CLIENTS CHOOSING ALTERNATIVE FUELING SYSTEMS FOR RIGS

From Pennsylvania to Texas, operators are asking Pioneer to explore the use of alternative fuel systems on our drilling rigs. The goal: Reduced emissions and lower operating costs.

"This is an example of the industry adapting to ongoing changes and challenges," says Don Lacombe, Senior Vice President, Drilling Services. "Just like the change from coal to natural gas, it's a logical progression. It also aligns with our Environmental Stewardship values to protect and preserve the environment we work in."

Presently, Pioneer receives the most inquiries about bi-fuel or natural gas-blending systems. These systems allow natural gas to be utilized when available but still allow the engines to run on 100% diesel when it is not. While the diesel substitution rate varies between manufacturers and engine load, the anticipated diesel offset is approximately 60% to 70% between 40% to 60% engine load.

Two Pioneer rigs operating in Pennsylvania are currently being converted to natural gas blending, as well as one of our newest rigs in South Texas. Another client in North Dakota is considering the conversion for several more rigs.

"The conversion process requires planning between the various parties, but from the rig side it is relatively simple to install on the engines. The biggest challenge is finding the appropriate two- to four-day window to take an engine offline without compromising ongoing rig operations," says Chris Price, Vice President, Engineering.

Chris started seeing interest in conversions a few years ago. "It's a commercial issue for the operators," he says. "Pending market conditions, they can achieve long-term fuel cost savings and also deliver an environmental benefit in terms of lower emissions."

PIONEER UNVEILS IMPROVED HR, PAYROLL MANAGEMENT SYSTEM

After 20 months of design and planning, Pioneer is rolling out a new cloud-based human resources and payroll management system that will give employees online access to all of their important company information.

The "Workday" solution went live on April 1 with an initial focus on automating processes that are mostly paper-based. "Tasks related to new hires, promotions, transfers and payroll processing are the first to be automated," says Bill Schneider, Vice President of Information Technology. "This technology will provide the foundation for continued enhancement in talent management. The long-term goal is streamlined HR and payroll processes while providing quick and easy access to information for employees and managers." Sandra Bell, Vice President of Treasury, notes that data previously available only at headquarters will be available to managers, controllers and HR staff at field locations. "This improvement in information availability will help us be much more efficient in the HR and payroll areas," she says.

Expanding capabilities

Once the initial phase of the project is complete, additional capabilities within Workday are expected to be implemented in 2013 that include:

- **Employee self-service:** All employees will have the ability to view pay slips online, review their benefits and update personal information.
- **Manager self-service:** Managers can view employee information in addition to submitting and approving changes for all employees who report to them.
- **New hires:** An online process will assist in onboarding all new hires.
- **Benefits enrollment:** All employees will have the ability to review their current benefits elections and enroll in additional benefits programs online during the November open enrollment period.
- **Mobile access:** The ability to access real-time HR information and approve employee changes will be available through the use of mobile or tablet devices.

"Training is already under way in San Antonio for HR personnel from all locations," says HR Manager Greg Lawey, "with managers learning about Workday through a web-based program." Employees will find out more about their self-service capabilities later this year.

O ur V isi on and V al u e s

**V I S I O N**
A Company whose culture of integrity and excellence serves as a foundation for all we do.

**V A L U E S**
Integrity: We do the right thing, as expected and required, in every aspect of our business.

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Welcome home to Austin Jamtgaard
Before

2010 becomes a distant memory. I want to recap our results for the year.

Let’s start with safety. Drilling Services achieved a total recordable incident rate of 1.07. That’s an improvement over 2011 and kept us ranked as one of the industry’s safest drilling contractors. We did even better company-wide, with a 1.02 TRIR.

We continue laying the groundwork for even safer operations. The LiveSafe culture is clearly taking hold. But remember that safety isn’t just about work. It’s about the entire life span of our clients’ wells, and we’re benefiting from it.

You’ll remember that we changed our name to Pioneer Energy Services last year. The strategy of offering more than just drilling services is a clear winner. We now offer operators support for the entire life span of our clients’ wells, and we’re benefiting from it.

Thank you for your contribution to a successful 2012.

I’m optimistic about 2013. Economic conditions are better, and oil prices are still favorable for exploration. Of course, those things we don’t control. The quality of our crews, equipment upgrades, working in unconventional plays, and the Coiled Tubing fleet grew from 10 to 13 units. None of this equipment is more than four years old.

Optimistic outlook

I’m optimistic about 2013. Economic conditions are better, and oil prices are still favorable for exploration. Of course, those things we don’t control. The things we do control – the quality of our crews, equipment upgrades, safety performance, geographic footprint – tell me we’ll meet service demand safely and efficiently in 2013.

Thank you for your contribution to a successful 2012.

Sincerely,

Wm. Stacy Locke
President and Chief Executive Officer

COILED TUBING SETS RECORD FOR CONTINUOUS PIPELINE CLEANOUT

Pioneer’s Coiled Tubing Services is in the record books for successfully completing a continuous pipeline cleanout of 23,000 feet for a client in the Gulf of Mexico.

The six-inch pipeline connects two platforms that are 4.47 miles apart in the Gulf’s Eugene Island block. During the course of production, paraffin wax built up in the pipeline and operations were halted to fix the clogging.

“We had to come up with a specific string design because pipeline work often results in damaged or flattened pipe,” says District Engineer Grant Broussard. “The mechanical tool we used was a Stuck Pig and Remediation System (SPARS) by Advanced Coiled Tubing Technology that can extend the horizontal capabilities of coiled tubing to five miles and beyond.”

Record-setting performance

With the help of a lift boat, the cleaning operation got under way with heated diesel fuel pumped into the line to break down the paraffin wax. Reverse circulation in the coiled tubing string brings returns back to the surface.

On day nine, the operation broke the previous record depth of 19,356 feet by 26 feet. Once the depth reached 22,352 feet, a drop in pressure on one of the platforms showed that the paraffin clog had finally been breached.

At 23,000 feet, only 600 feet remained until the pipeline outlet. The operation was completed by flushing the pipeline with xylene to ensure a clean interior.

“Our success was due to a combined effort by Advanced Coiled Tubing Technology, Diamond Services (provided the thermal unit for heating the diesel fuel) and Pioneer’s Coiled Tubing division,” Grant says. “The client was very pleased to achieve the outcome they wanted and restore production in 22 days.”

CUSTOMER APPRECIATION EVENT AT BIG HILL STORAGE SITE HIGHLIGHTS TEAMWORK

Well Servicing celebrates a successful partnership with DM Petroleum Operations Co. at the Big Hill storage site with a fish fry.

After a couple of years of working with DM Petroleum Operations Co. at the U.S. government’s Big Hill Reserve storage site near Winnie, Texas, Well Servicing Operations Manager Eugene Bustamante figured it was time to celebrate a successful partnership with one of his famous fish fries.

“We had catfish, shrimp and all the sides,” says Eugene, who does the cooking, “I believe in taking care of our people and our clients.” Pitching in were Ronnie Hancerling and J.R. Lewis from the El Campo yard, and Vic “Peanut” Krenk and Mark Rosas from the Liberty yard.

“Events like this speak highly of the spirit of teamwork and professionalism that I have seen from Pioneer’s crew and the entire organization,” says Big Hill Site Director Ron Johnson. “I strongly believe that such actions and efforts are integral to getting work done to standard and done safely.”

Well Servicing Rigs #8 and #92 working at Big Hill are busy with workovers on the site’s storage wells. Big Hill is a naturally formed underground salt dome with excavated cavities that hold the oil. Each of the 14 cavities at Big Hill is about 2,000 feet high, 200 feet wide, and can hold 12 million barrels.

Pioneer employees working at Big Hill include Pusher Willie Pesina, Operator Pete Martinez, and Derrick Hand Frank Arriaga and Floorhands Jacob Nunez, Van Russel, Sonny Rodriguez, Ramiro Gusman and Carlos Longoria.
The new year in southwest Louisiana got off to a soggy start, with relentless rain producing what the media called a “100-Year Flood.”

When the water kept rising and threatened a Wireline Services truck, Engineer Johnny Beasley and gun loader/welder Chris “Bubba” Nepveux launched a rescue mission to get the truck back to the shop.

The truck had been positioned in the town of Gueydan to start a job after the storm passed. The truck was being monitored daily and after four days Johnny and Bubba went out to assess the situation and realized the truck needed to be moved.

After contacting management, holding a safety meeting and borrowing a boat, they got to the truck. With Bubba navigating the boat and Johnny wading to the truck, they were able to successfully get it back to the shop.

Above and beyond

Wireline Services District Manager Casey Domingue says the story doesn’t end there. “When they got back at 5:30 p.m. we were in the process of loading the truck that night. These two guys really went above and beyond the call of duty for Pioneer and we’re grateful for their efforts.”

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NEW HSE SYSTEM TO IMPROVE TRACKING, USE OF SAFETY DATA

Pioneer is rolling out a new Health, Safety and Environment (HSE) system that will improve the company’s ability to record and store safety data and use it in ways that will advance Pioneer’s safety performance.

The project involves all of Pioneer’s businesses and represents a big step forward in efficiency, compliance and using lessons learned from incident reports to help prevent future events. “Every time an incident occurs there is the potential to learn from it,” says Carlos Peña, Senior Vice President, Legal, and Director of Safety. “We’re improving our ability to investigate and learn so everyone can be safer on the job.”

Big technology upgrade

“The outgoing system is largely paper-based and requires manual entry into an Excel spreadsheet,” says Ron Reyes, IT Manager. “The new system makes it much easier to locate historical data that we can put to good use.”

A patch-in to the HR database a couple of years ago made some improvement but still had limited functions for HSE. “We now have a full-fledged safety management system that gives us access to information we know we have but don’t see,” Ron says.

Key improvement areas

The new HSE system is expected to provide the biggest benefits in these areas:

• Incident management: Fast access to incident reports, monitor corrective actions and improve processes for calculating and reporting incident rates.

• Training: Automated prompts notify the manager when employee training is needed due to promotions or job requirements.

• DOT compliance: Manages primarily CDL driver records and vehicles to meet Department of Transportation (DOT) requirements.

• Inspections: Tracking and monitoring of the multiple inspections that rigs, etc., receive each month. Web-based form will enable direct entry into the database.

For business units that use a behavior-based observation program, the new system can efficiently track and manage these reports. “Some of our clients care a great deal about this so we’ll have a better way to report this information,” Carlos says.

Rollout was scheduled to begin in April, although most employees won’t notice. “If you’re on a rig it really won’t change anything about how you do your job,” Ron says. “But it can potentially make your work day safer.”

Proud drilling team of Pioneer Rig #8 that set a company record in South Texas.

EMPLOYEES STEP UP TO RESCUE WIRELINE TRUCK FROM FLOOD

A Pioneer client reported the second well drilled by Drilling Services’ Rig #8 set a company record despite losing one day to mechanical repairs.

In Gonzales County in the Eagle Ford Shale, the Rig #8 team drilled a 5,175-foot vertical section in just more than 71 days. The customer cited that the rig’s bigger 1,600-horsepower pumps and 7,500-psi (pounds per square inch) mud system were a key factor in the record-setting performance.

“It’s like going from a garden hose to a pressure washer,” says Joel Polleschultz, Director of Technical Services in Drilling Services Sales and Marketing. “Most rigs have a 5,000-psi mud system but we’re trying to use 7,500-psi systems in all of our new builds. The upgrade allows clients to pump more volume and pressure into the hole and that makes things go a lot faster.”

Johnny Beasley reaches the Wireline Services truck caught in rising water in Louisiana. Johnny and Chris “Bubba” Nepveux brought the truck safely back to the shop.

DRILLING SERVICES RIG #8 SETS CLIENT’S RECORD FOR WELL IN SOUTH TEXAS

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Pioneer employees in Colombia have been busy in recent months with numerous charitable efforts and a prominent role in a Corporate Social Responsibility (CSR) forum.

Pioneer’s charitable initiatives were directed at a variety of causes to help people who are in need. These efforts include:

- The crew of Drilling Rig #303 and Superintendent Larry Lara donated $1,150 for health, safety and environmental work in the community to purchase two wheelchairs for children with psychomotor impairments that hinder thought and physical movement. They also purchased an electric cart for a child with muscular dystrophy.

- Launching a campaign to collect plastic soda bottle caps and donate them to the SANAR Foundation, which fights childhood cancer. Each 1,000 caps collected enables one child to receive a cancer treatment. To date, more than 2,000 caps have been collected.

- Raising funds for Driller Santiago Sierra’s son, who was seriously injured in a skating accident. Employees raised more than $5,000 to help pay medical costs, and Driller Hernando Duarte of Rig #301 donated a television to help make his recovery period a little easier.

Congratulations to Carlos Arturo, Richard Delacruz and Austin Jamtgaard for winning the ‘Show Your Pioneer Spirit’ photo contest on the company’s Facebook page.

Jose Portero at CSR forum

Colombia Drilling Services’ Vice President and Country Manager, Jose “Pepe” Portero, was invited to speak at Ecopetrol’s CSR forum titled “Challenges of the Environment and How to Address Them in Solidarity.” Ecopetrol is a Pioneer client and Colombia’s largest integrated oil and gas company. Pepe is well-known in Colombia for his advocacy of CSR issues and environmental sustainability and as a strong spokesman for the energy services industry. Topics addressed at the forum include balancing competitive factors and sustainability and improving relationships between exploration and production companies and their contractors, according to Assistant Country Manager Gonzalo Bolanos.

Pioneer also launched an in-house recycling effort to raise environmental awareness and the importance of properly sorting and recycling waste products.

WELCOME HOME TO AUSTIN JAMTGAARD

Ecopetrol’s President Javier Gutierrez, along with Colombia Drilling Services’ Vice President and General Manager Jose Portero, formed part of the executive panel at Ecopetrol’s CSR forum.

Drilling Services Derrick Hand Austin Jamtgaard (holding Pioneer banner, right) is heading home from Afghanistan with his North Dakota National Guard unit, the 818th Engineer Company based in Williston. Specialist Jamtgaard carried out Combat Engineer missions such as route clearance, construction and demolition with about 100 fellow Guardsmen starting in June 2012. Thanks for your service to the United States, Austin.