



IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

OPERATING ENGINEERS
CONSTRUCTION INDUSTRY AND
MISCELLANEOUS PENSION
FUND,

Plaintiff,

v.

PIONEER NATURAL RESOURCES
COMPANY,

Defendant.

C.A. No.: 2024-_____

**VERIFIED COMPLAINT FOR RELIEF PURSUANT TO 8 DEL. C. § 220
TO COMPEL INSPECTION OF BOOKS AND RECORDS**

Plaintiff Operating Engineers Construction Industry and Miscellaneous Pension Fund (“Plaintiff”), by and through its undersigned counsel, respectfully submits this Verified Complaint for Relief Pursuant to 8 *Del. C.* § 220 (“Section 220”) to Compel Inspection of Books and Records of Pioneer Natural Resources Company (“Pioneer” or the “Company”). Plaintiff alleges as follows, upon knowledge as to itself and its own actions, and upon information and belief as to all other matters, including the investigation of its undersigned counsel.

NATURE OF THE ACTION

1. The focus of this Complaint is to compel production of Pioneer’s books and records concerning potential breaches of fiduciary duty by members of the Company’s senior management (the “Officers” or “Senior Management”) and board

of directors (the “Directors” or “Board” and each individually a “Director”) with respect to the process leading to, negotiation, approval, and execution of the Company’s October 10, 2023 Agreement and Plan of Merger (the “Merger Agreement”) pursuant to which Pioneer is to be acquired by Exxon Mobil Corporation (“ExxonMobil”) in an all-stock deal valued at approximately \$59.5 billion based on ExxonMobil’s closing price on October 5, 2023 (the “Merger”).

2. Former CEO and current Director and Special Advisor to the CEO Scott Sheffield (“Sheffield”) and former COO and current Director, President and CEO Richard Dealy (“Dealy”) will receive benefits from the Merger that are not shared by the Company’s public stockholders. Specifically, Sheffield and Dealy will be entitled to change-in-control benefits that will provide: (i) Sheffield with nearly \$29 million that he otherwise would not have received at retirement without a sale and (ii) Dealy with approximately \$15 million. Further, Sheffield will be appointed to ExxonMobil’s board, Dealy will be appointed as Pioneer’s lead representative on ExxonMobil’s integration and transition team, and ExxonMobil will for at least two years maintain Pioneer’s existing headquarters in Irving, Texas, as well as a comparable office facility in Midland, Texas, locations inferably important to Sheffield and Dealy.

3. Based on a review of publicly available information, Stockholder has a credible basis for suspecting conflicts of interest and that the Officers and the

Directors may have breached their fiduciary duties to the Company’s public stockholders by failing to conduct a fair sale process, agreeing to the Merger at an unfair price, issuing a materially misleading proxy¹ (the “Proxy”) and, with respect to the Officers, concealing material information from the Board. Stockholder also has a credible basis to suspect that ExxonMobil aided and abetted the Officers’ breaches of fiduciary duty.

4. On January 29, 2024, Plaintiff made its demand on the Company pursuant to Section 220 for the production of certain corporate books and records (the “Demand”).²

5. To date, the Company has failed to agree to a confidentiality stipulation and the parties have not reached agreement on the total scope of production in response to the Demand. The stockholder vote on the Merger is scheduled for February 7, 2024 and the Merger is expected to close in the first half of 2024. Accordingly, Plaintiff files this Section 220 petition with the Court to maintain standing to enforce its statutory rights to inspect Pioneer’s corporate books and records.

¹ Pioneer Natural Resources Company Schedule 14A Definitive Proxy Statement (January 8, 2024)

<https://www.sec.gov/ix?doc=/Archives/edgar/data/1038357/000103835723000050/pxd-20230412.htm>.

² Attached hereto as Exhibit 1.

THE PARTIES

6. **Plaintiff** has been a beneficial owner of Pioneer stock at all times relevant to this action.

7. **Defendant Pioneer** is a Delaware corporation with headquarters located in Irving, Texas. Pioneer is a large independent oil and gas exploration and production company that explores for, develops, and produces oil, natural gas liquids, and gas in the Permian Basin in West Texas.

8. Sheffield was Pioneer's founding CEO upon the Company's formation in the late 1990s. Sheffield owns more shares of Pioneer than any other individual, with approximately \$140 million in publicly disclosed holdings.

9. Pioneer stock is currently listed on the New York Stock Exchange under the symbol "PXD."

FACTUAL BACKGROUND

A. PIONEER ANNOUNCES THE RETIREMENT OF FOUNDER AND CEO SCOTT SHEFFIELD

10. On April 26, 2023, Pioneer publicly announced that then-CEO Sheffield planned to retire, effective January 1, 2024.³ Sheffield has been with the

³ Pioneer Natural Resources Announces That Scott D. Sheffield to Retire at Year-End; Richard P. Dealy Named as Next Chief Executive Officer (April 26, 2023) investors.pxd.com/investors/news-releases/news-details/2023/Pioneer-Natural-Resources-Announces-That-Scott-D.-Sheffield-to-Retire-at-Year-End-Richard-P.-Dealy-Named-as-Next-Chief-Executive-Officer-04-26-2023/default.aspx (the "Retirement Press Release").

Company since 1979, when he joined a predecessor entity.⁴ Sheffield remains on the Board and serves as Special Advisor to the CEO, while Dealy has since assumed the role of CEO and currently serves on the Board.⁵

11. Sheffield’s severance agreement did not provide a separation payment in the event of his retirement. On the other hand, in a change-in-control transaction, Sheffield would be entitled to change-in-control benefits, which in the case of the Merger will provide him with nearly \$29 million Sheffield otherwise would not have received at retirement without a sale.⁶ Thus, Sheffield was motivated to push through a change-in-control transaction ahead of his retirement date.⁷ Indeed, Sheffield’s motive is likely why the Company did not more seriously pursue the acquisition of Party A as described in the Proxy as this acquisition would not trigger Sheffield’s change-in-control benefits.

⁴ Biography of Scott D. Sheffield, pxd.com/culture/leadership/board-directors.

⁵ Retirement Press Release.

⁶ Compare Pioneer Natural Resources Company Schedule 14A Definitive Proxy Statement (April 13, 2023) <https://www.sec.gov/ix?doc=/Archives/edgar/data/1038357/000103835723000050/pxd-20230412.htm> at 78 n.2 (“Mr. Sheffield’s severance agreement does not provide for a separation payment in the case of retirement.”) *with id.* at 78 (“CHANGE IN CONTROL TERMINATION (\$) . . . Total . . . 28,763,704”).

⁷ Dealy also stood to benefit from a change in control, on the order of approximately \$15 million. *Id.* at 79.

B. THE PROCESS LEADING TO THE MERGER

1. With His Retirement Deadline Approaching, Sheffield Negotiates With ExxonMobil

12. Despite having knowledge of Sheffield's retirement and potential conflicts, the Board allowed Sheffield to conduct negotiations on a direct and apparently private basis with ExxonMobil CEO Darren Woods ("Woods"). The Proxy suggests that, at times, Sheffield and Woods were the only parties to their conversations.

13. The Proxy provides that other than ExxonMobil, no other potential acquirors for Pioneer were contacted or solicited in the sale process. Rather, the Proxy states that ExxonMobil and Pioneer are "generally familiar with each other, and the companies and their respective representatives have, from time to time over the past several years, engaged in preliminary discussions about potential synergies and the benefits of a strategic transaction between the two companies." In other words, ExxonMobil was the right kind of counterparty – one with whose personnel Sheffield was familiar and who were likely to get a deal done on Sheffield's timeline.

14. Sheffield's negotiating posture with Exxon was, from a stockholder value-maximizing perspective, peculiar, bordering on supine: relatively early in the process, Sheffield met with Woods in an apparently private meeting on September 6, 2023 and inexplicably put all his cards on the table face-up, *stating that although Pioneer's board had neither authorized nor approved Sheffield to discuss any*

specific premium or range of premiums for a deal, Sheffield personally would support a transaction with a premium of at least 20%. That is strange behavior for an M&A negotiator, especially in what the definitive proxy indicates was a relatively early discussion. “When an M&A negotiator does something that M&A negotiators do not do, the departure from the norm sends a signal.”⁸ Here, Sheffield signaled that he would get a deal done quickly, before his impending retirement, on the condition that ExxonMobil gave Sheffield what he wanted, no matter the cost to Pioneer’s minority stockholders. Other topics discussed during that meeting included issues pertinent to Sheffield’s and Dealy’s personal interests, especially: (i) Pioneer representation on the ExxonMobil board post-closing and (ii) the location of Pioneer’s headquarters.

2. The Inadequately Informed Board Pursues A Deal With ExxonMobil At Breakneck Speed In Advance Of Sheffield’s Retirement Date

15. On September 7, 2023, Sheffield “provided the Pioneer board with an update on his discussion with Mr. Woods” from the prior day.⁹ The Proxy does not address whether Sheffield informed the Board that Sheffield had, absent the Board’s authorization or approval, discussed a specific deal premium with Woods; inferably, Sheffield kept this information to himself.

⁸ *In re Columbia Pipeline Merger Litig.*, 299 A.3d 393, 422 (Del. Ch. June 30, 2023).

⁹ Proxy at 53.

16. On September 19, 2023, Woods informed Sheffield that the ExxonMobil board had authorized him to make a formal proposal to acquire Pioneer. Following this meeting, ExxonMobil sent a proposal letter, dated September 18, 2023, proposing an all stock merger in which each share of Pioneer common stock would be valued at \$255, an exchange ratio of 2.185 shares. The letter also indicated that ExxonMobil would consider one board seat on the ExxonMobil board for a representative of the Pioneer board.

17. On September 22, 2023, the Board and Senior Management met with Pioneer's financial advisors Goldman Sachs and Morgan Stanley & Co. LLC, to discuss the September 18 proposal. The Board unanimously rejected the September 18 proposal.

18. On September 24, 2023, Sheffield told Woods of the Board's rejection but that the Board had authorized Sheffield (apparently belatedly) to continue to discuss the Merger. The two discussed several key transaction terms, including, among others, ExxonMobil's commitment to keep Pioneer's Irving, Texas headquarters open for at least two years, and that two Pioneer directors, including Sheffield, receive board seats on the ExxonMobil board.

19. Merger discussions progressed rapidly. The two sides quickly found common ground, and entered into a confidentiality agreement on September 28, 2023. Discussions continued over the following days.

20. On October 4, 2023, Goldman Sachs, one of Pioneer’s financial advisors, delivered a letter to the Board that apparently disclosed a conflict regarding Goldman’s relationship with ExxonMobil. The Proxy does not elaborate on the nature of the apparent conflict, nor why the Board “did not view [the apparent conflict] as impacting the ability of Goldman Sachs to act effectively as financial advisor to the” Board.¹⁰

21. Merger discussions continued at breakneck speed, and Pioneer and ExxonMobil, with remarkable efficiency, hashed out the key terms. A mere six days later, on October 10, 2023, Pioneer and ExxonMobil executed the Merger Agreement.

22. The Merger is expected to close in the first half of 2024, subject to closing conditions and receipt of regulatory approvals, as well as the affirmative vote of the holders of a majority of the outstanding shares of Pioneer’s common stock on February 7, 2024. Upon completion of the Merger, Pioneer stockholders will become stockholders of ExxonMobil and Pioneer common stock will be deregistered. Critically, the value of the merger consideration to be received in exchange for each share of Pioneer common stock will fluctuate with the market value of ExxonMobil common stock until the Merger is complete. In other words, because the Board agreed to a stock conversion ratio on October 10, 2023, if some fact then unknown

¹⁰ Proxy at 56.

to the Board caused ExxonMobil's stock to drop after the Board entered into the Merger but before the Merger closed, Pioneer stockholders would receive less value in the Merger than they would have otherwise.

23. Unsurprisingly, Sheffield and Dealy came out ahead in the Merger, which will result in their each receiving massive change in control payments (nearly \$29 million for Sheffield and approximately \$15 million for Dealy), at least Sheffield's appointment to ExxonMobil's board, Dealy's appointment as Pioneer's lead representative on ExxonMobil's integration and transition team, and ExxonMobil's commitment for two years to maintain Pioneer's existing headquarters in Irving and a comparable office facility in Midland. In short: Sheffield and Dealy got everything they wanted, but as discussed below the Merger is unfair to Pioneer's public stockholders.

C. THE MERGER APPEARS TO BE UNFAIR TO THE COMPANY'S MINORITY STOCKHOLDERS

24. Roughly one month before the stockholder vote on the Merger, ExxonMobil disclosed that it expects impairments of \$2.4 billion to \$2.6 billion associated with its upstream business (the "Impairment").¹¹ The Proxy does not

¹¹ Exxon Mobil Corporation Form 8-K, Ex. 99.1 (January 4, 2024) <https://www.sec.gov/Archives/edgar/data/34088/000003408824000003/f8k4q991010424.htm>.

mention the Impairment and it is unknown at this time whether the Board knew of the Impairment when approving the Merger.

25. After taking about a day to digest the news, ExxonMobil's stock price declined significantly – over 5.5% – evaporating over \$20 billion from ExxonMobil's market capitalization. Pioneer stockholders, whose rights in the Merger are to receive shares of ExxonMobil at a preset exchange rate, will necessarily receive less consideration at the time of the Merger than they would if the Impairment had been disclosed to the Board prior to October 10, 2023, as the impairment has now been 'priced in' to ExxonMobil's stock price. It is difficult to believe that neither Sheffield, who was engaged in peculiarly intimate merger discussions with Woods, nor Dealy were unaware of this looming catastrophic impairment and its expected impact on ExxonMobil's stock price and, necessarily, Pioneer's minority investors. It is more probable that Sheffield and Dealy concealed their knowledge or suspicion of this impairment from the Board, causing the Board to recommend the Merger without having been adequately informed.

* * * * *

26. At bottom, given the Merger's diminishing consideration and suspect process, and the misaligned interests of CEO Scott Sheffield, Plaintiff has a strong basis to investigate whether members of the Board, and Pioneer management breached their fiduciary duties in connection with negotiating, approving, and

recommending the Merger and whether the fiduciaries disseminated a materially misleading Proxy.

THE DEMAND FOR INSPECTION

27. On January 29, 2024, Plaintiff served its Demand.

28. In a letter dated February 5, 2024, the Company responded to Plaintiff's Demand. The Company asserted, without providing support for its argument, that the Demand "does not appear to state a proper purpose or a credible basis to suspect wrongdoing[.]" To date, the Company has neither agreed to a confidentiality stipulation nor produced any documents. The Company has not agreed to produce any documents. Further, the parties have not reached agreement on a final scope of production in response to the Demand.

29. The stockholder vote on the Merger is scheduled for February 7, 2024 and the Company expects the Merger to close in the first half of 2024. Accordingly, Plaintiff files this Section 220 petition with the Court to maintain standing to enforce its statutory rights to inspect Pioneer's corporate books and records.

CAUSE OF ACTION

(Demand for Inspection Pursuant to Section 220)

30. Plaintiff repeats and realleges all of the preceding allegations as if fully set forth herein.

31. Plaintiff made a written demand upon the Company for the inspection of the books, records, and documents identified in the Demand.

32. Plaintiff has fully complied with all the requirements of Section 220 with respect to the form and manner of making a demand for the inspection of the Company's books and records.

33. Plaintiff's demand for inspection is made for a proper purpose, which includes investigating: (a) potential breaches of fiduciary duty by the Company's Directors and Officers in connection with the process leading to, negotiation, execution, and approval of the Merger Agreement; (b) investigating the independence, or lack thereof, of the Company's Directors and Officers; (c) determining if the Board was fully informed of all the material aspects surrounding the deal; (d) determining whether the Proxy provides full and fair disclosure of all material facts; (e) evaluating and determining whether Sheffield, Dealy, any of the other Officers, or Woods withheld information that the Board would have found material to their decision; and (f) considering whether to file a class action on behalf of the Company's public stockholders.

34. The Company has failed to provide Plaintiff with access to the books and records demanded in the Demand.

35. By reason of the foregoing and pursuant to Section 220, Plaintiff requests a summary order permitting it to inspect and make copies of the books and records identified in the Demand.

PRAYER FOR RELIEF REQUESTED

WHEREFORE, Plaintiff prays that this Court summarily enter judgment in favor of Plaintiff and against the Company:

A. Ordering the Company to produce to Plaintiff the books and records identified in Plaintiff's Demand;

B. Awarding Plaintiff the costs and expenses incurred in this action, including reasonable attorneys' fees; and

C. Granting Plaintiff any and all further relief as the Court deems just and proper.

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