

Noble Corp plc
Form 10-Q
November 07, 2016

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, 2016

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: 001-36211

Noble Corporation plc
(Exact name of registrant as specified in its charter)

England and Wales (Registered Number 08354954) 98-0619597
(State or other jurisdiction of (I.R.S. employer
incorporation or organization) identification number)
Devonshire House, 1 Mayfair Place, London, England, W1J8AJ
(Address of principal executive offices) (Zip Code)
Registrant's Telephone Number, Including Area Code: +44 20 3300 2300
Commission file number: 001-31306

Noble Corporation
(Exact name of registrant as specified in its charter)

Cayman Islands 98-0366361
(State or other jurisdiction of (I.R.S. employer
incorporation or organization) identification number)
Suite 3D Landmark Square, 64 Earth Close, P.O. Box 31327 George Town, Grand Cayman, Cayman Islands,
KY1-1206
(Address of principal executive offices) (Zip Code)
Registrant's Telephone Number, Including Area Code: (345) 938-0293

Indicate by check mark whether each registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether each registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether each registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting

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company” in Rule 12b-2 of the Exchange Act. (Check one):

Noble Corporation plc: Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Noble Corporation: Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Indicate by check mark whether each registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

Number of shares outstanding and trading at October 21, 2016: Noble Corporation plc — 243,233,371

Number of shares outstanding: Noble Corporation — 261,245,693

Noble Corporation, a Cayman Islands company and a wholly owned subsidiary of Noble Corporation plc, a public limited company incorporated under the laws of England and Wales, meets the conditions set forth in General Instructions H(1) (a) and (b) to Form 10-Q and is therefore filing this Quarterly Report on Form 10-Q with the reduced disclosure format contemplated by paragraphs (b) and (c) of General Instruction H(2) of Form 10-Q.

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This combined Quarterly Report on Form 10-Q is separately filed by Noble Corporation plc, a public limited company incorporated under the laws of England and Wales (“Noble-UK”), and Noble Corporation, a Cayman Islands company (“Noble-Cayman”). Information in this filing relating to Noble-Cayman is filed by Noble-UK and separately by Noble-Cayman on its own behalf. Noble-Cayman makes no representation as to information relating to Noble-UK (except as it may relate to Noble-Cayman) or any other affiliate or subsidiary of Noble-UK. Since Noble-Cayman meets the conditions specified in General Instructions H(1)(a) and (b) to Form 10-Q, it is permitted to use the reduced disclosure format for wholly-owned subsidiaries of reporting companies as stated in General Instructions H(2). Accordingly, Noble-Cayman has omitted from this report the information called for by Item 3 (Quantitative and Qualitative Disclosures about Market Risk) of Part I of Form 10-Q and the following items of Part II of Form 10-Q: Item 2 (Unregistered Sales of Equity Securities and Use of Proceeds) and Item 3 (Defaults upon Senior Securities). This report should be read in its entirety as it pertains to each Registrant. Except where indicated, the Consolidated Financial Statements and related Notes are combined. References in this Quarterly Report on Form 10-Q to “Noble,” the “Company,” “we,” “us,” “our” and words of similar meaning refer collectively to Noble-UK and its consolidated subsidiaries, including Noble-Cayman.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

NOBLE CORPORATION PLC AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands)

(Unaudited)

	September 30, 2016	December 31, 2015
ASSETS		
Current assets		
Cash and cash equivalents	\$426,052	\$512,245
Accounts receivable	319,567	498,931
Taxes receivable	35,387	55,525
Prepaid expenses and other current assets	102,778	173,917
Total current assets	883,784	1,240,618
Property and equipment, at cost	14,604,796	14,056,323
Accumulated depreciation	(3,013,008)	(2,572,700)
Property and equipment, net	11,591,788	11,483,623
Other assets	108,566	141,404
Total assets	\$12,584,138	\$12,865,645
LIABILITIES AND EQUITY		
Current liabilities		
Current maturities of long-term debt	\$299,762	\$299,924
Accounts payable	114,392	223,221
Accrued payroll and related costs	53,377	81,464
Taxes payable	98,019	87,940
Interest payable	46,040	72,961
Other current liabilities	72,528	98,074
Total current liabilities	684,118	863,584
Long-term debt	3,830,224	4,162,638
Deferred income taxes	11,487	92,797
Other liabilities	300,326	324,396
Total liabilities	4,826,155	5,443,415
Commitments and contingencies		
Shareholders' equity		
Shares; 243,233 and 241,977 shares outstanding	2,432	2,420
Additional paid-in capital	646,601	628,483
Retained earnings	6,457,071	6,131,501
Accumulated other comprehensive loss	(61,169)	(63,175)
Total shareholders' equity	7,044,935	6,699,229
Noncontrolling interests	713,048	723,001
Total equity	7,757,983	7,422,230
Total liabilities and equity	\$12,584,138	\$12,865,645

See accompanying notes to the unaudited consolidated financial statements.

NOBLE CORPORATION PLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
Operating revenues				
Contract drilling services	\$373,257	\$873,813	\$1,841,321	\$2,424,481
Reimbursables	11,733	22,858	50,272	70,087
Other	163	—	316	—
	385,153	896,671	1,891,909	2,494,568
Operating costs and expenses				
Contract drilling services	207,204	293,067	702,628	934,024
Reimbursables	9,142	17,783	39,446	55,592
Depreciation and amortization	155,242	160,652	455,907	473,913
General and administrative	15,773	15,196	54,346	61,558
Loss on impairment	—	—	16,616	—
	387,361	486,698	1,268,943	1,525,087
Operating income (loss)	(2,208)	409,973	622,966	969,481
Other income (expense)				
Interest expense, net of amount capitalized	(52,569)	(54,687)	(166,975)	(161,196)
Gain on extinguishment of debt, net	—	—	11,066	—
Interest income and other, net	540	30,934	(1,443)	37,085
Income (loss) before income taxes	(54,237)	386,220	465,614	845,370
Income tax benefit (provision)	10,002	(41,789)	(40,317)	(124,641)
Net income (loss)	(44,235)	344,431	425,297	720,729
Net income attributable to noncontrolling interests	(10,846)	(18,624)	(52,027)	(57,488)
Net income (loss) attributable to Noble Corporation plc	\$(55,081)	\$325,807	\$373,270	\$663,241
Per share data:				
Basic:	\$(0.23)	\$1.32	\$1.48	\$2.68
Diluted:	\$(0.23)	\$1.32	\$1.48	\$2.68

See accompanying notes to the unaudited consolidated financial statements.

NOBLE CORPORATION PLC AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2016	2015	2016	2015
Net income (loss)	\$(44,235)	\$344,431	\$425,297	\$720,729
Other comprehensive income (loss), net of tax				
Foreign currency translation adjustments	(543)	(2,694)	263	(4,568)
Foreign currency forward contracts	463	(1,271)	(605)	(1,362)
Amortization of deferred pension plan amounts (net of tax provision of \$408 and \$575 for the three months ended September 30, 2016 and 2015, respectively, and \$1,227 and \$1,723 for the nine months ended September 30, 2016 and 2015, respectively)	781	1,106	2,348	3,316
Other comprehensive income (loss), net	701	(2,859)	2,006	(2,614)
Net comprehensive income attributable to noncontrolling interests	(10,846)	(18,624)	(52,027)	(57,488)
Comprehensive income (loss) attributable to Noble Corporation plc	\$(54,380)	\$322,948	\$375,276	\$660,627

See accompanying notes to the unaudited consolidated financial statements.

NOBLE CORPORATION PLC AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

Nine Months Ended September 30,
2016 2015

Cash flows
from operating
activities

Net income \$425,297 \$720,729

Adjustments to
reconcile net
income to net
cash from
operating
activities:

Depreciation
and 455,907 473,913
amortization

Loss on
impairment 16,616 —

Gain on
extinguishment (11,066) —
of debt, net

Deferred
income taxes (82,774) (76,012)

Amortization of
share-based 27,222 30,296
compensation

Net change in
other assets and 131,473 103,299
liabilities

Net cash from
operating 962,675 1,252,225
activities

Cash flows
from investing
activities

500,000,000 shares of common stock, \$.01 par value per share, of which
143,046,951 shares were issued and outstanding as of May 5, 2014; and

100,000,000 shares of preferred stock, \$.01 par value per share, including 500,000 shares that have
been designated as Series A Junior Participating Preferred Stock, of which no shares are currently
issued or outstanding.

Common Stock

This section describes the general terms of Pioneer's common stock. For more detailed information, you should refer to Pioneer's amended and restated certificate of incorporation, as amended, and third amended and restated bylaws, copies of which have been filed with the SEC. For Pioneer's amended and restated certificate of incorporation, as

amended, please refer to Exhibit 3.1 to Pioneer's Registration Statement on Form S-4 filed with the SEC on June 26, 1997, and Exhibit 3.1 to Pioneer's Current Report on Form 8-K filed with the SEC on May 18, 2012. For Pioneer's third amended and restated bylaws, please refer to Exhibit 3.2 to Pioneer's Current Report on Form 8-K filed with the SEC on May 18, 2012.

Holders of Pioneer's common stock are entitled to one vote per share with respect to each matter submitted to a vote of Pioneer's stockholders, subject to voting rights that may be established for shares of Pioneer's preferred stock, if any. Except as may be provided in connection with Pioneer's preferred stock or as otherwise may be required by law or Pioneer's amended and restated certificate of incorporation, as amended, Pioneer's common stock is the only capital stock entitled to vote in the election of directors. Pioneer's common stock does not have cumulative voting rights.

Subject to the rights of holders of Pioneer's preferred stock, if any, holders of Pioneer's common stock are entitled to receive dividends lawfully declared by Pioneer's board of directors. If Pioneer liquidates, dissolves or winds up its business, whether voluntarily or involuntarily, holders of Pioneer's common stock will be entitled to receive any assets available for distribution to Pioneer's stockholders after Pioneer has paid or set apart for payment the amounts necessary to satisfy any preferential or participating rights to which the holders of each outstanding series of preferred stock are entitled by the express terms of such series of preferred stock.

The outstanding shares of Pioneer's common stock are fully paid and nonassessable. Pioneer's common stock does not have any preemptive, subscription or conversion rights. Pioneer may issue additional shares of its authorized common stock as authorized by Pioneer's board of directors from time to time, without stockholder approval, except as may be required by applicable stock exchange requirements.

Preferred Stock

This section describes the general terms and provisions of Pioneer's preferred stock. The applicable prospectus supplement will describe the specific terms of the shares of preferred stock offered through that prospectus supplement, as well as any general terms described in this section that will not apply to those shares of preferred stock. If Pioneer issues a new series of preferred stock, it will file a copy of the certificate of designations that contains the terms of that series with the SEC. Each certificate of designations will establish the

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number of shares included in a designated series and fix the designation, powers, privileges, preferences and rights of the shares of each series as well as any applicable qualifications, limitations or restrictions. You should refer to the applicable certificate of designations as well as Pioneer's amended and restated certificate of incorporation, as amended, before deciding to buy shares of Pioneer's preferred stock as described in the applicable prospectus supplement.

Pioneer's board of directors has been authorized to provide for the issuance of shares of Pioneer's preferred stock in multiple series without the approval of stockholders. With respect to each series of Pioneer's preferred stock, Pioneer's board of directors has the authority to fix the terms of such series, including, without limitation, the following:

the designation of the series;

the number of shares within the series;

whether dividends are cumulative and, if cumulative, the dates from which dividends are cumulative;

the rate of any dividends, any conditions upon which dividends are payable, and the dates of payment of dividends;

whether the shares are redeemable, the redemption price and the terms of redemption;

the amount payable to a holder of such shares for each share owned if Pioneer dissolves or liquidates;

whether the shares are convertible or exchangeable, the price or rate of conversion or exchange, and the applicable terms and conditions;

any restrictions on issuance of shares in the same series or any other series;

voting rights applicable to the series of preferred stock; and

any other rights, preferences or limitations of such series.

A preferred stockholder's rights with respect to such holder's shares of preferred stock will be subordinate to the rights of Pioneer's general creditors. Shares of Pioneer's preferred stock that Pioneer issues will be fully paid and nonassessable and will not be entitled to preemptive rights unless specified in the applicable certificate of designations and prospectus supplement.

Pioneer's ability to issue preferred stock, or rights to purchase such shares, could discourage an unsolicited acquisition proposal. For example, Pioneer could impede a business combination by issuing a series of preferred stock containing class voting rights that would enable the holders of such preferred stock to block a business combination transaction. Alternatively, Pioneer could facilitate a business combination transaction by issuing a series of preferred stock having sufficient voting rights to provide a required percentage vote of the stockholders. Additionally, under certain circumstances, Pioneer's issuance of preferred stock could adversely affect the voting power of the holders of Pioneer's common stock. Although Pioneer's board of directors is required to make any determination to issue any preferred stock based on its judgment as to the best interests of Pioneer's stockholders, Pioneer's board of directors could act in a manner that would discourage an acquisition attempt or other transaction that some, or a majority, of Pioneer's stockholders might believe to be in their best interests or in which stockholders might receive a premium for their stock over prevailing market prices of such stock. Pioneer's board of directors does not at present intend to seek stockholder approval prior to any issuance of currently authorized stock, unless otherwise required by law or applicable stock exchange requirements.

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Limitation on Directors' Liability

Pioneer's amended and restated certificate of incorporation, as amended, provides, as authorized by Section 102(b)(7) of the DGCL, that a director of Pioneer will not be personally liable to Pioneer or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability:

for any breach of the director's duty of loyalty to Pioneer or its stockholders;

for acts or omission not in good faith or that involve intentional misconduct or a knowing violation of law;

for unlawful payments of dividends or unlawful stock repurchases or redemptions as provided in Section 174 of the DGCL; or

for any transaction from which the director derived an improper personal benefit.

The inclusion of this provision in Pioneer's amended and restated certificate of incorporation, as amended, may have the effect of reducing the likelihood of derivative litigation against directors, and may discourage or deter stockholders or management from bringing a lawsuit against directors for breach of their duty of care, even though such an action, if successful, might otherwise have benefited Pioneer and its stockholders.

Section 203 of the Delaware General Corporation Law

Section 203 of the DGCL prohibits a defined set of transactions between a Delaware corporation, such as Pioneer, and an interested stockholder. An interested stockholder is defined as a person who, together with any affiliates or associates of such person, beneficially owns, directly or indirectly, 15% or more of the outstanding voting shares of a Delaware corporation. This provision may prohibit business combinations between an interested stockholder and a corporation for a period of three years after the date the interested stockholder becomes an interested stockholder. The term "business combination" is broadly defined to include a broad array of transactions, including mergers, consolidations, sales or other dispositions of assets having a total value in excess of 10% of the consolidated assets of the corporation or all of the outstanding stock of the corporation, and some other transactions that would increase the interested stockholder's proportionate share ownership in the corporation.

This prohibition is effective unless:

the business combination or the transaction that resulted in the stockholder becoming an interested stockholder is approved by the corporation's board of directors prior to the time the interested stockholder becomes an interested stockholder;

the interested stockholder acquired at least 85% of the voting stock of the corporation, other than stock held by directors who are also officers or by qualified employee stock plans, in the transaction in

which it becomes an interested stockholder; or

the business combination is approved by a majority of the corporation's board of directors and by the affirmative vote of at least $66\frac{2}{3}\%$ of the outstanding voting stock that is not owned by the interested stockholder.

Special Charter and Bylaw Provisions

Advance Notice

Pioneer's amended and restated certificate of incorporation, as amended, and its third amended and restated bylaws contain provisions requiring that advance notice be delivered to Pioneer of any business to be brought by a stockholder before an annual meeting of stockholders and providing for certain procedures to be

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followed by stockholders in nominating persons for election to Pioneer's board of directors. Generally, such advance notice provisions provide that the stockholder must give written notice to Pioneer's Secretary not less than 60 days before the scheduled date of the annual meeting of Pioneer's stockholders or, if later, ten days after the first public notice of the annual meeting is sent to Pioneer's stockholders. The notice must set forth specific information regarding such stockholder and such business or director nominee, as described in Pioneer's amended and restated certificate of incorporation, as amended, and its third amended and restated bylaws. Such requirement is in addition to those set forth in the regulations adopted by the SEC under the Securities Exchange Act of 1934.

Election of Directors

Pioneer's amended and restated certificate of incorporation, as amended, provides that, subject to any rights of holders of preferred stock to elect one or more directors, the number of directors shall not be fewer than three or more than 21. Pioneer's amended and restated certificate of incorporation, as amended, provides for a classified board of directors until the election of directors at the annual meeting of stockholders in 2015, consisting of three classes as nearly equal in size as practicable. As the classified board is phased out through 2015, (i) the class of directors that were elected at the annual meeting of stockholders in 2012 (Class III) will hold office for three years until 2015; (ii) the class of directors that were elected at the annual meeting of stockholders in 2013 (Class I) held office for one year until 2014; and (iii) at the annual meeting of stockholders in 2014, stockholders voted to elect directors from Class I and Class II, which directors will hold office for one year until 2015. From and after the election of directors at the annual meeting of stockholders in 2015, Pioneer's board of directors will no longer be classified and each director will be elected for a term of one year at each annual meeting of the Pioneer stockholders beginning with the election of directors at the annual meeting of stockholders in 2015. Pioneer's amended and restated certificate of incorporation, as amended, provides that, until the election of directors at the annual meeting of stockholders in 2015, Pioneer's directors may be removed only for cause.

No Action by Written Consent

Pioneer's amended and restated certificate of incorporation, as amended, provides that stockholders may not act by written consent in lieu of a meeting. Special meetings of the stockholders may be called by Pioneer's board of directors, but may not be called by Pioneer's stockholders.

Fair Price Provision

Pioneer's amended and restated certificate of incorporation, as amended, also contains a fair price provision that applies to certain business combination transactions involving any person or group that beneficially owns at least 10% of the aggregate voting power of Pioneer's outstanding capital stock, referred to as a related person. The fair price provision requires the affirmative vote of the holders of:

at least 80% of the voting power of Pioneer's outstanding capital stock entitled to vote generally in the election of directors, and

at least 66 ²/₃% of the voting power of Pioneer's outstanding capital stock entitled to vote generally in the election of directors that is not beneficially owned by the related person to approve certain transactions between the related person and Pioneer or its subsidiaries, including any merger, consolidation or share exchange, any sale, lease, exchange, pledge or other disposition of Pioneer's assets or its

subsidiaries having a fair market value of at least \$10 million, any transfer or issuance of Pioneer's securities or its subsidiaries' securities, any adoption of a plan or proposal by Pioneer of its voluntary liquidation or dissolution, certain reclassifications of Pioneer's securities or recapitalizations or certain other transactions, in each case involving the related person.

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This voting requirement will not apply to certain transactions, including:

any transaction in which the consideration to be received by the holders of each class or series of capital stock is:

- i the same in form and amount as that paid in a tender offer in which the related person acquired at least 50% of the outstanding shares of such class or series and which was consummated not more than one year earlier; or
- i not less in amount than the highest per share price paid by the related person for shares of such class or series; and

any transaction approved by Pioneer's continuing directors.

This provision could have the effect of delaying or preventing change in control in a transaction or series of transactions that do not satisfy the fair price criteria.

Amendments

In addition to any other vote required by law, the provisions of Pioneer's amended and restated certificate of incorporation, as amended, relating to the limitation of actions taken by written consent and the fair price provision may be amended only by the affirmative vote of the holders of at least 80% of the aggregate voting power of Pioneer's outstanding capital stock entitled to vote generally in the election of directors.

Pioneer's third amended and restated bylaws may be amended by Pioneer's board of directors or by the affirmative vote of the holders of at least 66 ²/₃% of the aggregate voting power of Pioneer's outstanding capital stock entitled to vote in the election of directors.

Potential Anti-Takeover Effect

The foregoing provisions of Pioneer's amended and restated certificate of incorporation, as amended, and Pioneer's third amended and restated bylaws, together with the provisions of Section 203 of the DGCL, could have the effect of delaying, deferring or preventing a change in control or the removal of existing management, of deterring potential acquirors from making an offer to Pioneer's stockholders and of limiting any opportunity to realize premiums over prevailing market prices for Pioneer's common stock in connection therewith. This could be the case notwithstanding that a majority of Pioneer's stockholders might benefit from such a change in control or offer.

Transfer Agent and Registrar

Continental Stock Transfer & Trust Company serves as the registrar and transfer agent for Pioneer's common stock.

Stock Exchange Listing

Pioneer's common stock is listed on the New York Stock Exchange. The trading symbol for Pioneer's common stock is PXD.

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DESCRIPTION OF DEPOSITARY SHARES

General

Pioneer may offer fractional shares of preferred stock, rather than full shares of preferred stock. If Pioneer does so, Pioneer may issue receipts for depositary shares that each represent a fraction of a share of a particular series of preferred stock. The prospectus supplement will indicate that fraction. The shares of preferred stock represented by depositary shares will be deposited under a depositary agreement between Pioneer and a bank depositary. The phrase "bank depositary" means a bank or trust company that meets certain requirements and is selected by Pioneer. Each owner of a depositary share will be entitled to all the rights and preferences of the preferred stock represented by the depositary share. The depositary shares will be evidenced by depositary receipts issued pursuant to the depositary agreement. Depositary receipts will be distributed to those persons purchasing the fractional shares of preferred stock in accordance with the terms of the offering.

Pioneer has summarized some common provisions of a depositary agreement and the related depositary receipts. The forms of the depositary agreement and the depositary receipts relating to any particular issue of depositary shares will be filed with the SEC each time Pioneer issues depositary shares, and you should read those documents for provisions that may be important to you.

Dividends and Other Distributions

If Pioneer pays a cash distribution or dividend on a series of preferred stock represented by depositary shares, the bank depositary will distribute such dividends to the record holders of such depositary shares. If the distributions are in property other than cash, the bank depositary will distribute the property to the record holders of the depositary shares. However, if the bank depositary determines that it is not feasible to make the distribution of property, the bank depositary may, with Pioneer's approval, sell such property and distribute the net proceeds from such sale to the record holders of the depositary shares.

Redemption of Depositary Shares

If Pioneer redeems a series of preferred stock represented by depositary shares, the bank depositary will redeem the depositary shares from the proceeds received by the bank depositary in connection with the redemption. The redemption price per depositary share will equal the applicable fraction of the redemption price per share of the preferred stock. If fewer than all the depositary shares are redeemed, the depositary shares to be redeemed will be selected by lot or pro rata as the bank depositary may determine.

Voting the Preferred Stock

Upon receipt of notice of any meeting at which the holders of the preferred stock represented by depositary shares are entitled to vote, the bank depositary will mail the notice to the record holders of the depositary shares relating to such preferred stock. Each record holder of these depositary shares on the record date (which will be the same date as the record date for the preferred stock) may instruct the bank depositary as to how to vote the preferred stock represented by such holder's depositary shares. The bank depositary will endeavor, insofar as practicable, to vote the amount of the preferred stock represented by such depositary shares in accordance with such instructions, and Pioneer will take all action that the bank depositary deems necessary in order to enable the bank depositary to do so. The bank depositary will abstain from voting shares of the preferred stock to the extent it does not receive specific instructions from the holders of depositary shares representing such preferred stock.

Amendment and Termination of the Depositary Agreement

The form of depositary receipt evidencing the depositary shares and any provision of the depositary agreement may be amended by agreement between the bank depositary and Pioneer. However, any amendment that materially and adversely alters the rights of the holders of depositary shares will not be effective unless such

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amendment has been approved by the holders of at least a majority of the depositary shares then outstanding. The depositary agreement may be terminated by the bank depositary or Pioneer only if (1) all outstanding depositary shares have been redeemed or (2) there has been a final distribution in respect of the preferred stock in connection with any liquidation, dissolution or winding up of Pioneer and such distribution has been distributed to the holders of depositary shares.

Charges of Bank Depositary

Pioneer will pay all transfer and other taxes and governmental charges arising solely from the existence of the depositary arrangements. Pioneer will pay charges of the bank depositary in connection with the initial deposit of the preferred stock and any redemption of the preferred stock. Holders of depositary shares will pay other transfer and other taxes and governmental charges and any other charges, including a fee for the withdrawal of shares of preferred stock upon surrender of depositary receipts, as are expressly provided in the depositary agreement to be payable by such holders.

Withdrawal of Preferred Stock

Except as may be provided otherwise in the applicable prospectus supplement, upon surrender of depositary receipts at the principal office of the bank depositary, subject to the terms of the depositary agreement, the owner of the depositary shares may demand delivery of the number of whole shares of preferred stock and all money and other property, if any, represented by those depositary shares. Partial shares of preferred stock will not be issued. If the depositary receipts delivered by the holder evidence a number of depositary shares in excess of the number of depositary shares representing the number of whole shares of preferred stock to be withdrawn, the bank depositary will deliver to such holder at the same time a new depositary receipt evidencing the excess number of depositary shares. Holders of preferred stock thus withdrawn may not thereafter deposit those shares under the depositary agreement or receive depositary receipts evidencing depositary shares therefor.

Miscellaneous

The bank depositary will forward to holders of depositary shares all reports and communications from Pioneer that are delivered to the bank depositary and that Pioneer is required to furnish to the holders of the preferred stock.

Neither the bank depositary nor Pioneer will be liable if Pioneer is prevented or delayed by law or any circumstance beyond its control in performing its obligations under the depositary agreement. The obligations of the bank depositary and Pioneer under the depositary agreement will be limited to performance in good faith of their respective duties under the depositary agreement, and Pioneer will not be obligated to prosecute or defend any legal proceeding in respect of any depositary shares or preferred stock unless satisfactory indemnity is furnished. Pioneer may rely upon written advice of counsel or accountants, or upon information provided by persons presenting preferred stock for deposit, holders of depositary shares or other persons believed to be competent and on documents believed to be genuine.

Resignation and Removal of Bank Depositary

The bank depositary may resign at any time by delivering to Pioneer notice of its election to do so, and Pioneer may at any time remove the bank depositary. Any such resignation or removal will take effect upon the appointment of a successor bank depositary and its acceptance of such appointment. The successor bank depositary must be appointed within 60 days after delivery of the notice of resignation or removal and must be a bank or trust company meeting the requirements of the depositary agreement.

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DESCRIPTION OF WARRANTS

General Description of Warrants

Pioneer may issue warrants for the purchase of debt securities, preferred stock or common stock. Warrants may be issued independently or together with other securities and may be attached to or separate from any offered securities. Each series of warrants will be issued under a separate warrant agreement to be entered into between Pioneer and a bank or trust company, as warrant agent. The warrant agent will act solely as Pioneer's agent in connection with the warrants and will not have any obligation or relationship of agency or trust for or with any holders or beneficial owners of warrants. A copy of the warrant agreement will be filed with the SEC in connection with the offering of warrants.

Debt Warrants

The prospectus supplement relating to a particular issue of warrants to purchase debt securities will describe the terms of those warrants, including the following:

the title of the warrants;

the offering price for the warrants, if any;

the aggregate number of the warrants;

the designation and terms of the debt securities that may be purchased upon exercise of the warrants;

if applicable, the designation and terms of the debt securities that the warrants are issued with and the number of warrants issued with each debt security;

if applicable, the date from and after which the warrants and any debt securities issued with them will be separately transferable;

the principal amount of debt securities that may be purchased upon exercise of a warrant and the price at which the debt securities may be purchased upon exercise;

the dates on which the right to exercise the warrants will commence and expire;

if applicable, the minimum or maximum amount of the warrants that may be exercised at any one time;

whether the warrants represented by the warrant certificates or the debt securities that may be issued upon exercise of the warrants will be issued in registered or bearer form;

information relating to book-entry procedures, if any;

the currency or currency units in which the offering price, if any, and the exercise price are payable;

if applicable, a discussion of material U.S. federal income tax considerations;

anti-dilution provisions of the warrants, if any;

redemption or call provisions, if any, applicable to the warrants;

any additional terms of the warrants, including terms, procedures and limitations relating to the exchange and exercise of the warrants; and

any other information Pioneer thinks is important about the warrants.

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Stock Warrants

The prospectus supplement relating to a particular issue of warrants to purchase common stock or preferred stock will describe the terms of the common stock warrants and preferred stock warrants, including the following:

the title of the warrants;

the offering price for the warrants, if any;

the aggregate number of the warrants;

the designation and terms of the common stock or preferred stock that maybe purchased upon exercise of the warrants;

if applicable, the designation and terms of the securities that the warrants are issued with and the number of warrants issued with each security;

if applicable, the date from and after which the warrants and any securities issued with the warrants will be separately transferable;

the number of shares of common stock or preferred stock that may be purchased upon exercise of a warrant and the price at which the shares may be purchased upon exercise;

the dates on which the right to exercise the warrants commence and expire;

if applicable, the minimum or maximum amount of the warrants that may be exercised at any one time;

the currency or currency units in which the offering price, if any, and the exercise price are payable;

if applicable, a discussion of material U.S. federal income tax considerations;

anti-dilution provisions of the warrants, if any;

redemption or call provisions, if any, applicable to the warrants;

any additional terms of the warrants, including terms, procedures and limitations relating to the exchange and exercise of the warrants; and

any other information Pioneer thinks is important about the warrants.

Exercise of Warrants

Each warrant will entitle the holder of the warrant to purchase at the exercise price set forth in the applicable prospectus supplement the principal amount of debt securities or shares of preferred stock or common stock being offered. Holders may exercise warrants at any time up to the close of business on the expiration date set forth in the applicable prospectus supplement. After the close of business on the expiration date, unexercised warrants are void. Holders may exercise warrants as set forth in the prospectus supplement relating to the warrants being offered.

Until a warrant holder exercises such holder's warrants to purchase Pioneer's debt securities, preferred stock or common stock, the holder will not have any rights as a holder of Pioneer's debt securities, preferred stock or common stock, as the case may be, by virtue of the holder's ownership of warrants.

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DESCRIPTION OF STOCK PURCHASE CONTRACTS AND STOCK PURCHASE UNITS

Pioneer may issue stock purchase contracts, including contracts obligating holders to purchase from Pioneer and contracts obligating Pioneer to sell to the holders, a specified number of shares of common stock or other securities at a future date or dates, which Pioneer refers to in this prospectus as stock purchase contracts. The price per share of the securities and the number of shares of the securities may be fixed at the time the stock purchase contracts are issued or may be determined by reference to a specific formula set forth in the stock purchase contracts. The stock purchase contracts may be issued separately or as part of units consisting of a stock purchase contract and debt securities, preferred securities, warrants or other securities or debt obligations of third parties, including U.S. treasury securities, securing the holders' obligations to purchase the securities under the stock purchase contracts, which Pioneer refers to in this prospectus as stock purchase units. The stock purchase contracts may require holders to secure their obligations under the stock purchase contracts in a specified manner. The stock purchase contracts also may require Pioneer to make periodic payments to the holders of the stock purchase units or vice versa, and those payments may be unsecured or refunded on some basis.

The stock purchase contracts, and, if applicable, collateral or depositary arrangements, relating to the stock purchase contracts or stock purchase units, will be filed with the SEC in connection with the offering of stock purchase contracts or stock purchase units. The prospectus supplement relating to a particular issue of stock purchase contracts or stock purchase units will describe the terms of those stock purchase contracts or stock purchase units, including the following:

if applicable, a discussion of material U.S. federal income tax considerations; and

any other information Pioneer thinks is important about the stock purchase contracts or the stock purchase units.

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PLAN OF DISTRIBUTION

Pioneer or Pioneer USA may sell the offered securities in and outside the United States (1) through underwriters or dealers, (2) directly to purchasers, including Pioneer's affiliates and stockholders, in a rights offering or otherwise, (3) through agents or (4) through a combination of any of these methods. The prospectus supplement will include the following information:

the terms of the offering;

the names of any underwriters or agents;

the name or names of any managing underwriter or underwriters;

the purchase price or initial public offering price of the securities;

the net proceeds to Pioneer or Pioneer USA from the sale of the securities;

any delayed delivery arrangements;

any underwriting discounts, commissions and other items constituting underwriters' compensation;

any discounts or concessions allowed or reallocated or paid to dealers; and

any commissions paid to agents.

Sale through Underwriters or Dealers

If underwriters are used in the sale, the underwriters will acquire the securities for their own account for resale to the public, either on a firm commitment basis or a best efforts basis. The underwriters may resell the securities from time to time in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale. Underwriters may offer securities to the public either through underwriting syndicates represented by one or more managing underwriters or directly by one or more firms acting as underwriters. Unless Pioneer or Pioneer USA informs you otherwise in the prospectus supplement, the obligations of the underwriters to purchase the securities will be subject to certain conditions. The underwriters may change from time to time any initial public offering price and any discounts or concessions allowed or reallocated or paid to dealers.

During and after an offering through underwriters, the underwriters may purchase and sell the securities in the open market. These transactions may include overallotment and stabilizing transactions and purchases to cover syndicate short positions created in connection with the offering. The underwriters may also impose a penalty bid, which means

that selling concessions allowed to syndicate members or other broker-dealers for the offered securities sold for their account may be reclaimed by the syndicate if the offered securities are repurchased by the syndicate in stabilizing or covering transactions. These activities may stabilize, maintain or otherwise affect the market price of the offered securities, which may be higher than the price that might otherwise prevail in the open market. If commenced, the underwriters may discontinue these activities at any time.

Some or all of the securities that Pioneer or Pioneer USA offers through this prospectus may be new issues of securities with no established trading market. Any underwriters to whom Pioneer or Pioneer USA sells its securities for public offering and sale may make a market in those securities, but they will not be obligated to do so and they may discontinue any market making at any time without notice. Accordingly, each of Pioneer and Pioneer USA cannot assure you of the liquidity of, or continued trading markets for, any securities that it offers.

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If dealers are used in the sale of securities, Pioneer or Pioneer USA will sell the securities to them as principals. The dealers may then resell those securities to the public at varying prices determined by the dealers at the time of resale. Pioneer or Pioneer USA will include in the prospectus supplement the names of the dealers and the terms of the transaction.

Direct Sales and Sales through Agents

Pioneer or Pioneer USA may sell the securities directly. In this case, no underwriters or agents would be involved. Pioneer or Pioneer USA may also sell the securities through agents designated from time to time. In the prospectus supplement, Pioneer or Pioneer USA will name any agent involved in the offer or sale of the offered securities, and Pioneer or Pioneer USA will describe any commissions payable to the agent. Unless Pioneer or Pioneer USA informs you otherwise in the prospectus supplement, any agent will agree to use its reasonable best efforts to solicit purchases for the period of its appointment.

Pioneer or Pioneer USA may sell the securities directly to institutional investors or others who may be deemed to be underwriters within the meaning of the Securities Act of 1933 with respect to any sale of those securities. Pioneer or Pioneer USA will describe the terms of any such sales in the prospectus supplement.

Pioneer may also make direct sales through subscription rights distributed to its existing stockholders on a pro rata basis, which may or may not be transferable. In any distribution of subscription rights to Pioneer's stockholders, if all of the underlying securities are not subscribed for, Pioneer may then sell the unsubscribed securities directly to third parties or may engage the services of one or more underwriters, dealers or agents, including standby underwriters, to sell the unsubscribed securities to third parties.

Remarketing Arrangements

Offered securities may also be offered and sold, if so indicated in the applicable prospectus supplement, in connection with a remarketing upon their purchase, in accordance with a redemption or repayment pursuant to their terms, or otherwise, by one or more remarketing firms, acting as principals for their own accounts or as agents for Pioneer or Pioneer USA. Any remarketing firm will be identified and the terms of its agreements, if any, with Pioneer or Pioneer USA and its compensation will be described in the applicable prospectus supplement. Remarketing firms may be deemed to be underwriters, as that term is defined in the Securities Act of 1933, in connection with the securities remarketed.

Delayed Delivery Contracts

If Pioneer or Pioneer USA so indicates in the prospectus supplement, Pioneer or Pioneer USA may authorize agents, underwriters or dealers to solicit offers from certain types of institutions to purchase securities from Pioneer or Pioneer USA at the public offering price under delayed delivery contracts. These contracts would provide for payment and delivery on a specified date in the future. The contracts would be subject only to those conditions described in the prospectus supplement. The prospectus supplement will describe the commission payable for solicitation of those contracts.

General Information

Pioneer or Pioneer USA may have agreements with the agents, dealers, underwriters and remarketing firms to indemnify them against certain civil liabilities, including liabilities under the Securities Act of 1933, or to contribute with respect to payments that the agents, dealers, underwriters or remarketing firms may be required to make. Agents,

dealers, underwriters and remarketing firms may be customers of, engage in transactions with, or perform services for Pioneer or Pioneer USA in the ordinary course of their businesses.

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LEGAL MATTERS

Except as set forth in the applicable prospectus supplement, Vinson & Elkins L.L.P., Dallas, Texas, will pass upon the validity of Pioneer's debt securities, common stock, preferred stock, depositary shares, warrants, stock purchase contracts and stock purchase units and Pioneer USA's guarantees of debt securities.

EXPERTS

The consolidated financial statements of Pioneer appearing in Pioneer's Annual Report on Form 10-K for the year ended December 31, 2013, and the effectiveness of Pioneer's internal control over financial reporting as of December 31, 2013, have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their reports thereon, included therein and incorporated herein by reference. Such consolidated financial statements are incorporated herein by reference in reliance upon such reports given on the authority of such firm as experts in accounting and auditing.

Estimated quantities of our oil and gas reserves and the net present value of such reserves as of December 31, 2013, set forth in or incorporated by reference in this prospectus are based upon reserve reports prepared by us and audited by Netherland, Sewell & Associates, Inc. for our major properties in the United States and reserve reports prepared by our engineers for all other properties. The reserve audit conducted by Netherland, Sewell & Associates, Inc. for our major properties in the United States in aggregate represented 94% of our estimated proved quantities of reserves as of December 31, 2013. We have incorporated these estimates in reliance on the authority of such firm as experts in such matters.

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5,750,000 Shares

Pioneer Natural Resources Company

Common Stock

PRELIMINARY PROSPECTUS SUPPLEMENT

November , 2014

Citigroup

BofA Merrill Lynch