30, 2001 as a result of lower commodity prices as compared to the same period in 2000. LIQUIDITY AND CAPITAL RESOURCES Net Cash Provided by Operating Activities Net cash provided by operating activities increased $16,140 during the nine months ended September 30, 2001 from the same period ended September 30, 2000. This increase was due to reductions of $131,429 in working capital and G&A expenses of $6,362, offset by increases in production costs of $47,328, abandoned property costs of $2,032 and a reduction in oil and gas sales receipts of $72,291. The decrease in oil and gas receipts resulted from the decline of $21,833 in oil prices during 2001 and $135,612 resulting from the decline in production during 2001 as compared to the same period in 2000, offset by increases in gas and NGL prices of $85,154. The increase in production costs was primarily due to higher ad valorem taxes and additional well maintenance and workover costs incurred to stimulate well production. The decrease in G&A was primarily due to a lower percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of decreased oil and gas revenues. Net Cash Provided by Investing Activities The Partnership's investing activities during the nine months ended September 30, 2001 and 2000 were related to upgrades of oil and gas equipment on various oil and gas properties. Proceeds from dispositions of assets of $6,471 was recognized during the nine months ended September 30, 2001. The proceeds were comprised of $5,968 received from the sale of equipment on one well plugged and abandoned during the current period and $503 from equipment credits received on one active well. Proceeds of $13,102 received during the same period in 2000 were due to $8,845 on one well plugged and abandoned during the current period and $4,257 from equipment credits on one fully depleted well. Net Cash Used in Financing Activities For the nine months ended September 30, 2000, cash distributions to the partners were $429,915, of which $4,299 was distributed to the managing general partner and $425,616 to the limited partners. For the same period ended September 30, 2000, cash distributions to the partners were $556,511, of which $5,565 was distributed to the managing general partner and $550,946 to the limited partners. During 2001, the Partnership made distributions in March and July but no distributions were made by the Partnership during September pending the vote of the proposed merger of the Partnership into 11 Pioneer Natural Resources USA, Inc. ("Pioneer USA"). For further information, see "Proposal to acquire partnerships" below. PROPOSAL TO ACQUIRE PARTNERSHIPS On October 22, 2001, Pioneer Natural Resources Company ("Pioneer") mailed definitive materials (the "proxy statement/prospectus") to solicit the approval of limited partners of 46 Parker & Parsley limited partnerships, including the Partnership, of an agreement and plan of merger among Pioneer, Pioneer USA, a wholly-owned subsidiary of Pioneer, and those limited partnerships. The special meetings of the limited partners to consider and vote on the merger proposal are scheduled for December 20, 2001. The record date to identify the limited partners who are entitled to notice of and to vote at the special meetings was September 21, 2001. Each partnership that approves the agreement and plan of merger and the other related merger proposals will merge with and into Pioneer USA. As a result, the partnership interests of those partnerships will be converted into the right to receive Pioneer common stock. The proxy statement/prospectus is non-binding and is subject to, among other things, consideration of offers from third parties to purchase any partnership or its assets and the majority approval of the limited partnership interests in each partnership. A copy of the proxy statement/prospectus may be obtained without charge upon request from Pioneer Natural Resources Company, 5205 North O'Connor Blvd., Suite 1400, Irving, Texas 75039, Attention: Investor Relations. The limited partners are urged to read the proxy statement/prospectus of Pioneer filed with the Securities and Exchange Commission because it contains important information about the proposed mergers, including information about the direct and indirect interests of Pioneer USA and Pioneer in the mergers. The limited partners may also obtain the final proxy statement/prospectus and other relevant documents relating to the proposed mergers free through the internet web site that the Securities and Exchange Commission maintains at www.sec.gov. --------------- (1) "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" 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. PART II. OTHER INFORMATION ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K (a) Exhibits (b) Reports on Form 8-K - none 12 PARKER & PARSLEY 88-B, L.P. (A Delaware Limited Partnership) 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 thereunto duly authorized.

PARKER & PARSLEY 88-B, L.P. By: Pioneer Natural Resources USA, Inc., Managing General Partner Dated: November 9, 2001 By: /s/ Rich Dealy ------------------------------------ Rich Dealy, Vice President and Chief Accounting Officer 13 PIONEER NATURAL RESOURCES COMPANY PIONEER NATURAL RESOURCES USA, INC. 5205 NORTH O'CONNOR BLVD., SUITE 1400 IRVING, TEXAS 75039 SUPPLEMENT TO SUPPLEMENTAL INFORMATION OF PARKER & PARSLEY 88-B CONV., L.P., A DELAWARE LIMITED PARTNERSHIP TO PROXY STATEMENT/PROSPECTUS DATED OCTOBER 12, 2001 ------------------------------ THE DATE OF THIS SUPPLEMENT TO SUPPLEMENTAL INFORMATION IS NOVEMBER 15, 2001 ------------------------------ This document contains important information specific to Parker & Parsley 88-B Conv., L.P. and supplements the supplemental information to the proxy statement/prospectus dated October 12, 2001, of Pioneer Natural Resources Company, a Delaware corporation that we call Pioneer Parent, and Pioneer Natural Resources USA, Inc., a Delaware corporation that we call Pioneer USA, by which Pioneer USA is soliciting proxies to be voted at a special meeting of the 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 Parent for your partnership interests. This document contains the partnership's financial statements, including management's discussion and analysis of financial condition and results of operations, for the nine months ended September 30, 2001. PARKER & PARSLEY 88-B CONV., L.P. (A Delaware Limited Partnership) FINANCIAL STATEMENTS September 30, 2001 and December 31, 2000 (Unaudited) PARKER & PARSLEY 88-B CONV., L.P. (A Delaware Limited Partnership) BALANCE SHEETS September 30, December 31, 2001 2000 ------------- ------------ (Unaudited) ASSETS Current assets: Cash $ 129,543 $ 58,050 Accounts receivable - oil and gas sales 43,474 80,619 ------------ ------------ Total current assets 173,017 138,669 ------------ ------------ Oil and gas properties - at cost, based on the successful efforts accounting method 2,751,252 2,824,029 Accumulated depletion (2,391,169) (2,424,313) ------------ ------------ Net oil and gas properties 360,083 399,716 ------------ ------------ $ 533,100 $ 538,385 ============ ============ LIABILITIES AND PARTNERS' CAPITAL Current liabilities: Accounts payable - affiliate $ 19,250 $ 6,684 Partners' capital: Managing general partner 5,129 5,308 Limited partners (3,636 interests) 508,721 526,393 ------------ ------------ 513,850 531,701 ------------ ------------ $ 533,100 $ 538,385 ============ ============ The financial information included as of September 30, 2001 has been prepared by management without audit by independent public accountants. The accompanying notes are an integral part of these financial statements. 2 PARKER & PARSLEY 88-B CONV., L.P. (A Delaware Limited Partnership) STATEMENTS OF OPERATIONS (Unaudited) Three months ended Nine months ended September 30, September 30, -------------------- -------------------- 2001 2000 2001 2000 -------- -------- -------- -------- Revenues: Oil and gas $105,325 $143,104 $354,526 $383,160 Interest 775 1,466 2,757 3,544 Gain on disposition of assets -- 2,886 3,190 6,478 -------- -------- -------- -------- 106,100 147,456 360,473 393,182 -------- -------- -------- -------- Costs and expenses: Oil and gas production 54,225 46,350 148,819 129,611 General and administrative 2,679 4,293 8,909 11,495 Impairment of oil and gas properties 14,234 -- 14,234 -- Depletion 12,704 6,631 27,619 21,046 Abandoned property 6 3,340 4,165 3,340 -------- -------- -------- -------- 83,848 60,614 203,746 165,492 -------- -------- -------- -------- Net income $ 22,252 $ 86,842 $156,727 $227,690 ======== ======== ======== ======== Allocation of net income: Managing general partner $ 222 $ 869 $ 1,567 $ 2,277 ======== ======== ======== ======== Limited partners $ 22,030 $ 85,973 $155,160 $225,413 ======== ======== ======== ======== Net income per limited partnership interest $ 6.06 $ 23.64 $ 42.67 $ 61.99 ======== ======== ======== ======== The financial information included herein has been prepared by management without audit by independent public accountants. The accompanying notes are an integral part of these financial statements. 3 PARKER & PARSLEY 88-B CONV., L.P. (A Delaware Limited Partnership) STATEMENT OF PARTNERS' CAPITAL (Unaudited) Managing general Limited partner partners Total ------------ ------------ ------------ Balance at January 1, 2001 $ 5,308 $ 526,393 $ 531,701 Distributions (1,746) (172,832) (174,578) Net income 1,567 155,160 156,727 ------------ ------------ ------------ Balance at September 30, 2001 $ 5,129 $ 508,721 $ 513,850 ============ ============ ============ The financial information included herein has been prepared by management without audit by independent public accountants. The accompanying notes are an integral part of these financial statements. 4 PARKER & PARSLEY 88-B CONV., L.P. (A Delaware Limited Partnership) STATEMENTS OF CASH FLOWS (Unaudited) Nine months ended September 30, ----------------------------- 2001 2000 ------------ ------------ Cash flows from operating activities: Net income $ 156,727 $ 227,690 Adjustments to reconcile net income to net cash provided by operating activities: Impairment of oil and gas properties 14,234 -- Depletion 27,619 21,046 Gain on disposition of assets (3,190) (6,478) Changes in assets and liabilities: Accounts receivable 37,145 (20,356) Accounts payable 13,356 9,333 ------------ ------------ Net cash provided by operating activities 245,891 231,235 ------------ ------------ Cash flows from investing activities: Additions to oil and gas properties (2,448) (2,350) Proceeds from asset dispositions 2,628 5,320 ------------ ------------ Net cash provided by investing activities 180 2,970 ------------ ------------ Cash flows used in financing activities: Cash distributions to partners (174,578) (225,984) ------------ ------------ Net increase in cash 71,493 8,221 Cash at beginning of period 58,050 59,846 ------------ ------------ Cash at end of period $ 129,543 $ 68,067 ============ ============ The financial information included herein has been prepared by management without audit by independent public accountants. The accompanying notes are an integral part of these financial statements. 5 PARKER & PARSLEY 88-B CONV., L.P. (A Delaware Limited Partnership) NOTES TO FINANCIAL STATEMENTS September 30, 2001 (Unaudited) NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS Parker & Parsley 88-B Conv., L.P. (the "Partnership") was organized in 1988 as a general partnership under the laws of the State of Texas and was converted to a Delaware limited partnership in 1989. 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. BASIS OF PRESENTATION In the opinion of management, the unaudited financial statements of the Partnership as of September 30, 2001 and for the three and nine months ended September 30, 2001 and 2000 include all adjustments and accruals consisting only of normal recurring accrual adjustments which are necessary for a fair presentation of the results for the interim period. These interim results are not necessarily indicative of results for a full year. Certain reclassifications may have been made to the September 30, 2000 financial statements to conform to the September 30, 2001 financial statement presentations. Certain information and footnote disclosure normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in these interim financial statements. The financial statements should be read in conjunction with the financial statements and the notes thereto contained in the Partnership's report for the year ended December 31, 2000, a copy of which is available upon request by writing to Rich Dealy, Vice President and Chief Accounting Officer, 5205 North O'Connor Boulevard, Suite 1400, Irving, Texas 75039-3746. NOTE 3. 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 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 September 30, 2001, 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 $14,234 related to its proved oil and gas properties during the nine months ended September 30, 2001. 6 NOTE 4. PROPOSAL TO ACQUIRE PARTNERSHIP On October 22, 2001, Pioneer Natural Resources Company ("Pioneer") mailed materials to the limited partners of the Partnership soliciting their approval of an agreement and plan of merger among Pioneer, Pioneer Natural Resources USA, Inc. ("Pioneer USA"), a wholly-owned subsidiary of Pioneer, and the Partnership. Pioneer has valued the Partnership interest at $1,252,584 of which $1,233,237 is attributable to the limited partners, excluding Pioneer USA in its capacity as a general partner or a limited partner. If a majority of the limited partners approve the transaction, each limited partner will receive their proportionate share of the value in the form of Pioneer common stock. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (1) RESULTS OF OPERATIONS Revenues: Nine months ended September 30, 2001 compared with nine months ended September 30, 2000 The Partnership's oil and gas revenues decreased 7% to $354,526 for the nine months ended September 30, 2001 as compared to $383,160 for the same period in 2000. The decrease in revenues resulted from lower average prices received for oil and a decline in production, offset by higher average prices received for gas and natural gas liquids ("NGLs"). For the nine months ended September 30, 2001, 9,074 barrels of oil, 2,963 barrels of NGLs and 13,253 mcf of gas were sold, or 14,246 barrel of oil equivalents ("BOEs"). For the nine months ended September 30, 2000, 9,855 barrels of oil, 4,114 barrels of NGLs and 16,862 mcf of gas were sold, or 16,779 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 decreased $.82, or 3%, from $28.32 for the nine months ended September 30, 2000 to $27.50 for the same period in 2001. The average price received per barrel of NGLs increased $.13, or 1%, from $15.11 during the nine months ended September 30, 2000 to $15.24 for the same period in 2001. The average price received per mcf of gas increased 81% from $2.49 during the nine months ended September 30, 2000 to $4.51 in 2001. 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 during the nine months ended September 30, 2001. Gain on disposition of assets of $3,190 was recognized during the nine months ended September 30, 2001 due to the sale of equipment on one well plugged and abandoned during the current period. A gain of $6,478 was recognized during the same period in 2000 resulting from a $4,726 salvage income from one well plugged and abandoned during the current period and $1,752 from equipment credits received on one fully depleted well. Abandoned property costs of $4,165 and $3,340 were 7 incurred during the nine months ended September 30, 2001 and 2000, respectively, to abandon these wells. Costs and Expenses: Total costs and expenses increased to $203,746 for the nine months ended September 30, 2001 as compared to $165,492 for the same period in 2000, an increase of $38,254, or 23%. This increase was due to increases in production costs, the impairment of oil and gas properties, depletion and abandoned property costs, offset by a decline in general and administrative expenses ("G&A"). Production costs were $148,819 for the nine months ended September 30, 2001 and $129,611 for the same period in 2000, resulting in a $19,208 increase, or 15%. The increase was due to higher ad valorem taxes 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 $11,495 for the nine months ended September 30, 2000 to $8,909 for the same period in 2001, primarily due to a lower percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of decreased oil and gas revenues. 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 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 September 30, 2001, 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 $14,234 related to its proved oil and gas properties during the nine months ended September 30, 2001. Depletion was $27,619 for the nine months ended September 30, 2001 as compared to $21,046 for the same period in 2000, an increase of $6,573, or 31%. This increase was due to a decrease in proved reserves during the period ended September 30, 2001 due to lower commodity prices as compared to the same period in 2000, offset by a decrease in oil production of 781 barrels for the nine months ended September 30, 2001 as compared to the same period in 2000. 8 Three months ended September 30, 2001 compared with three months ended September 30, 2000 Revenues: The Partnership's oil and gas revenues decreased 26% to $105,325 for the three months ended September 30, 2001 as compared to $143,104 for the same period in 2000. The decrease in revenues resulted from lower average prices received and a decrease in production. For the three months ended September 30, 2001, 3,234 barrels of oil, 1,060 barrels of NGLs and 4,816 mcf of gas were sold, or 5,097 BOEs. For the three months ended September 30, 2000, 3,152 barrels of oil, 1,508 barrels of NGLs and 6,019 mcf of gas were sold, or 5,663 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 decreased $5.15, or 16%, from $31.31 for the three months ended September 30, 2000 to $26.16 for the same period in 2001. The average price received per barrel of NGLs decreased $5.65, or 33%, from $16.90 during the three months ended September 30, 2000 to $11.25 for the same period in 2001. The average price received per mcf of gas decreased 42% to $1.84 during the three months ended September 30, 2001 from $3.16 during the same period in 2000. Gain on disposition of assets of $2,886 was recognized during the three months ended September 30, 2000. The gain was comprised of $1,752 from equipment credits received on one fully depleted well and $1,134 received from salvage income on one well plugged and abandoned during the current period. Abandoned property costs of $6 and $3,340 were incurred during the three months ended September 30, 2001 and 2000, respectively, resulting from one well plugged and abandoned during the current periods. Costs and Expenses: Total costs and expenses increased to $83,848 for the three months ended September 30, 2001 as compared to $60,614 for the same period in 2000, an increase of $23,234, or 38%. This increase was due to increases in the impairment of oil and gas properties, production costs and depletion, offset by declines in abandoned property costs and G&A. Production costs were $54,225 for the three months ended September 30, 2001 and $46,350 for the same period in 2000, resulting in a $7,875 increase, or 17%. The increase was due to higher ad valorem taxes and additional well maintenance costs incurred to stimulate well production. During this period, G&A decreased 38% from $4,293 for the three months ended September 30, 2000 to $2,679 for the same period in 2001 primarily due to a lower percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of decreased oil and gas revenues. The Partnership recognized a non-cash impairment provision of $14,234 related to its proved oil and gas properties during the three months ended September 30, 2001. 9 Depletion was $12,704 for the three months ended September 30, 2001 as compared to $6,631 for the same period in 2000, an increase of $6,073, or 92%. This increase was attributable to a decrease in proved reserves during the period ended September 30, 2001 as a result of lower commodity prices as compared to the same period in 2000. LIQUIDITY AND CAPITAL RESOURCES Net Cash Provided by Operating Activities Net cash provided by operating activities increased $14,656 during the nine months ended September 30, 2001 from the same period ended September 30, 2000. This increase was due to reductions of $61,524 in working capital and $2,586 in G&A expenses, offset by increases in production costs of $19,208 and abandoned property costs of $825 and a reduction in oil and gas sales receipts of $29,421. The decrease in oil and gas receipts resulted from the decrease of $8,833 in oil prices and $55,318 resulting from the decline in production during 2001 as compared to the same period in 2000, offset by an increase of $34,730 in gas and NGL prices. The increase in production costs was primarily due to higher ad valorem taxes and additional well maintenance and workover costs incurred to stimulate well production. The decrease in G&A was due to a lower percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of decreased oil and gas revenues. Net Cash Provided by Investing Activities The Partnership's principal investing activities during the nine months ended September 30, 2001 and 2000 were related to expenditures for equipment upgrades on various oil and gas properties. Proceeds from disposition of assets of $2,628 was recognized during the nine months ended September 30, 2001. The gain was comprised of $2,424 received from the sale of equipment on one well plugged and abandoned during the current period and $204 from equipment credits received on one active well. Proceeds of $5,320 received during the same period in 2000 were due to $3,591 on one well plugged and abandoned during the current period and $1,729 from equipment credits on one fully depleted well. Net Cash Used in Financing Activities For the nine months ended September 30, 2001, cash distributions to the partners were $174,578, of which $1,746 was distributed to the managing general partner and $172,832 to the limited partners. For the same period ended September 30, 2000, cash distributions to the partners were $225,984, of which $2,260 was distributed to the managing general partner and $223,724 to the limited partners. During 2001, the Partnership made distributions in March and July but no distributions were made by the Partnership during September pending the vote of the proposed merger of the Partnership into Pioneer Natural Resources USA, Inc. ("Pioneer USA"). For further information, see "Proposal to acquire partnerships" below. 10 PROPOSAL TO ACQUIRE PARTNERSHIPS On October 22, 2001, Pioneer Natural Resources Company ("Pioneer") mailed definitive materials (the "proxy statement/prospectus") to solicit the approval of limited partners of 46 Parker & Parsley limited partnerships, including the Partnership, of an agreement and plan of merger among Pioneer, Pioneer USA, a wholly-owned subsidiary of Pioneer, and those limited partnerships. The special meetings of the limited partners to consider and vote on the merger proposal are scheduled for December 20, 2001. The record date to identify the limited partners who are entitled to notice of and to vote at the special meetings was September 21, 2001. Each partnership that approves the agreement and plan of merger and the other related merger proposals will merge with and into Pioneer USA. As a result, the partnership interests of those partnerships will be converted into the right to receive Pioneer common stock. The proxy statement/prospectus is non-binding and is subject to, among other things, consideration of offers from third parties to purchase any partnership or its assets and the majority approval of the limited partnership interests in each partnership. A copy of the proxy statement/prospectus may be obtained without charge upon request from Pioneer Natural Resources Company, 5205 North O'Connor Blvd., Suite 1400, Irving, Texas 75039, Attention: Investor Relations. The limited partners are urged to read the proxy statement/prospectus of Pioneer filed with the Securities and Exchange Commission because it contains important information about the proposed mergers, including information about the direct and indirect interests of Pioneer USA and Pioneer in the mergers. The limited partners may also obtain the final proxy statement/prospectus and other relevant documents relating to the proposed mergers free through the internet web site that the Securities and Exchange Commission maintains at www.sec.gov. ---------- (1) "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" 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. 11 PIONEER NATURAL RESOURCES COMPANY PIONEER NATURAL RESOURCES USA, INC. 5205 NORTH O'CONNOR BLVD., SUITE 1400 IRVING, TEXAS 75039 SUPPLEMENT TO SUPPLEMENTAL INFORMATION OF PARKER & PARSLEY 88-C, L.P., A DELAWARE LIMITED PARTNERSHIP TO PROXY STATEMENT/PROSPECTUS DATED OCTOBER 12, 2001 ------------------------------ THE DATE OF THIS SUPPLEMENT TO SUPPLEMENTAL INFORMATION IS NOVEMBER 15, 2001 ------------------------------- This document contains important information specific to Parker & Parsley 88-C, L.P. and supplements the supplemental information to the proxy statement/prospectus dated October 12, 2001, of Pioneer Natural Resources Company, a Delaware corporation that we call Pioneer Parent, and Pioneer Natural Resources USA, Inc., a Delaware corporation that we call Pioneer USA, by which Pioneer USA is soliciting proxies to be voted at a special meeting of the 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 Parent for your partnership interests. This document contains the partnership's financial statements, including management's discussion and analysis of financial condition and results of operations, for the nine months ended September 30, 2001. PARKER & PARSLEY 88-C , L.P. (A Delaware Limited Partnership) FINANCIAL STATEMENTS September 30, 2001 and December 31, 2000 (Unaudited) PARKER & PARSLEY 88-C, L.P. (A Delaware Limited Partnership) BALANCE SHEETS September 30, December 31, 2001 2000 ------------- ------------ (Unaudited) ASSETS Current assets: Cash $ 72,627 $ 31,689 Accounts receivable - oil and gas sales 27,453 47,902 ------------- ------------ Total current assets 100,080 79,591 ------------- ------------ Oil and gas properties - at cost, based on the successful efforts accounting method 1,711,107 1,751,887 Accumulated depletion (1,465,093) (1,481,594) ------------- ------------ Net oil and gas properties 246,014 270,293 ------------- ------------ $ 346,094 $ 349,884 ============= ============ LIABILITIES AND PARTNERS' CAPITAL Current liabilities: Accounts payable - affiliate $ 12,249 $ 4,246 Partners' capital: Managing general partner 3,326 3,443 Limited partners (2,431 interests) 330,519 342,195 ------------- ----------- 333,845 345,638 ------------- ------------ $ 346,094 $ 349,884 ============= ============ The financial information included as of September 30, 2001 has been prepared by management without audit by independent public accountants. The accompanying notes are an integral part of these financial statements. 2 PARKER & PARSLEY 88-C, L.P. (A Delaware Limited Partnership) STATEMENTS OF OPERATIONS (Unaudited) Three months ended Nine months ended September 30, September 30, ------------------------ ------------------------ 2001 2000 2001 2000 ---------- ---------- ---------- ---------- Revenues: Oil and gas $ 62,636 $ 85,503 $ 215,744 $ 227,002 Interest 547 803 1,580 1,977 Gain on disposition of assets -- 1,617 1,788 3,630 ---------- ---------- ---------- ---------- 63,183 87,923 219,112 232,609 ---------- ---------- ---------- ---------- Costs and expenses: Oil and gas production 33,832 27,815 92,793 80,121 General and administrative 1,950 2,565 6,703 6,810 Impairment of oil and gas properties 7,965 -- 7,965 -- Depletion 7,876 4,492 17,558 13,743 Abandoned property 7 1,872 2,337 1,872 ---------- ---------- ---------- ---------- 51,630 36,744 127,356 102,546 ---------- ---------- ---------- ---------- Net income $ 11,553 $ 51,179 $ 91,756 $ 130,063 ========== ========== ========== ========== Allocation of net income: Managing general partner $ 116 $ 512 $ 918 $ 1,301 ========== ========== ========== ========== Limited partners $ 11,437 $ 50,667 $ 90,838 $ 128,762 ========== ========== ========== ========== Net income per limited partnership interest $ 4.71 $ 20.85 $ 37.37 $ 52.97 ========== ========== ========== ========== The financial information included herein has been prepared by management without audit by independent public accountants. The accompanying notes are an integral part of these financial statements. 3 PARKER & PARSLEY 88-C, L.P. (A Delaware Limited Partnership) STATEMENT OF PARTNERS' CAPITAL (Unaudited) Managing general Limited partner partners Total ----------- ----------- ----------- Balance at January 1, 2001 $ 3,443 $ 342,195 $ 345,638 Distributions (1,035) (102,514) (103,549)

Net income 918 90,838 91,756 ----------- ----------- ----------- Balance at September 30, 2001 $ 3,326 $ 330,519 $ 333,845 =========== =========== =========== The financial information included herein has been prepared by management without audit by independent public accountants. The accompanying notes are an integral part of these financial statements. 4 PARKER & PARSLEY 88-C, L.P. (A Delaware Limited Partnership) STATEMENTS OF CASH FLOWS (Unaudited) Nine months ended September 30, ------------------------- 2001 2000 ---------- ---------- Cash flows from operating activities: Net income $ 91,756 $ 130,063 Adjustments to reconcile net income to net cash provided by operating activities: Impairment of oil and gas properties 7,965 -- Depletion 17,558 13,743 Gain on disposition of assets (1,788) (3,630) Changes in assets and liabilities: Accounts receivable 20,449 (11,926) Accounts payable 8,445 4,863 ---------- ---------- Net cash provided by operating activities 144,385 133,113 ---------- ---------- Cash flows from investing activities: Additions to oil and gas properties (1,370) (1,327) Proceeds from asset dispositions 1,472 2,981 ---------- ---------- Net cash provided by investing activities 102 1,654 ---------- ---------- Cash flows used in financing activities: Cash distributions to partners (103,549) (133,968) ---------- ---------- Net increase in cash 40,938 799 Cash at beginning of period 31,689 35,943 ---------- ---------- Cash at end of period $ 72,627 $ 36,742 ========== ========== The financial information included herein has been prepared by management without audit by independent public accountants. The accompanying notes are an integral part of these financial statements. 5 PARKER & PARSLEY 88-C, L.P. (A Delaware Limited Partnership) NOTES TO FINANCIAL STATEMENTS September 30, 2001 (Unaudited) NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS Parker & Parsley 88-C, L.P. (the "Partnership") is a limited partnership organized in 1988 under the laws of the State of Delaware. 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. BASIS OF PRESENTATION In the opinion of management, the unaudited financial statements of the Partnership as of September 30, 2001 and for the three and nine months ended September 30, 2001 and 2000 include all adjustments and accruals consisting only of normal recurring accrual adjustments which are necessary for a fair presentation of the results for the interim period. These interim results are not necessarily indicative of results for a full year. Certain reclassifications may have been made to the September 30, 2000 financial statements to conform to the September 30, 2001 financial statement presentations. Certain information and footnote disclosure normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in these interim financial statements. The financial statements should be read in conjunction with the financial statements and the notes thereto contained in the Partnership's report for the year ended December 31, 2000, a copy of which is available upon request by writing to Rich Dealy, Vice President and Chief Accounting Officer, 5205 North O'Connor Boulevard, Suite 1400, Irving, Texas 75039-3746. NOTE 3. 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 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 September 30, 2001, 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 6 provision of $7,965 related to its proved oil and gas properties during the nine months ended September 30, 2001. NOTE 4. PROPOSAL TO ACQUIRE PARTNERSHIP On October 22, 2001, Pioneer Natural Resources Company ("Pioneer") mailed materials to the limited partners of the Partnership soliciting their approval of an agreement and plan of merger among Pioneer, Pioneer Natural Resources USA, Inc. ("Pioneer USA"), a wholly-owned subsidiary of Pioneer, and the Partnership. Pioneer has valued the Partnership interest at $714,658 of which $706,056 is attributable to the limited partners, excluding Pioneer USA in its capacity as a general partner or a limited partner. If a majority of the limited partners approve the transaction, each limited partner will receive their proportionate share of the value in the form of Pioneer common stock. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (1) RESULTS OF OPERATIONS Nine months ended September 30, 2001 compared with nine months ended September 30, 2000 Revenues: The Partnership's oil and gas revenues decreased 5% to

$215,744 for the nine months ended September 30, 2001 as compared to $227,002 for the same period in 2000. The decrease in revenues resulted from lower average prices received for oil and a decline in production, offset by higher average prices received for gas and natural gas liquids ("NGLs"). For the nine months ended September 30, 2001, 5,252 barrels of oil, 2,090 barrels of NGLs and 8,970 mcf of gas were sold, or 8,837 barrel of oil equivalents ("BOEs"). For the nine months ended September 30, 2000, 5,698 barrels of oil, 2,609 barrels of NGLs and 10,687 mcf of gas were sold, or 10,088 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 decreased $.73, or 3%, from $28.38 for the nine months ended September 30, 2000 to $27.65 for the same period in 2001. The average price received per barrel of NGLs increased $.19, or 1%, from $15.03 during the nine months ended September 30, 2000 to $15.22 for the same period in 2001. The average price received per mcf of gas increased 77% from $2.44 during the nine months ended September 30, 2000 to $4.31 for the same period in 2001. 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 during the nine months ended September 30, 2001. Gains on disposition of assets of $1,788 and $3,630 were recognized during the nine months ended September 30, 2001 and 2000, respectively. The gain recognized during the period ended September 7 30, 2001 was due to salvage income received on one well plugged and abandoned during the current period. The gain recognized during the period ended September 30, 2000 was primarily due to salvage income received on one well plugged and abandoned during the period ended 2000. Costs and Expenses: Total costs and expenses increased to $127,356 for the nine months ended September 30, 2001 as compared to $102,546 for the same period in 2000, an increase of $24,810, or 24%. This increase was due to increases in production costs, the impairment of oil and gas properties, depletion and abandoned property costs, offset by a decline in general and administrative expenses ("G&A"). Production costs were $92,793 for the nine months ended September 30, 2001 and $80,121 for the same period in 2000 resulting in a $12,672 increase, or 16%. The increase was primarily due to additional well maintenance and workover costs incurred to stimulate well production and higher ad valorem taxes. G&A's components are independent accounting and engineering fees and managing general partner personnel and operating costs. During this period, G&A decreased 2%, from $6,810 for the nine months ended September 30, 2000 to $6,703 for the same period in 2001, primarily due to a lower percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of decreased oil and gas revenues. 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 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 September 30, 2001, 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 $7,965 related to its proved oil and gas properties during the nine months ended September 30, 2001. Depletion was $17,558 for the nine months ended September 30, 2001 as compared to $13,743 for the same period in 2000, an increase of $3,815, or 28%. This increase was due to a reduction in proved reserves during the period ended September 30, 2001 due to lower commodity prices, offset by a decline in oil production of 446 barrels for the nine months ended September 30, 2001 as compared to the same period in 2000. Abandoned property costs of $2,337 and $1,872 were incurred for the nine months ended September 30, 2001 and 2000, respectively, to plug and abandon one well during the current periods. 8 Three months ended September 30, 2001 compared with three months ended September 30, 2000 Revenues: The Partnership's oil and gas revenues decreased 27% to $62,636 for the three months ended September 30, 2001 as compared to $85,503 for the same period in 2000. The decrease in revenues resulted from a decline in production and lower average prices received. For the three months ended September 30, 2001, 1,849 barrels of oil, 701 barrels of NGLs and 3,159 mcf of gas were sold, or 3,077 BOEs. For the three months ended September 30, 2000, 1,884 barrels of oil, 903 barrels of

NGLs and 3,601 mcf of gas were sold, or 3,387 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 decreased $4.98, or 16%, from $31.26 for the three months ended September 30, 2000 to $26.28 for the same period in 2001. The average price received per barrel of NGLs decreased $5.53, or 32%, from $17.08 during the three months ended September 30, 2000 to $11.55 for the same period in 2001. The average price received per mcf of gas decreased 40% to $1.88 during the three months ended September 30, 2001 from $3.11 during the same period in 2000. A gain on disposition of assets of $1,617 recognized during the three months ended September 30, 2000 was due to salvage income received on one well plugged and abandoned during the period ended 2000. Costs and Expenses: Total costs and expenses increased to $51,630 for the three months ended September 30, 2001 as compared to $36,744 for the same period in 2000, an increase of $14,886, or 41%. This increase was due to increases in the impairment of oil and gas properties, production costs and depletion, offset by declines in G&A and abandoned property costs. Production costs were $33,832 for the three months ended September 30, 2001 and $27,815 for the same period in 2000, resulting in a $6,017 increase, or 22%. The increase was primarily due to higher ad valorem taxes and additional well maintenance costs incurred to stimulate well production. During this period, G&A decreased 24%, from $2,565 for the three months ended September 30, 2000 to $1,950 for the same period in 2001, primarily due to a lower percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of decreased oil and gas revenues. The Partnership recognized a non-cash impairment provision of $7,965 related to its proved oil and gas properties during the three months ended September 30, 2001. 9 Depletion was $7,876 for the three months ended September 30, 2001 as compared to $4,492 for the same period in 2000, an increase of $3,384, or 75%. This increase was attributable to a reduction in proved reserves during the period ended September 30, 2001 due to lower commodity prices. Abandoned property costs of $7 and $1,872 were incurred for the three months ended September 30, 2001 and 2000, respectively, to plug and abandon one well during the current periods. LIQUIDITY AND CAPITAL RESOURCES Net Cash Provided by Operating Activities Net cash provided by operating activities increased $11,272 during the nine months ended September 30, 2001 from the same period ended September 30, 2000. This increase was due to reductions in working capital of $35,957 and G&A expenses of $107, offset by increases in production costs of $12,672 and abandoned property costs of $465 and a decline in oil and gas receipts of $11,655. The decrease in oil and gas receipts resulted from a decline in oil commodity prices of $4,158 during 2001 and a decline in production during 2001 of $27,641, offset by an increase in gas and NGL commodity prices of $20,144. The increase in production costs was primarily due to additional well maintenance and workover costs incurred to stimulate well production and higher ad valorem taxes. The decrease in G&A was primarily due to a lower percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of decreased oil and gas revenues. Net Cash Provided by Investing Activities The Partnership's principal investing activities during the nine months ended September 30, 2001 and 2000 included expenditures related to equipment upgrades on various oil and gas properties. Proceeds from asset dispositions of $1,472 and $2,981 were recognized during the nine months ended September 30, 2001 and 2000, respectively. The proceeds recognized during 2001 were primarily due to salvage income received on a well plugged and abandoned during the current year. The proceeds recognized during 2000 were due to salvage income received on one well plugged and abandoned during the period ended 2000. Net Cash Used in Financing Activities For the nine months ended September 30, 2001, cash distributions to the partners were $103,549, of which $1,035 was distributed to the managing general partner and $102,514 to the limited partners. For the same period ended September 30, 2000, cash distributions to the partners were $133,968, of which $1,340 was distributed to the managing general partner and $132,628 to the limited partners. During 2001, the Partnership made distributions in March and July but no distributions were made by the Partnership during September pending the vote of the proposed merger of the Partnership into Pioneer Natural Resources USA, Inc. ("Pioneer USA"). For further information, see "Proposal to acquire partnerships" below. 10 PROPOSAL TO ACQUIRE PARTNERSHIPS On October 22, 2001, Pioneer Natural Resources Company ("Pioneer") mailed definitive materials (the "proxy statement/prospectus") to solicit the approval of limited partners of 46 Parker & Parsley limited partnerships, including the Partnership, of an agreement and plan of merger among Pioneer, Pioneer USA, a wholly-owned subsidiary of Pioneer, and those limited partnerships. The special meetings of the limited partners to consider and vote on the merger proposal are scheduled for December 20, 2001. The record date to identify the limited partners who are entitled to notice of and to vote at the special meetings was September 21, 2001. Each partnership that approves the agreement and plan of merger and the other related merger proposals will merge with and into Pioneer USA. As a result, the partnership interests of those partnerships will be converted into the right to receive Pioneer common stock. The proxy statement/prospectus is non-binding and is subject to, among other things, consideration of offers from third parties to purchase any partnership or its assets and the majority approval of the limited partnership interests in each partnership. A copy of the proxy statement/prospectus may be obtained without charge upon request from Pioneer Natural Resources Company, 5205 North O'Connor Blvd., Suite 1400, Irving, Texas 75039, Attention: Investor Relations. The limited partners are urged to read the proxy statement/prospectus of Pioneer filed with the Securities and Exchange Commission because it contains important information about the proposed mergers, including information about the direct and indirect interests of Pioneer USA and Pioneer in the mergers. The limited partners may also obtain the final proxy statement/prospectus and other relevant documents relating to the proposed mergers free through the internet web site that the Securities and Exchange Commission maintains at www.sec.gov. --------------- (1) "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" 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. 11 PIONEER NATURAL RESOURCES COMPANY PIONEER NATURAL RESOURCES USA, INC. 5205 NORTH O'CONNOR BLVD., SUITE 1400 IRVING, TEXAS 75039 SUPPLEMENT TO SUPPLEMENTAL INFORMATION OF PARKER & PARSLEY 88-C CONV., L.P., A DELAWARE LIMITED PARTNERSHIP TO PROXY STATEMENT/PROSPECTUS DATED OCTOBER 12, 2001 ------------------------------ THE DATE OF THIS SUPPLEMENT TO SUPPLEMENTAL INFORMATION IS NOVEMBER 15, 2001 ------------------------------- This document contains important information specific to Parker & Parsley 88-C Conv., L.P. and supplements the supplemental information to the proxy statement/prospectus dated October 12, 2001, of Pioneer Natural Resources Company, a Delaware corporation that we call Pioneer Parent, and Pioneer Natural Resources USA, Inc., a Delaware corporation that we call Pioneer USA, by which Pioneer USA is soliciting proxies to be voted at a special meeting of the 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 Parent for your partnership interests. This document contains the partnership's financial statements, including management's discussion and analysis of financial condition and results of operations, for the nine months ended September 30, 2001. PARKER & PARSLEY 88-C CONV., L.P. (A Delaware Limited Partnership) FINANCIAL STATEMENTS September 30, 2001 and December 31, 2000 (Unaudited) PARKER & PARSLEY 88-C CONV., L.P. (A Delaware Limited Partnership) BALANCE SHEETS September 30, December 31, 2001 2000 ------------ ------------ (Unaudited) ASSETS Current assets: Cash $ 108,920 $ 51,156 Accounts receivable - oil and gas sales 38,388 66,963 ----------- ----------- Total current assets 147,308 118,119 ----------- ----------- Oil and gas properties - at cost, based on the successful efforts accounting method 2,400,899 2,458,118 Accumulated depletion (2,055,170) (2,078,258) ----------- ----------- Net oil and gas properties 345,729 379,860 ----------- ----------- $ 493,037 $ 497,979 =========== =========== LIABILITIES AND PARTNERS' CAPITAL Current liabilities: Accounts payable - affiliate $ 17,008 $ 5,927 Partners' capital: Managing general partner 4,745 4,905 Limited partners (3,411 interests) 471,284 487,147 ----------- ----------- 476,029 492,052 ----------- ----------- $ 493,037 $ 497,979 =========== =========== The financial information included herein as of September 30, 2001 has been prepared by management without audit by independent public accountants. The accompanying notes are an integral part of these financial statements. 2 PARKER & PARSLEY 88-C CONV., L.P. (A Delaware Limited Partnership) STATEMENTS OF OPERATIONS (Unaudited) Three months ended Nine months ended September 30, September 30, --------------------- --------------------- 2001 2000 2001 2000 -------- -------- -------- -------- Revenues: Oil and gas $ 87,732 $119,902 $302,836 $318,657 Interest 679 1,227 2,413 3,010 Gain on disposition of assets -- 2,269 2,508 5,093 -------- -------- -------- -------- 88,411 123,398 307,757 326,760 -------- -------- -------- -------- Costs and expenses: Oil and gas production 47,414 39,073 130,202 112,471 General and administrative 2,451 3,597 9,129 9,560 Impairment of oil and gas properties 11,171 -- 11,171 -- Depletion 11,047 6,317 24,706 19,292 Abandoned property 49 2,626 3,279 2,626 -------- -------- -------- -------- 72,132 51,613 178,487 143,949 -------- -------- -------- -------- Net income $ 16,279 $ 71,785 $129,270 $182,811 ======== ======== ======== ======== Allocation of net income: Managing general partner $ 163 $ 718 $ 1,293 $ 1,828 ======== ======== ======== ======== Limited partners $ 16,116 $ 71,067 $127,977 $180,983 ======== ======== ======== ======== Net income per limited partnership interest $ 4.73 $ 20.84 $ 37.52 $ 53.06 ======== ========

======== ======== The financial information included herein has been prepared by management without audit by independent public accountants. The accompanying notes are an integral part of these financial statements. 3 PARKER & PARSLEY 88-C CONV., L.P. (A Delaware Limited Partnership) STATEMENT OF PARTNERS' CAPITAL (Unaudited) Managing general Limited partner partners Total --------- --------- --------- Balance at January 1, 2001 $ 4,905 $ 487,147 $ 492,052 Distributions (1,453) (143,840) (145,293) Net income 1,293 127,977 129,270 --------- --------- --------- Balance at September 30, 2001 $ 4,745 $ 471,284 $ 476,029 ========= ========= ========= The financial information included herein has been prepared by management without audit by independent public accountants. The accompanying notes are an integral part of these financial statements. 4 PARKER & PARSLEY 88-C CONV., L.P. (A Delaware Limited Partnership) STATEMENTS OF CASH FLOWS (Unaudited) Nine months ended September 30, ------------------------ 2001 2000 --------- --------- Cash flows from operating activities: Net income $ 129,270 $ 182,811 Adjustments to reconcile net income to net cash provided by operating activities: Impairment of oil and gas properties 11,171 -- Depletion 24,706 19,292 Gain on disposition of assets (2,508) (5,093) Changes in assets and liabilities: Accounts receivable 28,575 (16,829) Accounts payable 11,702 6,893 --------- --------- Net cash provided by operating activities 202,916 187,074 --------- --------- Cash flows from investing activities: Additions to oil and gas properties (1,925) (1,862) Proceeds from asset dispositions 2,066 4,183 --------- --------- Net cash provided by investing activities 141 2,321 --------- --------- Cash flows used in financing activities: Cash distributions to partners (145,293) (187,973) --------- --------- Net increase in cash 57,764 1,422 Cash at beginning of period 51,156 56,353 --------- --------- Cash at end of period $ 108,920 $ 57,775 ========= ========= The financial information included herein has been prepared by management without audit by independent public accountants. The accompanying notes are an integral part of these financial statements. 5 PARKER & PARSLEY 88-C CONV., L.P. (A Delaware Limited Partnership) NOTES TO FINANCIAL STATEMENTS September 30, 2001 (Unaudited) NOTE 1. ORGANIZATION AND NATURE OF OPERATIONS Parker & Parsley 88-C Conv., L.P. (the "Partnership") was organized in 1988 as a general partnership under the laws of the State of Texas and was converted to a Delaware limited partnership in 1989. 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. BASIS OF PRESENTATION In the opinion of management, the unaudited financial statements of the Partnership as of September 30, 2001 and for the three and nine months ended September 30, 2001 and 2000 include all adjustments and accruals consisting only of normal recurring accrual adjustments which are necessary for a fair presentation of the results for the interim period. These interim results are not necessarily indicative of results for a full year. Certain reclassifications may have been made to the September 30, 2000 financial statements to conform to the September 30, 2001 financial statement presentations. Certain information and footnote disclosure normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted in these interim financial statements. The financial statements should be read in conjunction with the financial statements and the notes thereto contained in the Partnership's report for the year ended December 31, 2000, a copy of which is available upon request by writing to Rich Dealy, Vice President and Chief Accounting Officer, 5205 North O'Connor Boulevard, Suite 1400, Irving, Texas 75039-3746. NOTE 3. 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 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 September 30, 2001, 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 $11,171 related to its proved oil and gas properties during the nine months ended September 30, 2001. 6 NOTE 4. PROPOSAL TO ACQUIRE PARTNERSHIP On October 22, 2001, Pioneer Natural Resources Company ("Pioneer") mailed materials to the limited partners of the Partnership soliciting their approval of an agreement and plan of merger among Pioneer, Pioneer Natural Resources USA, Inc. ("Pioneer USA"), a wholly-owned subsidiary of Pioneer, and the Partnership. Pioneer has valued the Partnership interest at $1,009,229 of which $996,208 is attributable to the limited partners, excluding Pioneer USA in its capacity as a general partner or a limited partner. If a majority of the limited partners approve the transaction, each limited partner will receive their proportionate share of the value in the form of Pioneer common stock. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (1) RESULTS OF OPERATIONS Nine months ended September 30, 2001 compared with nine months ended September 30, 2000 Revenues: The Partnership's oil and gas revenues decreased 5% to $302,836 for the nine months ended September 30, 2001 as compared to $318,657 for the same period in 2000. The decrease in revenues resulted from lower average prices received from oil and a decline in production, offset by higher average prices received for gas and natural gas liquids ("NGLs"). For the nine months ended September 30, 2001, 7,375 barrels of oil, 2,938 barrels of NGLs and 12,521 mcf of gas were sold, or 12,400 barrel of oil equivalents ("BOEs"). For the nine months ended September 30, 2000, 7,994 barrels of oil, 3,665 barrels of NGLs and 14,995 mcf of gas were sold, or 14,158 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 decreased $.73, or 3%, from $28.38 for the nine months ended September 30, 2000 to $27.65 for the same period in 2001. The average price received per barrel of NGLs increased $.19, or 1%, from $15.03 during the nine months ended September 30, 2000 to $15.22 for the same period in 2001. The average price received per mcf of gas increased 77% from $2.44 during the nine months ended September 30, 2000 to $4.31 for the same period in 2001. 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 during the nine months ended September 30, 2001. Gains on disposition of assets of $2,508 and $5,093 were recognized during the nine months ended September 30, 2001 and 2000, respectively. The gain recognized during the period ended September 30, 2001 was due to salvage income received on one well plugged and abandoned during the current period. The gain recognized during the period ended September 30, 2000 was primarily due to salvage income received on one well plugged and abandoned during the period ended 2000. 7 Costs and Expenses: Total costs and expenses increased to $178,487 for the nine months ended September 30, 2001 as compared to $143,949 for the same period in 2000, an increase of $34,538, or 24%. The increase was due to increases in production costs, the impairment of oil and gas properties, depletion and abandoned property costs, offset by a decline in general and administrative expenses ("G&A"). Production costs were $130,202 for the nine months ended September 30, 2001 and $112,471 for the same period in 2000 resulting in a $17,731 increase, or 16%. The increase was primarily due to additional well maintenance and workover costs incurred to stimulate well production and higher ad valorem taxes. G&A's components are independent accounting and engineering fees and managing general partner personnel costs. During this period, G&A decreased 5%, from $9,560 for the nine months ended September 30, 2000 to $9,129 for the same period in 2001, primarily due to a lower percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of decreased oil and gas revenues. 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 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 September 30, 2001, 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 $11,171 related to its proved oil and gas properties during the nine months ended September 30, 2001. Depletion was $24,706 for the nine months ended September 30, 2001 as compared to $19,292 for the same period in 2000, an increase of $5,414, or 28%. This increase was due to a reduction in proved reserves during the period ended September 30, 2001 due to lower commodity prices, offset by a decline in oil production of 619 barrels for the nine months ended September 30, 2001 as compared to the same period in 2000. Abandoned property costs of $3,279 and $2,626 were incurred for the nine months ended September 30, 2001 and 2000, respectively, to plug and abandon one well during the current periods. 8

Three months ended September 30, 2001 compared with three months ended September 30, 2000 Revenues: The Partnership's oil and gas revenues decreased 27% to $87,732 for the three months ended September 30, 2001 as compared to $119,902 for the same period in 2000. The decrease in revenues resulted from a decline in production and lower average prices received. For the three months ended September 30, 2001, 2,598 barrels of oil, 980 barrels of NGLs and 4,361 mcf of gas were sold, or 4,305 BOEs. For the three months ended September 30, 2000, 2,639 barrels of oil, 1,267 barrels of NGLs and 5,043 mcf of gas were sold, or 4,747 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 decreased $4.98, or 16%, from $31.26 for the three months ended September 30, 2000 to $26.28 for the same period in 2001. The average price received per barrel of NGLs decreased $5.53, or 32%, from $17.08 during the three months ended September 30, 2000 to $11.55 for the same period in 2001. The average price received per mcf of gas decreased 40% to $1.88 during the three months ended September 30, 2001 from $3.11 during the same period in 2000. A gain on disposition of assets of $2,269 recognized during the three months ended September 30, 2000 was due to salvage income received on one well plugged and abandoned during the period ended 2000. Costs and Expenses: Total costs and expenses increased to $72,132 for the three months ended September 30, 2001 as compared to $51,613 for the same period in 2000, an increase of $20,519, or 40%. This increase was due to increases in the impairment of oil and gas properties, production costs and depletion, offset by declines in G&A and abandoned property costs. Production costs were $47,414 for the three months ended September 30, 2001 and $39,073 for the same period in 2000, resulting in an $8,341 increase, or 21%. The increase was primarily due to higher ad valorem taxes and additional well maintenance costs incurred to stimulate well production. During this period, G&A decreased 32%, from $3,597 for the three months ended September 30, 2000 to $2,451 for the same period in 2001, primarily due to a lower percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of decreased oil and gas revenues. The Partnership recognized a non-cash impairment provision of $11,171 related to its proved oil and gas properties during the three months ended September 30, 2001. Depletion was $11,047 for the three months ended September 30, 2001 as compared to $6,317 for the same period in 2000, an increase of $4,730, or 75%. This increase was attributable to a reduction in proved reserves during the period ended September 30, 2001 due to lower commodity prices. 9 Abandoned property costs of $49 and $2,626 were incurred for the three months ended September 30, 2001 and 2000, respectively, to plug and abandon one well during the current periods. LIQUIDITY AND CAPITAL RESOURCES Net Cash Provided by Operating Activities Net cash provided by operating activities increased $15,842 during the nine months ended September 30, 2001 from the same period ended September 30, 2000. This increase was due to reductions in working capital of $50,213 and G&A expenses of $431, offset by increases in production costs of $17,731 and abandoned property costs of $653 and a reduction in oil and gas receipts of $16,418. The decrease in oil and gas receipts resulted from the decrease in oil commodity prices during 2001 of $5,974 and a decline in production of $38,893 during 2001 as compared to the same period in 2000, offset by increased gas and NGL commodity prices of $28,449. The increase in production costs was primarily due to additional well maintenance and workover costs incurred to stimulate well production and higher ad valorem taxes. The decrease in G&A was primarily due to a lower percentage of the managing general partner's G&A being allocated (limited to 3% of oil and gas revenues) as a result of decreased oil and gas revenues. Net Cash Provided by Investing Activities The Partnership's principal investing activities during the nine months ended September 30, 2001 and 2000 included expenditures related to equipment upgrades on various oil and gas properties. Proceeds from asset dispositions of $2,066 and $4,183 were recognized during the nine months ended September 30, 2001 and 2000, respectively. The proceeds recognized during 2001 were primarily due to salvage income received on a well plugged and abandoned during the current year. The proceeds recognized during 2000 were due to salvage income received on one well plugged and abandoned during the period ended 2000. Net Cash Used in Financing Activities For the nine months ended September 30, 2001, cash distributions to the partners were $145,293, of which $1,453 was distributed to the managing general partner and $143,840 to the limited partners. For the same period ended September 30, 2000, cash distributions to the partners were $187,973, of which $1,880 was distributed to the managing general partner and $186,093 to the limited partners. During 2001, the Partnership made distributions in March and July but no distributions were made by the Partnership during September pending the vote of the proposed merger of the Partnership into Pioneer Natural Resources USA, Inc. ("Pioneer USA"). For further information, see "Proposal to acquire partnerships" below. 10 PROPOSAL TO ACQUIRE PARTNERSHIPS On October 22, 2001, Pioneer Natural

Resources Company ("Pioneer") mailed definitive materials (the "proxy statement/prospectus") to solicit the approval of limited partners of 46 Parker & Parsley limited partnerships, including the Partnership, of an agreement and plan of merger among Pioneer, Pioneer USA, a wholly-owned subsidiary of Pioneer, and those limited partnerships. The special meetings of the limited partners to consider and vote on the merger proposal are scheduled for December 20, 2001. The record date to identify the limited partners who are entitled to notice of and to vote at the special meetings was September 21, 2001. Each partnership that approves the agreement and plan of merger and the other related merger proposals will merge with and into Pioneer USA. As a result, the partnership interests of those partnerships will be converted into the right to receive Pioneer common stock. The proxy statement/prospectus is non-binding and is subject to, among other things, consideration of offers from third parties to purchase any partnership or its assets and the majority approval of the limited partnership interests in each partnership. A copy of the proxy statement/prospectus may be obtained without charge upon request from Pioneer Natural Resources Company, 5205 North O'Connor Blvd., Suite 1400, Irving, Texas 75039, Attention: Investor Relations. The limited partners are urged to read the proxy statement/prospectus of Pioneer filed with the Securities and Exchange Commission because it contains important information about the proposed mergers, including information about the direct and indirect interests of Pioneer USA and Pioneer in the mergers. The limited partners may also obtain the final proxy statement/prospectus and other relevant documents relating to the proposed mergers free through the internet web site that the Securities and Exchange Commission maintains at www.sec.gov. --------------- (1) "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" 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. 11