

PIONEER NATURAL RESOURCES CO

Form S-4/A

August 27, 2004

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As filed with the Securities and Exchange Commission on August 27, 2004.

Registration No. 333-116434

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**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**Amendment No. 1**

to

**Form S-4**

**REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933**

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**Pioneer Natural Resources Company**

*(Exact name of Registrant as Specified in its Charter)*

**Delaware**  
*(State or Other Jurisdiction of  
Incorporation or Organization)*

**1311**  
*(Primary standard industrial  
classification code number)*

**75-2702753**  
*(I.R.S. Employer  
Identification No.)*

**5205 N. O Connor Blvd., Suite 900**

**Irving, Texas 75039**  
**(972) 444-9001**

*(Address, including zip code, and telephone number,  
including area code, of registrant's principal executive offices)*

---

**Scott D. Sheffield**  
**Pioneer Natural Resources Company**  
**5205 N. O Connor Blvd., Suite 900**  
**Irving, Texas 75039**  
**(972) 444-9001**

*(Name, address, including zip code, and telephone  
number, including area code, of agent for service)*

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**Copies to:**

**Michael D. Wortley**  
**Robert L. Kimball**  
**Vinson & Elkins L.L.P.**  
**3700 Trammell Crow Center**  
**2001 Ross Avenue**  
**Dallas, Texas 75201**  
**(214) 220-7700**

**J. David Kirkland, Jr.**  
**R. Joel Swanson**  
**Baker Botts L.L.P.**  
**One Shell Plaza**  
**910 Louisiana Street**  
**Houston, Texas 77002**  
**(713) 229-1234**

**Approximate date of commencement of proposed sale to the public:** Upon the effective date of the proposed merger of BC Merger Sub, Inc., a wholly-owned subsidiary of Pioneer Natural Resources Company, which we refer to as BC Merger Sub and Pioneer, respectively, with and into Evergreen Resources, Inc., which we refer to as Evergreen, as described in the enclosed joint proxy statement/ prospectus.

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If the securities being registered on this form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box.

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If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

**The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.**

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The information in this joint proxy statement/ prospectus is not complete and may be changed. Pioneer may not distribute or issue the shares of Pioneer common stock being registered pursuant to this registration statement until the registration statement filed with the Securities and Exchange Commission is effective. This joint proxy statement/ prospectus is not an offer to distribute these securities and Pioneer is not soliciting offers to receive these securities in any state where such offer or distribution is not permitted.

**PRELIMINARY JOINT PROXY STATEMENT/PROSPECTUS**

**SUBJECT TO COMPLETION, DATED AUGUST 27, 2004**

**To the stockholders of Pioneer Natural Resources Company and Evergreen Resources, Inc.:**

The boards of directors of Pioneer Natural Resources Company and Evergreen Resources, Inc. have each approved an agreement and plan of merger to combine the two companies. Our combined enterprise will create a premier oil and gas asset portfolio in North America that will anchor the enterprise's significant exploration and international opportunities.

In exchange for Evergreen common stock issued and outstanding as of the effective time of the merger, Pioneer will issue in the merger a number of shares of Pioneer common stock equal to approximately 21% of the shares of Pioneer common stock outstanding immediately prior to the merger and pay in the merger approximately \$865 million in cash, excluding any net cash proceeds from Evergreen's sale of its Kansas properties in excess of \$15 million, if that sale occurs. After the merger, Evergreen will become a wholly-owned subsidiary of Pioneer. The combined company will continue to operate under the name Pioneer Natural Resources Company, and its common stock will continue to be listed on the New York Stock Exchange under the symbol PXD.

Pioneer and Evergreen will each hold a special meeting of its stockholders in connection with the proposed merger. Pioneer stockholders will vote to approve the issuance of shares of Pioneer common stock in the merger, and Evergreen stockholders will vote to approve the merger agreement.

Your vote is important. Whether or not you plan to attend your company's special meeting, please submit a proxy by following the instructions on your proxy card.

The approval of the issuance of shares of Pioneer common stock requires the affirmative vote of a majority of the votes cast by holders of Pioneer common stock by proxy or in person and entitled to vote as of the record date for the Pioneer special meeting. The total vote cast by Pioneer stockholders at the special meeting must represent more than 50% of all shares of Pioneer common stock issued and outstanding and entitled to vote as of the record date for the special meeting. The approval of the merger agreement by Evergreen stockholders requires the affirmative vote of the holders of a majority of the shares of Evergreen common stock issued and outstanding and entitled to vote as of the record date for the special meeting.

This joint proxy statement/ prospectus provides you with important information about the proposed merger. We encourage you to read this document carefully.

The date, place and time of each special meeting will be as follows:

**Special Meeting for Pioneer stockholders:**

September 28, 2004 at 9:00 a.m., local time  
Dallas Marriott Las Colinas Hotel  
223 West Las Colinas Blvd.  
Irving, Texas 75039

**Special Meeting for Evergreen stockholders:**

September 28, 2004 at 11:00 a.m., local time  
The Pinnacle Club  
555 17th Street, 38th Floor  
Denver, Colorado 80202

Our boards of directors recommend that Pioneer stockholders vote **FOR** the issuance of shares of Pioneer common stock in the merger and that Evergreen stockholders vote **FOR** the approval of the merger agreement.

Scott D. Sheffield  
Chairman of the Board, President  
and Chief Executive Officer  
Pioneer Natural Resources Company

Mark S. Sexton  
Chairman of the Board, President and  
Chief Executive Officer  
Evergreen Resources, Inc.

**For a discussion of risk factors that you should consider in evaluating the merger, see Risk Factors beginning on page 23.**

Certain directors and officers of Pioneer and Evergreen have interests in the merger that are different from or in addition to the interests of other Pioneer and Evergreen stockholders. For a discussion of these interests, see The Merger Interests of Pioneer's Directors and Management in the Merger on page 74 and The Merger Interests of Evergreen's Directors and Management in the Merger beginning on page 74.

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved the merger described in this joint proxy statement/prospectus or the issuance of Pioneer common stock in the merger, or determined if this joint proxy statement/prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

This joint proxy statement/ prospectus is dated August 27, 2004, and is first being mailed to stockholders on or about August 30, 2004.

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**Pioneer Natural Resources Company**

**5205 N. O Connor Blvd., Suite 900  
Irving, Texas 75039  
(972) 444-9001**

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**Notice of Special Meeting of Stockholders  
To Be Held September 28, 2004**

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To the Stockholders of Pioneer Natural Resources Company:

We will hold a special meeting of stockholders of Pioneer Natural Resources Company, a Delaware corporation, at the Dallas Marriott Las Colinas Hotel located at 223 West Las Colinas Blvd., Irving, Texas 75039, on September 28, 2004, at 9:00 a.m., local time, for the following purposes:

1. To consider and vote on a proposal to approve the issuance of shares of Pioneer common stock in connection with the merger of BC Merger Sub, Inc., a Colorado corporation and wholly-owned subsidiary of Pioneer, with and into Evergreen Resources, Inc., a Colorado corporation, pursuant to the Agreement and Plan of Merger dated May 3, 2004, among Pioneer, BC Merger Sub, and Evergreen, whereby Evergreen will become a wholly-owned subsidiary of Pioneer.
  2. Approve an adjournment of the meeting, if necessary, to solicit additional proxies in favor of proposal number 1 above.
- A copy of the merger agreement is attached as Annex A to the joint proxy statement/prospectus accompanying this notice.

Pioneer has fixed the close of business on July 30, 2004, as the record date for the determination of stockholders entitled to receive notice of and to vote at the special meeting or any adjournment or postponement of the special meeting. A list of the stockholders entitled to vote will be open for examination by stockholders at Pioneer Natural Resources Company, 5205 N. O Connor Blvd., Suite 900, Irving, Texas 75039, during ordinary business hours beginning ten business days prior to the special meeting. The list will also be available at the special meeting.

**The board of directors of Pioneer unanimously, except for Scott D. Sheffield, who recused himself from voting with respect to these matters and did not participate in the meeting in which such vote was taken:**

**has determined that the merger agreement, the merger in accordance with the terms of the merger agreement, the issuance of shares of Pioneer common stock pursuant to the merger, and the other transactions contemplated by the merger agreement are advisable and in the best interests of Pioneer and its stockholders;**

**has approved the merger agreement, the merger and the other transactions contemplated thereby and has approved the issuance of Pioneer common stock pursuant to the merger; and**

**recommends that the stockholders of Pioneer vote FOR approval of the issuance of shares of Pioneer common stock in the merger.**

Mr. Sheffield recused himself from voting with respect to these matters and did not participate in the meeting in which such vote was taken because he is a member of Evergreen's board of directors in addition to serving as Chairman of the Board, President and Chief Executive Officer of Pioneer.

We cordially invite you to attend the special meeting in person. However, to ensure your representation at the special meeting, we encourage you to mark, sign, date and return the enclosed proxy card as promptly as possible in the enclosed return envelope. You may also vote by telephone or the Internet using the instructions on the proxy card. Your telephone or Internet vote authorizes the named

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proxies to vote your shares in the same manner as if you had marked, signed and returned your proxy card. If your shares are held in street name by your broker or other nominee, only that holder can vote your shares and the vote cannot be cast unless you provide instructions to your broker. You should follow the directions provided by your broker regarding how to instruct your broker to vote your shares. If you attend the special meeting you may vote in person even if you have returned a proxy card, or voted by telephone or the Internet using the instructions on the proxy card.

By Order of the Board of Directors,

---

MARK L. WITHROW,

*Secretary*

Irving, Texas  
August 27, 2004

**IMPORTANT:**

**Whether or not you plan to attend the special meeting, we ask you to complete and promptly return the enclosed proxy card in the return envelope provided or to vote by telephone or the Internet using the instructions on the proxy card.**

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**Evergreen Resources, Inc.**

1401 17th Street, Suite 1200  
Denver, Colorado 80202  
(303) 298-8100

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**Notice of Special Meeting of Stockholders  
To Be Held September 28, 2004**

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To the Stockholders of Evergreen Resources, Inc.:

We will hold a special meeting of stockholders of Evergreen Resources, Inc., a Colorado corporation, at The Pinnacle Club, 555 17th Street, 38th Floor, Denver, Colorado 80202, on September 28, 2004, at 11:00 a.m., local time, for the following purposes:

1. To consider and vote on a proposal to approve the Agreement and Plan of Merger dated May 3, 2004, among Pioneer Natural Resources Company, a Delaware corporation, BC Merger Sub, Inc., a Colorado corporation, and Evergreen, pursuant to which Evergreen will become a wholly-owned subsidiary of Pioneer.
2. Approve an adjournment of the meeting, if necessary, to solicit additional proxies in favor of proposal number 1 above.  
A copy of the merger agreement is attached as Annex A to the joint proxy statement/prospectus accompanying this notice.

Evergreen has fixed the close of business on July 30, 2004, as the record date for the determination of stockholders entitled to receive notice of and to vote at the special meeting or any adjournment or postponement of the special meeting. A list of the stockholders entitled to vote will be open for examination by stockholders at Evergreen Resources, Inc., 1401 17th Street, Suite 1200, Denver, Colorado 80202, during ordinary business hours beginning two business days from the date of this notice and continuing through the special meeting. The list will also be available at the special meeting.

**The board of directors of Evergreen unanimously, except for Scott D. Sheffield, who recused himself from voting with respect to these matters and did not participate in the meeting in which such vote was taken:**

**has determined that the merger agreement, the merger in accordance with the terms of the merger agreement, and the other transactions contemplated thereby are advisable and in the best interests of Evergreen and its stockholders;**

**has approved and adopted the merger agreement, the merger and the other transactions contemplated thereby; and**

**recommends that the stockholders of Evergreen vote FOR approval of the merger agreement.**

Mr. Sheffield recused himself from voting with respect to these matters and did not participate in the meeting in which such vote was taken because he is Chairman of the Board, President and Chief Executive Officer of Pioneer in addition to serving as a member of Evergreen's board of directors.

We cordially invite you to attend the special meeting in person. However, to ensure your representation at the special meeting, we encourage you to mark, sign, date and return the enclosed proxy card as promptly as possible in the enclosed return envelope. You may also vote by telephone or the Internet using the instructions on the proxy card. Your telephone or Internet vote authorizes the named proxies to vote your shares in the same manner as if you had marked, signed and returned your proxy card. If your shares are held in street name by your broker or other nominee, only that holder can vote

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your shares and the vote cannot be cast unless you provide instructions to your broker. You should follow the directions provided by your broker regarding how to instruct your broker to vote your shares. If you attend the special meeting you may vote in person even if you have returned a proxy card, or voted by telephone or the Internet using the instructions on the proxy card.

The merger agreement permits each holder of Evergreen common stock to elect the form of merger consideration it wishes to receive in exchange for its Evergreen shares, subject to certain aggregate limits, as explained in detail in the joint proxy statement/prospectus accompanying this notice. An election form, pursuant to which a holder of Evergreen common stock can make its election, is enclosed with the joint proxy statement/prospectus. If you wish to make an election regarding the form of merger consideration you wish to receive, you should complete and sign the election form and return it, together with all certificates representing your shares of Evergreen common stock, to Continental Stock Transfer & Trust Company, the exchange agent, in the enclosed return envelope.

Under Colorado law, dissenters' rights of appraisal will be available to record holders of Evergreen common stock. In order for stockholders to exercise such dissenters' rights of appraisal, they must follow the procedures prescribed by Colorado law, which are summarized under "The Merger - Dissenters' Rights of Appraisal of Evergreen Stockholders" beginning on page 82 of the accompanying joint proxy statement/prospectus and are presented in full in Annex D to the accompanying joint proxy statement/prospectus.

By Order of the Board of Directors,

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KEVIN R. COLLINS,  
*Secretary*

Denver, Colorado  
August 27, 2004

**IMPORTANT:**

**Whether or not you plan to attend the special meeting, we ask you to complete and promptly return the enclosed proxy card in the return envelope provided or to vote by telephone or the Internet using the instructions on the proxy card.**

**Completed election forms and common stock certificates should be sent in the same return envelope.**

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**ADDITIONAL INFORMATION**

This joint proxy statement/prospectus incorporates by reference important business and financial information about Pioneer and Evergreen that is not included in or delivered with this document. This information is included in documents filed with the SEC by Pioneer and Evergreen that are available without charge from the SEC's website at <http://www.sec.gov>. See "Where You Can Find More Information" beginning on page 137.

Copies of the documents relating to Pioneer may also be obtained without charge from Pioneer on the Internet at [www.pioneerinc.com](http://www.pioneerinc.com), under the "Investor" tab, under the "SEC Filings" section; or by contacting Pioneer Natural Resources Company, 5205 N. O'Connor Blvd., Suite 900, Irving, Texas 75039, Attention: Investor Relations; or by calling Pioneer's Investor Relations office at telephone number: (972) 969-3583.

Copies of the documents relating to Evergreen may be obtained without charge on the Internet at [www.evergreengas.com](http://www.evergreengas.com), under the "Investor Relations" section; or by contacting Evergreen Resources, Inc., 1401 17th Street, Suite 1200, Denver, Colorado 80202, Attention: Investor Relations; or by calling Evergreen's Investor Relations office at telephone number: (303) 298-8100.

**If you wish to obtain any of these documents from Pioneer or Evergreen, you should, to ensure timely delivery, make your request no later than September 21, 2004.**

Pioneer's common stock trades on the New York Stock Exchange under the symbol "PXD". Evergreen's common stock trades on the New York Stock Exchange under the symbol "EVG".

All information in this document concerning Pioneer has been furnished by Pioneer. All information in this document concerning Evergreen has been furnished by Evergreen. Pioneer has represented to Evergreen, and Evergreen has represented to Pioneer, that the information furnished by and concerning it is true and complete in all material respects.

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Consent of Mr. Mark S. Sexton

Consent of Mr. Andrew Lundquist

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**TERMS USED IN THIS DOCUMENT**

Throughout this document, unless the context otherwise requires, the following terms have the following meanings:

The term **Bbl** means a standard barrel of 42 U.S. gallons and represents the basic unit for measuring the production of crude oil, NGLs and condensate.

The term **Bcf** means one billion cubic feet under prescribed conditions of pressure and temperature and is a measure of gas volumes.

The term **Bcfe** is a measure of gas and oil volumes which includes gas measured in Bcf and oil converted to gas at six Mcf of gas per Bbl of oil.

The term **BC Merger Sub** refers to BC Merger Sub, Inc., a Colorado corporation that is a wholly-owned subsidiary of Pioneer.

The term **BOE** means a barrel of oil equivalent and is a standard convention used in the United States to express oil and gas volumes on a comparable basis. It is determined on the basis of the estimated relative energy content of gas to oil, being approximately six Mcf of gas per Bbl of oil.

The term **combined company** refers to Pioneer as combined with Evergreen following the merger and the post-closing merger.

The term **effective time** refers to the time that the merger becomes effective pursuant to Colorado law.

The term **Evergreen** refers to Evergreen Resources, Inc., a Colorado corporation. Discussions of Evergreen's activities include Evergreen's subsidiaries.

The term **Exchange Act** refers to the Securities Exchange Act of 1934.

The term **GAAP** means accounting principles generally accepted in the United States of America.

The term **HSR Act** means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

The term **Internal Revenue Code** means the Internal Revenue Code of 1986, as amended.

The term **IRS** refers to the United States Internal Revenue Service.

The term **MBbl** means one thousand Bbls.

The term **MBOE** means one thousand BOE.

The term **MMBOE** means one million BOE.

The term **Mcf** means one thousand cubic feet under prescribed conditions of pressure and temperature and is a measure of gas volumes.

The term **Mcfe** is a measure of gas and oil volumes which includes gas measured in Mcf and oil converted to gas at six Mcf of gas per Bbl of oil.

The term **MMcf** means one million cubic feet under prescribed conditions of pressure and temperature and is a measure of gas volumes.

The term **merger** refers to the merger of BC Merger Sub with and into Evergreen, with Evergreen surviving the merger and becoming a wholly-owned subsidiary of Pioneer.



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The term merger agreement refers to the Agreement and Plan of Merger, dated May 3, 2004, among Pioneer, Evergreen and BC Merger Sub.

The term NGLs means natural gas liquids.

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The term **NYMEX** means the New York Mercantile Exchange.

The term **Pioneer** refers to Pioneer Natural Resources Company, a Delaware corporation. Discussions of Pioneer's activities include Pioneer's subsidiaries.

The term **post-closing merger** refers to the merger of Evergreen, immediately following the merger, with and into a wholly-owned limited liability company subsidiary of Pioneer, with the limited liability company subsidiary as the surviving entity that is wholly-owned by Pioneer.

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

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

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

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

The term **SEC** refers to the United States Securities and Exchange Commission.

The term **Securities Act** refers to the Securities Act of 1933.

The term **standardized measure** means the after-tax present value of estimated future net revenues of proved reserves, determined in accordance with the rules and regulations of the SEC, using prices and costs in effect at the specified date and a ten percent discount rate.

The terms **we**, **our** and **us** refer to Pioneer and Evergreen, collectively.

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**QUESTIONS AND ANSWERS ABOUT THE MERGER**

**GENERAL**

**Q: Why is the merger being proposed?**

A: Our companies are proposing the merger because we believe it will create substantial strategic benefits for Pioneer and Evergreen. The proposed merger will combine the businesses of Pioneer and Evergreen to create a premier oil and gas asset portfolio in North America that will anchor the combined company's significant exploration and international opportunities and allow the combined company to balance the risk profiles of its growth opportunities between lower-risk extension drilling in the onshore United States and Argentina and higher-risk exploration opportunities in Alaska, the deepwater Gulf of Mexico, North Africa and West Africa. We believe that the merger will, among other things:

strengthen our asset position in North America;

create a new core area with some of the best long-lived gas assets in North America;

provide a better balance of low and high-risk drilling opportunities;

lengthen our proved reserves to production ratio;

add approximately 2,000 drilling locations in the Raton Basin targeting gas reserves;

leverage unconventional gas expertise;

leverage our expertise in lower-pressure gas gathering systems and telemetry;

add a substantial Rocky Mountain acreage position in key growth basins;

enhance our Canadian asset portfolio; and

increase the value and development potential of Evergreen's properties in the Rocky Mountains.

Please review the more detailed description of our reasons for the merger in The Merger Recommendation of Pioneer's Board of Directors and Reasons for the Merger beginning on page 51 and The Merger Recommendation of Evergreen's Board of Directors and Reasons for the Merger beginning on page 53.

**Q. How will the merger occur?**

A: The combination of Pioneer and Evergreen will consist of two separate mergers. First, BC Merger Sub will merge with and into Evergreen, with Evergreen surviving the merger and becoming a wholly-owned subsidiary of Pioneer. When this merger occurs, Evergreen stockholders will be entitled to receive the merger consideration. See The Merger Agreement Merger Consideration beginning on page 86. Second, immediately after the first merger, Evergreen will merge with and into a wholly-owned limited liability company subsidiary of Pioneer, with the limited liability company subsidiary surviving the second merger as a wholly-owned subsidiary of Pioneer.

**Q: When will the merger be completed?**

A: The merger will be completed when the conditions described in The Merger Agreement Conditions to the Completion of the Merger are satisfied or, where permitted, waived. We believe the conditions will be satisfied at the special stockholders meetings of Pioneer and Evergreen that are scheduled to be held on September 28, 2004. We expect to complete the merger as quickly as practicable after the special meetings.

**Q: What do I need to do now?**

A: After carefully reading and considering the information contained in this document, please fill out and sign your proxy card or vote by telephone or the Internet according to the instructions provided on the

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proxy card. Please mail your signed proxy card in the enclosed return envelope, or vote by telephone or the Internet, as soon as possible so that your shares may be represented at your company's special meeting. Your proxy will instruct the persons named on the proxy card to vote your shares at the applicable special meeting as you direct.

In addition, if you are an Evergreen stockholder and you wish to make an election regarding the form of merger consideration you wish to receive, you should complete and sign the election form enclosed with this joint proxy statement/prospectus and return it, together with all certificates representing your shares of Evergreen common stock, in the same return envelope so that the exchange agent will receive it by no later than 5:00 p.m., Eastern time, on September 27, 2004. Further information regarding the forms of merger consideration available to Evergreen stockholders and the election procedure is contained in The Merger Agreement Merger Consideration Election Procedures for Base Merger Consideration on page 89.

**Q: Can I change my vote after I have mailed my signed proxy?**

A: Yes. You may change your vote at any time before your proxy is voted at your company's special meeting. You can do this in several ways. First, you can send a written notice stating that you would like to revoke your proxy. Second, you can complete and submit a new proxy card. Third, if you vote by telephone or the Internet, you may change your vote by telephone or the Internet by following the instructions given to you when you call or visit the Internet site. Fourth, you can attend the special meeting and vote in person. Simply attending the meeting, however, will not revoke your proxy; you must vote at the meeting. If you have instructed a broker to vote your shares, you must follow directions received from your broker to change your vote. Further information about these procedures is contained in The Pioneer Special Meeting beginning on page 39 and The Evergreen Special Meeting beginning on page 42.

**Q: If my shares are held in a street name by my broker, will my broker vote my shares for me?**

A: No. Your broker will not vote your shares for or against approval of the merger, the merger agreement or the issuance of Pioneer common stock pursuant to the merger unless you tell your broker how to vote. You should follow the directions provided by your broker regarding how to instruct your broker to vote your shares. Without instructions, your shares will not be voted.

**Q: Do I have dissenters' rights of appraisal?**

A: If you are an Evergreen stockholder you will have dissenters' rights of appraisal as a result of the merger. See The Merger Dissenters Rights of Appraisal of Evergreen Stockholders beginning on page 82. Pioneer stockholders do not have dissenters' rights of appraisal.

**Q: Where can I find more information about the companies?**

A: Both Pioneer and Evergreen file periodic reports with the SEC. You may read and copy this information at the SEC's public reference facilities. Please call the SEC at 1-800-SEC-0330 for information about these facilities. This information is also available through the Internet at the EDGAR database maintained by the SEC at <http://www.sec.gov> and at the offices of the New York Stock Exchange.

Copies of the documents relating to Pioneer may also be obtained without charge from Pioneer on the Internet at [www.pioneernc.com](http://www.pioneernc.com), under the Investor tab, under the SEC Filings section; or by contacting Pioneer Natural Resources Company, 5205 N. O'Connor Blvd., Suite 900, Irving, Texas 75039, Attention: Investor Relations; or by calling Pioneer's Investor Relations office at telephone number: (972) 969-3583.

Copies of the documents relating to Evergreen may be obtained without charge on the Internet at [www.evergreengas.com](http://www.evergreengas.com), under the Investor Relations section; or by contacting Evergreen Resources, Inc., 1401 17th Street, Suite 1200, Denver, Colorado 80202, Attention: Investor Relations; or by calling Evergreen's Investor Relations office at telephone number: (303) 298-8100.

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**Q: What approvals are required to complete the merger in addition to Pioneer and Evergreen stockholder approvals?**

A: Under the HSR Act, Pioneer and Evergreen cannot complete the merger until they have filed certain information and materials with the Antitrust Division of the United States Department of Justice and the United States Federal Trade Commission and the applicable waiting period has expired or been terminated. The required filings with the Department of Justice and the Federal Trade Commission were made on June 22, 2004, and the waiting period expired on July 22, 2004. See The Merger Regulatory Filings and Approvals Required to Complete the Merger on page 84.

**Q: Is Pioneer's obligation to complete the merger subject to Pioneer receiving financing?**

A: No. Although Pioneer has agreed upon the terms of a credit facility with JPMorgan Chase Bank and a syndicate of other banks pursuant to which the lenders have agreed, subject to the closing of the transactions contemplated by the merger agreement, to provide financing for the merger, Pioneer must complete the merger regardless of whether it receives financing.

**FOR PIONEER STOCKHOLDERS**

**Q: When and where is the special meeting of the Pioneer stockholders?**

A: The Pioneer special meeting will take place on September 28, 2004 at 9:00 a.m., local time. The location of the special meeting is the Dallas Marriott Las Colinas Hotel located at 223 West Las Colinas Blvd., Irving, Texas 75039.

**Q: On what matters are Pioneer stockholders voting and why?**

A: Pioneer stockholders are voting on a proposal to approve the issuance of new shares of Pioneer common stock in the merger. This stockholder vote is required under the rules of the New York Stock Exchange because the aggregate number of shares of Pioneer common stock to be issued to Evergreen stockholders in the merger will exceed 20% of the total number of shares of Pioneer common stock issued and outstanding immediately prior to the completion of the merger. The approval of the issuance of Pioneer common stock in the merger is a condition to the completion of the merger.

**Q: How many shares of Pioneer common stock will Pioneer issue in the merger?**

A: In exchange for Evergreen common stock issued and outstanding as of the effective time of the merger, including shares issuable pursuant to Evergreen restricted stock awards for which the applicable restrictions lapse as of the effective time, Pioneer will issue in the merger approximately 25.4 million shares of Pioneer common stock, which represent approximately 21% of the shares of Pioneer common stock outstanding immediately prior to the merger. Another 2.4 million shares of Pioneer common stock will be issuable upon exercise of Evergreen stock options. Also, upon conversion of Evergreen's 4.75% Senior Convertible Notes due 2021, Pioneer will issue approximately 2.3 million additional shares of Pioneer common stock. Approximately 242,000 additional shares of Pioneer common stock will be issuable after the merger upon the lapse of restrictions associated with Evergreen restricted stock awards for which the applicable restrictions do not lapse as of the effective time.

**Q: How will Pioneer stockholders be affected by the merger and share issuance?**

A: After the merger, each Pioneer stockholder will have the same number of shares of Pioneer common stock that the stockholder held immediately prior to the merger. However, because Pioneer will be issuing new shares of Pioneer common stock to Evergreen stockholders in the merger, each outstanding share of Pioneer common stock immediately prior to the merger will represent a smaller percentage of the aggregate number of shares of Pioneer common stock outstanding after the merger. As a result of the merger, each Pioneer stockholder will own shares in a larger company with more assets.

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**Q: What are the tax consequences of the merger?**

A: It is a condition to the merger that Pioneer and Evergreen each receive an opinion of counsel to the effect that none of Pioneer, BC Merger Sub or Evergreen will recognize gain as a result of the merger. Each of Pioneer and Evergreen has received an opinion that satisfies these requirements. For a full description of the material federal income tax consequences of the merger, see *The Merger* Material United States Federal Income Tax Consequences of the Merger beginning on page 76.

**Q: What vote of Pioneer stockholders is required to approve the issuance of Pioneer common stock in the merger?**

A: The approval of the issuance of shares of Pioneer common stock in the merger requires the affirmative vote of a majority of the votes cast by holders of Pioneer common stock by proxy or in person and entitled to vote as of the record date for the special meeting. The total vote cast by Pioneer stockholders at the meeting must represent more than 50% of all shares of Pioneer common stock issued and outstanding and entitled to vote as of the record date for the special meeting.

**Q: What will happen if I abstain from voting?**

A: An abstention will count as present for purposes of establishing a quorum at the Pioneer special meeting. However, neither an abstention nor a failure to vote will affect the outcome of the vote regarding the issuance of shares of Pioneer common stock in the merger because they will not be counted as votes cast either for or against the proposal. Nevertheless, an abstention may result in the total votes cast at the special meeting representing fewer than 50% of all shares of Pioneer common stock issued and outstanding and entitled to vote as of the record date for the special meeting, in which case the vote would not satisfy the stockholder approval requirement for the issuance of shares of Pioneer common stock in the merger.

**Q: Are there risks associated with the merger that I should consider in deciding how to vote?**

A: Yes. You should carefully read the detailed description of the risks associated with the merger and the combined company's operations described in *Risk Factors* beginning on page 23.

**Q: Whom should I contact if I have questions?**

A: If you have any questions about the merger agreement, the merger or the issuance of shares of Pioneer common stock in the merger, or if you need additional copies of this joint proxy statement/ prospectus or the enclosed proxy card, you should contact:

D.F. King & Co., Inc.  
48 Wall Street  
New York, New York 10005  
Telephone: (800) 859-8509

**FOR EVERGREEN STOCKHOLDERS**

**Q: When and where is the special meeting of the Evergreen stockholders?**

A: The Evergreen special meeting will take place on September 28, 2004, at 11:00 a.m., local time. The special meeting is scheduled to be held at The Pinnacle Club, 555 17th Street, 38th Floor, Denver, Colorado 80202.

**Q: On what matters are the Evergreen stockholders voting and why?**

A: Evergreen stockholders are voting on a proposal to approve the merger agreement. The approval of the merger agreement by the Evergreen stockholders is a condition to the completion of the merger.

**Q: What will Evergreen stockholders receive in the merger?**

A:

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Evergreen stockholders have the option to elect to receive one of three forms of merger consideration for each share of Evergreen common stock held: (i) 1.1635 shares of Pioneer common stock, subject



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to allocation and proration; (ii) \$39.00 in cash, subject to allocation and proration; or (iii) 0.58175 shares of Pioneer common stock and \$19.50 in cash. Evergreen stockholders who do not make an election will receive 0.58175 shares of Pioneer common stock and \$19.50 in cash for each share of Evergreen common stock held. Each holder must make the same election with respect to all of its shares of Evergreen common stock. In addition, Evergreen stockholders are entitled to receive an additional cash payment equal to the sum of (i) \$0.35 per share of Evergreen common stock as consideration from Pioneer for Evergreen's properties located in Kansas; plus (ii) an amount per share of Evergreen common stock equal to a pro rata share of the net proceeds in excess of \$15 million from Evergreen's sale, if any, of its Kansas properties to a third party if a sale occurs prior to the closing of the merger for a sale price generating more than \$15 million of net proceeds. Evergreen has ceased to actively market the Kansas properties, and it thus appears likely that Evergreen stockholders will receive only \$0.35 per share of Evergreen common stock with respect to the Kansas properties. See *Q: What is the status of the sale of Evergreen's Kansas properties to a third party?* No fractional shares of Pioneer common stock will be issued in the merger. Instead, each Evergreen stockholder that would otherwise be entitled to receive a fractional share will receive an amount in cash in accordance with the terms of the merger agreement. For further discussion of the consideration each Evergreen stockholder is entitled to receive, see *The Merger Agreement Merger Consideration* beginning on page 86.

**Q: What is the status of the sale of Evergreen's Kansas properties to a third party?**

A: Evergreen hired a recognized marketer of small oil and gas properties to provide assistance in selling the Kansas properties. The marketer distributed information regarding the Kansas properties to approximately 120 interested parties. As of the date of this joint proxy statement/prospectus, Evergreen has not received an acceptable bid for the Kansas properties. Accordingly, Evergreen has ceased to actively market the Kansas properties. Although it is possible that Evergreen could receive an acceptable offer for the properties and sell them before closing of the merger, Evergreen now believes it is unlikely that the properties will be sold before closing of the merger.

**Q: How do I elect the form of merger consideration that I prefer?**

A: You will be entitled to make an election regarding the form of merger consideration you prefer, subject to allocation and proration, by completing and signing the election form that is enclosed with this joint proxy statement/prospectus. For an election form to be effective, the election form, together with certificates representing all of the holder's shares of Evergreen common stock, must be received by Continental Stock Transfer & Trust Company, the exchange agent, at 17 Battery Place, 8th Floor, New York, New York 10004, and not withdrawn, by 5:00 p.m., Eastern time, on September 27, 2004. The exchange agent will not accept guarantee of delivery of certificates in lieu of physical delivery of certificates. A return envelope is enclosed for submitting the election form and certificates to the exchange agent. This is the same envelope in which to return completed proxy cards. If your shares are held in a brokerage or other custodial account, you should receive instructions from the entity where your shares are held advising you of the procedures for making your election and delivering your shares. If you do not receive these instructions, you should contact the entity where your shares are held. In the event the merger agreement is terminated, any Evergreen stock certificates that you previously sent to the exchange agent will be promptly returned to you without charge. See *The Merger Agreement Merger Consideration Election Procedures for Base Merger Consideration* on page 89.

**Q: Can I make one election for some of my shares and another election for the rest?**

A: No. The election you make will apply to all of the shares of Evergreen common stock that you hold.

**Q: What will I receive if I do not make an election?**

A: If you fail to make an election, you will be treated as if you elected to receive, for each share of Evergreen common stock that you hold, an amount in cash equal to the sum of \$19.50 plus the amount pertaining to Evergreen's Kansas properties and 0.58175 of a share of Pioneer common stock.

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**Q: Will I receive the form of payment that I choose?**

A: The merger agreement provides that the aggregate number of shares of Pioneer common stock to be issued in the merger and the aggregate amount of cash to be paid in the merger, excluding cash paid with respect to Evergreen's Kansas properties, are each subject to a limit that depends on the number of shares of Evergreen common stock outstanding immediately prior to the merger.

You will receive the form of payment that you choose if you elect to receive, for each share of Evergreen common stock that you hold, 0.58175 of a share of Pioneer common stock and \$19.50 in cash, plus the additional cash payment with respect to Evergreen's Kansas properties.

You may not receive the form of payment that you choose if you elect to receive, for each share of Evergreen common stock that you hold, 1.1635 shares of Pioneer common stock, plus the additional cash payment with respect to Evergreen's Kansas properties. In the event that, taking into account the elections made and deemed made by the holders of Evergreen common stock, the number of shares of Pioneer common stock to be issued as merger consideration would exceed the maximum number of Pioneer shares issuable in the merger pursuant to the merger agreement, then the holders of Evergreen common stock who made elections to receive all cash will receive all cash, and the number of shares of Pioneer common stock issued to holders who made elections to receive all Pioneer common stock will be reduced (and the amount of cash they receive will be increased) so that the aggregate stock consideration does not exceed the maximum limit.

You may not receive the form of payment that you choose if you elect to receive, for each share of Evergreen common stock that you hold, \$39.00 in cash, plus the additional cash payment with respect to Evergreen's Kansas properties. In the event that, taking into account the elections made and deemed made by the holders of Evergreen common stock, the amount of cash to be paid as merger consideration, other than cash paid with respect to Evergreen's Kansas properties, would exceed the maximum amount of cash payable in the merger pursuant to the merger agreement, then the holders of Evergreen common stock who make elections to receive all stock will receive all stock, and the amount of cash paid to holders who made elections to receive all cash will be reduced (and the amount of Pioneer common stock they receive will be increased) so that the aggregate cash consideration does not exceed the maximum limit.

See The Merger Agreement Merger Consideration Election Procedures for Base Merger Consideration on page 89, The Merger Agreement Merger Consideration Maximum Aggregate Consideration beginning on page 89, and The Merger Agreement Merger Consideration Allocation Procedures beginning on page 90.

**Q: What will happen to outstanding options to purchase shares of Evergreen common stock?**

A: At the effective time, each outstanding option to purchase shares of Evergreen common stock will become fully exercisable and will be assumed by Pioneer and converted into an option to purchase (i) the number of shares of Pioneer common stock determined by multiplying the number of shares of Evergreen common stock subject to the option by 1.1635, plus (ii) an amount of cash at exercise equal to the number of shares of Evergreen common stock subject to the option multiplied by the consideration per share to be paid to Evergreen stockholders for the Kansas properties, without interest, as described in *Q: What will Evergreen stockholders receive in the merger?* The exercise price per share of Pioneer common stock for each option assumed by Pioneer will be equal to the exercise price per share of the existing option for Evergreen common stock divided by 1.1635. As soon as reasonably practicable following the effective time, Pioneer will cause the shares of Pioneer common stock issuable upon exercise of the options assumed above to be registered on Form S-8 promulgated by the SEC, and will use its commercially reasonable efforts to maintain the effectiveness of the registration statement for as long as the options remain outstanding. See The Merger Agreement Merger Consideration Effect on Evergreen Stock Options and Restricted Stock Awards beginning on page 87.

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**Q: What will happen to Evergreen restricted stock awards?**

A: At the effective time, each Evergreen restricted stock award for which the applicable restrictions have not lapsed as of the effective time will be assumed by Pioneer. Holders of Evergreen restricted stock awards for which the applicable restrictions have not lapsed as of the effective time will be deemed to have made a stock election and will receive, for each share of Evergreen restricted stock subject to the award, and payable only upon or after lapse of the restrictions, (i) the right to be issued 1.1635 shares of Pioneer common stock and (ii) the consideration per share to be paid to holders of Evergreen common stock for the Kansas properties in cash, without interest. Each Evergreen restricted stock award for which the restrictions have lapsed as of the effective time will be treated as outstanding Evergreen common stock that will have the option to receive one of the three forms of merger consideration described in *Q: What will Evergreen stockholders receive in the merger?* For each Evergreen restricted stock award granted effective as of April 30, 2004, (i) the restrictions applicable to one-third of the shares subject to the restricted stock award will lapse at the effective time, and (ii) for employees with at least two years of service with Evergreen as of April 30, 2004, the restrictions applicable to an additional one-third of the shares subject to the award will lapse in the event of the employee's termination within one year after the effective time by the employee for good reason or by Pioneer without cause. For each Evergreen restricted stock award granted prior to April 30, 2004, (i) the lapsing of restrictions applicable to each restricted stock award will accelerate by one year at the effective time, and (ii) the restrictions applicable to each restricted stock award will lapse completely in the event of the employee's termination within one year after the effective time by the employee for good reason or by Pioneer without cause. The schedule for lapsing of restrictions applicable to each restricted stock award granted after April 30, 2004, will not change. For each Evergreen restricted stock award to Mark Sexton, President and Chief Executive Officer of Evergreen, Dennis Carlton, Executive Vice President - Exploration and Chief Operating Officer of Evergreen, Kevin Collins, Executive Vice President - Finance, Chief Financial Officer, Treasurer and Secretary of Evergreen, and the non-employee directors of Evergreen, the restrictions applicable to the restricted stock awards will lapse completely as of the effective time. Pioneer will cause the shares of Pioneer common stock to be issued upon lapse of restrictions in Evergreen restricted stock awards that are not fully vested at the effective time to be registered on Form S-8 promulgated by the SEC, and will use its commercially reasonable efforts to maintain the effectiveness of the registration statement for as long the restricted stock awards remain outstanding and unvested. See *The Merger Agreement - Merger Consideration - Effect on Evergreen Stock Options and Restricted Stock Awards* beginning on page 87.

**Q: What are the U.S. federal income tax consequences of the merger to Evergreen's stockholders?**

A: In deciding whether to vote to approve the merger agreement you are urged to assume that the merger and post-closing merger will be ultimately characterized in a manner that is least advantageous to you for U.S. federal income tax purposes. In other words, in general:

if you would realize a gain with respect to your Evergreen common stock, you should assume the merger and the post-closing merger will ultimately not be characterized as a reorganization and you will be taxed on such gain, or

if you would realize a loss with respect to your Evergreen common stock, you should assume the merger and post-closing merger will ultimately be characterized as a reorganization and you will not be permitted to recognize such loss.

If the merger and the post-closing merger fail to qualify for treatment as a reorganization, you will recognize gain or loss as if you had sold your Evergreen stock for an amount of money equal to the value of the merger consideration. If, in contrast, the merger and post-closing merger qualify for treatment as a reorganization, you will not recognize any loss and you will recognize any gain that you realize in respect of a share of Evergreen common stock only to the extent of the cash that you receive in exchange for that share.

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The merger and the post-closing merger will be a reorganization for federal income tax purposes if certain matters as to which Pioneer and Evergreen have made representations are true when the merger occurs and if the value of a share of Pioneer common stock when the merger occurs is sufficiently high, as should be the case (based on certain assumptions, including assumptions as to the amount that is paid to dissenters and the amount that is distributed in respect of the Kansas properties) if such value at that time is \$25.75 or more. The closing price of a share of Pioneer common stock on the New York Stock Exchange on August 26, 2004 was \$32.50.

Because the qualification of the merger and post-closing merger as a reorganization for federal income tax purposes is dependent in part upon the value of Pioneer common stock when the merger occurs, which will not be known when the Evergreen stockholders' meeting occurs, Evergreen's tax counsel is unable to render an opinion in this joint proxy statement/prospectus as to whether the merger and subsequent merger will be a reorganization.

See Risk Factors Risks Relating to the Merger. If you are an Evergreen stockholder, you should assume that the merger will be characterized in a manner that is least advantageous to you for U.S. federal income tax purposes on page 25.

For a more detailed description of the federal income tax consequences of the exchange of Evergreen shares in the merger, please see The Merger Material United States Federal Income Tax Consequences of the Merger beginning on page 76.

**Q: What vote of Evergreen stockholders will be required to approve the merger agreement?**

A: The approval of the merger agreement requires the affirmative vote by proxy or in person of the holders of a majority of Evergreen's common stock issued and outstanding and entitled to vote as of the record date for the Evergreen special meeting.

**Q: What will happen if I abstain from voting to approve the merger agreement and the merger?**

A: An abstention or failure to vote shares of Evergreen common stock will have the same effect as a vote against the approval of the merger agreement.

**Q: When should I send in my stock certificates?**

A: To make a valid election regarding the form of merger consideration you wish to receive, you must properly complete, sign and submit the election form that is enclosed with this joint proxy statement/prospectus, together with certificates representing all of your shares of Evergreen common stock, to Continental Stock Transfer & Trust Company, the exchange agent, and not withdraw your election form. The exchange agent must receive your election form and certificates by 5:00 p.m., Eastern time, on September 27, 2004. A return envelope is enclosed for submitting the election form and certificates to the exchange agent. This is the same envelope in which to return completed proxy cards. If your shares are held in a brokerage or other custodial account, you should receive instructions from the entity where your shares are held advising you of the procedures for making your election and delivering your shares. If you do not receive these instructions, you should contact the entity where your shares are held. In the event the merger agreement is terminated, any Evergreen stock certificates that you previously sent to the exchange agent will be promptly returned to you without charge. If you do not properly submit your election form with your stock certificates, then, promptly after the closing date of the merger, the exchange agent will mail to you a letter of transmittal and instructions for surrendering stock certificates for use in exchanging your stock certificates for the merger consideration. See The Merger Agreement Merger Consideration Election Procedures for Base Merger Consideration on page 89.

**Q: Are there risks associated with the merger that I should consider in deciding how to vote?**

A: Yes. You should carefully read the detailed description of the risks associated with the merger and the combined company's operations in Risk Factors beginning on page 23.

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**Q: Whom should I contact if I have questions?**

A: If you have any questions about the merger agreement or the merger, or if you need additional copies of this joint proxy statement/prospectus, the enclosed proxy card or the enclosed election form, you should contact:

D.F. King & Co., Inc.  
48 Wall Street  
New York, New York 10005  
Telephone: (800) 859-8509

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**SUMMARY**

*This summary highlights selected information from this joint proxy statement/prospectus and does not contain all of the information that may be important to you. To understand the merger fully and for a more complete description of the legal terms of the merger, you should carefully read this entire joint proxy statement/prospectus and the other documents to which we refer you. See *Where You Can Find More Information* beginning on page 137. We have included page references parenthetically to direct you to a more complete description of the topics presented in this summary.*

**The Companies**

***Pioneer (see page 38)***

Pioneer Natural Resources Company  
5205 N. O Connor Blvd., Suite 900  
Irving, Texas 75039  
(972) 444-9001

Pioneer is an independent oil and gas exploration and production company with ownership interests in oil and gas properties located in the United States, Argentina, Canada, Equatorial Guinea, Gabon, South Africa and Tunisia. Pioneer's proved reserves are approximately balanced between oil and gas. Approximately 65% of Pioneer's proved reserves are in three areas in the United States: the Hugoton gas field, the West Panhandle gas field and the Spraberry oil and gas field.

***Evergreen (see page 38)***

Evergreen Resources, Inc.  
1401 17th Street, Suite 1200  
Denver, Colorado 80202  
(303) 298-8100

Evergreen is an independent exploration and production company engaged primarily in the operation, development, production, exploration and acquisition of North American unconventional gas properties. Evergreen is one of the leading developers of coal bed methane reserves in the United States. Evergreen's current operations principally focus on developing and expanding its coal bed methane project located in the Raton Basin in southern Colorado.

**The Combined Company**

Upon completion of the merger, Evergreen will be a wholly-owned subsidiary of Pioneer. The merger will result in a strategic alliance between the two companies that will provide an attractive opportunity for the combined company to realize the value of both Pioneer's and Evergreen's long-lived assets and provide stockholders with exposure to high-impact exploration opportunities.

The combined company will continue to balance low-risk growth from its onshore foundation assets with deploying excess cash flow into high-impact, potentially high-return exploration opportunities. The addition of Evergreen's assets will expand Pioneer's existing long-lived North American asset foundation and add a new core area with a significant inventory of low-risk drilling opportunities, including over 2,000 low-risk onshore drilling locations in the United States. The new asset base is expected to provide Pioneer with additional free cash flow, which it can use to rebalance its portfolio and invest in future growth opportunities. The combined company plans to pursue high-potential exploration programs in Alaska, the deepwater Gulf of Mexico, North Africa and West Africa.

*Expansion into the Rocky Mountains.* The combined company will have significant reserves in the Rocky Mountain region. Evergreen's 2003 reported year-end proved reserves amounted to approximately 1,495 Bcfe of gas equivalents, or 249 MMBOE, that are concentrated primarily in the Rocky Mountains in



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the Raton Basin and the Piceance/Uintah Basins, and additional reserves in the Western Canada Sedimentary Basin. These areas have extensive opportunities to extend the existing proved reserves.

*Proved Reserves of the Combined Company.* Based on the December 31, 2003 reserve estimates of both Pioneer and Evergreen, the combined company expects to have proved reserves of 1,059 MMBOE or 6.4 trillion cubic feet of gas equivalent. These proved reserves are 60% gas, with 86% of these proved reserves located in North America. Netherland, Sewell & Associates, Inc., which we refer to in this joint proxy statement/prospectus as Netherland, Sewell, has audited 91% of the combined company's December 31, 2003 proved reserves. In order to conform the reporting of Evergreen's gas used in field compression to that of Pioneer, Evergreen's gas reserve volumes were increased, where applicable, to include the estimate of future gas to be used in field compression. Accordingly, oil and gas revenues and production costs were increased by corresponding dollar amounts to account for the gas revenues and production costs associated with gas used in field compression.

*Production of the Combined Company.* The combined company's production for the three months ended June 30, 2004 averaged approximately 873 MMcf per day of gas and 67 MBbls of liquids per day. The combined company also expects to have substantial exploration potential and a proved reserves to production ratio of 16 years.

*Ratings of the Combined Company.* Pioneer will continue its commitment to achieve a mid-investment grade rating by the end of 2005. The combined company expects to have debt to book capitalization of approximately 45% by the end of 2004, and is targeting debt to book capitalization below 40% by the end of 2005.

*Commodity Hedges of the Combined Company.* In order to mitigate the impact of commodity price changes on the merger and to stabilize product prices so that Pioneer will have sufficient cash to achieve its debt reduction targets by the end of 2005, Evergreen and Pioneer have added commodity hedges for their 2004 and 2005 forecasted oil and gas production. As of August 26, 2004, Evergreen has hedged 110 MMcf per day of its September through December 2004 gas production at an average fixed price of \$4.81 per Mcf and 100 MMcf per day of its 2005 gas production at an average fixed price of \$5.14 per Mcf. Also as of August 26, 2004, Pioneer has hedged 310 MMcf per day of its September through December 2004 gas production at an average fixed price of \$4.40 per Mcf, 175 MMcf per day of its 2005 forecasted gas production at an average fixed price of \$5.15 per Mcf, 24 MBbls per day of its September through December 2004 oil production at an average fixed price of \$29.56 per Bbl, 28 MBbls per day of its forecasted 2005 oil production at an average fixed price of \$28.47 per Bbl and 1 MBbls per day of its forecasted 2005 oil production at a minimum price of \$35.00 per Bbl and a maximum price of \$51.10 per Bbl. Pioneer has also hedged portions of its 2006 and 2007 forecasted gas production and portions of its 2006, 2007 and 2008 forecasted oil production.

*Increased Production of the Combined Company.* If the merger is completed by the end of the third quarter of 2004, the combined company will realize an increase in production levels over those currently being produced by Pioneer. For 2004, Pioneer estimates that total production will range from 70 to 73 MMBOE, including a full quarter of production from the Evergreen assets. The combined company is expected to realize production growth during 2005 of approximately 10% to 15% over Pioneer's forecasted 2004 production, reflecting the assumed combined production during the fourth quarter of 2004.

*Directors of the Combined Company.* At the time of the merger, two of Evergreen's directors, Mark Sexton and Andrew Lundquist, will join Pioneer's board of directors.

*Environmental Focus of the Combined Company.* The combined company will continue to strive to use environmentally responsible operating techniques, a hallmark of both Pioneer and Evergreen.



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### **The Merger**

#### ***The Merger Agreement (see page 86)***

The merger agreement is attached as Annex A to this document. We encourage you to read the merger agreement carefully and in its entirety. It is the principal document governing the merger.

#### ***What Evergreen Stockholders Will Receive in the Merger (see page 86)***

Evergreen stockholders have the option to elect to receive one of three forms of merger consideration for each share of Evergreen common stock held: (i) 1.1635 shares of Pioneer common stock, subject to allocation and proration; (ii) \$39.00 in cash, subject to allocation and proration; or (iii) 0.58175 shares of Pioneer common stock and \$19.50 in cash. Each holder must make the same election with respect to all of its shares of Evergreen common stock. Evergreen stockholders who do not make an election will receive 0.58175 shares of Pioneer common stock and \$19.50 in cash for each share of Evergreen common stock held. In addition, Evergreen stockholders are entitled to receive an additional cash payment equal to the sum of (i) \$0.35 per share of Evergreen common stock as consideration from Pioneer for Evergreen's properties located in Kansas; plus (ii) an amount per share of Evergreen common stock equal to a pro rata share of the net proceeds in excess of \$15 million from Evergreen's sale, if any, of its Kansas properties to a third party if a sale occurs prior to the closing of the merger. Evergreen has ceased to actively market the Kansas properties, and it thus appears likely that Evergreen stockholders will receive only \$0.35 per share of Evergreen common stock with respect to the Kansas properties. *Q: What is the status of the sale of Evergreen's Kansas properties to a third party?* on See page 7. For further discussion of the consideration each Evergreen stockholder is entitled to receive, see *The Merger Agreement Merger Consideration* beginning on page 86.

#### ***Recommendations of the Boards of Directors***

##### ***Pioneer (see page 51)***

At its meeting on May 3, 2004, after due consideration, the Pioneer board of directors, except for Scott Sheffield, who recused himself from voting and did not participate in the meeting in which such vote was taken, unanimously adopted resolutions (i) determining that the merger agreement, the merger in accordance with the terms of the merger agreement, the issuance of shares of Pioneer common stock pursuant to the merger, and the other transactions contemplated by the merger agreement are advisable and in the best interests of Pioneer and its stockholders, (ii) approving the merger agreement, the merger, and the other transactions contemplated by the merger agreement and approving the issuance of Pioneer common stock pursuant to the merger, and (iii) recommending that the Pioneer stockholders vote **FOR** the approval of the issuance of shares of Pioneer common stock in the merger. Mr. Sheffield recused himself from voting with respect to these matters and did not participate in the meeting in which such vote was taken because he is a member of Evergreen's board of directors in addition to serving as Chairman of the Board, President and Chief Executive Officer of Pioneer.

##### ***Evergreen (see page 53)***

At its meeting on May 3, 2004, after due consideration, the Evergreen board of directors, except for Scott Sheffield, who recused himself from voting and did not participate in the meeting in which such vote was taken, unanimously adopted resolutions (i) determining that the merger agreement, the merger in accordance with the terms of the merger agreement, and the other transactions contemplated thereby are advisable and in the best interests of Evergreen and its stockholders, (ii) approving and adopting the merger agreement, the merger, and the other transactions contemplated by the merger agreement, and (iii) recommending that the Evergreen stockholders vote **FOR** the approval of the merger agreement. Mr. Sheffield recused himself from voting with respect to these matters and did not participate in the meeting in which such vote was taken because he is Chairman of the Board, President and Chief Executive Officer of Pioneer in addition to serving as a member of Evergreen's board of directors.

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### ***Vote Required***

#### *Pioneer (see page 40)*

The approval of the issuance of shares of Pioneer common stock in the merger requires the affirmative vote of a majority of the votes cast by holders of Pioneer common stock by proxy or in person and entitled to vote as of the record date for the special meeting. The total vote cast by Pioneer stockholders at the meeting must represent more than 50% of all shares of Pioneer common stock issued and outstanding and entitled to vote as of the record date for the special meeting.

As of July 30, 2004, shares representing less than 1% of the total outstanding shares of Pioneer common stock were held by Pioneer's directors, executive officers and their respective affiliates.

#### *Evergreen (see page 42)*

The approval of the merger agreement requires the affirmative vote by proxy or in person of the holders of a majority of Evergreen's common stock issued and outstanding and entitled to vote as of the record date for the Evergreen special meeting.

As of July 30, 2004, shares representing approximately 4% of the total outstanding shares of Evergreen common stock were held by Evergreen's directors, executive officers and their respective affiliates.

### ***Fairness Opinions of Financial Advisors***

#### *Pioneer (see page 57)*

In deciding to approve the merger agreement, Pioneer's board of directors considered the oral opinion of J.P. Morgan Securities Inc., which we refer to in this joint proxy statement/prospectus as JPMorgan, delivered on May 3, 2004, which was subsequently confirmed in writing, that, as of that date and based upon and subject to the matters set forth in the opinion, the consideration to be paid by Pioneer in the merger was fair, from a financial point of view, to Pioneer. The written opinion of JPMorgan confirming their oral opinion is attached as Annex B to this document. **We urge Pioneer stockholders to read the JPMorgan opinion carefully and in its entirety. JPMorgan's advisory services and opinion were provided for the information of the Pioneer board of directors in its evaluation of the proposed merger and did not constitute a recommendation of the merger to Pioneer or a recommendation to any holder of Pioneer common stock as to how that stockholder should vote on any matters relating to the merger.**

#### *Evergreen (see page 64)*

In deciding to approve the merger agreement, Evergreen's board of directors considered the oral opinion of Citigroup Global Markets Inc., which we refer to in this joint proxy statement/prospectus as Citigroup, delivered on May 3, 2004, which was subsequently confirmed in writing, that, as of that date and based upon and subject to the matters set forth in the opinion, the merger consideration to be received by the holders of Evergreen common stock in the merger was fair, from a financial point of view, to the holders of Evergreen common stock. The written opinion of Citigroup is attached as Annex C to this document. **We urge Evergreen stockholders to read the Citigroup opinion carefully and in its entirety.** Citigroup provided its advisory services and opinion for the information of the Transactions Committee and the Evergreen board of directors in connection with their evaluation of the merger. The Citigroup opinion is not a recommendation, and Citigroup makes no recommendation, to any stockholder regarding how such stockholder should vote on any matters relating to the merger.

### ***Interests of Directors and Management in the Merger***

#### *Pioneer (see page 74)*

Scott Sheffield, Pioneer's Chairman of the Board, President and Chief Executive Officer, is also a director of Evergreen and owns 6,400 shares of Evergreen common stock, options to purchase 4,800 shares



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of Evergreen common stock that are fully exercisable, options to purchase 19,200 shares of Evergreen common stock that are not fully exercisable and an award for 9,600 shares of Evergreen restricted stock. The lapsing of the restrictions applicable to Mr. Sheffield's Evergreen restricted stock award will be accelerated as of the effective time, and all of Mr. Sheffield's unvested options will become fully exercisable as of the effective time. Mr. Sheffield also beneficially owns 605,906 shares of Pioneer common stock, of which 298,000 shares are subject to options and 133,350 shares are unvested shares of restricted stock.

*Evergreen (see page 74)*

Some of the directors and officers of Evergreen have interests in the merger that are different from or in addition to the interests of other Evergreen stockholders. These interests include positions as directors of Pioneer after the merger, substantial payments and benefits under change of control agreements that are triggered upon the completion of the merger, payments under consulting and non-competition agreements entered into with Pioneer, and accelerated vesting of stock options and restricted stock awards as a result of the merger. Pioneer and Messrs. Carlton, Collins and Sexton disagree about the amount of cash that would be payable to those three executives under their change in control agreements if the merger is completed, and the three executives have made a written request to submit the matter to arbitration.

***Material United States Federal Income Tax Consequences of the Merger (see page 76)***

In deciding whether to vote to approve the merger agreement you are urged to assume that the merger and post-closing merger will be ultimately characterized in a manner that is least advantageous to you for U.S. federal income tax purposes.

See Risk Factors Risks Relating to the Merger. If you are an Evergreen stockholder, you should assume that the merger will be characterized in a manner that is least advantageous to you for U.S. federal income tax purposes on page 25. For a detailed description of the federal income tax consequences of the exchange of Evergreen shares in the merger, please see The Merger Material United States Federal Income Tax Consequences of the Merger beginning on page 76.

***Certain Differences in Stockholders' Rights (see page 128)***

The rights of Pioneer stockholders are governed by Delaware law and are subject to Pioneer's amended and restated certificate of incorporation and restated bylaws. The rights of Evergreen's stockholders are governed by Colorado law and are subject to Evergreen's articles of incorporation and bylaws. Upon completion of the merger, the rights of both stockholder groups will be governed by Delaware law and Pioneer's amended and restated certificate of incorporation and restated bylaws.

***Dissenters' Rights (see page 82)***

As a result of the merger, Evergreen stockholders will have dissenters' rights of appraisal under Colorado law. In order to perfect such rights, Evergreen stockholders who demand appraisal of their shares should follow the procedures described under The Merger Dissenters' Rights of Appraisal of Evergreen Stockholders beginning on page 82 and in Annex D. Pioneer stockholders will not have any dissenters' rights.

***Conditions to Completion of the Merger (see page 99)***

Pioneer's and Evergreen's obligations to complete the merger are each subject to the fulfillment or waiver, if applicable, of a number of conditions, including the following:

the approval of the merger agreement by holders of a majority of the outstanding shares of Evergreen common stock and the approval of the issuance of Pioneer common stock by Pioneer stockholders;

the absence of any legal prohibition against the completion of the merger;

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the expiration or termination of the applicable waiting period under the HSR Act, which expired on July 22, 2004;

the approval for listing by the New York Stock Exchange of the shares of Pioneer common stock to be issued, or reserved for issuance, in connection with the merger;

the non-competition and consulting agreements between Pioneer and certain of Evergreen's officers remaining in full force and effect;

the aggregate number of shares of Evergreen common stock entitled to vote at the Evergreen special meeting and held by persons or entities that exercise their dissenters' rights not exceeding 5% of the total number of issued and outstanding shares of Evergreen common stock;

the truth and correctness of our respective representations and warranties in the merger agreement, to the extent set forth in the merger agreement;

the performance in all material respects of all obligations required to be performed by each of us under the merger agreement at or prior to the closing date of the merger;

the absence of any material adverse effect on either of us from the date of the merger agreement through the closing date of the merger; and

the receipt by each of Pioneer and Evergreen of an opinion of tax counsel to the effect that for U.S. federal income tax purposes, no gain will be recognized by Pioneer, BC Merger Sub or Evergreen as a consequence of either the merger or the post-closing merger. Pioneer and Evergreen have received these opinions.

***Termination of the Merger Agreement (see page 100)***

Pioneer and Evergreen can jointly agree to terminate the merger agreement at any time. Either company may also terminate the merger agreement:

if the merger is not completed on or before December 31, 2004, as long as the failure to complete the merger before that date is not the result of the terminating company's breach of any representation or warranty or failure to fulfill any covenant or agreement under the merger agreement;

if a final and nonappealable action by a governmental entity permanently prohibits the completion of the merger;

if any required stockholder approval has not been obtained due to the failure to obtain the required vote at a duly held meeting of stockholders at which a vote is taken;

if the other company's board of directors fails to take certain actions regarding the approval and recommendation of the merger;

if any representation or warranty of the other company is not true in all material respects when made or becomes untrue at the time of termination and the breach is not cured within 30 days following receipt of notice of the breach;

if there is a material adverse effect on the other company; or

if the other company fails to comply in any material respect with any covenant or agreement contained in the merger agreement and the breach has not been cured within 30 days after written notice of the breach.

In addition, Pioneer may terminate the merger agreement in the event that (i) holders of more than 5% of the total number of issued and outstanding shares of Evergreen common stock exercise their dissenters' rights, (ii) Evergreen's board of directors changes its recommendation that Evergreen stockholders approve the merger, (iii) Evergreen fails to comply with the provisions of the merger agreement relating to acquisition proposals, or (iv) within ten days after commencement of any tender or

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exchange offer for shares of Evergreen common stock, Evergreen's board of directors fails to recommend against acceptance of any such tender or exchange offer or takes no position with respect to the tender or exchange offer. Evergreen may terminate the merger agreement, subject to certain conditions, if its board of directors changes its recommendation that Evergreen stockholders approve the merger in order to accept a superior offer from a third party and Pioneer has not made a new offer that is at least as favorable to Evergreen stockholders from a financial point of view as the superior offer.

**Termination Fee (see page 102)**

Pioneer and Evergreen have each agreed to pay a termination fee of \$35 million to the other company if the merger agreement is terminated under the circumstances described under "The Merger Agreement - Termination Fee" beginning on page 102.

**Acquisition Proposals (see page 95)**

The merger agreement generally prohibits Evergreen and its officers, directors, employees, agents and representatives from taking any action to solicit an acquisition proposal as described on page 95. The merger agreement does not, however, prohibit Evergreen or its board of directors from considering, and potentially recommending, an unsolicited, bona fide, written superior offer from a third party in the circumstances described under "The Merger Agreement - Acquisition Proposals" beginning on page 95.

**Comparative Market Price Information**

Shares of Pioneer common stock are listed on the New York Stock Exchange under the symbol PXD, and shares of Evergreen common stock are listed on the New York Stock Exchange under the symbol EVG. The following table presents the last reported sale price per share of Pioneer common stock and Evergreen common stock, as reported on the New Stock Exchange reporting system on May 3, 2004, the last full trading day prior to the public announcement of the merger, and on August 26, 2004, the last trading day for which this information could be obtained prior to the date of this joint proxy statement/prospectus.

	<b>Pioneer Common Stock</b>	<b>Evergreen Common Stock</b>
May 3, 2004	\$33.52	\$40.63
August 26, 2004	\$32.50	\$38.49

**Table of Contents****Selected Historical Financial Information of Pioneer**

The following selected consolidated financial data is derived from Pioneer's consolidated financial statements. This information is only a summary and does not provide all of the information contained in Pioneer's consolidated financial statements, including the related notes and Management's Discussion and Analysis of Financial Condition and Results of Operations, which are part of Pioneer's Quarterly Report on Form 10-Q for the three and six month periods ended June 30, 2004 and Annual Report on Form 10-K for the year ended December 31, 2003. Pioneer's financial statements and other information filed with the SEC should be read in conjunction with the following information.

	Six Months Ended June 30,		Year Ended December 31,				
	2004	2003	2003	2002	2001	2000	1999
(In millions, except per share data)							
<b>Statement of Operations Data:</b>							
Revenues and other income:							
Oil and gas(a)	\$ 893.5	\$ 629.2	\$ 1,314.4	\$ 718.0	\$ 860.0	\$ 854.0	\$ 645.7
Interest and other(b)	3.3	4.0	12.3	11.2	21.8	25.8	89.7
Gain (loss) on disposition of assets, net	(0.2)	1.5	1.3	4.4	7.7	34.2	(24.2)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total revenues and other income	896.6	634.7	1,328.0	733.6	889.5	914.0	711.2
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Costs and expenses:							
Oil and gas production(a)	184.8	141.7	295.3	215.8	222.7	190.6	160.6
Depletion, depreciation and amortization	279.2	170.6	390.8	216.4	222.6	214.9	236.1
Impairment of properties and facilities							17.9
Exploration and abandonments	120.2	82.9	132.8	85.9	127.9	87.5	66.0
General and administrative	35.5	29.1	60.5	48.4	37.0	33.3	40.2
Reorganization							8.5
Accretion of discount on asset retirement obligations	4.0	2.3	5.0				
Interest	43.0	46.3	91.4	95.8	131.9	162.0	170.3
Other(c)	8.5	10.9	21.4	39.5	43.4	79.5	34.7
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total costs and expenses	675.2	483.8	997.2	701.8	785.5	767.8	734.3
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Income (loss) before income taxes and cumulative effect of change in accounting principle	221.4	150.9	330.8	31.8	104.0	146.2	(23.1)
Income tax benefit (provision)(d)	(91.5)	(4.9)	64.4	(5.1)	(4.0)	6.0	.6
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Income (loss) before cumulative effect of change in accounting principle	129.9	146.0	395.2	26.7	100.0	152.2	(22.5)
Cumulative effect of change in accounting principle, net of tax(e)		15.4	15.4				
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Net income (loss)	\$ 129.9	\$ 161.4	\$ 410.6	\$ 26.7	\$ 100.0	\$ 152.2	\$ (22.5)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Income (loss) before cumulative effect of change in accounting principle per share:							
Basic	\$ 1.09	\$ 1.25	\$ 3.37	\$ .24	\$ 1.01	\$ 1.53	\$ (.22)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Diluted	\$ 1.08	\$ 1.23	\$ 3.33	\$ .23	\$ 1.00	\$ 1.53	\$ (.22)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Net income (loss) per share:							
Basic	\$ 1.09	\$ 1.38	\$ 3.50	\$ .24	\$ 1.01	\$ 1.53	\$ (.22)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Diluted	\$ 1.08	\$ 1.36	\$ 3.46	\$ .23	\$ 1.00	\$ 1.53	\$ (.22)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

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<b>Weighted average shares outstanding:</b>							
Basic	118.8	116.9	117.2	112.5	98.5	99.4	100.3
<b>Diluted</b>							
Diluted	120.3	118.8	118.5	114.3	99.7	99.8	100.3
<b>Dividends per share</b>							
Dividends per share	\$ .10	\$	\$	\$	\$	\$	\$
<b>Balance Sheet Data (as of period end):</b>							
Total assets	\$ 3,944.5	\$ 3,700.7	\$ 3,951.6	\$ 3,455.1	\$ 3,271.1	\$ 2,954.4	\$ 2,929.5
Long-term liabilities	\$ 1,700.4	\$ 1,927.5	\$ 1,762.0	\$ 1,805.6	\$ 1,757.5	\$ 1,833.0	\$ 1,958.0
Total stockholders' equity	\$ 1,784.9	\$ 1,414.0	\$ 1,759.8	\$ 1,374.9	\$ 1,285.4	\$ 904.9	\$ 774.6

- (a) Certain amounts for periods ended prior to January 1, 2004 have been reclassified to conform with the presentation for periods ended subsequent to January 1, 2004.
- (b) Interest and other income for 1999 includes \$41.8 million of option fees and liquidated damages and \$30.2 million of income associated with an excise tax refund.
- (c) Other expense for 2003, 2002, 2001 and 2000 include losses on the early extinguishment of debt of \$1.5 million, \$22.3 million, \$3.8 million and \$12.3 million, respectively. Other expense for 2001, 2000 and 1999 include noncash mark-to-market charges for changes in the fair values of non-hedge financial instruments of \$11.5 million, \$58.5 million and \$27.0 million, respectively.
- (d) Income tax benefit for 2003 includes a \$197.7 million adjustment in September 2003 to reduce United States deferred tax asset valuation allowances.
- (e) Cumulative effect of change in accounting principle for 2003 relates to the adoption of SFAS No. 143 on January 1, 2003.



**Table of Contents****Selected Historical Financial Information of Evergreen**

The following selected consolidated financial data is derived from Evergreen's consolidated financial statements. This information is only a summary and does not provide all of the information contained in Evergreen's consolidated financial statements, including the related notes and Management's Discussion and Analysis of Financial Condition and Results of Operations, which are part of Evergreen's Quarterly Report on Form 10-Q for the three and six month periods ended June 30, 2004 and Annual Report on Form 10-K for the year ended December 31, 2003. Evergreen's financial statements and other information filed with the SEC should be read in conjunction with the following information.

	Six Months Ended June 30,		Year Ended December 31,				
	2004	2003	2003	2002	2001	2000	1999
(In millions, except per share data)							
<b>Statement of Operations Data:</b>							
Revenues and other income:							
Oil and natural gas revenues	\$ 130.2	\$ 102.0	\$ 215.5	\$ 111.6	\$ 119.7	\$ 59.1	\$ 26.7
Interest and other	.5	.4	1.0	.5	1.0	.6	.2
Total revenues and other income	130.7	102.4	216.5	112.1	120.7	59.7	26.9
Costs and expenses:							
Lease operating expenses	14.6	10.0	21.0	16.2	12.2	7.5	4.2
Transportation costs	7.3	6.9	14.5	12.2	9.5	5.9	4.0
Production and property taxes	6.2	6.0	11.1	6.0	5.5	2.6	1.1
Depreciation, depletion and amortization	21.0	11.7	26.9	20.9	16.2	8.2	4.8
Impairment of international properties			1.7	51.5			
General and administrative expenses	10.3	5.9	14.6	9.2	7.0	4.4	3.0
Accretion of discount on asset retirement obligations	.4	.2	.5				
Interest expense	6.0	4.3	8.3	8.3	8.3	3.3	1.9
Other, net(a)	4.2	.6	2.4	.7	.7	.1	.2
Total costs and expenses	70.0	45.6	101.0	125.0	59.4	32.0	19.2
Income (loss) before income taxes, discontinued operations and cumulative effect of change in accounting principle	60.7	56.8	115.5	(12.9)	61.3	27.7	7.7
Income tax benefit (provision)	(22.2)	(20.7)	(42.2)	4.6	(22.8)	(10.7)	(3.0)
Income (loss) before discontinued operations and cumulative effect of change in accounting principle	38.5	36.1	73.3	(8.3)	38.5	17.0	4.7
Discontinued operations							.4
Income (loss) before cumulative effect of change in accounting principle	38.5	36.1	73.3	(8.3)	38.5	17.0	5.1
Cumulative effect of change in accounting principle, net of tax(b)		(.7)	(.7)				
Net income (loss)	38.5	35.4	72.6	(8.3)	38.5	17.0	5.1
Preferred stock dividends						(2.9)	
Net income (loss) attributable to common stockholders	\$ 38.5	\$ 35.4	\$ 72.6	\$ (8.3)	\$ 38.5	\$ 14.1	\$ 5.1

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Income (loss) before cumulative effect of change in accounting principle per share:							
Basic	\$ .89	\$ .94	\$ 1.86	\$ (.22)	\$ 1.04	\$ .46	\$ .20
Diluted	\$ .82	\$ .91	\$ 1.79	\$ (.22)	\$ .99	\$ .43	\$ .19
Net income (loss) per share:							
Basic	\$ .89	\$ .92	\$ 1.84	\$ (.22)	\$ 1.04	\$ .46	\$ .20
Diluted	\$ .82	\$ .89	\$ 1.77	\$ (.22)	\$ .99	\$ .43	\$ .19
Weighted average shares outstanding:							
Basic	43.1	38.4	39.4	37.9	37.1	30.9	25.9
Diluted	48.6	39.8	41.3	37.9	38.8	32.5	27.3
Dividends per share	\$	\$	\$	\$	\$	\$	\$
<b>Balance Sheet Data (as of period end):</b>							
Total assets	\$ 1,028.3	\$ 687.0	\$ 905.1	\$ 606.7	\$ 556.0	\$ 450.7	\$ 184.4
Long-term liabilities and minority interest	\$ 426.0	\$ 285.8	\$ 365.5	\$ 269.3	\$ 219.7	\$ 170.4	\$ 24.4
Total stockholders' equity	\$ 512.5	\$ 355.6	\$ 482.9	\$ 312.4	\$ 314.9	\$ 266.9	\$ 153.5

- (a) Other expense for the six months ended June 30, 2004 includes \$2.6 million of merger expenses.  
(b) Cumulative effect of change in accounting principle for 2003 relates to the adoption of SFAS No. 143 on January 1, 2003.

**Table of Contents****Selected Unaudited Pro Forma Financial Information**

The following unaudited pro forma combined statement of operations data of Pioneer for the six months ended June 30, 2004 and the year ended December 31, 2003 have been prepared to give effect to the merger as if the merger and Evergreen's October 29, 2003 acquisition of Carbon Energy Corporation had each occurred on January 1, 2003. The unaudited pro forma combined balance sheet data of Pioneer as of June 30, 2004 has been prepared to give effect to the merger as if the merger had occurred on June 30, 2004. The unaudited pro forma financial information assumes that Evergreen will not sell its Kansas properties to a third party prior to the closing of the merger.

The following unaudited pro forma financial information is not necessarily indicative of the results that might have occurred had the transactions taken place on June 30, 2004 or January 1, 2003 and are not intended to be a projection of future results. Future results may vary significantly from the results reflected in the following unaudited pro forma financial information because of normal production declines, changes in commodity prices, future acquisitions and divestitures, future development and exploration activities, and other factors. The

Unaudited Pro Forma Combined Financial Statements included elsewhere in this joint proxy statement/prospectus and the notes thereto should be read in conjunction with the following unaudited pro forma financial information.

	Six Months Ended June 30, 2004	Year Ended December 31, 2003
(In millions, except per share data)		
<b>Pro Forma Statement of Operations Data:</b>		
Revenues and other income:		
Oil and gas	\$ 1,039.8	\$ 1,576.2
Interest and other	3.8	13.2
Gain (loss) on disposition of assets, net	(.3)	5.1
	<u>1,043.3</u>	<u>1,594.5</u>
Costs and expenses:		
Oil and gas production	228.9	374.7
Depletion, depreciation and amortization	322.1	471.7
Exploration and abandonments	120.2	134.5
General and administrative	51.3	95.2
Accretion of discount on asset retirement obligations	4.4	5.5
Interest	58.0	123.0
Other	10.0	27.9
	<u>794.9</u>	<u>1,232.5</u>
Income before income taxes and cumulative effect of change in accounting principle	248.4	362.0
Income tax benefit (provision)(a)	(101.4)	53.0
	<u>\$ 147.0</u>	<u>\$ 415.0</u>
Income before cumulative effect of change in accounting principle per share:		
Basic	<u>\$ 1.02</u>	<u>\$ 2.91</u>
Diluted	<u>\$ .99</u>	<u>\$ 2.83</u>
Weighted average shares outstanding:		
Basic	<u>144.1</u>	<u>142.5</u>

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Diluted	149.0	147.2
	<b>_____</b>	<b>_____</b>
Dividends per share	\$ .10	\$
	<b>_____</b>	<b>_____</b>
<b>Pro Forma Balance Sheet Data (as of period end):</b>		
Total assets	\$6,653.4	
Long-term liabilities and minority interest	\$3,401.5	
Total stockholders' equity	\$2,703.1	

- (a) Income tax benefit for the year ended December 31, 2003 includes a \$197.7 million adjustment in September 2003 to reduce United States deferred tax asset valuation allowances.

**Table of Contents****Comparative Per Share Data**

The following table sets forth certain historical per share data of Pioneer and Evergreen and per share data on an unaudited pro forma basis after giving effect to the merger. This data should be read in conjunction with the Summary The Combined Company, Unaudited Pro Forma Combined Financial Statements and the separate Consolidated Financial Statements of Pioneer and Evergreen and the notes thereto. The unaudited pro forma financial information below is not necessarily indicative of the operating results that would have been achieved had the merger been in effect as of the beginning of the periods and should not be construed as representative of future operations.

	Six Months Ended June 30,		Year Ended December 31,				
	2004	2003	2003	2002	2001	2000	1999
<b>Pioneer</b>							
Book value per common share	\$ 14.87	\$ 12.00	\$ 14.75	\$ 11.73	\$ 12.37	\$ 9.19	\$ 7.72
Cash dividends per common share	\$ .10	\$	\$	\$	\$	\$	\$
Income (loss) before cumulative effect of change in accounting principle per common share:							
Basic	\$ 1.09	\$ 1.25	\$ 3.37	\$ .24	\$ 1.01	\$ 1.53	\$ (.22)
Diluted	\$ 1.08	\$ 1.23	\$ 3.33	\$ .23	\$ 1.00	\$ 1.53	\$ (.22)
<b>Evergreen</b>							
Book value per common share	\$ 11.88	\$ 9.11	\$ 11.25	\$ 8.20	\$ 8.36	\$ 7.28	\$ 5.25
Cash dividends per common share	\$	\$	\$	\$	\$	\$	\$
Income (loss) before cumulative effect of change in accounting principle per common share:							
Basic	\$ .89	\$ .94	\$ 1.86	\$ (.22)	\$ 1.04	\$ .46	\$ .20
Diluted	\$ .82	\$ .91	\$ 1.79	\$ (.22)	\$ .99	\$ .43	\$ .19
<b>Pro Forma Pioneer</b>							
Book value per common share	\$ 18.59	N/A	N/A	N/A	N/A	N/A	N/A
Cash dividends per common share	\$ .10	N/A	\$	N/A	N/A	N/A	N/A
Income before cumulative effect of change in accounting principle per common share:							
Basic	\$ 1.02	N/A	\$ 2.91	N/A	N/A	N/A	N/A
Diluted	\$ .99	N/A	\$ 2.83	N/A	N/A	N/A	N/A

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**RISK FACTORS**

*As you review all of the information included in or incorporated by reference into this joint proxy statement/prospectus and consider how to vote, you should pay particular attention to the following risk factors relating to the merger and the following risk factors relating to our business after the merger.*

**Risks Relating to the Merger**

***Because the exchange ratio of Evergreen common stock to Pioneer common stock is fixed (see [Questions and Answers about the Merger](#) ), the value of Pioneer common stock that will be issued to Evergreen stockholders in the merger will depend on the market price of Pioneer common stock when the merger is completed.***

Evergreen stockholders who receive Pioneer common stock in the merger will receive a fixed number of shares of Pioneer common stock, rather than a number of shares with a particular fixed market value. The market values of Pioneer and Evergreen common stock when the merger occurs may vary significantly from their prices on the date the merger agreement was executed, the date of this joint proxy statement/prospectus or the date on which Evergreen stockholders vote on the merger. Because the exchange ratio will not be adjusted to reflect any changes in the market value of Pioneer or Evergreen common stock, the market values of the Pioneer common stock issued in the merger and the Evergreen common stock surrendered in the merger may be higher or lower than the values of those shares on earlier dates. Stock price changes may result from a variety of factors that are beyond the control of Pioneer and Evergreen, including:

changes in their businesses, operations and prospects;

regulatory considerations;

market assessments of the likelihood that the merger will be completed;

the timing of the completion of the merger; and

general and oil-and-gas-specific market and economic conditions.

Evergreen is not permitted to terminate the merger or resolicit the vote of its stockholders solely because of changes in the market price of either company's common stock.

***Evergreen stockholders who elect to receive all cash or all stock in the merger may not receive all of their merger consideration in the form that they elect.***

The merger agreement provides that the merger consideration, other than consideration for the Kansas properties, will be paid in Pioneer common stock, cash or a combination of Pioneer common stock and cash, at the election of each Evergreen stockholder. The merger agreement also provides that the aggregate number of shares of Pioneer common stock to be issued in the merger and the amount of cash to be paid in the merger, not counting cash paid with respect to Evergreen's Kansas properties, are each subject to a limit. In the event that, taking into account the elections made and deemed made by holders of Evergreen common stock, the number of shares of Pioneer common stock to be issued as merger consideration would exceed the maximum number of Pioneer shares issuable in the merger pursuant to the merger agreement, then the number of shares of Pioneer common stock issued to holders who made elections to receive all Pioneer common stock will be reduced (and the amount of cash they receive will be increased) so that the aggregate stock consideration does not exceed the maximum limit. Similarly, in the event that, taking into account the elections made and deemed made by holders of Evergreen common stock, the amount of cash to be paid as merger consideration, other than cash paid with respect to Evergreen's Kansas properties, would exceed the maximum amount of cash payable in the merger pursuant to the merger agreement, then the amount of cash paid to holders who made elections to receive all cash will be reduced (and the amount of Pioneer common stock they receive will be increased) so that the aggregate cash consideration does not exceed the maximum limit. Accordingly, no assurance can be given that holders of Evergreen common stock who elect to receive all cash or all stock, other than cash

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paid with respect to Evergreen's Kansas properties, will receive the merger consideration that they elect. Evergreen stockholders who elect to receive 0.58175 shares of Pioneer common stock and \$19.50 in cash will receive the merger consideration as they elected if the merger occurs. See The Merger Agreement Merger Consideration Maximum Aggregate Consideration beginning on page 89 and The Merger Agreement Merger Consideration Allocation Procedures beginning on page 90.

***If the merger does not occur, Pioneer and Evergreen will not benefit from the expenses they have incurred in the pursuit of the merger.***

The merger may not be completed. If the merger is not completed, Pioneer and Evergreen will have incurred substantial expenses for which no ultimate benefit will have been received by either company. The parties currently expect to incur out of pocket expenses of \$8 million for services in connection with the merger, consisting of investment banking, legal and accounting fees, and financial printing and other related charges, much of which may be incurred even if the merger is not completed. In addition, if the merger agreement is terminated under specified circumstances, either Pioneer or Evergreen will be required to pay a \$35 million termination fee.

***Directors and executive officers of Evergreen may have interests in the merger that are different from those of Evergreen stockholders.***

A number of directors of Evergreen who recommend that Evergreen stockholders vote in favor of the approval of the merger agreement and certain executive officers of Evergreen have benefit or compensation arrangements and severance agreements that provide them with interests in the merger that may be different than yours. See The Merger Interests of Evergreen's Directors and Management in the Merger beginning on page 74. The receipt of compensation or other benefits in connection with the merger (including severance, change in control and other payments, acceleration of the vesting of stock options, extension of the period during which options remain exercisable following a change in control or termination of employment or service as a director and the lapsing of restrictions on restricted stock awards as a result of the merger), or the continuation of indemnification arrangements and directors' and officers' insurance policies for current directors and executive officers of Evergreen following completion of the merger, may influence these directors and executive officers in making their recommendation that you vote in favor of the merger. In addition, one of the directors of Evergreen is the Chairman of the Board, President and Chief Executive Officer of Pioneer, although he did not participate in meetings in which the merger was considered or in the vote of the Evergreen directors with respect to the merger. You should consider these interests in connection with your vote on the merger, including whether these interests may have influenced these directors and executive officers to recommend or support the merger.

***The Chairman of the Board, President and Chief Executive Officer of Pioneer may have interests in the merger that are different from those of Pioneer stockholders.***

Scott Sheffield, the Chairman of the Board, President and Chief Executive Officer of Pioneer, has interests in the merger that are or may be different from, or in addition to, the interests of Pioneer stockholders. In particular, Mr. Sheffield is a member of Evergreen's board of directors and owes fiduciary duties to Evergreen and its stockholders. Mr. Sheffield also owns 6,400 shares of Evergreen common stock, options to purchase 4,800 shares of Evergreen common stock that are fully exercisable, options to purchase 19,200 shares of Evergreen common stock that are not fully exercisable and a restricted stock award for 9,600 shares of Evergreen common stock. The lapsing of the restrictions applicable to Mr. Sheffield's Evergreen restricted stock award will be accelerated as of the effective time, and all of Mr. Sheffield's unvested options will become fully exercisable as of the effective time. Mr. Sheffield also beneficially owns 605,906 shares of Pioneer common stock, of which 298,000 shares are subject to options and 133,350 shares are unvested shares of restricted stock.

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### ***The integration of Pioneer and Evergreen following the merger will present significant challenges.***

Upon completion of the merger, the integration of the operations of Pioneer and Evergreen will require significant management resources over the near term following the merger. The difficulties of assimilation may be increased by the necessity of coordinating geographically separated organizations and integrating operations, systems and personnel. The process of combining the organizations may cause an interruption of, or a loss of momentum in, the activities of some or all of the companies' businesses, which could have an adverse effect on the revenues and operating results of the combined company, at least in the near term. The failure to successfully integrate Pioneer and Evergreen, to retain key personnel, to successfully establish controls and procedures and to successfully manage the challenges presented by the integration process may result in Pioneer and Evergreen not achieving the anticipated potential benefits of the merger.

### ***If you are an Evergreen stockholder, you should assume that the merger will be characterized in a manner that is least advantageous to you for U.S. federal income tax purposes.***

In deciding whether to vote to approve the merger agreement you are urged to assume that the merger and post-closing merger will be ultimately characterized in a manner that is least advantageous to you for U.S. federal income tax purposes. In other words, in general:

if you would realize a gain with respect to your Evergreen common stock, you should assume the merger and the post-closing merger will ultimately not be characterized as a reorganization and you will recognize such gain, or

if you would realize a loss with respect to your Evergreen common stock, you should assume the merger and post-closing merger will ultimately be characterized as a reorganization and you will not be permitted to recognize such loss.

The federal income tax effects of the merger and the post-closing merger depend upon whether or not such transactions are properly classified as a reorganization for federal income tax purposes. Reorganization classification depends upon the value of a share of Pioneer common stock when the merger occurs and certain other matters that cannot be determined prior to that time. Accordingly, Evergreen's tax counsel is unable to render an opinion in this joint proxy statement/prospectus as to whether the merger and post-closing merger will be a reorganization. Hence, no assurance can be given that the merger and post-closing merger will be a reorganization for federal income tax purposes. Classification of the merger and the post-closing merger as a reorganization for federal income tax purposes is not a condition to the closing of the merger.

For a more detailed description of the federal income tax consequences of the exchange of Evergreen shares in the merger, please see "The Merger - Material United States Federal Income Tax Consequences of the Merger" beginning on page 76.

## **Risks Relating to the Combined Company's Business After the Completion of the Merger**

### ***Volatile product prices and markets could adversely affect results of the combined company.***

The revenues, profitability, cash flow and future rate of growth for Pioneer and Evergreen are, and for the combined company will be, highly dependent upon the market prices of and demand for oil, NGLs and gas. Historically, the markets for oil, NGLs and gas have been volatile and are likely to continue to be volatile in the future. The future prices received by the combined company for its oil, NGLs and gas production are dependent upon numerous factors that are beyond its control. These factors include, but are not limited to:

the level of ultimate consumer product demand;

governmental regulations and taxes;

commodity processing, gathering and transportation availability;



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the price and availability of alternative fuels;

the level of imports and exports of oil, NGLs and gas;

actions of the Organization of Petroleum Exporting Countries;

the political and economic uncertainty of foreign governments;

currency exchange rates;

international conflicts and civil disturbances;

weather conditions; and

the overall economic environment.

Although both Pioneer and Evergreen have entered into financial derivative transactions to hedge a portion of their future production volumes, a significant decline in prices for oil, NGLs and gas could have a material adverse effect on the combined company's revenues, profitability, cash flows and proved reserves. In addition, such hedging activities prevent the combined company from realizing the benefits of price increases on hedged production volumes above the fixed prices established by the hedges.

A significant downward trend in oil, NGLs and gas prices could also result in a reduction in the carrying value of the combined company's oil and gas properties and an increase in the combined company's deferred tax asset valuation allowances. GAAP requires the combined company to review its long-lived assets for impairment, including oil and gas properties accounted for under the successful efforts method of accounting, whenever facts or circumstances indicate that the carrying value of those assets may not be recoverable. Additionally, GAAP requires the combined company to review the carrying value of its recorded goodwill for impairment on at least an annual basis. If the carrying value of the combined company's assets were found to be impaired or if the combined company were required to increase its deferred tax asset valuation allowances, the carrying values of the combined company's net assets would be reduced and a corresponding charge would be recorded to earnings in that accounting period. An impairment of assets may not be reversed in subsequent periods if circumstances improve. However, deferred tax asset valuation allowances may be reduced if circumstances change and it becomes more likely than not that the associated deferred tax assets will be recoverable.

***The combined company's debt may limit its financial flexibility.***

Pioneer and Evergreen are, and the combined company will be, a borrower under fixed term notes and a corporate credit facility. The terms of the combined company's borrowings under the notes and the corporate credit facility specify scheduled debt repayments and will require the combined company to comply with certain associated covenants. The combined company's ability to comply with the debt repayment terms and associated covenants will be dependent on, among other things, factors outside the combined company's direct control, such as commodity prices, interest rates and competition for available debt financing. On a pro forma basis, the combined company would have had total long-term debt of approximately \$2.5 billion and a ratio of debt to total capitalization of approximately 49% as of June 30, 2004. Pioneer and Evergreen have announced an intention to moderate the debt of the combined company and have targeted ratios of debt to total capitalization for the combined company of 45% by the end of 2004 and less than 40% by the end of 2005. The combined company's success or failure in achieving these targets will be influenced by factors outside its direct control.

The combined company may incur debt from time to time in connection with the financing of operations, acquisitions, recapitalizations and refinancings. The level of the combined company's debt could have several important effects on future operations, including, among others:

a portion of the combined company's cash flow from operations will be applied to the payment of principal and interest on the debt and will not be available for other purposes;

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credit-rating agencies have changed their ratings of each of Pioneer's and Evergreen's debt and other obligations, and credit-rating agencies may continue to change their ratings of the combined company's debt and other obligations, which in turn would affect the costs, terms, conditions and availability of financing;

covenants contained in the combined company's existing and future debt arrangements will require the combined company to meet financial tests that may affect its flexibility in planning for and reacting to changes in its business, including possible acquisition opportunities;

the combined company's ability to obtain additional financing for working capital, capital expenditures, acquisitions, general corporate and other purposes may be limited or burdened by increased costs or more restrictive covenants;

the combined company may be at a competitive disadvantage to similar companies that have less debt; and

the combined company's vulnerability to adverse economic and industry conditions may increase.

***The combined company's future drilling activities may not be successful.***

Drilling activities conducted by Pioneer and Evergreen involve, and drilling activities conducted by the combined company will involve, numerous risks, including the risk that no commercially productive oil or gas reservoirs will be encountered. The cost of drilling, completing and operating wells is often uncertain, and drilling operations may be curtailed, delayed or canceled as a result of a variety of factors, including unexpected drilling conditions, pressure or irregularities in formations, equipment failures or accidents, adverse weather conditions, and shortages or delays in the delivery of equipment. The combined company's future drilling activities may not be successful and, if unsuccessful, such failure could have an adverse effect on the combined company's future results of operations and financial condition. While all drilling, whether developmental or exploratory, involves these risks, exploratory drilling involves greater risks of dry holes or failure to find commercial quantities of hydrocarbons. Because the combined company will account for its oil and gas producing activities under the successful efforts method of accounting, and particularly in light of the percentage of Pioneer's capital budget devoted to higher risk exploratory projects, the combined company will incur future exploration and abandonment expenses.

***Failure to fund continued capital expenditures could adversely affect results of the combined company.***

The combined company will be required to expend capital necessary to replace its reserves and to maintain or increase production levels. Pioneer and Evergreen expect that the combined company will continue to make capital expenditures for the acquisition, exploration and development of oil and gas reserves. Historically, Pioneer and Evergreen have financed these expenditures primarily with cash flow from operations and proceeds from debt and equity financings and asset sales. If the combined company's cash flow from operations is not sufficient to satisfy its capital expenditure requirements, we cannot assure you that additional debt or equity financing or other sources of capital will be available to meet these requirements. Should commodity prices decline or other adverse market conditions develop, the combined company may not be able to generate sufficient cash flow from operations to meet its obligations and fund planned capital expenditures. If the combined company is not able to fund its capital expenditures, its interests in some of its properties may be reduced or forfeited and its future cash generation may be materially adversely affected as a result of the failure to find and develop reserves.

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*The combined company's business will involve many operating risks that may result in substantial losses. Insurance may be unavailable or inadequate to protect the combined company against these risks.*

Pioneer's and Evergreen's operations are, and the combined company's operations will be, subject to all of the hazards and risks inherent in drilling for, producing and transporting oil and gas, such as:

fires;

natural disasters;

explosions;

formations with abnormal pressures;

adverse weather conditions;

casing collapses, separations or other failures, including cement failure;

embedded oilfield drilling and service tools;

uncontrollable flows of underground gas, oil and formation water;

surface cratering;

unexpected drilling conditions;

equipment failures or accidents;

pipeline ruptures;

shortages or delays in the delivery of equipment; and

environmental hazards such as gas leaks, chemical leaks, oil spills and discharges of toxic gases.

The combined company will also own interests in 12 gas processing plants and five treating facilities and will be the operator of eight of the plants and all five treating facilities. There are significant risks associated with the operation of gas processing plants. Gas and NGLs are volatile and explosive and may include carcinogens. Damage to or misoperation of a processing plant or facility could result in an explosion or the discharge of toxic gases, which could result in significant damage claims in addition to interrupting a revenue source.

Any of these risks can cause substantial losses resulting from:

injury or loss of life;

damage to and destruction of property, natural resources and equipment;

pollution and other environmental damage;

regulatory investigations and penalties;

suspension of operations; and

repair and remediation costs.

As protection against operating risks and hazards, the combined company will maintain insurance coverage against some potential losses. However, it will not be fully insured against certain risks and hazards, either because such insurance is not available or because of the high premium costs associated with obtaining such insurance. Consequently, losses could occur for uninsurable or uninsured risks and hazards, or in amounts in excess of existing insurance coverage. The occurrence of an event that is not fully covered by insurance could harm the combined company's financial condition and results of operations.

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***Oil and gas exploration, development and production operations involve substantial capital costs and are subject to various economic risks.***

The oil and gas operations of Pioneer and Evergreen are, and the combined company's operations will be, subject to the economic risks typically associated with exploration, development and production activities. In conducting exploration activities, unanticipated pressure or irregularities in formations, miscalculations or accidents may cause exploration activities to be unsuccessful, and even where oil and gas are discovered it may not be possible to produce or market the hydrocarbons on an economically feasible basis. Drilling operations may be curtailed, delayed or canceled as a result of numerous factors, many of which may be beyond the combined company's control, including unexpected drilling conditions, title problems, weather conditions, compliance with environmental and other governmental requirements and shortages or delays in the delivery of equipment and services. The occurrence of any of these or similar events could result in a total loss of investment in a particular property.

If exploration efforts in a field are unsuccessful in establishing proved reserves and exploration activities cease, the amounts accumulated as unproved costs would be charged against earnings. On a pro forma basis as of June 30, 2004, the combined company will carry approximately \$623 million of unproved property costs. GAAP will require periodic evaluation of the combined company's unproved property costs on a project-by-project basis in comparison to their estimated values. These evaluations will be affected by the results of exploration activities, commodity price outlooks, planned future sales or expiration of all or a portion of the leases, contracts and permits appurtenant to such projects. If the quantity of potential reserves determined by such evaluations is not sufficient to fully recover the cost invested in each project, the combined company will recognize noncash charges in the earnings of future periods to reduce the carrying value of associated unproved properties. The combined company will rely to a significant extent on seismic data and other advanced technologies in conducting its exploration activities. Even when used and properly interpreted, seismic data and visualization techniques only assist geoscientists in identifying subsurface structures and hydrocarbon indicators. However, such data is not conclusive in determining whether hydrocarbons are present or economically producible. The use of seismic data and other technologies also requires greater pre-drilling expenditures than traditional drilling strategies, and the combined company could incur losses as a result of these expenditures.

***There are special risks associated with offshore exploration, development and production, particularly deepwater drilling, as well as exploration and production in the Gulf of Mexico.***

As a part of its strategy, Pioneer does, and the combined company will, explore for oil and gas offshore, often in deep water or at deep drilling depths, where operations are more difficult and costly than on land or in shallower waters. Deepwater operations (water depths greater than 1,000 feet) generally require a significant amount of time between a discovery and the time that the combined company will be able to produce and market the oil or gas, increasing both the operational and financial risks associated with these activities. In addition, because a significant percentage of the combined company's capital budget will be devoted to higher-risk exploratory projects accounted for under the successful efforts method of accounting, it is likely that the combined company will incur future exploration and abandonment expenses.

The combined company will explore extensively in the Gulf of Mexico. Production of reserves from reservoirs in the Gulf of Mexico generally declines more rapidly than from reservoirs in many other producing regions of the world. As a result, in the first few years of production from properties in the Gulf of Mexico a relatively higher percentage of reserves is recovered. Because of this, the combined company's reserve replacement needs from new prospects may be greater in the Gulf of Mexico than for its operations elsewhere. Also, the combined company's revenues and return on capital will depend significantly on commodity prices prevailing during these relatively short production periods.

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***The combined company may face unanticipated water disposal costs.***

Where water produced from the combined company's oil and gas projects fails to meet the discharge quality requirements of applicable regulatory agencies or the combined company's wells produce water in excess of the applicable injection wells volumetric permit limit, the combined company may have to drill additional disposal wells to re-inject the produced water back into deep underground rock formations. The costs to dispose of this produced water may increase if any of the following occur:

inability to obtain future water discharge permits from applicable regulatory agencies;

the wells produce water of lesser quality;

the wells produce excess water; or

new laws or regulations require water to be disposed of in a different manner.

***The combined company will have limited protection for its coal bed methane technology and will depend on technology owned by others.***

The combined company will use operating practices that Pioneer and Evergreen believe are of significant value in developing unconventional gas resources. In most cases, patent or other intellectual property protection is unavailable for this technology. Moreover, the combined company will rely on the technological expertise of the independent contractors that it retains for some oil and gas operations. Neither Pioneer nor Evergreen has any long-term agreements with these contractors, and thus the combined company cannot be sure that it will continue to have access to this expertise.

***The combined company's operations will depend on transportation facilities owned by others.***

The marketability of the combined company's gas production depends in part on the availability, proximity and capacity of pipeline systems owned by third parties, and changes in contracts with these third parties could materially affect the combined company's operations. In addition, federal, foreign, state, provincial and local regulation of oil and gas production and transportation, tax and energy policies, changes in supply and demand, pipeline pressures, and general economic conditions could adversely affect the combined company's ability to transport gas.

***Pioneer and Evergreen operate in foreign countries, and the combined company will be subject to political, economic and other uncertainties.***

The combined company will conduct significant operations in foreign countries, including Argentina, Canada, Equatorial Guinea, Gabon, South Africa and Tunisia and may expand its foreign operations in the future. Operations in foreign countries are subject to political, economic and other uncertainties, including:

the risk of war, acts of terrorism, revolution, border disputes, expropriation, renegotiation or modification of existing contracts, import, export and transportation regulations and tariffs;

taxation policies, including royalty and tax increases and retroactive tax claims;

exchange controls, currency fluctuations and other uncertainties arising out of foreign government sovereignty over the combined company's international operations;

exposure to movements in foreign currency exchange rates relative to the United States dollar;

laws and policies of the United States affecting foreign trade, taxation and investment; and

the possibility of being subject to the exclusive jurisdiction of foreign courts in connection with legal disputes and the possible inability to subject foreign persons to the jurisdiction of courts in the United States.

Foreign countries have occasionally asserted rights to land, including oil and gas properties, through border disputes. If a country claims superior rights to oil and gas leases or concessions granted to the



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combined company by another country, the combined company's interests could be lost or could decrease in value. Various regions of the world have a history of political and economic instability. This instability could result in new governments or the adoption of new policies that might assume a substantially more hostile attitude toward foreign investment. In an extreme case, such a change could result in termination of contract rights and expropriation of foreign-owned assets. This could harm the combined company's interests. Pioneer and Evergreen expect that the combined company will seek to manage these risks by, among other things, concentrating its international exploration efforts in areas where it believes that the existing government is stable and favorably disposed towards United States exploration and production companies. Nevertheless, the combined company may conduct activities in countries that are not stable and that present high risks.

***The combined company cannot control activities on properties it does not operate and may have limited ability to influence operations on such properties to control associated costs.***

Other companies operate about 12% of the combined company's proved reserves as of December 31, 2003, and the combined company has limited ability to exercise influence over operations for these properties or their associated costs. The combined company's dependence on the operator and other working interest owners for these projects and the combined company's limited ability to influence operations and associated costs could prevent the realization of the combined company's targeted returns on capital in drilling or acquisition activities. The success and timing of drilling and exploitation activities on properties operated by others, therefore, depend upon a number of factors that will be outside the combined company's control, including:

timing and amount of capital expenditures;

the operator's expertise and financial resources;

approval of other participants in drilling wells; and

selection of technology.

***The combined company's acquisition activities may not be successful.***

As part of the combined company's growth strategy, it may make additional acquisitions of businesses and properties. However, suitable acquisition candidates may not be available on terms and conditions it finds acceptable, and acquisitions pose substantial risks to the combined company's business, financial condition and results of operations. In pursuing acquisitions, the combined company competes with other companies, many of which have greater financial and other resources to acquire attractive companies and properties. Even if future acquisitions are completed, the following are some of the risks associated with acquisitions:

the estimated recoverable reserves attributable to the acquired businesses or properties may not be accurate and the acquired businesses or properties may not produce revenues, earnings or cash flows at anticipated levels;

the combined company may assume liabilities that were not disclosed or that exceed the combined company's estimates;

the combined company may be unable to integrate acquired businesses successfully and realize anticipated economic, operational and other benefits in a timely manner, which could result in substantial costs and delays or other operational, technical or financial problems;

acquisitions could disrupt the combined company's ongoing business, distract management, divert resources and make it difficult to maintain the combined company's current business standards, controls and procedures;



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the combined company may finance future acquisitions by issuing common stock for some or all of the purchase price, which could dilute the ownership interests of the combined company's stockholders; and

the combined company may incur additional debt related to future acquisitions.

***The combined company may not be able to divest nonstrategic properties under acceptable terms.***

The combined company will regularly review its property base for the purpose of identifying nonstrategic assets, the disposition of which would increase capital resources available for other activities and create organizational and operational efficiencies. Various factors could materially affect the ability of the combined company to dispose of nonstrategic assets, including the availability of purchasers willing to purchase the nonstrategic assets at prices acceptable to the combined company.

***Reported oil and gas reserve data and future net revenue estimates are inherently uncertain, and any material inaccuracies in the reserve estimates or assumptions underlying reserve estimates could cause the quantities and net present value of Pioneer's or Evergreen's reserves to be overstated.***

The estimates of Pioneer's and Evergreen's proved oil and gas reserves and projected future net revenue are based on reserve reports prepared by Pioneer and Evergreen and on the audits performed by independent consulting petroleum engineers that Pioneer or Evergreen hires for that purpose. Estimates of oil and gas reserves are projections based on engineering data, projected future rates of production and the timing of future expenditures. There are numerous uncertainties inherent in making these estimations, including many factors beyond the control of Pioneer and Evergreen that could cause the quantities and net present value of their respective reserves, and those of the combined company, to be overstated. Reserve engineering is not an exact science and requires substantial judgment, resulting in imprecise determinations, particularly for new discoveries. Estimates of economically recoverable oil and gas reserves and of future net cash flows necessarily depend upon a number of variable factors and assumptions, any of which may cause these estimates to vary considerably from actual results, such as:

historical production from a particular area compared with production from other producing areas;

assumed effects of regulation by governmental agencies;

assumptions concerning future oil and gas prices, future operating and abandonment costs and capital expenditures; and

estimates of future ad valorem, severance and excise taxes and workover and remedial costs.

Estimates of reserves and estimates of expected future net cash flows prepared or audited by different engineers using the same data, or by the same engineers at different times, may vary substantially. Actual production, revenues and expenditures with respect to each company's reserves will likely vary from estimates, and the variance may be material. The net present values referred to in this joint proxy statement/prospectus should not be construed as the current market value of the estimated oil and gas reserves attributable to either company's properties. In accordance with requirements of the SEC, the estimated discounted future net cash flows from proved reserves are based on prices and costs as of the date of the estimate, whereas actual future prices and costs may be materially higher or lower. In addition, future performance that deviates significantly from reserve reports could have a material adverse effect on the combined company's financial position and results of operations.

***The combined company will be subject to complex United States and international laws and regulations, including environmental and safety regulations, that can adversely affect the cost, manner or feasibility of doing business.***

Pioneer's and Evergreen's operations and facilities are, and the combined company's operations and facilities will be, subject to certain federal, state and local laws and regulations relating to the exploration for, and the development, production and transportation of oil, NGLs and gas, as well as environmental

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and safety matters. Future laws or regulations, any change in the interpretation of existing laws and regulations that is adverse to the combined company, inability to obtain necessary regulatory approvals, or a failure to comply with existing legal requirements may harm the combined company's business, results of operations and financial condition. The combined company may be required to make large and unanticipated capital expenditures to comply with environmental and other governmental regulations, such as:

land use restrictions;

drilling bonds, performance bonds and other financial responsibility requirements;

spacing of wells;

unitization and pooling of properties;

habitat and endangered species protection, reclamation and remediation, and other environmental protection;

protection and preservation of historic, archaeological and cultural resources;

safety precautions;

regulation of discharges, emissions, disposal and waste-related permits;

operational reporting; and

taxation.

Under these laws and regulations, the combined company could be liable for:

personal injuries;

property and natural resource damages;

oil spills and releases or discharges of hazardous materials;

well reclamation costs;

remediation and clean-up costs and other governmental sanctions, such as fines and penalties;

other environmental damages; and

potential criminal penalties for failure to comply with environmental and safety laws and regulations.

The combined company's operations could be significantly delayed or curtailed and its costs of operations could significantly increase beyond those anticipated as a result of regulatory requirements or restrictions. Neither Pioneer nor Evergreen is able to predict the ultimate cost of compliance with these requirements or their effect on the combined company's operations.

***Costs of environmental liabilities and regulation could exceed estimates.***

Pioneer and Evergreen each are, and the combined company will be or may become, party to a number of legal and administrative proceedings involving environmental or other matters pending in various courts or agencies. These currently include proceedings associated with facilities currently or previously owned, operated or used by Pioneer and Evergreen, and include claims for personal injuries, property damages, injury to the environment, including natural resource damages, and non-compliance with permits. The combined company's current and former operations will also involve management of regulated materials that are subject to various environmental laws and regulations. These laws and regulations will obligate the combined company to clean up various sites at which petroleum and other hydrocarbons, low-level radioactive

substances or other materials have been disposed of or released. It is

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not possible for us to estimate reliably the amount and timing of all future expenditures related to environmental and legal matters and other contingencies because:

some sites are in the early stages of investigation, and other sites may be identified in the future;

cleanup requirements are difficult to predict at sites where remedial investigations have not been completed or final decisions have not been made regarding cleanup requirements, technologies or other factors that bear on cleanup costs;

environmental laws frequently impose joint and several liability on all potentially responsible parties, and it can be difficult to determine the number and financial condition of other potentially responsible parties and their share of responsibility for cleanup costs; and

environmental laws and regulations and enforcement policies are continually changing, and court proceedings are inherently uncertain.

Due to these uncertainties, costs may be higher than anticipated and the combined company could be required to increase existing, or establish additional, environmental liability accruals in the future.

***The combined company's oil and gas marketing activities may expose it to claims from royalty owners.***

In addition to marketing its oil and gas production, the combined company's marketing activities generally will include marketing oil and gas production for royalty owners. Over the past several years, royalty owners have commenced litigation against a number of companies, including Pioneer and Evergreen, in the oil and gas production business claiming that amounts paid for production attributable to the royalty owners' interests violated the terms of the applicable leases and laws in various respects, including the value of production sold, permissibility of deductions taken, and accuracy of quantities measured. The combined company could be required to make payments as a result of such litigation, and the combined company's costs relating to the marketing of oil and gas may increase as new cases are decided and the law in this area continues to develop.

***Evergreen and its directors are defendants in a class action lawsuit filed in connection with the merger, and the combined company may be subject to other lawsuits and claims.***

A number of lawsuits and claims are pending separately against Pioneer and Evergreen, some of which seek large amounts of damages. In particular, on May 13, 2004, after Pioneer and Evergreen announced the merger, a class action lawsuit styled *Joan Ferrari vs. Evergreen Resources, Inc., et al.*, Case No. 04CV3599, was filed against Evergreen and the directors of Evergreen in the District Court of the State of Colorado, County of Denver. The lawsuit alleges that the defendants breached their fiduciary duties to Evergreen's stockholders by, among other things, agreeing to unfair and inadequate consideration for the shares of Evergreen stockholders. An amended complaint filed on July 28, 2004 added causes of action alleging a breach of the defendants' duty to properly disclose certain enumerated items and added Pioneer as a defendant, alleging that Pioneer aided and/or abetted Evergreen and the other defendants in breaching the duties set forth above. The companies and the plaintiffs subsequently engaged in negotiations that have resulted in the execution of a Memorandum of Understanding with regard to a settlement of the action against Evergreen, the individual defendants and Pioneer, subject to certain conditions including, among others, the execution of a final Stipulation of Settlement and such other supporting documents as may be necessary, the certification of a class, the completion of confirmatory discovery satisfactory to plaintiffs and plaintiffs' counsel, the completion of the merger, final court approval, and dismissal of the action with prejudice. As provided in the Memorandum of Understanding, Pioneer and Evergreen agreed to provide additional disclosures in this joint proxy statement/prospectus with respect to various aspects of the merger and plaintiffs' counsel intends to apply for an award of attorneys' fees and out-of-pocket expenses, which application will be ruled upon by the court. In addition, three executive officers of Evergreen have made a written request to Evergreen and Pioneer to submit to arbitration a dispute concerning the amounts to which they would be entitled under their change in control agreements if the merger is completed. Although management of each company believes that none of the lawsuits or claims pending against their respective companies will have a material adverse effect on the combined company's

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financial condition or liquidity, litigation is inherently uncertain, and the lawsuits and claims could have a material adverse effect on the combined company's results of operations for the accounting period or periods in which one or more of them might be resolved adversely.

***Competition in the oil and gas industry is intense, and competitors with greater financial, technological and other resources than the combined company may challenge the combined company's ability to effectively compete in the exploration and production of oil and gas.***

The oil and gas exploration and production business is highly competitive. In addition to competing with other independent oil and gas producers (i.e., companies not engaged in petroleum refining and marketing operations), the combined company will compete with large, integrated, multinational oil and gas companies. Many of the combined company's competitors, especially large multinational oil and gas companies, have substantially larger financial and technical resources, staffs and facilities than Pioneer and Evergreen, which will challenge the combined company's ability to compete with them.

The oil and gas industry is characterized by rapid and significant technological advancements and introductions of new products and services using new technologies. The combined company's exploration and production business will face competition from major and independent oil and gas companies in each of the following areas:

seeking to acquire desirable producing properties or new leases for future exploration;

marketing its oil and gas production;

integrating new technologies; and

acquiring the personnel, equipment and expertise necessary to develop and operate its properties.

Companies with financial, technological and other resources substantially greater than those of the combined company may be able to pay more for exploratory prospects and productive oil and gas properties and may be able to define, evaluate, bid for and purchase a greater number of properties and prospects than the combined company's financial or human resources will support. Competitors may also enjoy technological advantages over the combined company and may be able to implement new technologies more rapidly. The combined company's ability to explore for oil and gas and to acquire additional properties in the future will depend upon its ability to successfully conduct operations, implement advanced technologies, evaluate and select suitable properties and consummate transactions in this highly competitive environment.

***Provisions of Pioneer's certificate of incorporation and bylaws, and Pioneer's stockholder rights plan, as well as Section 203 of the Delaware General Corporation Law, may discourage a change in control of the combined company and could prevent stockholders from realizing a premium on their investment.***

Some provisions of Pioneer's certificate of incorporation and bylaws, as well as Pioneer's stockholder rights plan, may have the effect of delaying or preventing transactions involving actual or potential changes in control of the combined company, including transactions that otherwise could involve payment of a premium over prevailing market prices to stockholders for their Pioneer common stock. These provisions include:

a classified board of directors, the members of which serve staggered three-year terms and may be removed by stockholders only for cause;

noncumulative voting in the election of directors;

procedural requirements on stockholders who wish to make nominations in the election of directors or to propose other actions at stockholder meetings;

a prohibition on stockholders calling special meetings or acting by written consent;

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the authority of the board of directors to issue up to 100 million shares of preferred stock without stockholder approval and to set the rights, preferences and other designations, including voting rights, of those shares as the board of directors may determine; and

rights issued under Pioneer's stockholder rights plan that would be triggered if a person acquired 15% or more of Pioneer's common stock. Additionally, Section 203 of the Delaware General Corporation Law limits the ability of a company to engage in a business combination with a party that became an interested stockholder within the last three years.

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**CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS**

This joint proxy statement/prospectus, including information incorporated by reference in this joint proxy statement/prospectus, contains forward-looking statements, as defined by the SEC. Forward-looking statements are those concerning the contemplated transactions and strategic plans, expectations and objectives for future operations. All statements, other than statements of historical facts, included in this joint proxy statement/prospectus that address activities, events or developments that we expect, believe or anticipate will or may occur in the future are forward-looking statements. These include, without limitation:

statements concerning the contemplated transactions, including strategic plans, expectations and objectives for future operations, the completion of those transactions, and the realization of expected synergies and benefits from the transactions;

statements, other than statements of historical facts, that address activities, events or developments that we expect, believe or anticipate will or may occur in the future;

statements relating to future financial performance and other matters;

estimates of reserves and statements regarding the ability to replace reserves;

statements relating to revenue, income and operations of the combined company after the merger; and

any other statements preceded by, followed by or that include the words believes, expects, anticipates, estimates, intends, plans, p similar expressions.

Although we believe that our plans, intentions and expectations reflected in or suggested by the forward-looking statements we make in or incorporate into this document are reasonable, we can give no assurance that such plans, intentions or expectations will be achieved. These statements are based on assumptions made by us based on our experience and perception of historical trends, current conditions, expected future developments and other factors that we believe are appropriate in the circumstances. Forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond our control. You are cautioned that any forward-looking statements are not guarantees of future performance and that actual results or developments may differ materially from those projected in the forward-looking statements.

All forward-looking statements contained in this document speak only as of the date of this document, and all forward-looking statements contained in any document incorporated by reference speak only as of the date of that document. Neither Pioneer nor Evergreen undertakes any obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

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**THE COMPANIES**

**Pioneer**

Pioneer is an independent oil and gas exploration and production company with ownership interests in oil and gas properties located in the United States, Argentina, Canada, Equatorial Guinea, Gabon, South Africa and Tunisia. Pioneer's asset base is anchored by the Spraberry oil and gas field located in West Texas, the Hugoton gas field located in Southwest Kansas and the West Panhandle gas field located in the Texas Panhandle. Complementing these areas, Pioneer has exploration and development opportunities and oil and gas production activities in Alaska, the Gulf of Mexico, the onshore Gulf Coast area and internationally in Argentina, Canada, Equatorial Guinea, Gabon, South Africa and Tunisia. Combined, these assets create a portfolio of resources and opportunities that are well balanced among oil, NGLs and gas, and combine long-lived, dependable production with exploration and development opportunities. Additionally, Pioneer has a team of dedicated employees that represent the professional disciplines and sciences that allow Pioneer to maximize the long-term profitability and net asset value inherent in its physical assets.

Pioneer seeks to increase its oil and gas reserves, production and cash flow through exploratory and development drilling and by conducting other production enhancement activities, such as well recompletions. During the three years ended December 31, 2003, Pioneer drilled 1,002 gross (744.1 net) wells, 86 percent of which were successfully completed as productive wells, at a total drilling cost (net to Pioneer's interest) of \$1.5 billion. During 2003, Pioneer drilled 383 gross (338.8 net) wells.

Pioneer's proved reserves totaled 789.1 MMBOE at December 31, 2003, representing \$4.6 billion of standardized measure, or \$6.0 billion, on a pre-tax basis.

Pioneer's long-lived production from onshore assets and high-volume production from new offshore fields combined to increase oil and gas production by 36% in 2003 and is the basis for expectations for growth of 15% to 25% in 2004. Pioneer has maintained production from its onshore base, primarily the Hugoton and West Panhandle gas fields and the Spraberry oil and gas field, by reinvesting only a portion of the cash flow from those fields and diligently controlling costs. Pioneer has a multiyear inventory of onshore drilling locations to support continued activity.

**Evergreen**

Evergreen is an independent exploration and production company engaged primarily in the operation, development, production, exploration and acquisition of North American unconventional gas properties. Evergreen is one of the leading developers of coal bed methane reserves in the United States. Evergreen's current operations are principally focused on developing and expanding its coal bed methane project located in the Raton Basin in southern Colorado. Evergreen recently acquired producing properties in the Piceance Basin in western Colorado, the Uintah Basin in eastern Utah and the Western Canada Sedimentary Basin. Evergreen has gas production from tight sands and shales in these newly acquired areas that it intends to enhance. Evergreen is also evaluating the additional coal bed methane and other gas resource potential within each of these basins.

At December 31, 2003, Evergreen's reported proved reserves totaled 1,495 Bcfe or 249 MMBOE. Gas comprised approximately 99% of its estimated proved reserves, and 62% of its estimated proved reserves were classified as proved developed. The Raton Basin accounted for 94% of its estimated proved reserves, while the Piceance and Uintah Basins and the Western Canada Sedimentary Basin accounted for 4% and 2%, respectively. In 2003, Evergreen achieved average net production of 127 MMcfe per day.

For the past five calendar years, Evergreen achieved compound annual growth in production and estimated proved reserves of 36% and 30%, respectively. Over the same period, Evergreen added estimated proved reserves from all sources that was over 800% of its production at weighted average finding and development costs of \$0.65 per Mcfe. Evergreen's finding and development costs include acquisition costs, exploration costs and capital expenditures relating to its gathering and compression systems. Evergreen's lease operating expenses have averaged \$0.41 per Mcfe over the last five years.



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**THE PIONEER SPECIAL MEETING**

Pioneer is furnishing this joint proxy statement/ prospectus to its stockholders in connection with the solicitation of proxies by the Pioneer board of directors for use at the Pioneer special meeting.

**Date, Time and Place**

The special meeting is scheduled to be held at the Dallas Marriott Las Colinas Hotel located at 223 West Las Colinas Blvd., Irving, Texas 75039, on September 28, 2004, at 9:00 a.m., local time.

**Purpose of the Special Meeting**

At the Pioneer special meeting, we are asking holders of record of Pioneer common stock to consider and vote on the following:

a proposal to approve the issuance of shares of Pioneer common stock in the merger pursuant to the merger agreement; and

a proposal to approve an adjournment of the meeting, if necessary, to solicit additional proxies in favor of the first proposal.

**Recommendation of the Pioneer Board of Directors**

At its meeting on May 3, 2004, after due consideration, the Pioneer board of directors unanimously, except for Scott Sheffield, who recused himself from voting with respect to these matters and did not participate in the meeting in which such vote was taken:

determined that the merger agreement, the merger in accordance with the terms of the merger agreement, the issuance of shares of Pioneer common stock pursuant to the merger, and the other transactions contemplated by the merger agreement are advisable and in the best interests of Pioneer and its stockholders;

approved the merger agreement, the merger and the other transactions contemplated thereby and approved the issuance of Pioneer common stock pursuant to the merger; and

recommended that the Pioneer stockholders approve the issuance of shares of Pioneer common stock in connection with the merger pursuant to the merger agreement.

**Record Date; Stock Entitled to Vote; Quorum**

Holders of record of shares of Pioneer common stock at the close of business on July 30, 2004, the record date for the special meeting, are entitled to receive notice of and to vote at the special meeting. Pioneer's common stock is the only class of voting securities of Pioneer. On the record date, 120,092,405 shares of Pioneer common stock were issued and outstanding and entitled to vote at the special meeting.

Holders of record of Pioneer common stock on the record date are each entitled to one vote per share with respect to the approval of the issuance of shares of Pioneer common stock in connection with the merger pursuant to the merger agreement.

A quorum of Pioneer stockholders is necessary to have a valid meeting of stockholders. The holders of at least a majority of the shares of Pioneer common stock issued and outstanding and entitled to vote at the Pioneer special meeting must be represented in person or by proxy at the Pioneer special meeting in order for a quorum to be established. Abstentions and broker non-votes count as present for purposes of establishing a quorum. An abstention occurs when a stockholder attends a meeting, either in person or by proxy, but abstains from voting. A broker non-vote occurs on an item when a broker is not permitted to vote on that item without instructions from the beneficial owner of the shares and no instructions are given.

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### **Vote Required**

The affirmative vote of the holders of a majority of the votes cast by holders of Pioneer common stock by proxy or in person and entitled to vote as of the record date for the Pioneer special meeting is required to approve the issuance of shares of Pioneer common stock in the merger pursuant to the merger agreement. The total vote cast by Pioneer stockholders at the special meeting must represent more than 50% of all shares of Pioneer common stock issued and outstanding and entitled to vote as of the record date for the special meeting. Abstentions may be specified with respect to the proposal by properly marking the ABSTAIN box on the proxy for the proposal or by making the same election by telephone or Internet voting. Abstentions and broker non-votes will count as present for purposes of establishing a quorum at the Pioneer special meeting. However, neither an abstention, a broker non-vote nor a failure to vote will affect the outcome of the vote regarding the issuance of shares of Pioneer common stock in the merger because they will not be counted as votes cast either for or against the proposal. Nevertheless, abstentions and broker non-votes may result in the total votes cast at the special meeting representing fewer than 50% of all shares of Pioneer common stock issued and outstanding and entitled to vote as of the record date for the special meeting, in which case the vote would not satisfy the stockholder approval requirement for the issuance of shares of Pioneer common stock in the merger.

### **Voting by Pioneer Directors, Executive Officers and Significant Stockholders**

At the close of business on the record date, Pioneer's directors and executive officers and their affiliates may be deemed to be the owners of, and have the power to vote, 732,004 shares of Pioneer common stock, representing less than 1% of the then outstanding shares of Pioneer common stock. Pioneer believes that each of its directors and executive officers intends to vote FOR the approval of the issuance of shares of Pioneer common stock in connection with the merger pursuant to the merger agreement.

### **Voting of Proxies**

Shares may be voted by completing the enclosed proxy card and mailing it in the enclosed return envelope. You may also vote by telephone or the Internet using the instructions on the proxy card. Please refer to the proxy card or to the information provided to you by your bank, broker or other holder of record to determine what options are available. Stockholders who vote by using the Internet may incur costs, such as telephone and Internet access charges, for which the stockholder is solely responsible. Proxies submitted by telephone or the Internet must be received by 5:00 p.m., Eastern Time, on September 27, 2004. The specific instructions for using the telephone or the Internet to vote are set forth on the enclosed proxy card and are designed to authenticate the stockholder's identity and confirm that the stockholder's instructions are properly recorded.

Pioneer stockholders whose shares are held in street name (i.e., in the name of a broker, bank or other record holder) must either direct the record holder of their shares as to how to vote their shares or obtain a proxy from the record holder to vote at the special meeting.

Shares of Pioneer common stock represented by properly executed paper proxies or proxies properly effected by telephone or on the Internet and received prior to the special meeting will be voted at the special meeting in the manner specified on the proxies. Paper proxies that are properly executed and timely submitted but which do not contain specific voting instructions will be voted FOR the proposal presented at the special meeting.

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### **Revocation of Proxy**

A Pioneer stockholder may revoke a proxy at any time prior to the time the proxy is to be voted at the special meeting by:

delivering, prior to the special meeting, a written notice of revocation bearing a later date or time than the revoked proxy, to Continental Stock Transfer & Trust Company at the following address: 17 Battery Place, 8th Floor, New York, New York 10004;

as to paper proxies, completing and submitting a new later-dated proxy card;

as to proxies effected by telephone or on the Internet, by calling the telephone voting number or connecting to the Internet voting site and following the instructions for revoking or changing a vote; or

attending the special meeting and voting in person.

Attending the special meeting will not by itself constitute revocation of a proxy; to do so, a stockholder must vote in person at the meeting. If a broker has been instructed to vote a stockholder's shares, the stockholder must follow directions received from the broker in order to change the stockholder's vote.

### **Expenses of Solicitation**

Pioneer and Evergreen will equally share the costs of printing and mailing this joint proxy statement/ prospectus to their respective stockholders and each will separately bear the costs of soliciting proxies from its stockholders. It is anticipated that solicitations of proxies for the special meeting will be made by use of mail, telephone, fax or the Internet, as well as by the services of Pioneer's directors, officers and employees, without additional salary or compensation to them. Brokerage houses, custodians, nominees and fiduciaries will be requested to forward the proxy soliciting materials to the beneficial owners of Pioneer common stock held of record by such persons, and Pioneer will reimburse such persons for their reasonable out-of-pocket expenses for that purpose.

In addition, Pioneer has retained D. F. King & Company, Inc. to assist Pioneer in the solicitation of proxies from stockholders in connection with the special meeting. D. F. King will receive a fee of \$10,000 as compensation for its services and reimbursement of its out-of-pocket expenses in connection therewith. Pioneer has agreed to indemnify D. F. King against certain liabilities arising out of or in connection with its engagement.

### **Miscellaneous**

In the event that a quorum is not present at the time the special meeting is convened, or if for any other reason Pioneer believes that additional time should be allowed for the solicitation of proxies, Pioneer may adjourn the special meeting with or without a vote of the stockholders. If Pioneer proposes to adjourn the special meeting by a vote of the stockholders, the persons named in the enclosed form of proxy will vote all shares of Pioneer common stock for which they have voting authority in favor of an adjournment.

It is not expected that any matter not referred to in this joint proxy statement/ prospectus will be presented for action at the special meeting. If any other matters are properly brought before the special meeting, the persons named in the proxies will have discretion to vote on the matters according to their best judgment. The grant of a proxy will also confer discretionary authority on the persons named in the proxy as proxy appointees to vote in accordance with their best judgment on matters incidental to the conduct of the special meeting. Proxies voted against the proposal related to the merger will not be voted in favor of any adjournment of the special meeting for the purpose of soliciting additional proxies.

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**THE EVERGREEN SPECIAL MEETING**

Evergreen is furnishing this joint proxy statement/ prospectus to its stockholders in connection with the solicitation of proxies by the Evergreen board of directors for use at the Evergreen special meeting.

**Date, Time and Place**

The special meeting is scheduled to be held at The Pinnacle Club located at 555 17th Street, 38th Floor, Denver, Colorado 80202, on September 28, 2004, at 11:00 a.m., local time.

**Purpose of the Special Meeting**

At the Evergreen special meeting, we are asking holders of record of Evergreen common stock to consider and vote on the following:

a proposal to approve the merger agreement among Pioneer, Evergreen and BC Merger Sub; and

a proposal to approve an adjournment of the meeting, if necessary, to solicit additional proxies in favor of the first proposal.

**Recommendation of the Evergreen Board of Directors**

At its meeting on May 3, 2004, after due consideration, the Evergreen board of directors unanimously, except for Scott Sheffield, who recused himself from voting with respect to these matters and did not participate in the meeting in which such vote was taken:

determined that the merger agreement, the merger in accordance with the terms of the merger agreement, and the other transactions contemplated thereby are advisable and in the best interests of Evergreen and its stockholders;

approved and adopted the merger agreement and the merger and the other transactions contemplated thereby; and

recommended that the Evergreen stockholders approve the merger agreement.

**Record Date; Stock Entitled to Vote; Quorum**

Holders of record of shares of Evergreen common stock at the close of business on July 30, 2004, the record date for the special meeting, are entitled to receive notice of and to vote at the special meeting. Evergreen's common stock is the only class of voting securities of Evergreen. On the record date, approximately 43,158,802 shares of Evergreen common stock were issued and outstanding and entitled to vote at the special meeting.

Holders of record of Evergreen common stock on the record date are each entitled to one vote per share with respect to the approval of the merger agreement.

A quorum of Evergreen stockholders is necessary to have a valid meeting of stockholders. The holders of at least a majority of the shares of Evergreen common stock issued and outstanding and entitled to vote at the Evergreen special meeting must be represented in person or by proxy at the Evergreen special meeting in order for a quorum to be established. Abstentions and broker non-votes count as present for purposes of establishing a quorum. An abstention occurs when a stockholder attends a meeting, either in person or by proxy, but abstains from voting. A broker non-vote occurs on an item when a broker is not permitted to vote on that item without instructions from the beneficial owner of the shares and no instructions are given.

**Vote Required**

The affirmative vote of the holders of at least a majority of the shares of Evergreen common stock issued and outstanding and entitled to vote as of the record date for the Evergreen special meeting is



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required to approve the merger agreement. Abstentions may be specified with respect to the proposal by properly marking the **ABSTAIN** box on the proxy for the proposal or by making the same election by telephone or Internet voting using the instructions on the proxy card. Abstentions, broker non-votes and failures to vote will have the effect of votes cast against the proposal.

### **Voting by Evergreen Directors, Executive Officers and Significant Stockholders**

At the close of business on the record date, Evergreen's directors and executive officers and their affiliates may be deemed to be the owners of, and have the power to vote, 1,826,902 shares of Evergreen common stock, representing approximately 4.2% of the then outstanding shares of Evergreen common stock. Evergreen believes that each of its directors and executive officers intends to vote **FOR** the approval of the merger agreement.

### **Voting of Proxies**

Shares may be voted by completing the enclosed proxy card and mailing it in the enclosed return envelope. You may also vote by telephone or the Internet using the instructions on the proxy card. Please refer to the proxy card or to the information provided to you by your bank, broker or other holder of record to determine what options are available. Stockholders who vote by using the Internet may incur costs, such as telephone and Internet access charges, for which the stockholder is solely responsible. Proxies submitted by telephone or the Internet must be received by 5:00 p.m., Eastern Time, on September 27, 2004. The specific instructions for using the telephone or the Internet to vote are set forth on the enclosed proxy card and are designed to authenticate the stockholder's identity and confirm that the stockholder's instructions are properly recorded.

Evergreen stockholders whose shares are held in street name (i.e., in the name of a broker, bank or other record holder) must either direct the record holder of their shares as to how to vote their shares or obtain a proxy from the record holder to vote at the special meeting.

Shares of Evergreen common stock represented by properly executed paper proxies or proxies properly effected by telephone or on the Internet and received prior to the special meeting will be voted at the special meeting in the manner specified on the proxies. Paper proxies that are properly executed and timely submitted but which do not contain specific voting instructions will be voted **FOR** the proposal presented at the special meeting.

### **Revocation of Proxy**

An Evergreen stockholder may revoke a proxy at any time prior to the time the proxy is to be voted at the special meeting by:

delivering, prior to the special meeting, a written notice of revocation bearing a later date or time than the revoked proxy, to Continental Stock Transfer & Trust Company at the following address: 17 Battery Place, 8th Floor, New York, New York 10004;

as to paper proxies, completing and submitting a new later-dated proxy card;

as to proxies effected by telephone or on the Internet, by calling the telephone voting number or connecting to the Internet voting site and following the instructions for revoking or changing a vote; or

attending the special meeting and voting in person.

Attending the special meeting will not by itself constitute revocation of a proxy; to do so, a stockholder must vote in person at the meeting. If a broker has been instructed to vote a stockholder's shares, the stockholder must follow directions received from the broker in order to change the stockholder's vote.

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### **Expenses of Solicitation**

Evergreen and Pioneer will equally share the costs of printing and mailing this joint proxy statement/ prospectus to their respective stockholders and each will separately bear the costs of soliciting proxies from its stockholders. It is anticipated that solicitations of proxies for the special meeting will be made by use of mail, telephone, fax or the Internet, as well as by the services of Evergreen's directors, officers and employees, without additional salary or compensation to them. Brokerage houses, custodians, nominees and fiduciaries will be requested to forward the proxy soliciting materials to the beneficial owners of Evergreen common stock held of record by such persons, and Evergreen will reimburse such persons for their reasonable out-of-pocket expenses for that purpose.

In addition, Evergreen has retained D.F. King & Company, Inc. to assist Evergreen in the solicitation of proxies from stockholders in connection with the special meeting. D.F. King will receive a fee of approximately \$10,000 as compensation for its services and reimbursement of its out-of-pocket expenses in connection therewith. Evergreen has agreed to indemnify D.F. King against certain liabilities arising out of or in connection with its engagement.

### **Miscellaneous**

In the event that a quorum is not present at the time the special meeting is convened, or if for any other reason Evergreen believes that additional time should be allowed for the solicitation of proxies, Evergreen may adjourn the special meeting with or without a vote of the stockholders. If Evergreen proposes to adjourn the special meeting by a vote of the stockholders, the persons named in the enclosed form of proxy will vote all shares of Evergreen common stock for which they have voting authority in favor of an adjournment.

It is not expected that any matter not referred to in this joint proxy statement/prospectus will be presented for action at the special meeting. If any other matters are properly brought before the special meeting, the persons named in the proxies will have discretion to vote on the matters according to their best judgment. The grant of a proxy will also confer discretionary authority on the persons named in the proxy as proxy appointees to vote in accordance with their best judgment on matters incidental to the conduct of the special meeting. Proxies voted against the proposal related to the merger will not be voted in favor of any adjournment of the special meeting for the purpose of soliciting additional proxies.

**Holders of Evergreen common stock should send their completed proxy cards to Continental Stock Transfer & Trust Company in the enclosed return envelope. A holder of Evergreen common stock who wishes to make an election regarding the form of merger consideration that it wishes to receive is required to send its stock certificates with the election form enclosed with this joint proxy statement/ prospectus in the same return envelope. If a holder does not properly submit an election form with its stock certificates, then, promptly after the closing date of the merger, the exchange agent will mail to the holder a letter of transmittal and instructions for surrendering stock certificates for use in exchanging the stock certificates for the merger consideration.**

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**THE MERGER**

The discussion in this joint proxy statement/prospectus of the merger and the material terms of the merger agreement is subject to, and is qualified in its entirety by reference to, the merger agreement, a copy of which is attached as Annex A to this joint proxy statement/prospectus and incorporated by reference.

**General Description of the Merger**

Pioneer, its direct wholly-owned subsidiary, BC Merger Sub, and Evergreen have entered into a merger agreement pursuant to which Pioneer will acquire Evergreen through the merger of BC Merger Sub with and into Evergreen, with Evergreen surviving the merger. Immediately after the closing of this merger, Evergreen will merge with and into a wholly-owned limited liability company subsidiary of Pioneer, with the limited liability company as the surviving entity that is wholly-owned by Pioneer.

Evergreen stockholders have the option to elect among three types of consideration for each share of Evergreen common stock held:

1.1635 shares of Pioneer common stock, subject to allocation and proration;

\$39.00 in cash, subject to allocation and proration; or

0.58175 shares of Pioneer common stock and \$19.50 in cash.

Evergreen stockholders who do not make an election will receive 0.58175 shares of Pioneer common stock and \$19.50 in cash for each share of Evergreen common stock held. In addition, Evergreen stockholders are entitled to receive an additional cash payment per share, as consideration for the Kansas properties, equal to the sum of:

\$0.35; plus

a pro rata share of the net proceeds in excess of \$15 million (gross proceeds less expenses) from Evergreen's sale, if any, of the Kansas properties to a third party if a sale closes prior to the closing date of the merger.

Evergreen has ceased to actively market the Kansas properties, and it thus appears likely that Evergreen stockholders will receive only \$0.35 per share of Evergreen common stock with respect to the Kansas properties. See *Q: What is the status of the sale of Evergreen's Kansas properties to a third party?* on page 7. For further discussion regarding the consideration each Evergreen stockholder is entitled to receive, see The Merger Agreement Merger Consideration. As a result of the merger, Pioneer stockholders will own approximately 83% of the combined company (based on the number of shares of common stock outstanding for each company on July 30, 2004, plus the number of shares of Evergreen common stock issuable pursuant to restricted stock awards for which the applicable restrictions lapse prior to or as of the effective time).

Shares of Evergreen common stock outstanding immediately prior to the merger and held by an Evergreen stockholder who dissents from the merger and pursues a statutory appraisal of shares in accordance with Article 113 of the Colorado Business Corporation Act will not be converted into the right to receive the merger consideration described above, unless the dissenting stockholder fails to perfect, withdraws or otherwise loses the right to appraisal. If an Evergreen stockholder who has demanded appraisal fails to perfect, withdraws or otherwise loses the right to appraisal, each share of Evergreen common stock of that stockholder will be treated as if it had been converted at the time of the merger into the right to receive 0.58175 shares of Pioneer common stock, \$19.50 in cash and the cash payment pertaining to the Kansas properties. See Dissenters' Rights of Appraisal of Evergreen Stockholders.

After the merger is completed, Scott Sheffield, current Chairman of the Board, President and Chief Executive Officer of Pioneer, will continue to serve as Chairman of the Board, President and Chief Executive Officer of the combined company. Mark Sexton, current Chairman of the Board, President and



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Chief Executive Officer of Evergreen, and Andrew Lundquist, a current director of Evergreen, will each be appointed to Pioneer's board of directors. Information about the current Pioneer directors and executive officers can be found in Pioneer's Annual Report on Form 10-K for the year ended December 31, 2003, and Pioneer's proxy statement, which is incorporated by reference into Pioneer's Annual Report on Form 10-K for the year ended December 31, 2003. Pioneer's Annual Report on Form 10-K is incorporated by reference into this document. Information about Messrs. Sexton and Lundquist and the other current Evergreen directors and executive officers can be found in Evergreen's proxy statement, which is incorporated by reference into Evergreen's Annual Report on Form 10-K for the year ended December 31, 2003. Evergreen's Annual Report on Form 10-K is incorporated by reference into this document. See "Where You Can Find More Information."

### **Background of the Merger**

By action dated December 18, 2003, Evergreen established a special committee of the board of directors (the "Transactions Committee") for the purpose of assisting Evergreen with the feasibility, direction, development and evaluation of potential significant acquisitions, divestitures, mergers, joint ventures, business combinations and other significant transactions. Messrs. Robert Clark, Mark Sexton, Scott Sheffield and Arthur Smith were members of the Transactions Committee.

In late 2003, Evergreen signed a confidentiality agreement with a major international petroleum company and began preliminary discussions regarding a number of possible joint projects and regarding the possible sale of Evergreen. No agreement regarding joint projects was reached and the international petroleum company indicated that it could not justify a purchase of Evergreen at the price that Evergreen's stock was then trading. An offer to purchase Evergreen was never made. These discussions lapsed in early 2004.

In late 2003 and 2004, Evergreen did not discourage investment bankers who contacted Evergreen from time to time from entertaining indications of interest from a limited number of other participants in the industry.

During the meeting of Evergreen's board of directors on February 20, 2004, Mr. Sheffield was approached by Dennis Carlton, Executive Vice President - Exploration and Chief Operating Officer of Evergreen, and was asked whether or not Pioneer might consider the merits of a business combination with Evergreen. Mr. Sheffield responded that at the time there were probably too many complicating issues to consider such a transaction.

After thinking further about the conversation for a couple of weeks and considering the fact that the Evergreen board of directors had expressed an interest in pursuing a strategic combination with a larger company, and knowing that Evergreen had already conducted some due diligence with one oil company and had conversations with the chief executive officers of at least two other companies without material developments, Mr. Sheffield requested that Pioneer's business development and financial modeling groups gather public data on Evergreen and perform an initial modeling evaluation of potential business combinations. After reviewing some initial modeling, Mr. Sheffield decided to raise the possibility of a strategic business combination between Pioneer and Evergreen with Pioneer's management committee.

On the morning of March 22, 2004, Mr. Sheffield presented to Pioneer's management committee the possibility of a strategic business combination with Evergreen. After reviewing the initial modeling and a brief review of potential strengths, weaknesses, opportunities and threats presented by the possible transaction, the consensus of the management committee was to encourage Mr. Sheffield to pursue the matter further by contacting Mr. Sexton.

On the afternoon of March 22, 2004, Mr. Sheffield contacted Mr. Sexton by telephone and suggested that the two companies consider a strategic merger. Mr. Sexton agreed to discuss the matter with his management team and to respond to Mr. Sheffield in a few days.

On March 24, 2004, Mr. Sexton called Mr. Sheffield and informed Mr. Sheffield that Evergreen's management was interested in exploring the matter further. On a conference call with Michael Wortley

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and Mark Kelly of Vinson & Elkins L.L.P., Messrs. Sheffield and Sexton were briefed on the proper process for proceeding with the evaluation of a potential business combination, specifically focusing on separating Mr. Sheffield from the decision on the Evergreen side. Pioneer's General Counsel, Mark Withrow, then followed up with Mr. Sheffield and Mr. Wortley to further discuss Mr. Sheffield's involvement in the Pioneer decision process. Mr. Sheffield subsequently did not attend any Evergreen board of directors meeting at which a transaction with Pioneer was discussed.

On the following Monday morning, March 29, 2004, a meeting of the Pioneer board of directors was called and the potential business combination with Evergreen was presented. For presentation purposes, a purchase price of \$37.00 per share was used to value shares of Evergreen common stock. After extensive discussion, the Pioneer board of directors authorized Pioneer management to move forward with the due diligence process. That evening, Messrs. Sheffield and Sexton had dinner in New Orleans at the Howard Weil Energy Conference and had initial discussions about the possible mechanics and benefits of a potential business combination of the two companies. The two chief executive officers met again the next morning. No material business points regarding a potential transaction were discussed between Messrs. Sheffield and Sexton at these meetings in New Orleans. A telephone conference ensued among Messrs. Sexton and Withrow and William Davis of Womble, Carlyle, Sandridge & Rice regarding preparation of a confidentiality agreement and the handling of the due diligence process.

On the morning of March 31, 2004, Mr. Sexton met again in New Orleans with Messrs. Sheffield, Tim Dove and Jay Still of Pioneer to discuss generally the assets and characteristics of each company as well as to outline the program for Pioneer's due diligence review of Evergreen, which was scheduled to commence the following week in Denver.

In early April 2004, Mr. Sexton apprised Evergreen's board of directors of recent developments regarding conversations with Mr. Sheffield. Evergreen's outside directors unanimously recommended that Messrs. Sexton and Sheffield resign from the Transactions Committee because of the potential for conflicts of interest. The Evergreen board of directors made that recommendation in part because Mr. Sheffield is the Chairman, President and Chief Executive Officer of Pioneer and because Mr. Sexton is a personal friend of Mr. Sheffield. Moreover, it was noted that Mr. Sexton could stand to benefit from a transaction pursuant to his existing change in control agreement with Evergreen. The board of directors believed that Messrs. Sexton and Sheffield should not be active in the evaluation of the potential business combination between Pioneer and Evergreen. By action dated April 5, 2004, the Evergreen board of directors accepted the resignations of Messrs. Sexton and Sheffield from the Transactions Committee and reconstituted the Transactions Committee to be comprised of Messrs. Smith, Clark and Lundquist as members.

On Monday, April 5, 2004, and Tuesday, April 6, 2004, Pioneer's technical, legal and accounting teams traveled to Denver and conducted due diligence, reviewing documents furnished by Evergreen and interviewing and attending presentations by Messrs. Sexton, Carlton and Collins.

On April 7, 2004, the Transactions Committee met to discuss its duties and selected Mr. Smith as chairman and Mr. Clark as vice chairman.

Also on April 7, 2004, Kerr-McGee Corporation and Westport Resources Corporation, both oil and gas exploration companies, announced that they had entered into an agreement regarding a proposed business combination.

On April 8, 2004, Messrs. Smith and John Ryan, also an Evergreen director and Evergreen's largest individual stockholder (holding approximately 3% of Evergreen's common stock), met in Houston with a representative of Citigroup to discuss Citigroup's possible engagement as financial advisor. They also met with David Kirkland of Baker Botts L.L.P. regarding the potential engagement of Baker Botts L.L.P. as legal counsel to the Transactions Committee. Also on April 8, 2004, Pioneer's technical team and Messrs. Sexton, Carlton, Smith and Ryan met in Houston with Evergreen's independent reservoir engineers, Netherland, Sewell, regarding Evergreen's reserves.

A Pioneer telephonic board of directors meeting was held on Thursday, April 8, 2004, to update the board of directors on the initial due diligence, to review the concepts proposed to be included in the

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merger agreement to be submitted to Evergreen, to again review the process to be followed in pursuing a transaction with Evergreen, to discuss the employment of an investment banking firm and to authorize the employment of reserve engineering and environmental experts to assist in and report on due diligence.

A group consisting of Transactions Committee members, Mr. Ryan, who later joined the Transactions Committee, and Messrs. Sexton, Collins and Carlton, along with representatives from Citigroup and Evergreen's legal firm, Womble, Carlyle, Sandridge & Rice, conducted due diligence in Pioneer's offices in Irving, Texas on Monday, April 12, 2004 and Tuesday, April 13, 2004. Mr. Sheffield was traveling abroad and did not participate in these meetings. Messrs. Smith, Carlton and Collins also were briefed by Netherland, Sewell, Pioneer's independent reservoir engineer, regarding Pioneer's reserves, and Netherland, Sewell, who also serves as Evergreen's independent reservoir engineer, met with Pioneer's technical team regarding Evergreen's reserves. Messrs. Withrow and Dove initiated general discussions with Mr. Smith and the Transactions Committee regarding the terms of a business combination between Pioneer and Evergreen. In addition, Pioneer engaged JPMorgan as its financial advisor. Pioneer's technical teams continued their internal evaluations and developed presentations which were shared with Pioneer's board of directors on Friday, April 16, 2004.

On April 12, 2004, the Transactions Committee met to consider the engagements of Citigroup and Baker Botts L.L.P. and retained Baker Botts L.L.P. as legal counsel.

On April 15, 2004, EnCana Corporation and Tom Brown, Inc., both oil and gas exploration and production companies, announced that they had entered into an agreement to sell Tom Brown, Inc. to EnCana Corporation for cash. The stock prices of many exploration and production companies rose significantly from April 6, 2004, the day before the announcement of the Kerr-McGee Corporation/ Westport Resources Corporation proposed business combination, to April 16, 2004, the day after the announcement of the Tom Brown, Inc./EnCana Corporation transaction. Evergreen's stock price rose \$6.62 per share during this period, from a closing price of \$35.08 on April 6, 2004 to a closing price of \$41.70 on April 16, 2004.

On Friday, April 16, 2004, a telephonic meeting of Pioneer's board of directors was held to review the due diligence progress during the previous week and to receive both an internal evaluation and an evaluation from Netherland, Sewell of Evergreen's proved reserves. Pioneer's board of directors also received a report from JPMorgan outlining its work plan for arriving at a fairness opinion on the transaction, and its expected scope of work and involvement in Pioneer's financial strategy and impact analysis. The Pioneer board of directors instructed Mr. Sheffield not to participate actively in the negotiations with Evergreen on material business points and appointed Messrs. Withrow and Dove as the primary negotiators with Evergreen regarding a potential business combination. Pioneer's board of directors instructed Messrs. Withrow and Dove to proceed with negotiations with Evergreen in New York, New York the following week.

On April 19, 2004, members of the Transactions Committee met with Mr. Ryan, Evergreen management, representatives of Citigroup and Baker Botts L.L.P. to discuss the possible transaction and the strategy for meeting with Pioneer the following day. The Transactions Committee discussed a goal of negotiating a transaction that would deliver value of \$40.00 per share or higher to Evergreen stockholders and that this may be an optimistic target in view of the recent rapid increase in the Evergreen stock price. The Transactions Committee agreed to engagement terms with Citigroup and retained Citigroup as its exclusive financial advisor effective as of April 12, 2004.

Messrs. Dove and Withrow, along with Rich Dealy and Paul Lee of Pioneer, traveled to New York, New York on April 19, 2004, taking with them extensive modeling and financial information related to a possible business combination. The group met with Mr. Sheffield for lunch and discussed the modeling results, the schedule for meetings for the remainder of the week and the strategy for proceeding. The group then spent the afternoon with JPMorgan reviewing the models and financial information and furnishing the same to JPMorgan for its own analysis. Messrs. Dove and Withrow had a discussion with Messrs. Sexton, Carlton and Collins and the Transactions Committee late in the evening to discuss

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generally due diligence and valuation results to date and the schedule and framework for further negotiations.

The following morning, April 20, 2004, Messrs. Dove, Withrow, Dealy and Lee returned to the offices of JPMorgan and continued discussions on financial analysis of a possible business combination and negotiating and financing strategy.

On April 20, 2004, the Transactions Committee invited Mr. Ryan to join the Transactions Committee, subject to board of directors approval. The Transactions Committee then met with Messrs. Dove, Withrow, Dealy and Lee to discuss valuation and the structure of a possible transaction. An offer price of \$37.50 was discussed by Mr. Dove at this meeting. Subsequently, the Transactions Committee met with representatives of Citigroup and Messrs. Collins and Carlton to discuss valuations and negotiation strategy. After this meeting, the Transactions Committee again met with Pioneer executives to further discuss a possible transaction.

On Wednesday, April 21, 2004, the Transactions Committee again met with Messrs. Dove and Withrow and continued negotiations.

Messrs. Dove and Withrow returned to Pioneer's Irving, Texas offices and the next morning, Thursday, April 22, 2004, a telephonic meeting of the Pioneer board of directors was convened. Messrs. Dove and Withrow reviewed their recent meeting with the Transactions Committee in New York and Mr. Withrow also updated Pioneer's board of directors on the status of the merger agreement, which was being negotiated by him and Vinson & Elkins L.L.P. for Pioneer and the Transactions Committee and Baker Botts L.L.P. for Evergreen. The board of directors then received updates from both Netherland, Sewell and Pioneer's technical team on the analysis of Evergreen's reserves and asset base, and Mr. Dove then presented to the directors combination modeling, sensitivity analysis and recent transaction comparisons. The board of directors, other than Mr. Sheffield, then met separately with Messrs. Dove and Withrow to further discuss the status of negotiations, financial metrics and net asset value. After considerable discussion, the board of directors again authorized Messrs. Dove and Withrow to continue negotiations.

On April 23, 2004, representatives of Citigroup met with the Transactions Committee to discuss Citigroup's preliminary financial analyses. Later that day the Transactions Committee by teleconference updated the Evergreen board of directors on the status of negotiations. Mr. Smith continued to have discussions with Messrs. Dove and Withrow as well as with representatives of Citigroup and Evergreen management throughout the day. Pioneer's environmental due diligence team continued to work through the weekend and furnished periodic reports to Messrs. Dove and Withrow and other members of Pioneer management.

On April 26, 2004, Mr. Smith had a brief discussion with Mr. Dove and subsequently updated the Transactions Committee and Evergreen management on the status of negotiations. One issue that emerged between the parties was the low valuation placed on Evergreen's undeveloped Kansas properties by Pioneer compared to Evergreen's valuation. Merger agreement drafting and negotiations continued.

On April 27, 2004, the Transactions Committee conferred and Mr. Smith traveled to Pioneer's Irving, Texas office to discuss open business issues with Messrs. Dove and Withrow. The parties discussed the possibility of spinning off Evergreen's Kansas properties to Evergreen stockholders just prior to the merger and the related business issues associated with establishing a new independent public company to develop the Kansas properties. They also discussed justification for a range of termination fees should acceptable business combination terms be reached. Mr. Smith briefed the Transactions Committee on the discussions at the end of the day.

On April 28, 2004, the Transactions Committee reported on the open issues to the Evergreen board of directors, including (1) whether the basic structure of the transaction would be a one-half cash and one-half stock merger whereby Evergreen stockholders could elect to receive all cash or all stock, subject to prorations, (2) the form of consulting and non-compete agreements for the three top Evergreen executives, (3) employee compensation, termination and benefit matters for continuing employees, (4) the terms and

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amount of the termination fee, (5) the closing conditions, (6) whether a spin-off of the Kansas properties could be used as a means of bridging the difference of views on valuation and (7) the price.

Also on April 28, 2004, Messrs. Dove and Dealy of Pioneer traveled to New York, New York and met with Standard & Poor's to discuss the impact of the proposed transaction on Pioneer's investment grade debt rating.

On the evening of April 29, 2004, Messrs. Dove, Dealy and Lee held a telephonic meeting with Moody's to advise them of the proposed transaction and discuss any resulting impact on Pioneer's investment grade debt rating. Also on April 29, 2004, Mr. Withrow continued negotiations on the merger agreement and a telephonic meeting of Pioneer's board of directors was held. The board of directors heard from Messrs. Dove and Withrow about the Kansas spin-off structure. They also received an updated report from Netherland, Sewell and Pioneer's technical team on Evergreen's reserves, and a report on the results of Pioneer's environmental due diligence efforts. Messrs. Dove and Dealy gave the board of directors their view of the reactions to the proposed transaction by both ratings agencies. A hedging strategy was approved for the transaction and a preliminary fairness opinion presentation was given by JPMorgan. Mr. Withrow reviewed with the board of directors the terms of the merger agreement and the issues still outstanding. Messrs. Dove and Withrow were again authorized to continue to negotiate with Evergreen to narrow the remaining issues and resolve the Kansas spin-off issue.

On April 29, 2004, Mr. Smith and Mr. Clark briefed the top Evergreen executives on the status of discussions and solicited input and recommendations.

On April 30, 2004, the Transactions Committee met in Denver, Colorado, followed by a meeting of the entire Evergreen board of directors (except Mr. Sheffield). Representatives of Citigroup discussed its financial analyses based on the status of negotiations to date. Mr. Smith discussed the open points of negotiations. Joel Swanson of Baker Botts L.L.P. made a presentation on director fiduciary duties and summarized the terms of the draft merger agreement. During temporary recesses, the Transactions Committee and/or Mr. Smith conducted telephone negotiations with Mr. Dove, Mr. Withrow and other Pioneer executives in an effort to narrow the open issues between the parties, including price. Evergreen and Pioneer were unable to reach agreement and the Evergreen board of directors recessed in order to see if negotiations could be concluded over the weekend or early the following week.

On May 3, 2004, Mr. Smith and various members of the Transactions Committee had several extended negotiating calls with Messrs. Dove and Withrow regarding open issues, including price, and ultimately reached a consensus that evening. Mr. Sexton reconvened the recessed board of directors meeting and Mr. Smith reconvened the Transactions Committee meeting. Mr. Smith discussed the resolution of his discussions with Pioneer. A representative of Citigroup reviewed its material financial analyses performed in connection with the preparation of its opinion and rendered its oral opinion, which was subsequently confirmed in writing, that, as of May 3, 2004, and based on and subject to the matters set forth in the opinion (see *The Merger Opinion of Evergreen's Financial Advisor*) that the merger consideration to be received by holders of Evergreen common stock in the merger was fair from a financial point of view to the holders of Evergreen common stock. Mr. Swanson of Baker Botts L.L.P. again summarized the fiduciary duties of Evergreen directors. The Transactions Committee then unanimously resolved that it found the merger and other transactions contemplated by the merger agreement to be advisable and in the best interests of Evergreen and its stockholders and recommended that the board of directors approve and adopt the merger and the merger agreement. The board of directors then unanimously (except for Mr. Sheffield, who recused himself from voting with respect to these matters and did not participate in the meeting in which such vote was taken) resolved that the merger and the other transactions contemplated by the merger agreement were advisable and in the best interests of Evergreen and its stockholders and approved and adopted the merger and the merger agreement.

On the evening of May 3, 2004, a telephonic Pioneer board of directors meeting was held and Messrs. Dove and Withrow explained the final negotiated financial terms, the handling of the Kansas properties and the resolution of the outstanding merger agreement issues. Mr. Sheffield did not participate in the meeting. JPMorgan rendered its oral opinion that, as of that date, the aggregate consideration to be

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paid by Pioneer in the merger was fair, from a financial point of view, to Pioneer. See The Merger Opinion of Pioneer's Financial Advisor.

After discussion, the Pioneer board of directors unanimously (except for Mr. Sheffield, who recused himself from voting with respect to these matters and did not participate in the meeting in which such vote was taken) approved the transaction, subject to finalizing the merger agreement with terms substantially as presented and satisfactory to Mr. Withrow and Pioneer management. Mr. Withrow and Vinson & Elkins L.L.P. then worked throughout the night with Baker Botts L.L.P. and members of the Transactions Committee to negotiate and finalize the merger agreement, which was signed by both parties before 7:00 a.m. on Tuesday, May 4, 2004.

**Recommendation of Pioneer's Board of Directors and Reasons for the Merger**

At its meeting on May 3, 2004, after due consideration, the Pioneer board of directors unanimously, except for Scott Sheffield, who recused himself from voting and did not participate in the meeting in which such vote was taken, adopted resolutions (i) determining that the merger agreement, the merger in accordance with the terms of the merger agreement, the issuance of shares of Pioneer common stock pursuant to the merger, and the other transactions contemplated by the merger agreement are advisable and in the best interests of Pioneer and its stockholders, (ii) approving the merger agreement, the merger and the other transactions contemplated by the merger agreement and approving the issuance of Pioneer common stock pursuant to the merger, and (iii) recommending that the Pioneer stockholders vote FOR the approval of the issuance of shares of Pioneer common stock in the merger.

In reaching its decision to approve entering into the merger agreement and to recommend the approval by Pioneer stockholders of the issuance of Pioneer common stock in connection with the merger, the Pioneer board of directors considered several factors, including:

the oral opinion delivered by JPMorgan on May 3, 2004, and subsequently confirmed in writing that, as of that date and based on and subject to the matters set forth in the opinion, the consideration to be paid by Pioneer in the merger was fair from a financial point of view to Pioneer;

the terms of the merger agreement and the structure of the transaction, including the conditions to each company's obligations to complete the merger;

the fact that the merger agreement requires Pioneer to pay a termination fee of \$35 million if the merger agreement is terminated in accordance with applicable provisions of the merger agreement;

the ability of Pioneer and Evergreen to complete the merger, including their ability to obtain the necessary regulatory approvals and their obligations to attempt to obtain those approvals;

the terms of the commitment agreement with JPMorgan Chase Bank to finance the cash portion of the merger consideration;

the fact that the merger creates a new core area for Pioneer in the Rocky Mountains, increasing Pioneer's proved reserves by approximately one-third, increasing North American reserves from 81% to 86%, and increasing gas reserves from 46% to 60%;

the fact that Evergreen's long-lived natural gas reserves provide a significant inventory of low-risk drilling opportunities, consisting of approximately 2,000 low-risk onshore drilling locations that will balance Pioneer's portfolio of high-impact, high-return drilling and exploration projects;

the fact that Evergreen's Canadian assets are complementary to Pioneer's existing Canadian assets, which will enhance Pioneer's Canadian asset portfolio and facilitate the integration of Pioneer's and Evergreen's businesses;

the fact that Evergreen agreed to place substantial hedges on its 2004 and 2005 forecasted gas production, which will protect the economics of the merger;

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the expectation that Pioneer will benefit from sharing with Evergreen, Pioneer's extensive expertise in operating in the Gulf of Mexico and the Gulf Coast, as well as from utilizing its tight gas and supply chain expertise that it gained in connection with the development of its core domestic fields in further developing Evergreen's Rocky Mountain assets;

Pioneer's belief that it can achieve annual pre-tax cost savings in excess of \$8 million subsequent to the merger;

the fact that the combined company will be significantly larger than Pioneer is now and, as a result, Pioneer should have greater exploration, production and marketing strengths, should have greater liquidity in the market for its securities and should be able to consider future strategic transactions that would not otherwise be possible;

information concerning the financial condition, results of operations, prospects and businesses of Pioneer and Evergreen, including the respective companies' reserves, production volumes, cash flows from operations, recent performance of common stock and the ratio of Pioneer's common stock price to Evergreen's common stock price over various periods, as well as current industry, economic and market conditions;

the net asset value per share of the common stock of both Evergreen and Pioneer; and

the results of business, legal and financial due diligence investigations of Evergreen conducted by Pioneer's management and legal and financial advisors.

Each of these factors favored Pioneer's board of directors conclusion that the merger is advisable and in the best interests of the Pioneer stockholders. The board of directors relied on Pioneer and Evergreen management teams to provide accurate and complete financial information, projections and assumptions as the starting point for its analysis.

Pioneer's board of directors also considered a variety of risks and other potentially negative factors concerning the merger agreement and the transactions contemplated by it, including the merger. These factors included:

the fact that there are significant risks inherent in combining and integrating two companies, including that the companies may not be successfully integrated, and that successful integration of the companies will require the dedication of significant management resources, which will temporarily detract attention from the day-to-day businesses of the combined company;

the fact that a large portion of the total merger consideration is expected to be allocated to Evergreen's unproved acreage, and there is always uncertainty in successfully developing such acreage into proved reserves;

the effects on net asset value, cash flows from operations and other financial measures under some modeling assumptions, and the uncertainties in timing with respect to some anticipated benefits of the merger;

the risk of changes in commodity prices from those used to evaluate the merger;

the increased level of indebtedness that Pioneer would have to incur in order to finance the merger;

the fact that the capital requirements necessary to achieve the expected growth of the combined company's businesses will be significant, and the fact that the combined company would have had total long-term debt of \$2.6 billion on a pro forma basis as of March 31, 2004; and

the fact that the merger might not be completed as a result of a failure to satisfy the conditions contained in the merger agreement.

This discussion of the information and factors considered by Pioneer's board of directors in reaching its conclusions and recommendations includes all of the material factors considered by Pioneer's board of directors but is not intended to be exhaustive. In view of the wide variety of factors considered by

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Pioneer's board of directors in evaluating the merger agreement and the transactions contemplated by it, including the merger, and the complexity of these matters, Pioneer's board of directors did not find it practicable to, and did not attempt to, quantify, rank or otherwise assign relative weight to those factors. In addition, different members of Pioneer's board of directors may have given different weight to different factors.

The foregoing description of Pioneer's considerations relating to the merger is forward-looking in nature. This information should be read in light of the factors discussed in "Cautionary Statement Concerning Forward-Looking Statements" on page 37.

### **Recommendation of Evergreen's Board of Directors and Reasons for the Merger**

At its meeting on May 3, 2004, after due consideration, the Evergreen board of directors unanimously, except for Scott Sheffield, who recused himself from voting and did not participate in the meeting in which such vote was taken, adopted resolutions (i) determining that the merger agreement, the merger in accordance with the terms of the merger agreement, and the other transactions contemplated thereby are advisable and in the best interests of Evergreen and its stockholders, (ii) approving and adopting the merger agreement and the merger and the other transactions contemplated by the merger agreement, and (iii) recommending that the Evergreen stockholders vote FOR the approval of the merger agreement.

In reaching its decision to recommend approval of the merger agreement and approval of the merger to the Evergreen board of directors, the Transactions Committee considered, and in reaching its determination, the Evergreen board of directors considered, several factors, including:

the oral opinion delivered by Citigroup on May 3, 2004, subsequently confirmed in writing, that, as of that date and based on and subject to the matters set forth in the opinion, the merger consideration to be received by holders of Evergreen common stock in the merger was fair from a financial point of view to the holders of Evergreen common stock;

the fact that the strategic merger afforded the opportunity for Evergreen stockholders to realize a substantial portion of the value of Evergreen's long-lived assets while providing Evergreen stockholders with access to Pioneer's high-impact projects;

the fact that the corporate cultures of Evergreen and Pioneer were similar and would, in the Transactions Committee's opinion, allow Evergreen's stockholders to continue to participate in the value creation fostered by the Evergreen employees in the past;

the fact that, in the Transactions Committee's view, the market had already put an acquisition premium on Evergreen's stock trading value reflecting the recently announced Tom Brown Inc. and Westport Resources Corporation proposed acquisitions by EnCana Corporation and Kerr-McGee Corporation, respectively;

the fact that for Evergreen to grow as rapidly as in the past, it might be required to expand its resources, staff and expertise into other areas, including international operations, at a time when attractive properties are becoming harder to find and also considering the prior difficulties Evergreen experienced in expanding internationally;

the fact that increasing regulation applicable to public companies had placed a burden on Evergreen with its relatively lean corporate staff;

the terms of the merger agreement that permit the board of directors and the Transactions Committee to explore under certain circumstances an unsolicited acquisition proposal that the board of directors or the Transactions Committee concludes is, or is reasonably likely to result in, a superior offer from a financial point of view to Evergreen stockholders;

the terms of the merger agreement that permit the board of directors to change or withdraw its recommendation to Evergreen stockholders of the merger or to terminate the merger agreement if



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the board of directors determines that an unsolicited acquisition proposal is deemed a superior offer for Evergreen from a financial point of view;

the fact that the \$35 million termination fee is less than 2% of Evergreen's enterprise value, which in the opinion of the Transactions Committee and the board of directors is not too high a hurdle to discourage a seriously interested acquiror;

the fact that Pioneer has agreed to hire substantially all of Evergreen's employees other than the top three executive officers and that equivalent employee benefits will be substantially continued; and

the availability of appraisal rights under Colorado law to holders of Evergreen common stock who dissent from the merger, which provides stockholders who dispute the fairness of the merger with an opportunity to have a court determine the fair value of their shares.

Each of these factors favored the Transactions Committee's conclusion that the merger is advisable and in the best interests of the Evergreen stockholders.

The Transactions Committee, as well as the Evergreen board of directors, relied on Evergreen and Pioneer management teams to provide accurate and complete financial information, projections and assumptions as the starting point for its analysis.

The Transactions Committee also considered a variety of risks and other potentially negative factors concerning the merger agreement and the transactions contemplated by it, including the merger. These factors included:

the fact that the valuation of the consideration in the strategic merger based on current stock market prices reflected no premium to the current market valuation of shares of Evergreen common stock;

the fact that approximately half of the consideration to Evergreen stockholders would be cash and that the future participation of such stockholders to any benefit associated with potentially higher energy prices will be diminished;

the fact that certain management stockholders may have interests that are different from those of the remaining stockholders as described under "Interests of Evergreen's Directors and Management in the Merger";

the fact that the board of directors had decided not to conduct an open auction process;

the fact that the merger agreement imposed limitations on the ability of Evergreen to solicit other offers as well as the possibility that Evergreen could be required to pay a termination fee of \$35 million to accept a higher offer;

the fact that for U.S. federal income tax purposes, the cash portion of the merger consideration would be taxable to stockholders to the extent they receive cash;

the possibility that if the price of Pioneer common stock fell significantly before the closing of the merger, the entire consideration received by Evergreen stockholders could be taxable; and

other matters described under the caption "Risk Factors".

In the Transactions Committee's view, the principal advantage of Evergreen continuing as a public company would be to allow its stockholders to continue to participate in any growth in the value of Evergreen's equity. However, the Transactions Committee concluded that under all of the relevant circumstances, the value to stockholders that would be achieved by continuing as a public company was not likely to be as great as under the merger and, accordingly, rejected that alternative.

This discussion of the information and factors considered by the Transactions Committee in reaching its conclusions and recommendations includes all of the material factors considered by the Transactions Committee but is not intended to be exhaustive. In view of the wide variety of factors considered by the

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Transactions Committee in evaluating the merger agreement and the transactions contemplated by it, including the merger, and the complexity of these matters, the Transactions Committee did not find it practicable to, and did not attempt to, quantify, rank or otherwise assign relative weight to those factors. In addition, different members of the Transactions Committee may have given different weight to different factors.

The Transactions Committee believes that sufficient procedural safeguards were and are present to ensure the fairness of the merger and to permit the Transactions Committee to represent effectively the interests of Evergreen stockholders. These procedural safeguards include the following:

the Transactions Committee's active and intense negotiations with Pioneer regarding the merger consideration and the other aspects of the merger and the merger agreement;

other than the indemnification rights under the merger agreement and the acceleration of restricted stock awards and options under the terms of Evergreen's benefit plans, no member of the Transactions Committee, except Mr. Lundquist (who will be joining Pioneer's board), has an interest in the merger different from that of Evergreen's stockholders and any stock options or awards of restricted stock members of the Transactions Committee hold will receive the same consideration in the merger as Evergreen stockholders;

the continuation of Messrs. Sexton and Lundquist as directors of Pioneer following the merger, which the Transactions Committee believed would help foster the continuing consideration of the interests of former Evergreen stockholders;

the Transactions Committee excluded Mr. Sexton from active participation in the negotiations of material business points and was informed by Pioneer and believed that Pioneer excluded Scott Sheffield, Chairman of the Board, President and Chief Executive Officer of Pioneer, from active participation in the negotiations on material business points, in each case, because of the friendship of Mr. Sexton and Mr. Sheffield and the fact that Mr. Sheffield was a director of Evergreen, which created the appearance of a potential conflict of interest;

Mr. Ryan's position as holder of a total of 1,329,080 shares of Evergreen common stock, including shares issuable under stock option agreements (approximately 3% of outstanding shares), which aligns his interests with other stockholders;

Evergreen retained on behalf of the Transactions Committee, and the Transactions Committee received the advice and assistance of, Citigroup as the Transactions Committee's financial advisor and Baker Botts as the Transactions Committee's legal advisor, and the Transactions Committee requested and received from Citigroup an opinion as to the fairness, from a financial point of view, to the holders of Evergreen common stock of the merger consideration to be received by the holders of Evergreen common stock in the merger. Each of these advisors has extensive experience in transactions similar to the merger;

the recognition by the Transactions Committee that it had no obligation to recommend the approval of the merger or any other transaction;

the recognition by the Transactions Committee that it may consider superior proposals; and

the availability of appraisal rights under Colorado law for Evergreen's stockholders who oppose the merger, which rights are described under Dissenters' Rights of Appraisal of Evergreen Stockholders.

The foregoing description of Evergreen's considerations relating to the merger is forward-looking in nature. This information should be read in light of the factors discussed under Cautionary Statement Concerning Forward-Looking Statements.

**Table of Contents****Certain Financial Projections**

In connection with the due diligence process during negotiations, Evergreen provided Pioneer with two sets of projections for the period from 2004 through 2010. A more conservative case included, among other things, a risk adjusted production profile with modestly rising capital expenditures and more conservative gas sales prices and a more aggressive case had an unrisks production profile, larger capital expenditures and higher gas sales prices. These are summarized below.

**More Conservative Case**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Revenue (in millions)	\$ 304	\$ 314	\$ 387	\$ 479	\$ 564	\$ 625	\$ 669
Net income (in millions)	\$ 78	\$ 92	\$ 111	\$ 140	\$ 158	\$ 164	\$ 169
Earnings per share diluted	\$ 1.62	\$ 1.92	\$ 2.32	\$ 2.91	\$ 3.29	\$ 3.43	\$ 3.51
Average daily sales (MMcfe)	186	200	255	318	379	428	457
Average gas price	\$ 4.82	\$ 4.31	\$ 4.15	\$ 4.13	\$ 4.08	\$ 3.99	\$ 3.98
Capital expenditures (in millions)	\$ 228	\$ 212	\$ 243	\$ 253	\$ 259	\$ 309	\$ 258

**More Aggressive Case**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Revenue (in millions)	\$ 330	\$ 431	\$ 547	\$ 697	\$ 843	\$ 962	\$ 1,061
Net income (in millions)	\$ 104	\$ 138	\$ 173	\$ 223	\$ 265	\$ 292	\$ 318
Earnings per share diluted	\$ 2.17	\$ 2.87	\$ 3.60	\$ 4.64	\$ 5.51	\$ 6.08	\$ 6.62
Average daily sales (MMcfe)	186	262	349	454	555	642	706
Average gas price	\$ 4.82	\$ 4.50	\$ 4.09	\$ 4.00	\$ 4.16	\$ 4.10	\$ 4.10
Capital expenditures (in millions)	\$ 228	\$ 276	\$ 312	\$ 327	\$ 340	\$ 397	\$ 357

In connection with the due diligence process during negotiations, Pioneer provided Evergreen with two sets of projections for the period from 2004 through 2009. A Commercialization Case was based on (i) NYMEX strip prices for oil and gas as of April 23, 2004, (ii) development of projects in various stages of commercialization such as Gabon, South African gas, Tunisia and offshore Gulf of Mexico, (iii) 70% of Alaska's risked exploration success case economics and 50% of Argentina's risked exploration success case economics, and (iv) no Gulf of Mexico shelf, deepwater or Canada exploration after 2004. A Risked Success Case was based on (i) NYMEX strip prices for oil and gas as of April 23, 2004, (ii) development of projects in various stages of commercialization included in the first case, and (iii) 100% of risked exploration success for Alaska, Argentina, and inclusion of Gulf of Mexico shelf and deepwater, and Canada after 2004. In both cases excess cash flow was assumed to be applied to retirement of debt. These cases are summarized below.

**Commercialization Case**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Revenue (in millions)	\$ 1,803	\$ 1,695	\$ 1,560	\$ 1,511	\$ 1,497	\$ 1,506
Net income (in millions)	\$ 315	\$ 355	\$ 306	\$ 293	\$ 326	\$ 347
Earnings per share diluted	\$ 2.62	\$ 2.96	\$ 2.55	\$ 2.45	\$ 2.72	\$ 2.89
Average daily sales (MMcfe)	1,146	1,103	1,117	1,155	1,163	1,188
Reported gas price (after hedges)	\$ 4.13	\$ 4.05	\$ 3.26	\$ 3.04	\$ 2.92	\$ 2.82
Capital expenditures (in millions)	\$ 715	\$ 737	\$ 453	\$ 404	\$ 369	\$ 312

**Table of Contents****Risked Success Case**

	2004	2005	2006	2007	2008	2009
Revenue (in millions)	\$ 1,808	\$ 1,728	\$ 1,641	\$ 1,651	\$ 1,798	\$ 2,002
Net income (in millions)	\$ 317	\$ 364	\$ 337	\$ 343	\$ 434	\$ 537
Earnings per share diluted	\$ 2.64	\$ 3.03	\$ 2.81	\$ 2.86	\$ 3.61	\$ 4.48
Average daily sales, (MMcfe)	1,146	1,139	1,186	1,261	1,374	1,512
Reported gas price (after hedges)	\$ 4.16	\$ 4.00	\$ 3.26	\$ 3.04	\$ 3.01	\$ 3.03
Capital expenditures (in millions)	\$ 717	\$ 788	\$ 552	\$ 560	\$ 570	\$ 507

Evergreen and Pioneer make public only very limited information as to future performance and neither company provides specific or detailed information as to earnings or performance over an extended period. The foregoing projections are included in this joint proxy statement/prospectus only because this information was provided to the other party during negotiations. The projections were not prepared with a view to public disclosure or compliance with the published guidelines of the SEC or the guidelines established by the American Institute of Certified Public Accountants regarding projections or forecasts. The projections do not purport to present operations in accordance with GAAP, and the parties' independent auditors have not examined or compiled the projections and accordingly assume no responsibility for them. The internal financial forecasts (upon which these projections were based in part) are, in general, prepared solely for internal use and capital budgeting and other management decisions and are subjective in many respects and thus susceptible to interpretations and periodic revision based on actual experience and business developments.

The projections also reflect numerous assumptions made by management including assumptions with respect to general business, economic, market and financial conditions and other matters, including effective tax rates and interest rates and the anticipated amount of borrowings, all of which are difficult to predict and many of which are beyond the control of the preparing party. Accordingly, there can be no assurance that the assumptions made in preparing the projections will prove accurate. There will be differences between actual and projected results, and actual results may be materially greater or less than those contained in the projections. The inclusion of the projections in this joint proxy statement/prospectus should not be regarded as an indication that either Evergreen or Pioneer or their respective representatives considered or consider the projections to be a reliable prediction of future events, and the projections should not be relied upon as such.

Each of Evergreen and Pioneer believes that the projections prepared by it were reasonable at the time they were made; however, you should not assume that the projections continue to be accurate or reflective of management's current view. The projections were disclosed to the other party and its representatives as a matter of due diligence, and are included in this joint proxy statement/prospectus on that account. None of Evergreen or Pioneer or any of their respective representatives has made or makes any representation to any person regarding the ultimate performance of Evergreen or Pioneer compared to the information contained in the projections, and none of them intends to update or otherwise revise the projections to reflect circumstances existing after the date when made or to reflect the occurrence of future events in the event that any or all of the assumptions underlying the projections are shown to be in error.

**Opinion of Pioneer's Financial Advisor**

Pioneer retained JPMorgan as its exclusive financial advisor in connection with the merger and to render an opinion to the Pioneer board of directors as to the fairness, from a financial point of view, to Pioneer of the aggregate consideration to be paid by Pioneer in the merger. JPMorgan was selected by the Pioneer board of directors based on JPMorgan's qualifications, reputation and experience in the valuation of businesses and securities in connection with mergers and acquisitions, in general, and oil and gas transactions in particular. JPMorgan rendered its oral opinion to the Pioneer board of directors on May 3, 2004 (as subsequently confirmed in writing in an opinion dated May 4, 2004) that, as of that date, the aggregate consideration to be paid by Pioneer in the merger was fair, from a financial point of view, to

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Pioneer. The amount of the merger consideration was determined through arm's length negotiations between Pioneer and Evergreen and not as a result of recommendations by JPMorgan.

The full text of JPMorgan's opinion describes the assumptions made, procedures followed, matters considered and limitations on the review undertaken by JPMorgan. The opinion is attached as Annex B and is incorporated by reference in this joint proxy statement/ prospectus. JPMorgan's opinion is directed only to the fairness, from a financial point of view, to Pioneer of the merger consideration and does not address any other aspect of the merger or any related transaction. The opinion does not address the relative merits of the merger as compared to other business strategies or transactions that might be available with respect to Pioneer or the underlying business decision of Pioneer to engage in the merger. The opinion does not constitute a recommendation to any stockholder as to how to vote or act with respect to any matters relating to the merger. Pioneer did not provide specific instructions to, or place any limitations on, JPMorgan with respect to the procedures to be followed or factors to be considered by it in performing its analyses or providing its opinion. You are urged to read this opinion carefully in its entirety. The summary of JPMorgan's opinion below is qualified in its entirety by reference to the full text of JPMorgan's opinion.

In furnishing its opinion, JPMorgan did not admit that it is an expert within the meaning of the term "expert" as used in the Securities Act, nor did it admit that its opinion constitutes a report or valuation within the meaning of the Securities Act.

In connection with its review of the merger, and in arriving at its opinion, JPMorgan, among other things:

reviewed a draft dated May 3, 2004 of the Agreement and Plan of Merger;

reviewed certain publicly available business and financial information concerning Pioneer and Evergreen and the industries in which they operate;

compared the proposed financial terms of the merger with the publicly available financial terms of certain similar transactions involving companies JPMorgan deemed relevant and the consideration received for such companies;

compared the financial and operating performance of Pioneer and Evergreen with publicly available information concerning certain other companies JPMorgan deemed relevant and reviewed the current and historical market prices of Pioneer common stock and Evergreen common stock and certain publicly-traded securities of such other companies;

reviewed certain internal financial analyses and forecasts prepared by the managements of Pioneer and Evergreen relating to their respective businesses, as well as reviewed the estimated amount and timing of cost savings and related expenses and synergies expected to result from the merger (the "Synergies") supplied by the management of Pioneer;

reviewed oil and gas reserve reports for Pioneer and Evergreen prepared by Pioneer and Evergreen and audited by independent petroleum engineers (the "Reserve Reports"); and

performed such other financial studies and analyses and considered such other information as JPMorgan deemed appropriate for the purposes of the opinion.

In addition, JPMorgan held discussions with certain members of the management of Pioneer and Evergreen with respect to certain aspects of the merger, the past and current business operations of Pioneer and Evergreen, the financial condition and future prospects and operations of Pioneer and Evergreen, the effects of the merger on the financial condition and future prospects of the combined company and certain other matters JPMorgan believed necessary or appropriate to its inquiry.

In giving its opinion, JPMorgan relied upon and assumed, without independent verification, the accuracy and completeness of all information that was publicly available or was furnished to it by Pioneer and Evergreen or otherwise reviewed by it and JPMorgan did not assume any responsibility or liability

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therefor. JPMorgan did not conduct any valuation or appraisal of any assets or liabilities, nor were any such valuations or appraisals provided to JPMorgan other than the Reserve Reports.

In relying on financial analyses and forecasts provided to JPMorgan, including the Synergies, JPMorgan assumed that they had been reasonably prepared based on assumptions reflecting the best currently available estimates and judgments by management as to the expected future results of operations and financial condition of Pioneer and Evergreen to which such analyses or forecasts related. JPMorgan assumed that the merger would qualify as a tax-free reorganization for United States federal income tax purposes, and that the other transactions contemplated by the merger agreement would be consummated as described in the merger agreement. JPMorgan relied as to all legal matters relevant to rendering its opinion upon the advice of counsel. JPMorgan also assumed that the definitive merger agreement would not differ in any material respects from the draft thereof furnished to it. JPMorgan further assumed that all material governmental, regulatory or other consents and approvals necessary for the consummation of the merger would be obtained without any adverse effect on Pioneer or Evergreen or on the contemplated benefits of the merger.

JPMorgan's opinion was necessarily based on economic, market and other conditions as in effect on, and the information made available to it as of, the date of the opinion. It should be understood that subsequent developments may affect JPMorgan's opinion and JPMorgan does not have any obligation to update, revise or reaffirm its opinion. JPMorgan expresses no opinion as to the price at which the Pioneer common stock or the Evergreen common stock will trade at any future time.

***Summary of Financial Analyses of Pioneer's Financial Advisor***

In connection with rendering its opinion to the Pioneer board of directors, JPMorgan performed a variety of financial and comparative analyses, including those described below. The preparation of a fairness opinion is a complex process and involves various judgments and determinations as to the most appropriate and relevant assumptions and financial analyses and the application of these methods to the particular circumstances involved. Fairness opinions are therefore not necessarily susceptible to partial analysis or summary description.

Accordingly, JPMorgan believes that the analyses it performed and the summary set forth below must be considered as a whole and that selecting portions of its analyses and factors, or focusing on information in tabular format, without considering all analyses and factors or the narrative description of the analyses, could create a misleading or incomplete view of the processes underlying the analyses performed by JPMorgan in connection with its opinion. In arriving at its opinion, JPMorgan did not attribute any particular weight to any analyses or factors considered by it and did not form an opinion as to whether any individual analysis or factor (positive or negative), considered in isolation, supported or failed to support its opinion. Rather, JPMorgan arrived at its ultimate opinion based on the results of all analyses undertaken by it and assessed as a whole, and believes that the totality of the factors considered and analyses it performed in connection with its opinion operated collectively to support its determination as to the fairness of the merger consideration from a financial point of view.

In performing its analysis, JPMorgan considered industry performance, general business and economic conditions and other matters, many of which are beyond the control of Pioneer and Evergreen. The analyses performed by JPMorgan are not necessarily indicative of actual values or actual future results, which may be significantly more or less favorable than suggested by the analyses. The analyses were prepared solely as part of JPMorgan's analysis of the fairness, from a financial point of view, to Pioneer of the merger consideration. Additionally, the analyses performed by JPMorgan relating to the values of businesses do not purport to be appraisals or to reflect the prices at which businesses actually may be acquired or sold.

JPMorgan's opinion and financial analyses were only one of many factors considered by the Pioneer board of directors in its evaluation of the merger and should not be viewed as determinative of the views of the Pioneer board of directors or management with respect to the merger or the merger consideration.

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The following is a summary of the material financial analyses performed by JPMorgan in connection with providing its oral opinion to the Pioneer board of directors on May 3, 2004. Some of the summaries of the financial analyses include information presented in tabular format. To fully understand the financial analyses, the tables should be read together with the text of each summary. Considering the data set forth in the tables without considering the narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of the financial analyses.

***Historical exchange ratio analysis***

JPMorgan carried out a historical exchange ratio analysis to examine how the ratio of the respective Pioneer and Evergreen share prices had changed over the course of the previous six months. JPMorgan calculated the exchange ratio by dividing Evergreen's closing share price by Pioneer's closing share price on a daily basis.

JPMorgan calculated average exchange ratios for particular time periods.

	<b>Average Exchange Ratio</b>
Current	1.212x
One week	1.219x
1-month	1.152x
3-month	1.081x
6-month	1.058x
High	1.227x
Low	0.980x

Based on JPMorgan's six-month exchange ratio analysis, the exchange ratio varied from a low of 0.980x to a high of 1.227x. JPMorgan noted that the merger exchange ratio of 1.1635x and the implied exchange ratio based on the total merger consideration of 1.1739x fall within this range.

***Precedent corporate transaction analysis***

Using publicly available information, JPMorgan examined selected precedent corporate transactions. JPMorgan calculated the purchase price in the selected transactions as a multiple of one-year forward cash flow for the target in each selected transaction. JPMorgan also calculated the transaction value in the selected transactions as multiples of one-year forward EBITDAX defined as earnings before interest, taxes, depletion, depreciation, amortization, and exploration expense and current proved reserves as of the latest fiscal year-end for the target in each selected transaction. In performing its analyses, JPMorgan considered First Call consensus estimates ( Street Consensus ) and management estimates adjusted to reflect consensus commodity prices ( Management Street Pricing ) for cash flow and EBITDAX. Proved reserves for Evergreen and Pioneer were based on the latest fiscal year-end.

Among other factors, JPMorgan noted that the merger and acquisition transaction environment varies over time because of macroeconomic conditions such as fluctuations in interest rates, commodity prices, equity markets, industry results and growth expectations.

The precedent transactions examined with respect to Evergreen's valuation were as follows: EnCana/Tom Brown, Kerr-McGee/Westport Resources, Evergreen Resources/Carbon Energy, Kerr-McGee/HS Resources, Williams/Barrett Resources, and Marathon/Pennaco.

The precedent transactions examined with respect to Pioneer's valuation were as follows: EnCana/Tom Brown, Kerr-McGee/Westport Resources, Unocal/Pure Resources, Dominion/Louis Dreyfus Natural Gas, Devon Energy/Mitchell Energy, Kerr-McGee/HS Resources, Williams/Barrett Resources, Devon Energy/Santa Fe, and Anadarko Petroleum/Union Pacific Resources.

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JPMorgan reviewed the multiples obtained from these groups of transactions and applied its judgment to estimate valuation multiple reference ranges for Pioneer and Evergreen. JPMorgan noted that none of the selected precedent transactions is either identical or directly comparable to the proposed transaction and that any analysis of selected precedent transactions necessarily involves complex considerations and judgments concerning financial and operating characteristics and other factors that could affect the acquisition values of the companies concerned.

The tables below include reference multiple ranges selected by JPMorgan based on a review of the comparable transaction multiples.

**Evergreen**

	Equity Value/ Share					
	Reference Range		Street Consensus		Management Pricing	Street Pricing
	Low	High	Low	High	Low	High
Equity value/ 2004E cash flow	9.0x	12.0x	\$37.36	\$49.69	\$35.95	\$47.81
Firm value/ 2004E EBITDAX	9.0x	11.0x	\$36.55	\$45.27	\$34.90	\$43.24
Firm value/ Proved reserves (mcf)	\$1.30	\$1.50	\$36.92	\$43.00	\$36.92	\$43.00
<b>Selected value range</b>			<b>\$37.00</b>	<b>\$46.00</b>	<b>\$36.00</b>	<b>\$45.00</b>

**Pioneer**

	Equity Value/ Share					
	Reference Range		Street Consensus		Management Pricing	Street Pricing
	Low	High	Low	High	Low	High
Equity value/ 2004E cash flow	3.75x	4.75x	\$32.95	\$41.60	\$31.26	\$47.81
Firm value/ 2004E EBITDAX	4.75x	5.75x	\$33.63	\$43.06	\$33.15	\$43.24
Firm value/ Proved reserves (mcf)	\$1.15	\$1.40	\$33.11	\$38.88	\$33.11	\$38.88
<b>Selected value range</b>			<b>\$33.00</b>	<b>\$41.00</b>	<b>\$33.00</b>	<b>\$40.00</b>

By applying the above multiples to the indicated financial and operational metrics, JPMorgan calculated a selected range of implied equity values per share for both Evergreen and Pioneer and used these equity values per share to determine a range of implied exchange ratios. The low end of the implied exchange ratio range is calculated by taking the low end of Evergreen's selected value range and dividing it by the high end of Pioneer's selected value range. The high end of the implied exchange ratio range is calculated by dividing the high end of Evergreen's selected value range by the low end of Pioneer's selected value range. The resulting implied exchange ratio range for the Street Consensus case is equal to 0.902x - 1.394x and the resulting implied exchange ratio range for the Management - Street Pricing case is equal to 0.900x - 1.364x. JPMorgan noted that the merger exchange ratio of 1.1635x and the implied exchange ratio based on the total merger consideration of 1.1739x fall within both of these ranges.

**Public market comparables analysis**

JPMorgan compared financial, operating and stock market data of Evergreen to corresponding data of the following publicly-traded companies in the oil and gas exploration and production industry: Patina Oil & Gas, Prima Energy, Quicksilver Resources, and Ultra Petroleum. JPMorgan also compared financial, operating and stock market data of Pioneer to corresponding data of the following publicly traded companies in the oil and gas exploration and production industry: Unocal, Kerr-McGee, XTO Energy, EOG Resources, Noble Energy, Newfield Exploration, Pogo Producing, and Forest Oil.



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JPMorgan has noted that none of the selected companies is either identical or directly comparable to Pioneer or Evergreen and that any analysis of selected companies necessarily involves complex considerations and judgments concerning financial and operating characteristics and other factors that

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could affect the public trading of the selected companies. JPMorgan reviewed multiples of estimated cash flow and EBITDAX, and proved reserves obtained from these groups of companies and applied its judgment to estimate valuation multiple reference ranges for Pioneer and Evergreen. JPMorgan considered Street Consensus estimates and Management Street Pricing estimates for cash flow and EBITDAX. Proved reserves for Evergreen and Pioneer were based on the latest fiscal year-end.

*Evergreen*

	Equity Value/ Share					
	Reference Range		Street Consensus		Management Pricing	Street Pricing
	Low	High	Low	High	Low	High
Equity value/ 2004E cash flow	9.0x	11.0x	\$37.36	\$45.58	\$35.95	\$43.86
Equity value/ 2005E cash flow	7.5x	9.5x	\$36.74	\$46.44	\$31.21	\$39.44
Firm value/ 2004E EBITDAX	9.0x	11.0x	\$36.55	\$45.27	\$34.90	\$43.24
Firm value/ 2005E EBITDAX	7.5x	9.5x	\$36.07	\$46.39	\$33.70	\$43.40
Firm value/ Proved reserves (mcf)	\$ 1.30	\$ 1.50	\$36.92	\$43.00	\$36.92	\$43.00
<b>Selected value range</b>			<b>\$37.00</b>	<b>\$45.00</b>	<b>\$35.00</b>	<b>\$43.00</b>

*Pioneer*

	Equity Value/ Share					
	Reference range		Street Consensus		Management Pricing	Street Pricing
	Low	High	Low	High	Low	High
Equity value/ 2004E cash flow	3.75x	4.75x	\$32.95	\$41.60	\$31.26	\$39.47
Equity value/ 2005E cash flow	3.75x	4.75x	\$33.38	\$42.16	\$27.11	\$34.21
Firm value/ 2004E EBITDAX	4.25x	5.25x	\$28.92	\$38.34	\$28.48	\$37.81
Firm value/ 2005E EBITDAX	4.25x	5.25x	\$30.36	\$40.13	\$22.56	\$30.49
Firm value/ Proved reserves (mcf)	\$ 1.15	\$ 1.30	\$33.11	\$38.88	\$33.11	\$38.88
<b>Selected value range</b>			<b>\$32.00</b>	<b>\$40.00</b>	<b>\$29.00</b>	<b>\$36.00</b>

By applying the above multiples to the indicated financial and operational metrics, JPMorgan calculated a selected range of implied equity values per share for both Pioneer and Evergreen and used these equity values per share to determine a range of implied exchange ratios. The low end of the implied exchange ratio range is calculated by taking the low end of Evergreen's selected value range and dividing it by the high end of Pioneer's selected value range. The high end of the implied exchange ratio range is calculated by dividing the high end of Evergreen's selected value range by the low end of Pioneer's selected value range. The resulting implied exchange ratio range for the Street Consensus case is equal to 0.925x-1.406x and the resulting implied exchange ratio range for the Management Street Pricing case is equal to 0.972x-1.483x. JPMorgan noted that the merger exchange ratio of 1.1635x and the implied exchange ratio based on the total merger consideration of 1.1739x fall within both of these ranges.

*Net asset valuation analysis*

JPMorgan conducted an after-tax net asset valuation analysis of both Pioneer and Evergreen to estimate the net asset value per share for each company. JPMorgan performed its analysis based on a variety of data sources provided by the management of each respective company and certain other publicly available information. JPMorgan relied on the respective reserve reports and economic models provided by the respective managements to generate the estimated cash flows for each respective company. JPMorgan also considered other assets and liabilities including acreage, other tangible assets and working capital.

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For Evergreen, JPMorgan used discount rates ranging from 7% to 9% to estimate a range of present values for the future pre-tax cash flows generated by its reserve reports and economic models. Based on

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discussions with Pioneer management, JPMorgan then estimated a value for Evergreen's undeveloped net acreage and other tangible assets. JPMorgan deducted the present value estimates of the future costs of cash taxes, general and administrative expenses, and derivatives contracts using discount rates ranging from 7% to 9%. JPMorgan then deducted the net debt as well as other estimated liabilities and divided by the current diluted shares outstanding. As a result of the calculations described above, JPMorgan estimated the net asset value of Evergreen to range from approximately \$1.8 billion to \$2.1 billion or \$36.00 to \$42.00 per share.

For Pioneer, JPMorgan used discount rates ranging from 8% to 10% to estimate a range of present values for the future pre-tax cash flows generated by its reserve reports and economic models. Based on discussions with Pioneer management, JPMorgan then estimated a value for Pioneer's undeveloped net acreage and other tangible assets. JPMorgan deducted the present value estimates of the future costs of cash taxes, general and administrative expenses, and derivatives contracts using discount rates ranging from 8% to 10%. JPMorgan then deducted the net debt as well as other estimated liabilities and divided by the current diluted shares outstanding. As a result of the calculations described above, JPMorgan estimated the net asset value of Pioneer to range from approximately \$3.9 billion to \$4.5 billion or \$31.00 to \$36.00 per share.

JPMorgan then used these respective net asset value ranges to estimate a range of implied exchange ratios. The low end of the implied exchange ratio range is calculated by taking the low end of Evergreen's net asset value per share range and dividing it by the high end of Pioneer's net asset value per share range. The high end of the implied exchange ratio range is calculated by dividing the high end of Evergreen's net asset value per share range by the low end of Pioneer's net asset value per share range. The resulting implied exchange ratio range is equal to 1.000x - 1.355x. JPMorgan noted that the merger exchange ratio of 1.1635x and the implied exchange ratio based on the total merger consideration of 1.1739x fall within this range.

### ***Merger consequences***

In its review of the transaction, JPMorgan considered the financial impact of the transaction to Pioneer. JPMorgan analyzed the proposed transaction with Evergreen and the projected pro forma cash flow per share impact under a variety of scenarios as compared to Pioneer's current standalone operating cash flow per share statistics. JPMorgan also analyzed the pro forma projected balance sheet and credit statistics at the estimated transaction closing date as compared to Pioneer's current balance sheet and credit statistics. In performing its analysis, JPMorgan considered two financial cases: 1) the case provided by Pioneer management based on Pioneer management's estimates adjusted to reflect the then-current NYMEX commodity strip prices ( Management NYMEX Pricing ) and 2) the Street Consensus case. In performing its analysis, JPMorgan relied on information provided by Pioneer to make the appropriate pro forma merger adjustments for certain assumptions including the pro forma depletion, depreciation, and amortization which is referred to as DD&A rate, the pro forma tax rates and the expected Synergies. JPMorgan also analyzed the financial impact of hedging incremental production on the Street Consensus case. In performing this analysis, JPMorgan considered the financial impact of hedging Evergreen's 2005 gas production at NYMEX strip gas pricing. For the Management Case NYMEX Pricing, JPMorgan assumed that the current Pioneer hedges, provided by Pioneer, remained in place and did not assume incremental hedging. The merger consequences analysis assumes a September 30, 2004 transaction completion date for illustrative purposes and showed that the merger was slightly dilutive to Pioneer's 2004 estimated cash flow per share in each of the Management Case NYMEX Pricing and the Street Consensus case. With respect to Pioneer's 2005 estimated cash flow per share, the analysis showed that the merger was slightly accretive in each of the Management Case NYMEX Pricing and the Street Consensus case.

### ***Miscellaneous***

JPMorgan has acted as exclusive financial advisor to Pioneer with respect to the merger. Under the terms of its engagement, Pioneer has agreed to pay JPMorgan a fee of \$1.75 million for their engagement

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and delivery of their opinion and an additional \$3.25 million payable if and when the merger is completed, plus reimbursement of expenses up to \$50,000. Pioneer has also agreed to reimburse JPMorgan for the reasonable fees of its counsel and other professional advisors, and to indemnify JPMorgan against liabilities, including liabilities under the federal securities laws, relating to or arising out of its engagement as exclusive financial advisor to Pioneer.

JPMorgan, as part of its investment banking services, is regularly engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, strategic transactions, corporate restructurings, negotiated underwritings, secondary distributions of listed and unlisted securities, private placements and valuations for corporate and other purposes.

JPMorgan and its affiliates have performed, in the past, certain investment banking and commercial banking services for Pioneer, including acting as joint lead manager in connection with Pioneer's \$215 million common equity offering and joint book runner in connection with Pioneer's senior notes offering in April 2002, all for customary compensation. In addition, JPMorgan currently provides commodity trading services to Pioneer, and JPMorgan Chase Bank, one of JPMorgan's affiliates, currently acts as agent bank under Pioneer's \$700 million revolving credit facility, all for customary compensation. JPMorgan and its affiliates also expect to provide financing and commodity hedging services to Pioneer in connection with the merger for customary fees. In the ordinary course of its business, JPMorgan and its affiliates may actively trade the debt and equity securities of Pioneer or Evergreen for its own account or for the account of JPMorgan's customers and, accordingly, JPMorgan or its affiliates may at any time hold long or short positions in such securities. JPMorgan also provides research coverage for Pioneer.

### **Opinion of Evergreen's Financial Advisor**

Citigroup was retained to act as financial advisor to the Transactions Committee in connection with the merger. Pursuant to Citigroup's engagement letter agreement with Evergreen, Citigroup rendered to the Transactions Committee and the Evergreen board of directors on May 3, 2004 an oral opinion, which opinion was subsequently confirmed by delivery of a written opinion, to the effect that, as of the date of the opinion and based upon and subject to the considerations and limitations set forth in the opinion, Citigroup's work described below and other factors it deemed relevant, the merger consideration to be received by the holders of Evergreen common stock in the merger was fair, from a financial point of view, to the holders of Evergreen common stock.

The full text of Citigroup's opinion, which sets forth the assumptions made, general procedures followed, matters considered and limits on the review undertaken, is included as Annex C to this document. The summary of Citigroup's opinion set forth below is qualified in its entirety by reference to the full text of the opinion. **Holders of Evergreen common stock are urged to read Citigroup's opinion carefully and in its entirety.**

**Citigroup's opinion was limited solely to the fairness of the merger consideration to be received by the holders of Evergreen common stock in the merger from a financial point of view as of the date of the opinion. Neither Citigroup's opinion nor its related analyses constituted a recommendation of the proposed merger to the Transactions Committee or the Evergreen board of directors. Citigroup makes no recommendation to any stockholder regarding how such stockholder should vote on any matters relating to the merger.**

In arriving at its opinion, Citigroup reviewed a draft of the merger agreement, dated May 3, 2004, and held discussions with senior officers, directors and other representatives and advisors of Evergreen and senior officers and other representatives of Pioneer concerning the business, operations and prospects of Evergreen and Pioneer. Citigroup examined publicly available business and financial information relating to Evergreen and Pioneer, as well as financial forecasts and other information and data relating to Evergreen and Pioneer which were provided to or otherwise reviewed by or discussed with Citigroup by the respective managements of Evergreen and Pioneer, including information relating to the potential strategic implications and operational benefits anticipated by the managements of Evergreen and Pioneer to result from the merger. Citigroup also reviewed oil and gas reserve reports for Evergreen prepared by the

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management of Evergreen and audited by their independent reserve engineers and discussed with Evergreen management, following Evergreen management's thorough review of, the oil and gas reserve reports for Pioneer prepared by Pioneer and audited by their independent reserve engineers. Citigroup also discussed with the management of Evergreen their estimates of the projected financial performance of the Kansas assets, an analysis of the capital that has been invested in the Kansas assets and other information regarding the Kansas assets prepared by the management of Evergreen. Citigroup reviewed the financial terms of the merger as set forth in the draft merger agreement in relation to, among other things:

current and historical market prices and trading volumes of Evergreen common stock and Pioneer common stock;

the historical and projected earnings and other operating data of Evergreen and Pioneer; and

the capitalization and financial condition of Evergreen and Pioneer.

Citigroup considered, to the extent publicly available, the financial terms of other transactions effected that Citigroup considered relevant in evaluating the merger and analyzed financial, stock market and other publicly available information relating to the businesses of other companies whose operations Citigroup considered relevant in evaluating those of Evergreen and Pioneer. Citigroup also evaluated the pro forma financial effects of the merger. In addition to the foregoing, Citigroup conducted such other analyses and examinations and considered such other information and financial, economic and market criteria as Citigroup deemed appropriate in arriving at its opinion.

In rendering its opinion, Citigroup assumed and relied, without independent verification, upon the accuracy and completeness of all financial and other information and data publicly available or provided to or otherwise reviewed by or discussed with it. With respect to financial forecasts and other information and data relating to Evergreen and Pioneer provided to or otherwise reviewed by or discussed with it, Citigroup was advised by the respective managements of Evergreen and Pioneer that such forecasts and other information and data were reasonably prepared on bases reflecting the best currently available estimates and judgments of the managements of Evergreen and Pioneer as to the future financial performance of Evergreen and Pioneer, the potential strategic implications and operational benefits (including the amount, timing and achievability thereof) anticipated to result from the merger and the other matters covered thereby and assumed, with the consent of the Evergreen board of directors, that the financial results reflected in such forecasts and other information and data will be realized in the amounts and at the times projected. Citigroup assumed, with the consent of the Evergreen board of directors, that the merger will be consummated in accordance with its terms, without waiver, modification or amendment of any material term, condition or agreement and that, in the course of obtaining the necessary regulatory or third party approvals, consents and releases for the merger, no delay, limitation, restriction or condition will be imposed that would have an adverse effect on Evergreen or Pioneer or the contemplated benefits of the merger. Representatives of Evergreen advised Citigroup, and Citigroup assumed, that the final terms of the merger agreement would not vary materially from those set forth in the draft reviewed by it. Citigroup also assumed, with the consent of the Evergreen board of directors, that the merger will be treated as a tax-free reorganization for federal income tax purposes.

Citigroup did not express any opinion as to what the value of the Pioneer common stock actually will be when issued pursuant to the merger or the price at which the Pioneer common stock will trade at any time. Citigroup did not make and, other than the reserve reports, was not provided with an independent evaluation or appraisal of the assets or liabilities (contingent or otherwise) of Evergreen, including the Kansas assets, or Pioneer, nor did Citigroup make any physical inspection of the properties or assets of Evergreen or Pioneer.

Citigroup in the past engaged, on behalf of Evergreen, in discussions with a third party regarding the possible acquisition of Evergreen and Citigroup took such discussions into consideration in its opinion, including such third party's unwillingness to make an offer to acquire Evergreen at or above Evergreen's then current market price, which was below the \$39.35 implied value of the merger consideration. However, in connection with rendering its opinion, Citigroup was not requested to, and did not, solicit

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third party indications of interest in the possible acquisition of all or a part of Evergreen, nor was it requested to consider, and its opinion did not address, the relative merits of the merger as compared to any alternative business strategies or transactions that might exist for Evergreen or the effect of any other transaction in which Evergreen might engage. Citigroup's opinion was necessarily based upon information available to it, and financial, stock market and other conditions and circumstances existing, as of the date of its opinion.

In connection with rendering its opinion, Citigroup made a presentation to the Transactions Committee and the Evergreen board of directors on May 3, 2004 with respect to the material financial analyses performed by Citigroup in evaluating the fairness of the merger consideration to holders of Evergreen common stock as of the date of Citigroup's opinion. The following is a summary of that presentation. The summary includes information presented in tabular format. **In order to understand fully the financial analyses used by Citigroup, these tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses.** The following quantitative information, to the extent it is based on market data, is, except as otherwise indicated, based on market data as it existed at or prior to May 3, 2004, and is not necessarily indicative of current or future market conditions.

**Summary of Financial Analyses of Evergreen's Financial Advisor**

Based on the closing price of Pioneer common stock on the day prior to announcement of the merger (\$33.52), and taking into account the cash payment and cash dividend to be received by holders of Evergreen common stock in the merger, Citigroup calculated the implied value of the merger consideration as of May 3, 2004 to be \$39.35 per share of Evergreen common stock without taking into consideration any potential proceeds from the sale of the Kansas assets. Citigroup then compared this implied value to ranges of values of a share of Evergreen common stock derived using four different valuation metrics: a historical stock price analysis, a comparable companies analysis, a precedent transactions analysis and a net asset valuation analysis. The following is a brief description of these analyses.

**Historical Stock Price Analysis**

Citigroup compared the implied value of the merger consideration (\$39.35) with the closing price per share of Evergreen common stock for each day in the one-year period preceding the announcement of the merger. In addition, for reference purposes, Citigroup calculated the premium (or discount) of the implied value of the merger consideration over:

the average closing price per share of Evergreen common stock for the ten trading-day and thirty trading-day periods prior to the announcement of the merger on May 4, 2004; and

the closing price per share of Evergreen common stock on May 3, 2004 (the last trading day prior to the announcement date), April 20, 2004 (ten trading days prior to the announcement date), April 14, 2004 (the last trading day prior to the announcement of the EnCana/ Tom Brown merger agreement) and March 22, 2004 (thirty trading days prior to the announcement date).

The following table sets forth the results on this analysis.

	<u>Merger Premium</u>
<b>Average Trading Data:</b>	
(a) Ten trading days	(3)%
(b) Thirty trading days	7 %
<b>Historical Closing Data:</b>	
(a) May 3	(3)%
(b) April 20	(1)%
(c) April 14	12 %
(d) March 22	19 %

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Citigroup noted for reference purposes that approximately 95% of the shares of Evergreen's common stock traded since December 31, 2002 traded at or below the implied value of the merger consideration (\$39.35).

***Comparable Companies Analysis***

Citigroup compared the implied value of the merger consideration (\$39.35) with a range of values derived from financial, operating and stock market data and forecasted financial information for selected publicly-traded companies that Citigroup deemed appropriate to similar information for Evergreen. The comparable companies considered by Citigroup were:

XTO Energy Inc.

Ultra Petroleum Corp.

Patina Oil & Gas Corporation

Western Gas Resources, Inc.

Quicksilver Resources Inc.

Prima Energy Corporation

The forecasted financial information used by Citigroup for the selected comparable companies in the course of this analysis was based on information published by certain investment banking firms and First Call Corporation. Given that the multiples derived from this comparable companies analysis were based on Wall Street consensus estimates, the forecasted financial information used by Citigroup for Evergreen also was based on Wall Street consensus estimates. First Call Corporation compiles summaries of financial forecasts published by various investment banking firms.

For each of the selected comparable companies, Citigroup derived and compared, among other things:

the ratio of closing price per common share of each company as of May 3, 2004 to its estimated cash flow for each of calendar years 2004 and 2005;

the ratio of each company's firm value as of May 3, 2004 to its estimated earnings before interest expense, taxes, depletion, depreciation, amortization and exploration expense (EBITDAX) for each of calendar years 2004 and 2005; and

the ratio of each company's firm value as of May 3, 2004, to the estimated value of its proved reserves as of the end of 2003.

Firm value was calculated as the sum of the value of:

all shares of common stock (or all ordinary shares), assuming the exercise of all in-the-money options, warrants and convertible securities, less the proceeds from such exercise; plus

non-convertible indebtedness; plus

non-convertible preferred stock; plus

minority interests; plus

out-of-the-money convertible securities; minus

investments in unconsolidated affiliates and cash.



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The following tables set forth the results of this analysis.

	Comparable Companies at May 3, 2004 Closing Price	
	Range	Median
<b>Ratio of Price to:</b>		
(a) Estimated Cash Flow for Calendar Year 2004	6.3x - 19.6x	9.2x
(b) Estimated Cash Flow for Calendar Year 2005	6.1x - 14.7x	8.5x
<b>Ratio of Firm Value to:</b>		
(a) Estimated EBITDAX for Calendar Year 2004	7.0x - 18.9x	8.3x
(b) Estimated EBITDAX for Calendar Year 2005	6.7x - 16.1x	7.6x
(c) Proved Reserves (\$/Mcf)	\$ 1.61 - \$3.37	\$ 1.87

Based on this analysis and Citigroup's judgment, as experienced financial advisors, that the \$/Mcf multiple derived from the comparable companies analysis should be adjusted down to reflect that Evergreen has a reserve life substantially longer than the reserve life of each of the comparable companies, Citigroup derived a reference range for the implied equity value of a share of Evergreen common stock of \$37.00 to \$41.00. Citigroup noted that the implied value of the merger consideration (\$39.35) was within this range.

**Precedent Transactions Analysis**

Citigroup compared the implied value of the merger consideration (\$39.35) with a range of values derived from publicly available information for six key merger or acquisition transactions and twenty-one other merger or acquisition transactions announced since December 22, 2000 and June 29, 1998, respectively, that Citigroup deemed appropriate in analyzing the merger. The precedent transactions considered by Citigroup were the following:

**Key Transactions**

Announcement Date	Acquirer	Target
4/15/2004	EnCana Corporation	Tom Brown, Inc.
4/7/2004	Kerr-McGee Corporation	Westport Resources Corporation
5/14/2003	Tom Brown, Inc.	Matador Petroleum Corporation
5/14/2001	Kerr-McGee Corporation	HS Resources Inc.
5/7/2001	The Williams Companies, Inc.	Barrett Resources Corporation
12/22/2000	Marathon Oil Corporation	Pennaco Energy, Inc.

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<b>Announcement Date</b>	<b>Acquirer</b>	<b>Target</b>
3/31/2003	Evergreen Resources, Inc.	Carbon Energy Corporation
2/24/2003	Devon Energy Corporation	Ocean Energy, Inc.
1/27/2002	EnCana Corporation/PanCanadian Energy Corporation	Alberta Energy Company Ltd.
9/10/2001	Dominion Resources, Inc.	Louis Dreyfus Natural Gas Corp.
9/4/2001	Devon Energy Corporation	Anderson Exploration Ltd.
8/14/2001	Devon Energy Corporation	Mitchell Energy & Development Corp.
6/21/2001	Cabot Oil & Gas Corporation	Cody Company/ Cody Energy LLC
6/19/2001	Hunt Oil Company	Chieftain International, Inc.
6/11/2001	Westport Resources Corporation	Belco Oil & Gas Corp.
3/30/2001	Pure Resources, Inc.	Hallwood Energy Corporation
11/20/2000	Pogo Producing Company	North Central Oil Corporation
10/30/2000	Stone Energy Corporation	Basin Exploration, Inc.
7/10/2000	Forest Oil Corporation	Forcenergy Inc
5/26/2000	Devon Energy Corporation	Santa Fe Snyder Corporation
4/3/2000	Anadarko Petroleum Corporation	Union Pacific Resources Group, Inc.
8/16/1999	Burlington Resources Inc.	Poco Petroleum Ltd.
5/20/1999	Devon Energy Corporation	PennzEnergy Company
1/13/1999	Santa Fe Energy Resources, Inc.	Snyder Oil Corporation
11/24/1998	Ocean Energy, Inc.	Seagull Energy Corporation
10/15/1998	Kerr-McGee Corporation	Oryx Energy Company
6/29/1998	Devon Energy Corporation	Northstar Energy Corporation

With respect to the financial information for the precedent transactions and the companies involved therein, Citigroup relied on information available in public documents, including third party sources such as the J.S. Herold M&A database and SEC filings. Given that the multiples derived from this precedent transactions analysis were based on publicly available information, the forecasted financial information used by Citigroup for Evergreen was based on Wall Street consensus estimates. For each precedent transaction, Citigroup derived and compared, among other things, the ratio of the firm value of the acquired company based on the consideration paid or proposed to be paid in the transaction (the transaction value) to:

the proved reserves of the target company; and

the EBITDAX of the target company for the last twelve-month period prior to the announcement for which financials results were available.

The following table sets forth the results of this analysis:

	<b>Range</b>	<b>Median</b>
<b>Key Transactions</b>		
Ratio of Transaction Value to:		
(a) Proved Reserves (\$/Mcf)	\$1.41-\$2.56	\$ 1.74
(b) EBITDAX for last twelve-month period prior to announcement	6.7x-9.5x	9.0x
<b>Other Transactions</b>		
Ratio of Transaction Value to:		
(a) Proved Reserves (\$/Mcf)	\$0.91-\$2.24	\$ 1.32
(b) EBITDAX for last twelve-month period prior to announcement	4.3x-13.7x	6.4x

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Based on the ratios derived for the precedent transactions and Citigroup's judgment, as experienced financial advisors, that the \$/Mcf multiple derived from this precedent transactions analysis should be adjusted down to reflect that Evergreen has a reserve life substantially longer than the reserve life of each of the targets in the key transactions, Citigroup derived a reference range for the implied equity value of a share of Evergreen common stock of \$36.00 to \$41.00. Citigroup noted that the implied value of the merger consideration (\$39.35) was within this range.

**Net Asset Valuation Analysis**

Citigroup compared the implied value of the merger consideration (\$39.35) with a range of values derived from a valuation of the net assets of Evergreen. The analysis was performed using estimated information for Evergreen, all as provided by Evergreen management. Citigroup calculated net asset values based on three different discount rates and performed them under two future commodity pricing scenarios; the first based on NYMEX Strip estimates in the initial years, giving effect to Evergreen's existing commodity hedging positions, and thereafter based on published Wall Street estimates and the second based on published NYMEX Strip estimates. Citigroup performed this analysis both with and without a conversion of the \$100 million convertible note.

The following table sets forth the results of this analysis:

	<b>Discount Rate</b> <b>(Weighted Average Cost of Capital)</b>		
	<b>7.5%</b>	<b>8.5%</b>	<b>9.5%</b>
<b>Wall Street Consensus:</b>			
(a) Conversion	\$ 39.23	\$ 36.32	\$ 33.68
(b) No Conversion	\$ 40.51	\$ 37.33	\$ 34.46
<b>NYMEX Strip:</b>			
(a) Conversion	\$ 52.10	\$ 48.18	\$ 44.64
(b) No Conversion	\$ 54.53	\$ 50.26	\$ 46.40

Based on the net asset valuation analysis and Citigroup's judgment, as experienced financial advisors, that using longer term commodity pricing based on Wall Street estimates reflects a more normalized commodity pricing case, Citigroup derived a reference range for the implied equity value per share of Evergreen common stock assuming conversion of the \$100 million note of \$34.00 to \$39.00. Citigroup noted that the implied value of the merger consideration (\$39.35) was above the upper end of this range.

**Valuation of Pioneer Common Stock**

Citigroup compared the closing price of a share of Pioneer common stock on the day prior to announcement of the merger (\$33.52) to ranges of values of a share of Pioneer common stock derived using two different valuation metrics: a comparable companies analysis and a net asset valuation analysis. In addition, Citigroup compared the closing price of the Pioneer common stock on May 3, 2004 to the high and low closing prices of Pioneer common stock in the one-year period prior to the announcement. The following is a brief description of the comparable companies analysis and net asset valuation analysis they undertook.

**Comparable Companies Analysis**

Citigroup compared the closing price of a share of Pioneer common stock on the day prior to the announcement of the merger (\$33.52) with a range of values derived from financial, operating and stock market data and forecasted financial information for selected publicly-traded companies that Citigroup

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deemed appropriate to similar information for Pioneer. The comparable companies considered by Citigroup were:

Devon Energy Corporation

Anadarko Petroleum Corporation

Apache Corporation

Burlington Resources Inc.

Kerr-McGee Corporation

XTO Energy Inc.

EOG Resources, Inc.

Chesapeake Energy Corporation

Noble Energy, Inc.

Newfield Exploration Company

Pogo Producing Company

The forecasted financial information used by Citigroup for Pioneer and the selected comparable companies in the course of this analysis was based on information published by certain investment banking firms and First Call Corporation.

For each of the selected comparable companies, Citigroup derived and compared, among other things:

the ratio of closing price per common share of each company as of May 3, 2004, to its estimated cash flow for each of calendar years 2004 and 2005;

the ratio of each company's firm value as of May 3, 2004, to its estimated EBITDAX for each of calendar years 2004 and 2005; and

the ratio of each company's firm value as of May 3, 2004, to the estimated value of its proved reserves as of the end of 2003.

The following tables set forth the results of these analyses:

	<b>Comparable Companies at May 3, 2004 Closing Price</b>	
	<b>Range</b>	<b>Median</b>
<b>Ratio of Price to:</b>		
(a) Estimated Cash Flow for Calendar Year 2004	3.5x-6.5x	4.6x
(b) Estimated Cash Flow for Calendar Year 2005	3.6x-6.2x	4.7x
<b>Ratio of Firm Value to:</b>		
(a) Estimated EBITDAX for Calendar Year 2004	4.2x-7.0x	5.0x
(b) Estimated EBITDAX for Calendar Year 2005	4.4x-7.0x	5.3x
(c) Proved Reserves (\$/Mcfe)	\$1.20-2.80	\$1.67

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Based on this information, Citigroup derived a reference range for the implied equity value of a share of Pioneer common stock of \$33.00 to \$42.50. Citigroup noted that the closing price of a share of Pioneer common stock on the day prior to the announcement of the merger (\$33.52) was within this range.

### *Net Asset Valuation Analysis*

Citigroup compared the closing price of Pioneer common stock on the day prior to the announcement (\$33.52) with a range of values derived from a valuation of the net assets of Pioneer. This analysis was

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performed using estimated information for Pioneer, all as provided by Pioneer management. Citigroup calculated net asset values based on three different discount rates and performed them under two future commodity pricing scenarios; the first based on NYMEX Strip estimates in the initial years, giving effect to Pioneer's existing commodity hedging positions, and thereafter based on published Wall Street estimates and the second based on published NYMEX Strip estimates. Citigroup performed this analysis making certain assumptions regarding the reinvestment of cash flow.

The following table sets forth the results of this analysis:

	Discount Rate (Weighted Average Cost of Capital)		
	7.5%	8.5%	9.5%
<b>Wall Street Consensus:</b>			
(a) 5-Yr Free Cash Flow Reinvestment	\$ 35.08	\$ 32.38	\$ 29.94
(b) No 5-Yr Free Cash Flow Reinvestment	\$ 25.98	\$ 23.92	\$ 22.07
<b>NYMEX Strip:</b>			
(a) 5-Yr Free Cash Flow Reinvestment	\$ 46.76	\$ 43.30	\$ 40.19
(b) No 5-Yr Free Cash Flow Reinvestment	\$ 32.51	\$ 30.02	\$ 27.80

Based on the net asset valuation analysis and Citigroup's judgment, as experienced financial advisors, that using longer term commodity pricing based on Wall Street estimates reflects a more normalized commodity pricing case, Citigroup derived a reference range for the implied equity value per share of Pioneer common stock of \$30.00 to \$35.00. Citigroup noted that the closing price of a share of Pioneer common stock on the day prior to the announcement of the merger (\$33.52) was within this range.

**Pro Forma Analysis**

In its review of the transaction, Citigroup considered the financial impact of the transaction to Pioneer. Citigroup analyzed the pro forma earnings per share and cash flow per share of Pioneer giving effect to the merger in two cases: one using available Wall Street estimates (2004-2005) and the other using management estimates (2004-2007). Citigroup, in analyzing the management estimates case, also evaluated the pro forma impact of the transaction assuming the reinvestment of a certain level of free cash flow over a five year period. Citigroup also compared the following credit statistics for each of Evergreen, Pioneer and pro forma for Pioneer giving effect to the merger: debt to book capitalization, debt to 2004 EBITDAX and 2004 EBITDAX to interest. The pro forma analysis was based on certain assumptions provided by Evergreen and assumed the conversion of Evergreen's \$100 million convertible note, and the realization of an estimated \$8 million in pre-tax synergies.

Based on the analyses conducted for both Evergreen and Pioneer described above, Citigroup determined that the merger consideration was fair, from a financial point of view, to the holders of Evergreen common stock.

**Citigroup's advisory services and opinion were provided for the information of the Transactions Committee and the Evergreen board of directors in their evaluation of the proposed merger and did not constitute a recommendation of the merger to the Transactions Committee or the Evergreen board of directors or a recommendation to any stockholder regarding how such stockholder should vote on any matters relating to the merger.**

The preceding discussion is a summary of the material financial analyses furnished by Citigroup to the Transactions Committee and the Evergreen board of directors, but it does not purport to be a complete description of the analyses performed by Citigroup or of its presentation to the Transactions Committee and the Evergreen board of directors. The preparation of financial analyses and fairness opinions is a complex process involving subjective judgments and is not necessarily susceptible to partial analysis or summary description. Citigroup made no attempt to assign specific weights to particular analyses or factors considered, but rather made qualitative judgments as to the significance and relevance of all the analyses and factors considered and determined to give its fairness opinion as described above. Accordingly,

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Citigroup believes that its analyses, and the summary set forth above, must be considered as a whole, and that selecting portions of the analyses and of the factors considered by Citigroup, without considering all of the analyses and factors, could create a misleading or incomplete view of the processes underlying the analyses conducted by Citigroup and its opinion. With regard to the comparable companies and precedent transactions analyses summarized above, Citigroup selected comparable public companies and precedent transactions on the basis of various factors, including size and similarity of the line of business of the relevant entities; however, no company utilized in these analyses is identical to Evergreen or Pioneer and no precedent transaction is identical to the merger. As a result, these analyses are not purely mathematical, but also take into account differences in financial and operating characteristics of the subject companies and other factors that could affect the merger or public trading value of the subject companies to which Evergreen and Pioneer are being compared.

In its analyses, Citigroup made numerous assumptions with respect to Evergreen, Pioneer, industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond the control of Evergreen and Pioneer. Any estimates contained in Citigroup's analyses are not necessarily indicative of actual values or predictive of future results or values, which may be significantly more or less favorable than those suggested by these analyses. Estimates of values of companies do not purport to be appraisals or necessarily to reflect the prices at which companies may actually be sold. Because these estimates are inherently subject to uncertainty, none of Evergreen, Pioneer, the Evergreen board of directors, the Pioneer board of directors, Citigroup or any other person assumes responsibility if future results or actual values differ materially from the estimates.

Citigroup's analyses were prepared solely as part of Citigroup's analysis of the fairness of the merger consideration in the merger and were provided to the Transactions Committee and the Evergreen board of directors in that connection. The opinion of Citigroup was only one of the factors taken into consideration by the Evergreen board of directors in making its determination to approve the merger agreement and the merger. See Recommendation of Evergreen's Board of Directors and Reasons for the Merger.

Citigroup is an internationally recognized investment banking firm engaged in, among other things, the valuation of businesses and their securities in connection with mergers and acquisitions, restructurings, leveraged buyouts, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements and valuations for estate, corporate and other purposes. Evergreen selected Citigroup to act as financial advisor to the Transactions Committee in connection with the merger on the basis of Citigroup's international reputation and Citigroup's familiarity with Evergreen.

Pursuant to its engagement letter with Evergreen, Citigroup received a fee of \$2 million upon the delivery of its opinion, has been receiving a monthly retainer fee of \$250,000 per month since May 10, 2004, with the last of such payments expected to be made in August 2004, and will receive an additional fee of \$2 million if and when the merger is consummated. Citigroup and its affiliates in the past have provided, and are currently providing, services to Evergreen and Pioneer unrelated to the merger, for which services Citigroup and its affiliates have received and expect to receive compensation. In the ordinary course of its business, Citigroup and its affiliates may actively trade or hold the securities of Evergreen and Pioneer for its own account or for the account of its customers and, accordingly, may at any time hold a long or short position in such securities. In addition, Citigroup and its affiliates (including Citigroup Inc. and its affiliates) may maintain relationships with Evergreen, Pioneer and their respective affiliates.

## **Funding Related to the Merger**

Pioneer has agreed upon the terms of a credit facility with JPMorgan Chase Bank and a syndicate of other banks pursuant to which the lenders have agreed, subject to the closing of the transactions contemplated by the merger agreement, to advance up to \$900 million to Pioneer to fund the cash portion of the merger consideration. The credit facility will be a senior unsecured revolving credit facility with a one-year term and with other terms and conditions similar to Pioneer's existing \$700 million credit facility, except as noted below. The loan will bear interest at a rate per annum equal to either (a) the greater of (i) JPMorgan Chase Bank's prime rate or (ii) a weighted average of the overnight Federal funds rate plus

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0.5% or (b) the London Interbank Offered Rate (1.78% as of August 26, 2004) plus a margin of 75 basis points based on Pioneer's current debt rating. The commitment fee for the loan is equal to 25 basis points based on Pioneer's current debt rating.

### **Interests of Pioneer's Directors and Management in the Merger**

In considering the recommendations of the Pioneer board of directors, you should be aware that Scott Sheffield, the Chairman of the Board, President and Chief Executive Officer of Pioneer, has interests in the transaction that are or may be different from, or in addition to, your interests as a Pioneer stockholder. In particular, Mr. Sheffield is a member of Evergreen's board of directors and owes fiduciary duties to Evergreen and its stockholders. Mr. Sheffield also owns 6,400 shares of Evergreen common stock, options to purchase 4,800 shares of Evergreen common stock that are fully exercisable, options to purchase 19,200 shares of Evergreen common stock that are not fully exercisable and a restricted stock award for 9,600 shares of Evergreen common stock. The lapsing of the restrictions applicable to Mr. Sheffield's Evergreen restricted stock award will be accelerated as of the effective time, and all of Mr. Sheffield's unvested options will become fully exercisable as of the effective time. Mr. Sheffield also beneficially owns 605,906 shares of Pioneer common stock, of which 298,000 shares are subject to options and 133,350 shares are unvested shares of restricted stock.

### **Interests of Evergreen's Directors and Management in the Merger**

In considering the recommendation of the Evergreen board of directors to approve the merger agreement, stockholders of Evergreen should be aware that certain directors and officers of Evergreen, including some officers who are also directors, have certain interests in the merger that are different from, or in addition to, the interests of the stockholders of Evergreen in general.

#### ***Acceleration of Vesting of Evergreen Stock Options and Restricted Stock Awards***

All outstanding options to purchase shares of Evergreen common stock held by current or former employees, directors or independent contractors of Evergreen will be fully exercisable as of the effective time of the merger. For each Evergreen restricted stock award granted effective as of April 30, 2004, the restrictions applicable to one-third of the shares issuable pursuant to each restricted stock award will lapse at the effective time. For each Evergreen restricted stock award granted prior to April 30, 2004, the lapsing of restrictions applicable to each restricted stock award will accelerate by one year at the effective time. The schedule for lapsing of restrictions applicable to each restricted stock award granted after April 30, 2004, will not change. For each Evergreen restricted stock award to Mark Sexton, President and Chief Executive Officer of Evergreen, Dennis Carlton, Executive Vice President - Exploration and Chief Operating Officer of Evergreen, Kevin Collins, Executive Vice President - Finance, Chief Financial Officer, Treasurer and Secretary of Evergreen, and the non-employee directors of Evergreen, the restrictions applicable to each restricted stock award will lapse completely as of the effective time. As a result of these provisions, the independent directors will have an aggregate of 134,400 shares subject to options and 67,200 shares issuable pursuant to restricted stock awards whose vesting will be accelerated under the merger agreement. Messrs. Sexton, Carlton and Collins have options covering 507,578, 403,000 and 480,000 shares, respectively. Included in these totals are 75,000 options for each of the executives that will vest under the terms of the merger agreement prior to the time they would otherwise have vested. Also restricted stock awards covering 75,000, 65,000 and 55,000 shares, for Messrs. Sexton, Carlton and Collins, respectively, will vest prior to the time they would otherwise have vested. In addition, as of June 4, 2004, Messrs. Sexton, Carlton and Collins owned 250,743, 95,598 and 51,296 shares of Evergreen common stock, respectively. Officers and other employees not covered by change of control agreements will have, in the aggregate, 303,250 shares subject to options accelerated under the merger agreement, 91,114 shares issuable pursuant to restricted stock awards that will become vested at the effective time and 203,473 shares issuable pursuant to restricted stock awards that will remain unvested at the effective time. See Security Ownership of Certain Beneficial Owners and Management - Evergreen beginning on page 107.



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***Consulting and Non-Competition Agreements***

In connection with the merger agreement, Pioneer entered into a non-competition agreement with Mark Sexton and consulting and non-competition agreements with Dennis Carlton and Kevin Collins. All three agreements prohibit these individuals from competing against Pioneer in the Raton Basin for a period of one year after the merger. The consulting and non-competition agreements also provide for specified fees to be paid for a period of time following the closing of the merger.

Mr. Carlton is obligated to provide full-time consulting services for six months following the merger, provided that Pioneer may extend the agreement for an additional six months. The compensation for Mr. Carlton is \$64,000 per month (which is equal to one-twelfth of his current salary plus his bonus for 2003 paid in 2004). During the initial six-month period, he will be paid even if he is terminated prior to the end of the term.

Mr. Collins is obligated to provide full time consulting services for three months following the merger, provided that Pioneer may extend the agreement for an additional three months. The compensation for Mr. Collins is \$59,416 per month (which is one-twelfth of his current salary plus his bonus for 2003 paid in 2004). During the initial three-month period, he will be paid even if he is terminated prior to the end of the term.

Mr. Sexton's non-competition agreement was an inducement for Pioneer to enter into the merger agreement and he will receive no additional compensation under the agreement. Under the merger agreement, following the merger Mr. Sexton will become a Class I director of Pioneer whose term expires in 2007. See Directors and Management Following the Merger.

***Change in Control Agreements***

Effective March 1, 2002, Evergreen entered into change in control agreements with Dennis Carlton, Kevin Collins and Mark Sexton. The terms and conditions of the change in control agreements are identical. Each change in control agreement will continue in effect until the earliest of (i) December 31, 2004 if no change in control has occurred, subject to automatic renewal for additional one-year periods unless Evergreen gives notice to the officer that it does not wish to extend the agreement; (ii) the termination of the officer's employment with Evergreen for any reason prior to the change in control; or (iii) the end of a two-year period following a change in control and the fulfillment by Evergreen and the officer of all obligations under the change in control agreement. Under the terms of each change in control agreement, if a change in control of Evergreen occurs while the officer is an employee of Evergreen, and a qualifying termination of his employment with Evergreen occurs within the 24-month period following the change in control, then the officer is entitled to certain compensation payments and benefits. A qualifying termination means Evergreen's termination of the officer's employment for a reason other than death, disability, retirement or cause (as defined in the agreement), or the officer's termination of his employment for good reason (which includes a material reduction in duties and responsibilities or salary, the failure of Evergreen to continue certain benefits and certain relocations). A change in control is deemed to have taken place upon the occurrence of certain events, including the acquisition by a person or entity of 50% or more of the outstanding common stock of Evergreen, the merger or consolidation of Evergreen with or into another corporation where Evergreen is not the surviving corporation, the sale of all or substantially all of the assets of Evergreen or a change in a majority of the board of directors of Evergreen within a 12-month period. The proposed merger of Evergreen with a wholly-owned subsidiary of Pioneer and related transactions will qualify as a change in control with respect to the change in control agreements.

The change in control agreements provide that, upon a qualifying termination after a change in control, Evergreen will pay a lump-sum cash severance benefit in an amount equal to the sum of (i) three times the executive's average base salary (as defined in the agreement) during two years in the three-year period before termination plus (ii) three times the average annual incentive bonus earned under any incentive bonus plan of Evergreen during two out of the last three years before termination. The change in control agreements also provide that, in the event of a qualifying termination after a change in control, the

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officer will receive a lump-sum cash amount equal to accrued salary and earned bonus payments, a pro rata portion of the annual bonus for the year of termination and any accrued vacation pay.

In addition, the agreements provide that upon a qualifying termination after a change in control, all Evergreen stock options, stock appreciation rights or similar stock-based awards held by the officer will be accelerated and exercisable in full, and all restrictions on any restricted stock, performance stock or similar stock-based awards granted by Evergreen will be removed and such awards will be fully vested. The officers will also be entitled to receive gross-up payments equal to the amount of excise taxes, income taxes, interest and penalties if payments owed under a chang