UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2020

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

Commission File Number: 1-8182

PIONEER ENERGY SERVICES CORP.

(Exact name of registrant as specified in its charter)

Delaware	**74-2088619**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
1250 N.E. Loop 410, Suite 1000 **San Antonio, Texas**	**78209**
(Address of principal executive offices)	(Zip Code)

(Registrant's telephone number, including area code) **(855) 884-0575**

Securities registered pursuant to Section 12(b) of the Act

Title of each class	Trading Symbol(s)	Name of each exchange on which registered

Securities registered pursuant to Section 12(g) of the Act: **Common Stock, par value $0.001 per share**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☑

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☑

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☑

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

As of June 30, 2020, the last business day of the registrant's most recently completed second fiscal quarter, the registrant's common stock was not listed on any securities exchange or over-the-counter market. Accordingly, the aggregate market value of the registrant's voting common equity held by non-affiliates could not be calculated.

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ☑ No ☐

As of February 26, 2021, there were 1,647,224 shares of common stock, par value $0.001 per share, of the registrant issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the proxy statement related to the registrant's 2021 Annual Meeting of Shareholders are incorporated by reference into Part III of this report.

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PART I

INTRODUCTORY NOTE

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS AND RISK FACTOR SUMMARY

We are including the following discussion to inform our existing and potential security holders generally of some of the risks and uncertainties that can affect our company and to take advantage of the "safe harbor" protection for forward-looking statements that applicable federal securities law affords.

From time to time, our management or persons acting on our behalf make forward-looking statements to inform existing and potential security holders about our company. These statements may include projections and estimates concerning the timing and success of specific projects and our future revenues, income and capital spending. Forward-looking statements are generally accompanied by words such as “estimate,” “project,” “predict,” “believe,” “expect,” “anticipate,” “plan,” “intend,” “seek,” “will,” “should,” “may”, “goal” or other words that convey the uncertainty of future events or outcomes. In addition, various statements contained in this Annual Report on Form 10-K, including those that express a belief, expectation or intention, as well as those that are not statements of historical fact, are forward-looking statements. Such forward-looking statements appear in Item 1—“Business” and Item 3—“Legal Proceedings” in Part I of this report; in Item 5—“Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities,” Item 7—“Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and in the Notes to Consolidated Financial Statements we have included in Item 8 of Part II of this report; and elsewhere in this report.

Forward-looking statements speak only as of the date on which they are first made, which in the case of forward-looking statements made in this report is the date of this report. We undertake no obligation to update or revise any forward-looking statements, except as required by applicable securities laws and regulations. We base forward-looking statements on our current expectations and assumptions about future events. While our management considers the expectations and assumptions to be reasonable, they are inherently subject to significant business, economic, competitive, regulatory and other risks, contingencies and uncertainties, most of which are difficult to predict and many of which are beyond our control. These risks, contingencies and uncertainties relate to, among other matters, the following principal risk factors:

Risks Relating to Our Emergence from Bankruptcy

- the effects of our bankruptcy on our business and relationships;
- the concentration of our equity ownership following bankruptcy;
- the application of fresh start accounting;

Risks Relating to the Oil and Gas Industry

- general economic and business conditions and industry trends;
- the levels and volatility of oil and gas prices;
- the effect of the coronavirus (COVID-19) pandemic on our industry;

Risks Relating to Our Business

- the demand for drilling services or production services in the geographic areas where we operate;
- the highly competitive nature of our business;
- the supply of marketable drilling and production services equipment within the industry;
- technological advancements and trends in our industry, and improvements in our competitors’ equipment;
- the loss of one or more of our major clients or a decrease in their demand for our services;
- operating hazards inherent in our operations;
- the continued availability of supplies, equipment and qualified personnel required to operate our fleets;
- the political, economic, regulatory and other uncertainties encountered by our operations,
- changes in, or our failure or inability to comply with, laws and governmental regulations, including those relating to the environment;
- the occurrence of cybersecurity incidents;
- the success or failure of future acquisitions or dispositions;

Risks Relating to Our Capital Resources and Organization and Risks Relating to Our Common Stock

- our level of indebtedness and future compliance with covenants under our debt agreements; and
- the impact of not having our common stock listed on a national securities exchange or quoted on an over-the-counter market.

We advise our security holders that they should (1) recognize that, in addition to the principal risk factors outline above, unpredictable or unknown factors not referred to above could have material adverse effects on actual results, including those that are the subject of our forward-looking statements and (2) use caution and common sense when considering our forward-looking statements. Also, please read the risk factors set forth in Item 1A—"Risk Factors" for additional discussion of the risks summarized above.

ITEM 1. BUSINESS

Recent Developments

Reorganization and Emergence from Chapter 11

On March 1, 2020 (the "Petition Date"), Pioneer Energy Services Corp. ("Pioneer") and its affiliates Pioneer Coiled Tubing Services, LLC, Pioneer Drilling Services, Ltd., Pioneer Fishing & Rental Services, LLC, Pioneer Global Holdings, Inc., Pioneer Production Services, Inc., Pioneer Services Holdings, LLC, Pioneer Well Services, LLC, Pioneer Wireline Services Holdings, Inc., Pioneer Wireline Services, LLC (collectively with Pioneer, the "Pioneer RSA Parties") filed voluntary petitions (the "Bankruptcy Petitions") for reorganization under title 11 of the United States Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the Southern District of Texas (the "Bankruptcy Court"). On May 11, 2020, the Bankruptcy Court confirmed the plan of reorganization (the "Plan") that was filed with the Bankruptcy Court on March 2, 2020, and on May 29, 2020 (the "Effective Date"), the conditions to effectiveness of the Plan were satisfied, and the Pioneer RSA Parties emerged from Chapter 11. Our completion of the Chapter 11 Cases has allowed us to significantly reduce our level of indebtedness and our future cash interest obligations.

On the Effective Date, all applicable agreements governing the obligations under the Term Loan, Prepetition Senior Notes and Prepetition ABL Facility were terminated. The Term Loan and Prepetition ABL Facility were paid in full and all outstanding obligations under the Prepetition Senior Notes were canceled in exchange for 94.25% of the pro forma common equity. On the Effective Date, we entered into a $75 million senior secured asset-based revolving credit agreement which was later amended and reduced to $40 million in August 2020 (the "ABL Credit Facility"), and issued $129.8 million of aggregate principal amount of 5% convertible senior unsecured pay-in-kind notes due 2025 (the "Convertible Notes") and $78.1 million of aggregate principal amount of floating rate senior secured notes due 2025 (the "Senior Secured Notes"), the proceeds of which were used to repay our outstanding Term Loan and certain related fees, all of which are described in more detail in *Liquidity and Capital Resources* included in Part II, Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations* of this Annual Report on Form 10-K.

Also on the Effective Date, by operation of the Plan, all agreements, instruments, and other documents evidencing, relating to or connected with any equity interests of the Company, including the existing common stock, issued and outstanding immediately prior to the Effective Date, and any rights of any holder in respect thereof, were deemed canceled, discharged and of no force or effect. Pursuant to the Plan, we issued a total of 1,049,804 shares of our new common stock, with approximately 94.25% of such new common stock being issued to holders of the Prepetition Senior Notes outstanding immediately prior to the Effective Date. Holders of the existing common stock received an aggregate of 5.75% of the proforma common equity (subject to the dilution from the Convertible Notes and new management incentive plan), at a conversion rate of 0.0006849838 new shares for each existing share.

As part of the transactions undertaken pursuant to the Plan, we converted from a Texas corporation to a Delaware corporation, filed the Certificate of Incorporation of the Company with the office of the Secretary of State of the State of Delaware, and adopted Amended and Restated Bylaws of the Company.

Shares of our Predecessor common stock were delisted from the OTC Pink Marketplace, and shares of our new common stock are not currently listed on any stock exchange or quoted on any over-the-counter market. We anticipate the trading of our new common stock on the OTC market to commence again in the near future.

For additional information concerning our bankruptcy proceedings under Chapter 11, see Note 2, *Emergence from Voluntary Reorganization under Chapter 11*, of the Notes to Consolidated Financial Statements included in Part II, Item 8, *Financial Statements and Supplementary Data*.

Fresh Start Accounting — The financial statements included herein have been prepared as if we are a going concern and in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 852, *Reorganizations* (ASC Topic 852). In connection with our emergence from bankruptcy and in accordance with ASC Topic 852, we qualified for and adopted fresh start accounting on the Effective Date. We were required to adopt fresh start accounting because (i) the holders of existing voting shares of the Predecessor Company received less than 50% of the voting shares of the Successor Company, and (ii) the reorganization value of our assets immediately prior to confirmation of the Plan was less than the post-petition liabilities and allowed claims.

We evaluated the events between May 29, 2020 and May 31, 2020 and concluded that the use of an accounting convenience date of May 31, 2020 (the "Fresh Start Reporting Date") would not have a material impact on our consolidated financial statements. As such, the application of fresh start accounting was reflected in our consolidated balance sheet as of May 31, 2020 and related fresh start accounting adjustments were included in our consolidated statement of operations for the five months ended May 31, 2020.

In accordance with ASC Topic 852, with the application of fresh start accounting, we allocated the reorganization value to our individual assets and liabilities (except for deferred income taxes) based on their estimated fair values in conformity with ASC Topic 805, *Business Combinations*. The amount of deferred taxes was determined in accordance with ASC Topic 740, *Income Taxes*. The Effective Date fair values of our assets and liabilities differed materially from their recorded values as reflected on the historical balance sheets. For additional information about the application of fresh start accounting, see Note 3, *Fresh Start Accounting*, of the Notes to Consolidated Financial Statements included in Part II, Item 8 *Financial Statements and Supplementary Data*.

As a result of the application of fresh start accounting and the effects of the implementation of the Plan, our consolidated financial statements after the Effective Date are not comparable with the consolidated financial statements on or before that date as indicated by the "black line" division in the financial statements and footnote tables, which emphasizes the lack of comparability between amounts presented. References to "Successor" relate to our financial position and results of operations after the Effective Date. References to "Predecessor" refer to our financial position and results of operations on or before the Effective Date.

Industry Impacts

Measures taken by federal, state and local governments, both globally and domestically, to reduce the rate of spread of COVID-19 resulted in a decrease in general economic activity and a corresponding decrease in global and domestic energy demand in 2020, which negatively impacted oil and gas prices, and which in turn reduced demand for, and the pricing of, products and services provided to the oil and gas industry, including the products and services which we provide. In addition, actions by OPEC and a group of other oil-producing nations led by Russia further disrupted the supply and demand economics and negatively impacted crude oil prices. These events pushed crude oil storage near capacity and drove prices down significantly, as described further in the section entitled "*Market Conditions and Outlook*" in Part II, Item 7 of this Annual Report on Form 10-K. Although the recovery of supply chain disruptions and the approval of COVID-19 vaccinations in late 2020 have led to signs of stabilization and improvements in commodity pricing, to the extent that the previously described conditions continue to exist or worsen in future periods, our clients' willingness and ability to explore for, develop and produce hydrocarbons will be adversely affected, which will impact the demand for our products and services and adversely affect our results of operations and liquidity.

We have worked to respond to the recent and current market conditions in a number of ways, including:

- *Safety Measures.* We have taken proactive steps in our field operations and corporate offices to protect the health and safety of our employees and contractors, including temperature screenings at field job sites, remote working for our office employees, and we implemented procedures for hygiene and distancing at all our locations.
- *Reduced Capital Spending.* We significantly reduced our initial 2020 capital expenditure budget to a total spend of $15.6 million on capital expenditures, while our original budget contemplated capital expenditures of approximately $40 million.
- *Closure of Under-performing Operations.* In April 2020, we closed our coiled tubing operations and idled all our coiled tubing equipment, which were subsequently placed as held for sale. We have also closed or consolidated 9 operating locations within our wireline and well servicing operations and exited 13 long-term leases during 2020 as well as various other short-term leases that support our business, and renegotiated or otherwise downsized other leased locations in order to reduce overhead and improve profitability.

- *Cost-Cutting Measures.* Throughout 2020, we implemented various cost-cutting measures including, among other things, (i) a 50% reduction in our total headcount, (ii) the suspension of our Employee Incentive Plan and determining that no bonuses would be payable thereunder, (iii) a reduction in the base salaries of each of our executive officers (with the exception of our Interim Chief Executive Officer) by 24% to 35%, (iv) certain hourly, salary and incentive compensation reductions for administrative and operations personnel throughout the company, (v) a 20% reduction in the cash compensation of each of our non-employee directors effective until June 30, 2021 (or such other date as determined by the Board) and (vi) the suspension of certain employee benefits, including matching 401(k) contributions.
- *Liquidating Non-strategic Assets*. During 2020, we completed the sales of various assets for cash proceeds of $12.6 million and have an additional $3.6 million designated as held for sale at December 31, 2020.

Company Overview

Pioneer Energy Services Corp. was incorporated under the laws of the State of Texas in 1979 as the successor to a business that had been operating since 1968. Since then, we have significantly expanded and transformed our business through acquisitions and organic growth. Upon emergence from Chapter 11 in May 2020, we converted from a Texas corporation to a Delaware corporation.

Pioneer Energy Services Corp. provides land-based drilling services and production services to a diverse group of oil and gas exploration and production companies in the United States and internationally in Colombia. Drilling services and production services are fundamental to establishing and maintaining the flow of oil and natural gas throughout the productive life of a well.

Our Segments and Services

Our current business is comprised of two business lines — Drilling Services (consisting of Domestic Drilling and International Drilling reportable segments) and Production Services (consisting of Well Servicing and Wireline Services reportable segments). In April 2020, we closed our coiled tubing operations and idled all our coiled tubing equipment, which were subsequently placed as held for sale as of June 30, 2020. Financial information about our operating segments is included in Note 13, *Segment Information*, of the Notes to Consolidated Financial Statements, included in Part II, Item 8, *Financial Statements and Supplementary Data*, of this Annual Report on Form 10-K.

Drilling Services

We provide a comprehensive service offering which includes the drilling rig, crews, supplies, and most of the ancillary equipment needed to operate our drilling rigs. Our current drilling rig fleet is 100% pad-capable and offers the latest advancements in pad drilling. The following table summarizes our current rig fleet composition by segment and region:

	Multi-well, Pad-capable		
	SCR rigs	**AC rigs**	**Total**
Domestic drilling			
Marcellus/Utica	—	5	5
Permian Basin and Eagle Ford	—	10	10
Bakken	—	2	2
International drilling	8	—	8
			25

Technological advancements and trends in our industry affect the demand for certain types of equipment and there are numerous factors that differentiate land drilling rigs, such as the type of power used, drilling depth capabilities or hook load capacity, mud pump pressure rating, and the ability to drill multiple well bores from a single surface location or pad.

Every drilling rig in our fleet is electric, either AC- or SCR-powered. Electric rigs are considered safer, more reliable and more efficient than mechanically powered rigs, while AC rigs are considered to be more energy efficient and provide more precise control of equipment than their SCR counterparts, further enhancing rig safety and reducing drilling time. All but one of our rigs has 750,000 pounds or greater of hook load capacity, and every drilling rig is equipped with a top drive, an iron roughneck, an automatic catwalk, and a walking or skidding system. This equipment provides our clients with drilling rigs that have more varied capabilities for drilling in unconventional plays and improves our efficiency and safety, as described in more detail below.

Top drives can be used in horizontal well drilling to reach formations that may not be accessible with conventional rotary drilling because they provide maximum torque and rotational control which increases the degree of control afforded the operator, and reduces the difficulties encountered while drilling horizontal wells. An iron roughneck is a remotely operated pipe-handling feature on the rig floor, which is used to help reduce the occurrence of repetitive motion injuries and decrease drill pipe tripping time. An automated catwalk is a drill pipe-handling feature used to raise drill pipe, drill collars, casing, and other necessary items to the drilling rig floor. Its function has significant safety advantages and can reduce the overall time required to complete the well.

Oil and gas exploration and production companies typically prefer to use “pad drilling” which allows a series of horizontal wells to be drilled in succession by walking or skidding a drilling rig at a single pad-site location. Walking systems increase efficiency by allowing multiple wells to be drilled on the same pad site and permitting the drilling rig to move between wells while drill pipe remains in the derrick and ancillary systems such as engines and mud tanks remain stationary, thus reducing move times and costs. Our omnidirectional walking systems enable the drilling rig to move forward, backward, and side to side which affords the operator additional flexibility.

We believe that our drilling rigs and other related equipment are in good operating condition. Our employees perform periodic maintenance and minor repair work on our drilling rigs. We rely on various oilfield service companies for major repair work and overhaul of our drilling equipment when needed. We also engage in periodic improvement and upgrades of our drilling equipment. In the event of major breakdowns or mechanical problems, our rigs could be subject to significant idle time and a resulting loss of revenue if the necessary repair services are not immediately available.

Daywork contracts are comprehensive agreements under which we provide a comprehensive service offering, including the drilling rig, crew, supplies, and most of the ancillary equipment necessary to operate the rig. Generally, our land drilling rigs operate with crews of five to six persons. We obtain our contracts for drilling oil and natural gas wells either through competitive bidding or through direct negotiations with existing or potential clients. Contract terms generally depend on the complexity and risk of operations, the on-site drilling conditions, the type of equipment used, and the anticipated duration of the work to be performed. Spot market contracts generally provide for the drilling of a single well and typically permit the client to terminate on short notice. Drilling contracts for individual wells are usually completed in less than 30 days, but we typically enter into longer-term drilling contracts for our newly constructed rigs and/or during periods of higher rig demand.

Production Services

Our production services business segments provide a range of services to producers primarily in Texas, North Dakota, the Rocky Mountain region, and Louisiana.

Newly drilled wells require completion services to prepare the well for production. The completion process may involve selectively perforating the well casing in the productive zones to allow oil or gas to flow into the well bore, stimulating and testing these zones and installing the production string and other downhole equipment. The completion process typically requires a few days to several weeks, depending on the nature and type of the completion, and generally requires additional auxiliary equipment. Accordingly, completion services require less well-to-well mobilization of equipment and can provide higher operating margins than regular maintenance work. The demand for completion services is directly related to drilling activity levels, which are sensitive to changes in oil and gas prices.

Regular maintenance is required throughout the life of a well to sustain optimal levels of oil and gas production. Common maintenance services include repairing inoperable pumping equipment in an oil well, replacing defective tubing in a gas well, cleaning a live well, and servicing mechanical issues. Our maintenance services involve relatively low-cost, short-duration jobs which are part of normal well operating costs. The need for maintenance does not directly depend on the level of drilling activity, although it is somewhat impacted by short-term fluctuations in oil and gas prices. Accordingly, maintenance services generally experience relatively stable demand; however, when oil or gas prices are too low to justify additional expenditures, operating companies may choose to temporarily shut in producing wells rather than incur additional maintenance costs.

In addition to periodic maintenance, producing oil and gas wells occasionally require major repairs or modifications called workovers, which are typically more complex and more time consuming than maintenance operations. Workover services include extensions of existing wells to drain new formations either through perforating the well casing to expose additional productive zones not previously produced, deepening well bores to new zones, or drilling lateral well bores to improve reservoir drainage patterns. Workovers also include major subsurface repairs such as repair or replacement of well casing, recovery or replacement of tubing and removal of foreign objects from the well bore. A workover may require a few days to several weeks and generally requires additional auxiliary equipment. The demand for workover services is sensitive to oil and gas producers' intermediate and long-term expectations for oil and gas prices.

At the end of the well life cycle, a process is required to permanently close oil and gas wells that are no longer capable of producing in economic quantities. Many well operators bid this work on a "turnkey" basis, requiring the service company to perform the entire job, including the sale or disposal of equipment salvaged from the well as part of the compensation received, and complying with state regulatory requirements. Plugging and abandonment work can provide favorable operating margins and is less sensitive to oil and gas pricing than drilling and workover activity since well operators must plug a well in accordance with state regulations when it is no longer productive.

As of December 31, 2020, the fleet counts for each of our production services business segments were as follows:

	550 HP	600 HP	Total
Well servicing rigs, by horsepower (HP) rating	111	12	123
Wireline services units			76

- *Well Servicing*. Through our 5 operating locations in Texas and North Dakota, our well servicing fleet provides a range of services, including the completion of newly-drilled wells, maintenance and workover of existing wells, and plugging and abandonment of wells at the end of their useful lives.

  Well servicing rigs are frequently used to complete newly drilled wells to minimize the use of higher cost drilling rigs in the completion process. Our well servicing rigs are also used to convert former producing wells to injection wells through which water or carbon dioxide is then pumped into the formation for enhanced oil recovery operations. Extensive workover operations are normally performed by a well servicing rig with additional specialized auxiliary equipment, which may include rotary drilling equipment, mud pumps, mud tanks and fishing tools, depending upon the particular type of workover operation. All of our well servicing rigs are designed to perform complex workover operations. Additionally, all of our well servicing rigs are tall-masted rigs with at least 550 horsepower and are capable of working at depths of over 20,000 feet, which allows us to operate in areas with deeper well depths and perform jobs that rigs with lesser capabilities cannot.

- *Wireline Services*. Wireline trucks, like well servicing rigs, are utilized throughout the life of a well. Wireline trucks are often used in place of a well servicing rig when there is no requirement to remove tubulars from the well in order to make repairs. Wireline services typically utilize a single truck equipped with a spool of wireline that is used to lower and raise a variety of specialized tools in and out of the wellbore.

  Electric wireline contains a conduit that allows signals to be transmitted to or from tools located in the well. These tools can be used to measure pressures and temperatures as well as the condition of the casing and the cement that holds the casing in place. In order for oil and gas exploration and production companies to better understand the reservoirs they are drilling or producing, they require logging services to accurately characterize reservoir rocks and fluids. We provide both open- and cased-hole logging services. Other applications for wireline tools include placing equipment in or retrieving equipment (or debris) from the wellbore, installing bridge plugs, perforating the casing in order to prepare the well for production, or cutting off pipe that is stuck in the well so that the free section can be recovered.

  Our fleet of wireline units includes ten units that offer greaseless electric wireline used to reach further depths in longer laterals and two greaseless *EcoQuiet*™ units designed to reduce noise when operating in proximity to urban areas, and is deployed through 6 operating locations in Texas, the Rocky Mountain region, Louisiana and North Dakota.

Industry Overview

Demand for oilfield services offered by our industry is a function of our clients' willingness and ability to make operating expenditures and capital expenditures to explore for, develop and produce hydrocarbons, which is primarily driven by current and expected oil and natural gas prices. Our business is influenced substantially by exploration and production companies' spending that is generally categorized as either a capital expenditure or an operating expenditure.

Capital expenditures for the drilling and completion of exploratory and development wells in proven areas are more directly influenced by current and expected oil and natural gas prices. In contrast, operating expenditures for the maintenance of existing wells, for which a range of production services are required in order to maintain production, are relatively more stable and predictable.

Although over the longer term, drilling and production services have historically trended similarly in response to fluctuations in commodity prices, because exploration and production companies often adjust their budgets for exploration and development drilling first in response to a change in commodity prices, the demand for drilling services is generally impacted first and to a greater extent than the demand for production services which is more dependent on ongoing expenditures that are necessary to maintain production. Additionally, within the range of production services businesses, those that derive more revenue from production-related activity, as opposed to completion of new wells, tend to be less affected by volatility in commodity prices.

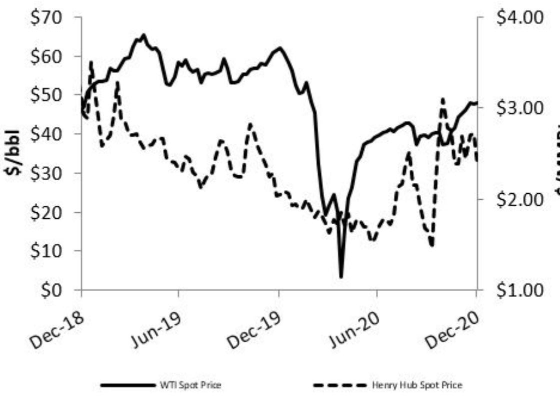
However, in a severe downturn that is prolonged, both operating and capital expenditures are significantly reduced, and the demand for all our service offerings is significantly impacted. After a prolonged downturn among the production services, the demand for workover services generally improves first, followed by the demand for completion-oriented services as exploration and production companies begin to complete wells that were previously drilled but not completed during the downturn, and to complete newly drilled wells as the demand for drilling services improves during recovery.

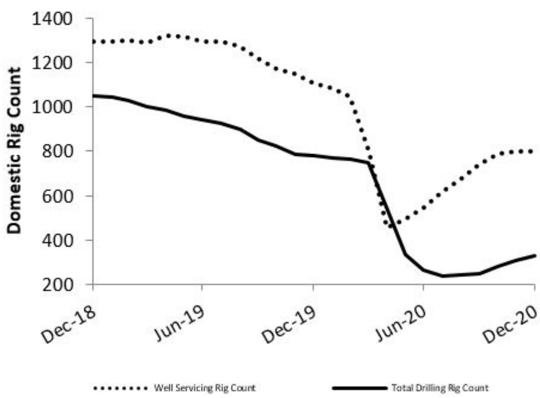
The level of exploration and production activity within a region can fluctuate due to a variety of factors which may directly or indirectly impact our operations in the region. From time to time, temporary regional slowdowns or constraints occur in our industry due to a variety of factors, including, among others, infrastructure or takeaway capacity limitations, labor shortages, increased regulatory or environmental pressures, or an influx of competitors in a particular region. Any of these factors can influence the profitability of operations in the affected region. However, term contract coverage for our drilling services business and the mobility of all our equipment between regions reduces our exposure to the impact of regional constraints and fluctuations in demand.

Technological advancements and trends in our industry also affect the demand for certain types of equipment, and can affect the overall demand for the services our industry provides.

Additionally, because our business depends on the level of spending by our clients, we are also affected by our clients' ability to access the capital markets. After several consecutive years without significant improvement in commodity prices, many exploration and production companies have limited their spending to a level which can be supported by net operating cash flows alone, as access to the capital markets through debt or equity financings has become more challenging in our industry. This challenge has increased recently due to the major stock market and bond market indices experiencing elevated levels of volatility during 2020.

The trends in spot prices of WTI crude oil and Henry Hub natural gas, and the resulting trends in domestic land rig counts (per Baker Hughes) and domestic well servicing rig counts (per Guiberson/Association of Energy Service Companies) from January 2019 through December 2020 are illustrated in the graphs below.





Colombian oil prices have historically trended in line with West Texas Intermediate (WTI) oil prices.

For additional information concerning the potential effects of volatility in oil and gas prices and other industry trends, see Item 1A – "Risk Factors" in Part I and in the section entitled "*Market Conditions and Outlook*" in Part II, Item 7 of this Annual Report on Form 10-K.

Market Competition

We encounter substantial competition from other drilling contractors and other oilfield service companies. Our primary market areas are highly fragmented and competitive. The fact that drilling and production services equipment are mobile and can be moved from one market to another in response to market conditions heightens the competition in the industry and may result in an oversupply of equipment in an area. Contract drilling companies and other oilfield service companies compete primarily on a regional basis, and the intensity of competition may vary significantly from region to region at any particular time. If demand for drilling or production services improves in a region where we operate, our competitors might respond by moving in suitable rigs and production services equipment from other regions. An influx of equipment from other regions could rapidly intensify competition, reduce profitability, and make any improvement in demand for our services short-lived.

Most drilling services contracts and production services contracts are awarded on the basis of competitive bids, which also results in price competition. In addition to pricing and equipment availability, we believe the following factors are also important to our clients in determining which drilling services or production services provider to select:

- the type, capability and condition of each of the competing drilling rigs, well servicing rigs, and wireline units;
- the mobility and efficiency of the equipment;
- the quality of service and experience of the crews;
- the reputation and safety record of the company providing the services;
- the offering of integrated and/or ancillary services; and
- the ability to provide drilling and production services equipment adaptable to, and personnel familiar with, new technologies and drilling and production techniques.

While we must be competitive in our pricing, our competitive strategy generally emphasizes the quality of our equipment, our safety record, our ability to offer ancillary services, the experience of our crews and the quality of service we provide to differentiate us from our competitors. This strategy is less effective when lower demand for drilling and production services intensifies price competition and makes it more difficult for us to compete on the basis of factors other than price. In all of the markets in which we compete, an oversupply of drilling rigs or production services equipment generally causes greater price competition and reduced profitability.

We believe that an important competitive factor in establishing and maintaining long-term client relationships is having an experienced, skilled and well-trained work force. In recent years, many of our larger clients have placed increased emphasis on the safety performance and quality of the crews, equipment and services provided by their contractors. We have devoted, and will continue to devote, substantial resources toward employee safety and training programs. Although price is generally the primary factor, we believe our clients consider all of these factors in determining which service provider is awarded the work, and that many clients are willing to pay a premium for the quality and safe, efficient service we provide.

The following is an overview of the market for each of our services:

- *Domestic and International Drilling.* Our principal domestic drilling competitors are Helmerich & Payne, Inc., Precision Drilling Corporation, Patterson-UTI Energy, Inc., and Nabors Industries Ltd. In Colombia, we primarily compete with Helmerich & Payne, Inc., Nabors Industries Ltd., Independence Drilling S.A., Tuscany International Drilling, and Estrella International Energy Services Ltd. Our current drilling rig fleet is 100% pad-capable and offers the latest advancements in pad drilling, which we believe positions us well to compete and expand our presence in predominant shale regions.
- *Well Servicing.* The well servicing providers that we primarily compete with are Basic Energy Services, Key Energy Services, Forbes Energy Services and Ranger Energy Services, Inc. As compared to the other large competitors in this industry, we believe our fleet is one of the youngest, most uniform fleets, which in addition to our safety performance and service quality, has historically allowed us to operate at utilization and hourly rates that are among the highest of our peers.
- *Wireline.* The wireline market in the United States is fragmented with many competitors, including Halliburton Company, GR Energy Services, Baker Hughes Company, Reliance Energy, Inc., Renegade Services, NexTier Oilfield Services, Mallard Completions, LLC, Nine Energy Services, PerfX Wireline, LLC and other independents. The market for wireline services is very competitive, but historically we have competed effectively with our competitors because of the diversified services we provide, our performance, and strong client service.

In addition, there are numerous smaller companies that compete in all of our services markets. Some of our competitors have greater financial, technical and other resources than we do. Their greater capabilities in these areas may enable them to:

- better withstand industry downturns;
- compete more effectively on the basis of price and technology;
- better attract and retain skilled personnel; and
- build new rigs or acquire and refurbish existing rigs and place them into service more quickly than us in periods of high drilling demand.

The need for our services fluctuates primarily in relation to the price (or anticipated price) of oil and natural gas, which in turn is driven by the supply of and demand for oil and natural gas. The level of our revenues, earnings and cash flows are substantially dependent upon, and affected by, the level of domestic and international oil and gas exploration and development activity, as well as the equipment capacity in any particular region. For a more detailed discussion, see Item 7—"Management's Discussion and Analysis of Financial Condition and Results of Operations."

Clients

Although we provide drilling and production services to numerous oil and gas exploration and production companies, we derive a significant portion of our revenue from a limited number of major clients. While none of our clients individually accounted for more than 10% of our total revenues in either of the years ended December 31, 2020 or 2019, our drilling and production services provided to our top three clients accounted for approximately 19% and 18%, respectively, of our revenue.

Seasonality

All our production services operations are impacted by seasonal factors. Our business can be negatively impacted during the winter months due to inclement weather, fewer daylight hours, holidays, and early exhaustion of our clients' budgets. While our well servicing rigs and wireline units are mobile, during periods of heavy snow, ice or rain, we may not be able to move our equipment between locations.

Human Capital

We currently have approximately 1,000 employees, substantially all of which are full-time employees. The majority of our employees work in our drilling and production services operations and are primarily compensated on an hourly basis. The number of employees in operations fluctuates depending on the utilization of our drilling rigs, well servicing rigs and wireline units at any particular time. None of our employment arrangements are subject to collective bargaining arrangements.

Our operations require the services of employees having the technical training and experience necessary to achieve proper operational results. As a result, our operations depend, to a considerable extent, on the continuing availability of such personnel. From time to time in the past, temporary shortages of qualified personnel have occurred in our industry. Recently, we have begun to experience the effects of a tightening labor market and the resulting increased labor costs associated with the limited availability of qualified personnel. If we should suffer any material loss of personnel or be unable to employ additional or replacement personnel with the requisite level of training and experience to adequately operate our equipment, our operations could be materially adversely affected. While we believe our wage rates are competitive and our relationships with our employees are satisfactory, a significant increase in the wages paid by other employers could result in a reduction in our workforce, increases in wage rates, or both. The occurrence of either of these events for a significant period of time could have a material adverse effect on our financial condition and results of operations.

Resources

The materials and supplies we use in our drilling and production services operations include fuels to operate our equipment, drilling mud, drill pipe, drill collars, drill bits, cement and other job materials such as explosives and perforating guns. We do not rely on a single source of supply for any of these items. From time to time, there have been shortages of drilling and production services equipment and supplies during periods of high demand. Shortages could result in increased prices for equipment or supplies that we may be unable to pass on to clients and could substantially lengthen the delivery times for equipment and supplies. Any significant delays in our obtaining equipment or supplies could limit our operations and jeopardize our relations with clients and could delay and adversely affect our ability to obtain new contracts for our rigs. Any of the above could have a material adverse effect on our financial condition and results of operations.

Facilities

Our operations are headquartered in San Antonio, Texas, and we conduct our business operations through 15 regional offices located throughout the United States in Texas, Colorado, North Dakota, Pennsylvania, Wyoming, and Louisiana, and internationally in Colombia. These operating locations typically include leased real estate properties which are used for regional offices, storage and maintenance yards and employee housing sufficient to support our operations in the area. We own 8 real estate properties associated with our regional operations.

Operating Risks and Insurance

Our operations are subject to the many hazards inherent in exploration and production activity, including the risks of:

- blowouts;
- cratering;
- fires and explosions;
- loss of well control;
- collapse of the borehole;
- damaged or lost drilling equipment; and
- damage or loss from natural disasters.

Any of these hazards can result in substantial liabilities or losses to us from, among other things:

- suspension of operations;
- damage to, or destruction of, our property and equipment and that of others;
- personal injury and loss of life;
- damage to producing or potentially productive oil and gas formations through which we drill; and
- environmental damage.

We seek to protect ourselves from some but not all operating hazards through insurance coverage. However, some risks are either not insurable or insurance is available only at rates that we consider uneconomical. Those risks include, among other things, pollution liability in excess of relatively low limits. Depending on competitive conditions and other factors, we attempt to obtain contractual protection against uninsured operating risks from our clients. However, clients who provide contractual indemnification protection may not in all cases maintain adequate insurance or otherwise have the financial resources necessary to support their indemnification obligations. Our insurance or indemnification arrangements may not adequately protect us against liability or loss from all the hazards of our operations. The occurrence of a significant event that we have not fully insured or indemnified against or the failure of a client to meet its indemnification obligations to us could materially and adversely affect our results of operations and financial condition. Furthermore, we may be unable to maintain adequate insurance in the future at rates we consider reasonable.

Our current insurance coverage includes property insurance on our rigs, drilling equipment, production services equipment, and real property. Our insurance coverage for property damage to our rigs, drilling equipment and production services equipment is based on our estimates of the cost of comparable used equipment to replace the insured property. The policy provides for a deductible of no more than $750,000 per drilling rig and a deductible on production services equipment of $250,000 per occurrence, with an additional $350,000 annual aggregate deductible. Our third-party liability insurance coverage is $101 million per occurrence and in the aggregate, with a $500,000 self-insured retention, an additional $500,000 aggregate deductible, and an additional annual aggregate deductible of $1,000,000 on the first layer of excess coverage. We also carry insurance coverage for pollution liability up to $20 million with a deductible of $500,000. We believe that we are adequately insured for public liability and property damage to others with respect to our operations. However, such insurance may not be sufficient to protect us against liability for all consequences of well disasters, extensive fire damage or damage to the environment.

Governmental Regulation

Many aspects of our operations are subject to various federal, state and local laws and governmental regulations, including laws and regulations governing:

- environmental quality;
- pollution control;
- remediation of contamination;
- preservation of natural resources;
- transportation; and
- worker safety.

Environment Protection. Our operations are subject to stringent federal, state and local laws, rules and regulations governing the protection of the environment and human health and safety.

Some of the laws, rules and regulations applicable to our industry relate to the disposal of hazardous substances, oilfield waste and other waste materials and restrict the types, quantities and concentrations of those substances that can be released into the environment. Several of those laws also require removal and remedial action and other cleanup under certain circumstances, commonly regardless of fault. Our operations routinely involve the handling of significant amounts of waste materials, some of which are classified as hazardous wastes and/or hazardous substances. Planning, implementation and maintenance of protective measures are required to prevent accidental discharges. Spills of oil, natural gas liquids, drilling fluids and other substances may subject us to penalties and cleanup requirements. Handling, storage and disposal of both hazardous and non-hazardous wastes are also subject to these regulatory requirements. In addition, our operations are often conducted in or near ecologically sensitive areas, such as wetlands or protected species habitats, which are subject to special protective measures and which may expose us to additional operating costs and liabilities for accidental discharges of oil, gas, drilling fluids, contaminated water or other substances, or for noncompliance with other aspects of applicable laws and regulations.

Environmental laws and regulations are complex and subject to frequent change, and the new Biden Administration is expected to revise existing environmental regulations and to pursue new initiatives. Failure to comply with governmental requirements or inadequate cooperation with governmental authorities could subject a responsible party to administrative, civil or criminal action. We may also be exposed to environmental or other liabilities originating from businesses and assets which we acquired from others. Our compliance with amended, new or more stringent requirements, stricter interpretations of existing requirements or the future discovery of contamination or regulatory noncompliance may require us to make material expenditures or subject us to liabilities that we currently do not anticipate.

There are a variety of regulatory developments, proposals or requirements and legislative initiatives that have been introduced in the United States and international regions in which we operate that are focused on restricting the emission of carbon dioxide, methane and other greenhouse gases. Further, President Biden has announced that he intends to take aggressive action to address climate-related issues and to set the United States on a path to be carbon-neutral by 2050.

Hydraulic fracturing of wells and subsurface water disposal are also under public and governmental scrutiny due to concerns regarding potential environmental and physical impacts, including groundwater and drinking water impacts, as well as whether such activities may cause earthquakes. Increased regulation and attention given to the hydraulic fracturing process could lead to greater opposition, including litigation, to oil and gas production activities using hydraulic fracturing techniques. Additional legislation or regulation could also lead to operational delays or increased operating costs in the production of oil and natural gas, including from the developing shale plays, incurred by our clients. The adoption of any federal, state or local laws or the implementation of regulations or ordinances restricting or increasing the costs of hydraulic fracturing could cause a decrease in the completion of new oil and natural gas wells and an associated decrease in demand for our drilling and well servicing activities, any or all of which could adversely affect our financial position, results of operations and cash flows.

Our wireline operations involve the use of radioactive isotopes along with other nuclear, electrical, acoustic, and mechanical devices. Our activities involving the use of isotopes are regulated by the U.S. Nuclear Regulatory Commission and specified agencies of certain states. Additionally, we use high explosive charges for perforating casing and formations, and we use various explosive cutters to assist in wellbore cleanout. Such operations are regulated by the U.S. Department of Justice, Bureau of Alcohol, Tobacco, Firearms, and Explosives and require us to obtain licenses or other approvals for the use of densitometers as well as explosive charges. We have obtained these licenses and approvals when necessary and believe that we are in substantial compliance with these federal requirements.

In addition, our business depends on the demand for land drilling and production services from the oil and gas industry and, therefore, is affected by tax, environmental and other laws relating to the oil and gas industry generally, by changes in those laws and by changes in related administrative regulations. It is possible that these laws and regulations may in the future add significantly to our operating costs or those of our clients, or otherwise directly or indirectly affect our operations. It is possible that the Biden Administration will severely restrict oil and gas development on public lands. For example, the President has already announced a hold on new drilling permits for federal lands and waters and has proposed a moratorium on hydraulic fracturing on federal lands and waters. In addition, the new administration may restrict new oil and gas leasing on public lands.

See Item 1A—“Risk Factors” in Part I of this Annual Report on Form 10-K for a detailed discussion of risks we face concerning laws and governmental regulations.

Transportation. Among the services we provide, we operate as a motor carrier for the transportation of our own equipment and therefore are subject to regulation by the U.S. Department of Transportation and by various state agencies. These regulatory authorities exercise broad powers, governing activities such as the authorization to engage in motor carrier operations and regulatory safety. There are additional regulations specifically relating to the trucking industry, including testing and specification of equipment and product handling requirements. The trucking industry is subject to possible regulatory and legislative changes that may affect the economics of the industry by requiring changes in operating practices or by changing the demand for common or contract carrier services or the cost of providing truckload services. Some of these possible changes include increasingly stringent environmental regulations, changes in the hours of service regulations which govern the amount of time a driver may drive in any specific period, onboard black box recorder devices or limits on vehicle weight and size.

Interstate motor carrier operations are subject to safety requirements prescribed by the U.S. Department of Transportation. To a large degree, intrastate motor carrier operations are subject to state safety regulations that mirror federal regulations. Such matters as weight and dimension of equipment are also subject to federal and state regulations.

From time to time, various legislative proposals are introduced, including proposals to increase federal, state, or local taxes, including taxes on motor fuels, which may increase our costs or adversely impact the recruitment of drivers. We cannot predict whether, or in what form, any increase in such taxes applicable to us will be enacted.

Worker safety. Our ability to retain existing customers and attract new business is dependent on many factors, including our ability to demonstrate that we can reliably and safely operate our business in a manner that is consistent with applicable laws, rules and permits. An accident or other event resulting in significant environmental or property damage, or injuries or fatalities involving our employees or other persons could also trigger investigations by federal, state or local authorities. Such an accident or other event could cause us to incur substantial expenses in connection with the investigation, remediation and resolution, as well as cause lasting damage to our reputation, loss of customers and an inability to obtain insurance.

Available Information

Our website address is *www.pioneeres.com*. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports, are available free of charge through our website as soon as reasonably practicable after we electronically file those materials with, or furnish those materials to, the Securities and Exchange Commission. The public may read and copy these materials at the Securities and Exchange Commission's Public Reference Room at 100 F Street, N.E., Washington, DC 20549. For additional information on the operations of the Securities and Exchange Commission's Public Reference Room, please call 1-800-SEC-0330. In addition, the Securities and Exchange Commission maintains an Internet site at *www.sec.gov* that contains reports, proxy and information statements and other information regarding issuers that file electronically. We have also posted on our website our: Charters for the Audit, Compensation, and Nominating and Corporate Governance Committees of our Board; Code of Business Conduct and Ethics; Rules of Conduct Applicable to All Employees; Corporate Governance Guidelines; and Company Contact Information. Information on our website is not incorporated into this report or otherwise made part of this report.

ITEM 1A. RISK FACTORS

The information set forth in this Item 1A should be read in conjunction with the rest of the information included in this report, including "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7 and the financial statements and related notes this report contains. While we attempt to identify, manage and mitigate risks and uncertainties associated with our business to the extent practical under the circumstances, some level of risk and uncertainty will always be present. Additional risks and uncertainties that are not presently known to us or that we currently believe are immaterial also may negatively impact our business, financial condition or operating results.

Set forth below are various risks and uncertainties that could adversely impact our business, financial condition, results of operations and cash flows.

Risks Relating to Our Emergence from Bankruptcy

- *We recently emerged from bankruptcy, which may adversely affect our business and relationships.*

  As a result of our bankruptcy filing and recent emergence:

  - key suppliers, vendors or other contract counterparties may terminate their relationships with us or require additional financial assurances or enhanced performance from us;
  - our ability to renew existing contracts and compete for new business may be adversely affected;
  - our ability to attract, motivate and/or retain key executives and employees may be adversely affected;
  - our competitors may take business away from us, and our ability to attract and retain customers may be negatively impacted;
  - our employees may be distracted from performance of their duties or more easily attracted to other employment opportunities; and
  - we may have difficulty obtaining the capital we need to run and grow our business.

  The occurrence of one or more of these events could have a material adverse effect on our operations, financial condition and reputation.

- *Upon our emergence from Chapter 11, the composition of our stockholder base and concentration of equity ownership changed significantly.*

  As a result of the concentration of our equity ownership, the future strategy and plans of the Company may differ materially from those in the past. Upon our emergence from Chapter 11, twelve stockholder groups were the beneficial owners of approximately 95% (the “Significant Stockholders”) of our issued and outstanding common stock and, therefore, have significant control on the outcome of matters submitted to a vote of stockholders, including, but not limited to, electing directors and approving corporate transactions. In addition, our incurrence of additional indebtedness requires the consent of each of our current stockholders that, together with their affiliates and related funds, owns more than 17.5% of our outstanding common stock on a fully-diluted basis, and the consent of one particular stockholder is required for us to issue additional equity as long as such stockholder, together with its affiliates and related funds, owns more than 12.5% of our outstanding common stock on a fully-diluted basis. As a result, our future strategy and plans may differ materially from those of the past. Circumstances may occur in which the interests of the Significant Stockholders could be in conflict with the interests of other stockholders, and the Significant Stockholders would have substantial influence to cause us to take actions that align with their interests. Should conflicts arise, we can provide no assurance that the Significant Stockholders would act in the best interests of other stockholders or that any conflicts of interest would be resolved in a manner favorable to our other stockholders.

- *Upon our emergence from Chapter 11, the composition of our board of directors changed significantly.*

  Pursuant to the Plan, the composition of our board of directors (the “Board”) changed significantly. Upon emergence, our Board consisted of five directors, only one of whom, our former Chief Executive Officer, Wm. Stacy Locke, had served on the Board prior to our emergence from Chapter 11. In July 2020, Wm. Stacy Locke resigned his officer and director positions, at which time Matthew S. Porter, a member of the Board, was also appointed to serve as Interim Chief Executive Officer, and he was subsequently appointed to serve as the Company’s President and Chief Executive Officer, effective January 1, 2021. Our Board currently consists of four members.

  The new directors have different backgrounds, experiences and perspectives from those individuals who previously served on our Board and, thus, may have different views on the issues that will determine our future. As a result, the future strategy and our plans may differ materially from those of the past.

- *Certain information contained in our historical financial statements will not be comparable to the information contained in our financial statements after the application of fresh start accounting.*

  Upon our emergence from Chapter 11, we adopted fresh start accounting in accordance with ASC Topic 852 and became a new entity for financial reporting purposes. As a result, we revalued our assets and liabilities based on our estimate of our enterprise value and the fair value of each of our assets and liabilities. These estimates, projections and enterprise valuation were prepared solely for the purpose of the bankruptcy proceedings and should not be relied upon by investors for any other purpose. At the time they were prepared, the determination of these values reflected numerous estimates and assumptions, and the fair values recorded based on these estimates may not be fully realized in periods subsequent to our emergence from Chapter 11.

  The consolidated financial statements after the Effective Date are not comparable with the consolidated financial statements on or before that date as indicated by the “black line” division in the financial statements and footnote tables, which emphasizes the lack of comparability between amounts presented. This will make it difficult for stockholders to assess our performance in relation to prior periods. Please see Note 2, *Emergence from Voluntary Reorganization under Chapter 11*, of the Notes to Consolidated Financial Statements included in Part II, Item 8 *Financial Statements and Supplementary Data* for further information.

Risks Relating to the Oil and Gas Industry

- *We derive all our revenues from companies in the oil and gas exploration and production industry, a historically cyclical industry with levels of activity that are significantly affected by the levels and volatility of oil and gas prices.*

  As a provider of contract land drilling services and oil and gas production services, our business depends on the level of exploration and production activity in the geographic markets where we operate. The oil and gas exploration and production industry is a historically cyclical industry characterized by significant changes in the levels of exploration and development activities.

Oil and gas prices, and market expectations of potential changes in those prices, significantly affect the levels of those activities. Oil and gas prices have been volatile historically and, we believe, will continue to be so in the future. Worldwide political, economic, and military events as well as natural disasters have contributed to oil and gas price volatility historically and are likely to continue to do so in the future. Many factors beyond our control affect oil and gas prices, including:

- the worldwide supply and demand for oil and gas;
- domestic or global health concerns, including the outbreak of contagious or pandemic diseases, such as the recent coronavirus;
- the cost of exploring for, producing and delivering oil and gas;
- the discovery rate of new oil and gas reserves;
- the rate of decline of existing and new oil and gas reserves;
- available pipeline and other oil and gas transportation capacity;
- the levels of oil and gas storage;
- the ability of oil and gas exploration and production companies to raise capital;
- economic conditions in the United States and elsewhere;
- actions by the Organization of Petroleum Exporting Countries, which we refer to as OPEC;
- political instability in oil and gas producing regions;
- governmental regulations, both domestic and foreign;
- domestic and foreign tax policy;
- weather conditions in the United States and elsewhere;
- the pace adopted by foreign governments for the exploration, development and production of their national reserves, or their investments in oil and gas reserves located in other countries; and
- the price of foreign imports of oil and gas.

Additionally, the above factors can also be affected by technological advances affecting energy consumption and the supply and demand within the market for renewable energy resources.

- *Oil and natural gas prices, and market expectations of potential changes in these prices, significantly impact the level of worldwide drilling and production services activities.*

Reduced demand for oil and natural gas generally results in lower prices for these commodities and often impacts the economics of planned drilling projects and ongoing production projects, resulting in the curtailment, reduction, delay or postponement of such projects for an indeterminate period of time. When drilling and production activity and spending declines, both dayrates and utilization historically decline as well.

Since January 2020, the COVID-19 pandemic and oil and natural gas market volatility have resulted in a significant decrease in oil prices and significant disruption and uncertainty in the oil and natural gas market. Beginning in March 2020, the decline in demand due to the COVID-19 pandemic coincided with the announcement of price reductions and possible production increases by members of OPEC and other oil exporting nations, including Russia. Although OPEC and other oil exporting nations ultimately agreed to cut production, these extreme supply and demand dynamics caused significant crude oil price declines, negatively impacting our industry’s oil producers who responded with significant cuts in their recent and projected spending.

Additionally, because our business depends on the level of spending by our clients, we are also affected by our clients’ ability to access the capital markets. After several consecutive years without significant improvement in commodity prices, many exploration and production companies have limited their spending to a level which can be supported by net operating cash flows alone, as access to the capital markets through debt or equity financings has become more challenging in our industry. This challenge has increased recently due to the major stock market and bond market indices experiencing elevated levels of volatility during 2020.

If the reduction in the overall level of exploration and development activities, whether resulting from changes in oil and gas prices or otherwise, continues or worsens, it could materially and adversely affect us further by negatively impacting:

- our revenues, cash flows and profitability;
- the fair market value of our drilling and production services fleets;
- our ability to maintain or obtain additional debt financing;

- our ability to obtain additional capital to finance our business or make acquisitions, and the cost of that capital;
- the collectability of our receivables; and
- our ability to retain skilled operations personnel.

Risks Relating to Our Business

- *Reduced demand for or excess capacity of drilling services or production services could adversely affect our profitability.*

  Our profitability in the future will depend on many factors but largely on pricing and utilization rates for our drilling and production services. A reduction in the demand for our equipment and services or an increase in the supply of comparable equipment in our industry or any particular regional market would likely decrease the pricing and utilization rates for our affected service offerings, which would adversely affect our revenues and profitability. The commodity price environment and global oversupply of oil during 2020 resulted in an oversupply of equipment in our industry, declining rig counts and dayrates, and substantially reduced activity for all our service offerings.

- *We operate in a highly competitive, fragmented industry in which price competition could reduce our profitability.*

  We encounter substantial competition from other drilling contractors and other oilfield service companies. Our primary market areas are highly fragmented and competitive. The fact that drilling and production services equipment are mobile and can be moved from one market to another in response to market conditions heightens the competition in the industry and may result in an oversupply of equipment in an area. Contract drilling companies and other oilfield service companies compete primarily on a regional basis, and the intensity of competition may vary significantly from region to region at any particular time. If demand for drilling or production services improves in a region where we operate, our competitors might respond by moving in suitable rigs and production services equipment from other regions. An influx of equipment from other regions could rapidly intensify competition, reduce profitability, and make any improvement in demand for our services short-lived.

  Most drilling services contracts and production services contracts are awarded on the basis of competitive bids, which also results in price competition. In addition to pricing and equipment availability, we believe the following factors are also important to our clients in determining which drilling services or production services provider to select:

  - the type, capability and condition of each of the competing drilling rigs, well servicing rigs, and wireline units;
  - the mobility and efficiency of the equipment;
  - the quality of service and experience of the crews;
  - the reputation and safety record of the company providing the services;
  - the offering of integrated and/or ancillary services; and
  - the ability to provide drilling and production services equipment adaptable to, and personnel familiar with, new technologies and drilling and production techniques.

  While we must be competitive in our pricing, our competitive strategy generally emphasizes the quality of our equipment, our safety record, our ability to offer ancillary services, the experience of our crews and the quality of service we provide to differentiate us from our competitors. This strategy is less effective when lower demand for drilling and production services intensifies price competition and makes it more difficult for us to compete on the basis of factors other than price. In all of the markets in which we compete, an oversupply of drilling rigs or production services equipment generally causes greater price competition and reduced profitability.

- *We face competition from many competitors with greater resources.*

  Some of our competitors have greater financial, technical and other resources than we do. Their greater capabilities in these areas may enable them to:

  - better withstand industry downturns;
  - compete more effectively on the basis of price and technology;
  - better attract and retain skilled personnel; and

- build new rigs or acquire and refurbish existing rigs and place them into service more quickly than us in periods of high drilling demand.

- *Technological advancements and trends in our industry also affect the demand for certain types of equipment, and can affect the overall demand for the services our industry provides.*

  Although we take measures to ensure that we use advanced technologies for drilling and production services equipment, changes in technology or improvements in our competitors' equipment could make our equipment less competitive or require significant capital investments to keep our equipment competitive, which could have an adverse effect on our financial condition and operating results.

- *We derive a significant portion of our revenue from a limited number of major clients, and our business, financial condition and results of operations could be materially adversely affected if we are unable to maintain relationships with these clients, or if their demand for our services decreases.*

  Historically, we have derived a significant portion of our revenue from a limited number of major clients. While none of our clients individually accounted for more than 10% of our total revenues in either of the years ended December 31, 2020 or 2019, our drilling and production services provided to our top three clients accounted for approximately 19% and 18%, respectively, of our revenue. The loss of one or more of our major clients, or their decrease in demand for our services, could have a material adverse effect on our business, financial condition and results of operations.

- *Certain of our contracts are subject to cancellation by our clients without penalty and/or with little or no notice.*

  Some of our current drilling contracts, and some drilling contracts that we may enter into in the future, may include terms allowing our clients to terminate the contracts without cause, with little or no prior notice and/or without penalty or early termination payments. The likelihood that a client may seek to terminate a contract is increased during periods of market weakness.

  In periods of extended market weakness, our clients may not be able to honor the terms of existing contracts, may terminate contracts even where there may be onerous termination fees, or may seek to renegotiate contract dayrates and terms in light of depressed market conditions. During depressed market conditions, as a result of commodity prices, restricted credit markets, economic downturns, changes in priorities or strategy or other factors beyond our control, a client may no longer want or need a drilling rig that is currently under contract or may be able to obtain a comparable drilling rig at a lower dayrate. For these reasons, clients may seek to renegotiate the terms of our existing drilling contracts, terminate our contracts without justification, leverage their termination rights in an effort to renegotiate contract terms, or otherwise fail to perform their obligations under our contracts.

  Our clients may also seek to terminate contracts for cause, such as the loss of or major damage to the drilling unit or other events that cause the suspension of drilling operations beyond a specified period of time. If we experience operational problems or if our equipment fails to function properly and cannot be repaired promptly, our clients will not be able to engage in drilling operations and may have the right to terminate the contracts. If equipment is not timely delivered to a client or does not pass acceptance testing, a client may in certain circumstances have the right to terminate the contract.

  In the event of a cancellation, the payment of a termination fee may not fully compensate us for the loss of the contract. Additionally, the early termination of a contract may result in a drilling rig or other equipment being idle for an extended period of time. The cancellation or renegotiation of a number of our contracts could materially reduce our revenues and profitability.

- *Our operations involve operating hazards, which, if not insured or indemnified against, could adversely affect our results of operations and financial condition.*

  Our operations are subject to the many hazards inherent in exploration and production activity, including the risks of:

  - blowouts;
  - cratering;
  - fires and explosions;

- loss of well control;
- collapse of the borehole;
- damaged or lost drilling equipment; and
- damage or loss from natural disasters.

Any of these hazards can result in substantial liabilities or losses to us from, among other things:

- suspension of operations;
- damage to, or destruction of, our property and equipment and that of others;
- personal injury and loss of life;
- damage to producing or potentially productive oil and gas formations through which we drill; and
- environmental damage.

We seek to protect ourselves from some but not all operating hazards through insurance coverage. However, some risks are either not insurable or insurance is available only at rates that we consider uneconomical. Those risks include, among other things, pollution liability in excess of relatively low limits. Depending on competitive conditions and other factors, we attempt to obtain contractual protection against uninsured operating risks from our clients. However, clients who provide contractual indemnification protection may not in all cases maintain adequate insurance or otherwise have the financial resources necessary to support their indemnification obligations. Our insurance or indemnification arrangements may not adequately protect us against liability or loss from all the hazards of our operations. The occurrence of a significant event that we have not fully insured or indemnified against or the failure of a client to meet its indemnification obligations to us could materially and adversely affect our results of operations and financial condition. Furthermore, we may be unable to maintain adequate insurance in the future at rates we consider reasonable.

- *We could be adversely affected if shortages of equipment, supplies or personnel occur.*

While we are not currently experiencing a shortage of equipment or supplies, from time to time, there have been shortages of drilling and production services equipment and supplies during periods of high demand, which we believe could recur. Additionally, trade and economic sanctions or other restrictions imposed by the United States or other countries could also affect the supply of equipment and supplies which are needed in our operations. Shortages could result in increased prices for equipment or supplies that we may be unable to pass on to clients and could substantially lengthen the delivery times for equipment and supplies. Any significant delays in our obtaining equipment or supplies could limit our operations and jeopardize our relations with clients and could delay and adversely affect our ability to obtain new contracts for our rigs. Any of the above could have a material adverse effect on our financial condition and results of operations.

Our operations require the services of employees having the technical training and experience necessary to achieve proper operational results. As a result, our operations depend, to a considerable extent, on the continuing availability of such personnel. From time to time in the past, temporary shortages of qualified personnel have occurred in our industry. Recently, we have begun to experience the effects of a tightening labor market and the resulting increased labor costs associated with the limited availability of qualified personnel. If we should suffer any material loss of personnel or be unable to employ additional or replacement personnel with the requisite level of training and experience to adequately operate our equipment, our operations could be materially adversely affected. A significant increase in the wages paid by other employers could result in a reduction in our workforce, increases in wage rates, or both. The occurrence of either of these events for a significant period of time could have a material adverse effect on our financial condition and results of operations.

- *Our international operations are subject to political, economic and other uncertainties not generally encountered in our domestic operations.*

Our international operations are subject to political, economic and other uncertainties not generally encountered in our U.S. operations which include, among potential others:

- risks of war, terrorism, civil unrest and kidnapping of employees;
- employee strikes, work stoppages, labor disputes and other slowdowns;
- expropriation, confiscation or nationalization of our assets;
- renegotiation or nullification of contracts;

- foreign taxation;
- the inability to repatriate earnings or capital due to laws limiting the right and ability of foreign subsidiaries to pay dividends and remit earnings to affiliated companies;
- changing political conditions and changing laws and policies affecting trade and investment;
- trade and economic sanctions or other restrictions imposed by the United States or other countries;
- concentration of clients;
- regional economic downturns;
- the overlap of different tax structures;
- the burden of complying with multiple and potentially conflicting laws;
- the risks associated with the assertion of foreign sovereignty over areas in which our operations are conducted;
- the risks associated with any lack of compliance with the Foreign Corrupt Practices Act of 1977 ("FCPA") or other anti-corruption laws;
- the risks associated with fluctuating currency values, hard currency shortages and controls of foreign currency exchange, and higher rates of inflation as compared to our domestic operations;
- difficulty in collecting international accounts receivable; and
- potentially longer payment cycles.

Additionally, we may be subject to foreign governmental regulations favoring or requiring the awarding of contracts to local contractors or requiring foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction. These regulations could adversely affect our ability to compete.

We are committed to doing business in accordance with applicable anti-corruption laws and our code of conduct and ethics. We are subject, however, to the risk that our employees and agents may take action determined to be in violation of anti-corruption laws, including the FCPA or other similar laws. Any violation of the FCPA or other applicable anti-corruption laws could result in substantial fines, sanctions, civil and/or criminal penalties and curtailment of operations in certain jurisdictions and might materially adversely affect our business, results of operations or financial condition. In addition, actual or alleged violations could damage our reputation and ability to do business. Further, detecting, investigating, and resolving actual or alleged violations is expensive and can consume significant time and attention of our senior management.

- *Our operations are subject to various laws and governmental regulations that could restrict our future operations and increase our operating costs.*

Many aspects of our operations are subject to various federal, state and local laws and governmental regulations, including laws and regulations governing:

- environmental quality;
- pollution control;
- remediation of contamination;
- preservation of natural resources;
- transportation; and
- worker safety.

Environment Protection. Our operations are subject to stringent federal, state and local laws, rules and regulations governing the protection of the environment and human health and safety.

Some of the laws, rules and regulations applicable to our industry relate to the disposal of hazardous substances, oilfield waste and other waste materials and restrict the types, quantities and concentrations of those substances that can be released into the environment. Several of those laws also require removal and remedial action and other cleanup under certain circumstances, commonly regardless of fault. Our operations routinely involve the handling of significant amounts of waste materials, some of which are classified as hazardous wastes and/or hazardous substances. Planning, implementation and maintenance of protective measures are required to prevent accidental discharges. Spills of oil, natural gas liquids, drilling fluids and other substances may subject us to penalties and cleanup requirements. Handling, storage and disposal of both hazardous and non-hazardous wastes are also subject to these regulatory requirements. In addition, our operations are often conducted in or near ecologically sensitive areas, such as wetlands or protected species habitats, which are subject to special protective measures and which may expose us to additional operating costs and liabilities for accidental discharges of oil, gas, drilling fluids, contaminated water or other substances, or for noncompliance with other aspects of applicable laws and regulations.

The federal Clean Water Act; the Oil Pollution Act; the federal Clean Air Act; the federal Resource Conservation and Recovery Act; the federal Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA); the Safe Drinking Water Act (SDWA); the federal Outer Continental Shelf Lands Act; the Occupational Safety and Health Act (OSHA); regulations implementing these federal statutes (such as the "Navigable Waters Protection Rule" issued on January 23, 2020); and their state counterparts and similar statutes are the primary statutes that impose the requirements described above and provide for civil, criminal and administrative penalties and other sanctions for violation of their requirements. The OSHA hazard communication standard, the Environmental Protection Agency (EPA) "community right-to-know" regulations under Title III of the federal Superfund Amendment and Reauthorization Act and comparable state statutes require us to organize and report information about the hazardous materials we use in our operations to employees, state and local government authorities and local citizens. In addition, CERCLA, also known as the "Superfund" law, and similar state statutes impose strict liability, without regard to fault or the legality of the original conduct, on certain classes of persons who are considered responsible for the release or threatened release of certain hazardous substances into the environment. These persons generally include the current owner or operator of a facility where a release has occurred, the owner or operator of a facility at the time a release occurred, and companies that disposed of or arranged for the disposal of hazardous substances found at a particular site. This liability may be joint and several. Such liability, which may be imposed for the conduct of others and for conditions others have caused, includes the cost of removal and remedial action as well as damages to natural resources. Few defenses exist to the liability imposed by many environmental laws and regulations. It is also common for third parties to file claims for personal injury and property damage caused by substances released into the environment.

Environmental laws and regulations are complex and subject to frequent change, and the new Biden Administration is expected to revise existing environmental regulations and to pursue new initiatives. Failure to comply with governmental requirements or inadequate cooperation with governmental authorities could subject a responsible party to administrative, civil or criminal action. We may also be exposed to environmental or other liabilities originating from businesses and assets which we acquired from others. Our compliance with amended, new or more stringent requirements, stricter interpretations of existing requirements or the future discovery of contamination or regulatory noncompliance may require us to make material expenditures or subject us to liabilities that we currently do not anticipate.

There are a variety of regulatory developments, proposals or requirements and legislative initiatives that have been introduced in the United States and international regions in which we operate that are focused on restricting the emission of carbon dioxide, methane and other greenhouse gases. Further, President Biden has announced that he intends to take aggressive action to address climate-related issues and to set the United States on a path to be carbon-neutral by 2050. Among these developments at the international level is the United Nations Framework Convention on Climate Change, which produced the "Kyoto Protocol" (an internationally applied protocol, which has been ratified in Colombia, which is a location where we provide drilling services) in 1992. More recently, in December 2015, 195 countries adopted under the Framework Convention a resolution known as the "Paris Agreement" to reduce emissions of greenhouse gases with a goal of limiting global warming to below 2°C (36°F). The Paris Agreement does not establish enforceable emissions reduction targets, but countries may establish greenhouse gas reduction measures pursuant to the agreement. The agreement went into effect in November 2016. The United States ratified the Paris Agreement in September 2016 but withdrew in November 2020. President Biden has since signed an order to rejoin the Paris Agreement. The new President has also announced a focus on climate-related issues and a goal of setting the United States on the path to net-zero carbon emissions by 2050.

In addition, the U.S. Congress has from time to time considered legislation to reduce emissions of greenhouse gases, primarily through the development of greenhouse gas cap and trade programs. Also, more than one-third of the states already have begun implementing legal measures to reduce emissions of greenhouse gases. There have been two multi-state organizations devoted to climate action. The Regional Greenhouse Gas Initiative (RGGI) is located in the Northeastern and Mid-Atlantic United States. The Western Regional Climate Action Initiative once included multiple U.S. states and much of Canada, but allowance trading is now limited to only California and Quebec, with a separate trading program administered for the province of Nova Scotia.

In 2007, the United States Supreme Court, in Massachusetts, et al. v. EPA, held that carbon dioxide may be regulated as an “air pollutant” under the federal Clean Air Act. In December 2009, the EPA responded to this decision and issued a finding that the current and projected concentrations of greenhouse gases in the atmosphere threaten the public health and welfare of current and future generations, and that certain greenhouse gases from motor vehicles contribute to the atmospheric concentrations of greenhouse gases and hence to the threat of climate change. Subsequently, the EPA has a number of climate change regulations, including greenhouse gas control and permitting requirements for certain large stationary sources, fuel economy standards for vehicles and emissions standards for power plants.

Specific to the oil and gas industry, in April 2012, the EPA issued regulations to significantly reduce volatile organic compounds, or VOC, emissions from natural gas wells that are hydraulically fractured through the use of “green completions” to capture natural gas that would otherwise escape into the air. The EPA also issued regulations that establish standards for VOC emissions from several types of equipment at natural gas well sites, including storage tanks, compressors, dehydrators and pneumatic controllers. In May 2016, the EPA issued a rule to reduce methane (a greenhouse gas) and VOC emissions from additional oil and gas operations. Among other requirements, the rules impose standards for hydraulically fractured oil wells and equipment leaks at oil and gas production sites and extend certain existing standards to downstream oil and gas operations. In 2020, the EPA amended the rule to relax regulatory requirements and to remove certain operations (relating to transport and storage) from rule applicability. We expect that the Biden Administration will reverse these changes. It is also possible that the new administration will impose more stringent requirements or promulgate additional rules concerning oil and gas emissions.

Although it is not possible at this time to predict whether proposed climate change initiatives will be adopted as initially written, if at all, or how legislation or new regulations that may be adopted to address greenhouse gas emissions would impact our business, any such future laws and regulations could result in increased compliance costs or additional operating restrictions. Any additional costs or operating restrictions associated with legislation or regulations regarding greenhouse gas emissions could have a material adverse effect on our operating results and cash flows. In addition, these developments could curtail the demand for fossil fuels such as oil and gas in areas of the world where our clients operate and thus adversely affect demand for our services, which may in turn adversely affect our future results of operations. Finally, we cannot predict with any certainty whether changes to temperature, storm intensity or precipitation patterns as a result of climate change will have a material impact on our operations.

In addition, our business depends on the demand for land drilling and production services from the oil and gas industry and, therefore, is affected by tax, environmental and other laws relating to the oil and gas industry generally, by changes in those laws and by changes in related administrative regulations. It is possible that these laws and regulations may in the future add significantly to our operating costs or those of our clients, or otherwise directly or indirectly affect our operations. It is possible that the Biden Administration will severely restrict oil and gas development on public lands. For example, the President has already announced a hold on new drilling permits for federal lands and waters and has proposed a moratorium on hydraulic fracturing on federal lands and waters. In addition, the new administration may restrict new oil and gas leasing on public lands.

Oil and gas development restrictions are also possible due to voter initiatives. For example, in 2018, Colorado voted on Proposition 112, which would have increased drilling location setbacks from 500 feet to 2,500 feet, severely limiting access to oil and gas minerals. Although Proposition 112 was defeated, future voter initiatives are possible in certain jurisdictions. Further, state legislators and regulators could seek to impose similar restrictions.

Our wireline operations involve the use of radioactive isotopes along with other nuclear, electrical, acoustic, and mechanical devices. Our activities involving the use of isotopes are regulated by the U.S. Nuclear Regulatory Commission and specified agencies of certain states. Additionally, we use high explosive charges for perforating casing and formations, and we use various explosive cutters to assist in wellbore cleanout. Such operations are regulated by the U.S. Department of Justice, Bureau of Alcohol, Tobacco, Firearms, and Explosives and require us to obtain licenses or other approvals for the use of densitometers as well as explosive charges. We have obtained these licenses and approvals when necessary and believe that we are in substantial compliance with these federal requirements.

Transportation. Among the services we provide, we operate as a motor carrier for the transportation of our own equipment and therefore are subject to regulation by the U.S. Department of Transportation and by various state agencies. These regulatory authorities exercise broad powers, governing activities such as the authorization to engage in motor carrier operations and regulatory safety. There are additional regulations specifically relating to the trucking industry, including testing and specification of equipment and product handling requirements. The trucking industry is subject to possible regulatory and legislative changes that may affect the economics of the industry by requiring changes in operating practices or by changing the demand for common or contract carrier services or the cost of providing truckload services. Some of these possible changes include increasingly stringent environmental regulations, changes in the hours of service regulations which govern the amount of time a driver may drive in any specific period, onboard black box recorder devices or limits on vehicle weight and size.

Interstate motor carrier operations are subject to safety requirements prescribed by the U.S. Department of Transportation. To a large degree, intrastate motor carrier operations are subject to state safety regulations that mirror federal regulations. Such matters as weight and dimension of equipment are also subject to federal and state regulations.

From time to time, various legislative proposals are introduced, including proposals to increase federal, state, or local taxes, including taxes on motor fuels, which may increase our costs or adversely impact the recruitment of drivers. We cannot predict whether, or in what form, any increase in such taxes applicable to us will be enacted.

Worker safety. Our ability to retain existing customers and attract new business is dependent on many factors, including our ability to demonstrate that we can reliably and safely operate our business in a manner that is consistent with applicable laws, rules and permits. An accident or other event resulting in significant environmental or property damage, or injuries or fatalities involving our employees or other persons could also trigger investigations by federal, state or local authorities. Such an accident or other event could cause us to incur substantial expenses in connection with the investigation, remediation and resolution, as well as cause lasting damage to our reputation, loss of customers and an inability to obtain insurance.

- *Federal and state legislative and regulatory initiatives related to hydraulic fracturing could result in operating restrictions or delays in the completion of oil and natural gas wells that may reduce demand for our drilling and well servicing activities and could adversely affect our financial position, results of operations and cash flows.*

Hydraulic fracturing is a commonly used process that involves injection of water, sand, and a minor amount of certain chemicals to fracture the hydrocarbon-bearing rock formation to allow flow of hydrocarbons into the wellbore. Federal agencies have adopted rules, such as the Bureau of Land Management's (BLM) hydraulic fracturing rule finalized in March 2015, that impose additional requirements on the practice of hydraulic fracturing. The BLM has since rescinded the 2016 rule, but litigation challenging the replacement rule is pending, and the Biden Administration may take actions to re-propose the rule. Additional federal regulations may also be developed. Several states are considering legislation to regulate hydraulic fracturing practices that could impose more stringent permitting, transparency, and well construction requirements on hydraulic-fracturing operations or otherwise seek to ban fracturing activities altogether. Hydraulic fracturing of wells and subsurface water disposal are also under public and governmental scrutiny due to concerns regarding potential environmental and physical impacts, including groundwater and drinking water impacts, as well as whether such activities may cause earthquakes.

The federal Energy Policy Act of 2005 amended the Underground Injection Control provisions of the federal Safe Drinking Water Act (SDWA) to exclude certain hydraulic fracturing practices from the definition of “underground injection.” The EPA has asserted regulatory authority over certain hydraulic fracturing activities involving diesel fuel and has developed guidance relating to such practices. In addition, repeal of the SDWA exclusion of hydraulic fracturing has been advocated by certain advocacy organizations and others in the public. Congress has from time to time considered legislation to repeal the exemption for hydraulic fracturing from the SDWA, which would have the effect of allowing the EPA to promulgate new regulations and permitting requirements for hydraulic fracturing, and to require the disclosure of the chemical constituents of hydraulic fracturing fluids to a regulatory agency, which would make the information public via the Internet.

Scrutiny of hydraulic fracturing activities continues in other ways, with the EPA having completed a multi-year study of the potential environmental impacts of hydraulic fracturing. The Final Report issued by the EPA in December 2016 concluded that hydraulic fracturing activities can impact drinking water resources under some circumstances and identified conditions under which impacts can be more frequent or severe. In addition, in April 2012, the EPA issued the first federal air standards for natural gas wells that are hydraulically fractured, which require operators to significantly reduce VOC emissions through the use of “green completions” to capture natural gas that would otherwise escape into the air. These rules address emissions of various pollutants frequently associated with oil and natural gas production and processing activities by, among other things, requiring new or reworked hydraulically-fractured gas wells to control emissions through flaring or reduced emission (or "green") completions. The rules also establish specific new requirements, which were effective in 2012, for emissions from compressors, controllers, dehydrators, storage tanks, gas processing plants, and certain other equipment. The EPA has amended these rules several times. In May 2016, the EPA finalized a rule to reduce methane (a greenhouse gas) and VOC emissions from oil and gas operations. An amendment in 2020 relaxed some of the rule requirements and removed applicability for some sources (in the transport and storage segments of the oil and gas industry), but the Biden Administration is expected to reverse this amendment. It is also possible that the EPA will further amend its oil and gas regulations to impose more stringent requirements. These rules may require a number of modifications to our clients' and our own operations, including the installation of new equipment to control emissions. Compliance with such rules could result in additional costs for us and our clients, including increased capital expenditures and operating costs, which may adversely impact our cash flows and results of operations.

The EPA has also developed effluent limitations for the treatment and discharge of wastewater resulting from hydraulic fracturing activities to publicly owned treatment works (POTW). The agency's final regulations, published on June 28, 2016, prohibited any discharge of wastewater pollutants from onshore unconventional oil and gas extraction facilities to a POTW. The EPA was also required, pursuant to a Consent Decree with environmental groups, to reevaluate whether oil and gas wastes should continue to be exempt from being considered hazardous wastes. Although the EPA concluded in April 2019 that no changes to the existing exemption are needed, similar lawsuits could be brought in the future. The U.S. Department of the Interior has also finalized regulations relating to the use of hydraulic fracturing techniques on public lands and disclosure of fracturing fluid constituents (i.e. the BLM's hydraulic fracturing rule issued in March 2015) and has finalized, in October 2016, a rule to reduce flaring and venting associated with oil and gas operations on public lands. The BLM rules have since been rescinded, but it is possible that they will be reinstated through litigation or through rulemaking by the new Biden Administration.

In addition, some states and localities have adopted, and others are considering adopting, regulations or ordinances that could restrict hydraulic fracturing in certain circumstances, that would require, with some exceptions, disclosure of constituents of hydraulic fracturing fluids, or that would impose higher taxes, fees or royalties on natural gas production. Moreover, public debate over hydraulic fracturing and shale gas production continued to see strong public opposition, and has resulted in delays of well permits in some areas.

In June 2014, the State of New York's Court of Appeals upheld the right of individual municipalities in the State of New York to ban hydraulic fracturing using zoning restrictions. In December 2014, New York State Governor Cuomo announced that hydraulic fracturing will be permanently banned in the state. Similarly situated municipalities in other states may seek to ban or restrict resource extraction operations within their borders using zoning and/or setback restrictions, which could adversely affect the ability of resource extraction enterprises to operate in certain parts of the country, and thus adversely affect demand for our services, which may in turn adversely affect our future results of operations. It is also possible that similar actions will be taken at the federal level, in light of a proposal by President Biden to impose a moratorium on hydraulic fracturing on federal lands and waters pending further study of the impacts of fracking and oil and gas production.

Increased regulation and attention given to the hydraulic fracturing process could lead to greater opposition, including litigation, to oil and gas production activities using hydraulic fracturing techniques. Additional legislation or regulation could also lead to operational delays or increased operating costs in the production of oil and natural gas, including from the developing shale plays, incurred by our clients. The adoption of any federal, state or local laws or the implementation of regulations or ordinances restricting or increasing the costs of hydraulic fracturing could cause a decrease in the completion of new oil and natural gas wells and an associated decrease in demand for our drilling and well servicing activities, any or all of which could adversely affect our financial position, results of operations and cash flows.

- *Our operations are subject to cybersecurity risks.*

  Our operations are increasingly dependent on information technologies and services. Threats to information technology systems associated with cybersecurity risks and cyber incidents or attacks continue to grow, and include, among other things, storms and natural disasters, terrorist attacks, utility outages, theft, viruses, malware, design defects, human error, or complications encountered as existing systems are maintained, repaired, replaced, or upgraded. Risks associated with these threats include, among other things:

  - loss, corruption, or misappropriation of intellectual property, or other proprietary or confidential information (including client, supplier, or employee data);
  - disruption or impairment of our and our clients' business operations and safety procedures;
  - loss or damage to our worksite data delivery systems; and
  - increased costs to prevent, respond to or mitigate cybersecurity events.

  Although we utilize various procedures and controls to mitigate our exposure to such risk, cybersecurity attacks and other cyber events are evolving and unpredictable. Moreover, we do not have control over the information technology systems of our clients, suppliers, and others with which our systems may connect and communicate. As a result, the occurrence of a cyber incident could go unnoticed for a period time. Any such incident could have a material adverse effect on our business, financial condition and results of operations.

- *Future acquisitions or dispositions may not result in the realization of savings and efficiencies, the generation of cash flow or income, or the reduction of risk as contemplated by management, and may have a material adverse effect on our liquidity, results of operations and financial condition.*

  From time to time and subject to any limitations set forth in our debt agreements, we may seek opportunities to maximize efficiency and value through various transactions including the sale of assets or businesses, or the pursuit of acquisitions of complementary assets or businesses. These transactions are subject to inherent risks, including:

  - the use of capital for acquisitions may adversely affect our cash available for other uses;
  - unanticipated costs, assumption of liabilities or exposure to unforeseen liabilities of acquired businesses;
  - difficulties in integrating the operations, assets and employees of the acquired business;
  - difficulties in maintaining an effective internal control environment over an acquired business;
  - risks of entering markets in which we have limited prior experience;
  - decreased earnings, revenues or cash flow resulting from dispositions; and
  - increases in our expenses and working capital requirements.

  The process of integrating an acquired business may involve unforeseen costs and delays or other operational, technical and financial difficulties that may require a disproportionate amount of management attention and financial and other resources. Our failure to achieve consolidation savings, to incorporate the acquired businesses and assets into our existing operations successfully or to minimize any unforeseen operational difficulties could have a material adverse effect on our financial condition and results of operations.

  In addition, we may not have sufficient capital resources to complete additional acquisitions. Historically, we have funded business acquisitions and the growth of our fleets through a combination of debt and equity financing. Subject to the limitations set forth in our debt agreements, we may incur substantial additional indebtedness to finance future acquisitions and also may issue equity securities or convertible securities in connection with such acquisitions. Such debt service requirements could represent a significant burden on our results of operations and financial condition and the issuance of additional equity or convertible securities could be dilutive to our existing stockholders. Furthermore, we may not be able to obtain additional financing on satisfactory terms or at all. Even if we have access to the necessary capital, we may be unable to continue to identify additional suitable acquisition opportunities, negotiate acceptable terms or successfully acquire identified targets.

  Our current debt agreements contain covenants that limit our ability to make acquisitions and incur, assume, or guarantee any additional indebtedness.

- *The uncertainty regarding the potential phase-out of LIBOR may negatively impact our operating results.*

  On July 27, 2017, the Financial Conduct Authority in the United Kingdom announced that it would phase out LIBOR, the London Interbank Offer Rate, as a benchmark by the end of 2021, when private-sector banks are no longer required to report the information used to set the rate. LIBOR is the basic rate of interest used in lending between banks on the London interbank market and is widely used as a reference for setting the interest rate on loans globally. It is unclear whether new methods of calculating LIBOR will be established such that it continues to exist after 2021. At this time, no consensus exists as to what rate or rates will become accepted alternatives to LIBOR, although the U.S. Federal Reserve is considering replacing U.S. dollar LIBOR with a newly created index called the Broad Treasury Financing Rate, calculated with a broad set of short-term repurchase agreements backed by treasury securities. In the future, we may need to renegotiate our current debt agreements or incur other indebtedness, and the phase-out of LIBOR may negatively impact the terms of such indebtedness. In addition, the overall financial market may be disrupted as a result of the phase-out or replacement of LIBOR. Disruption in the financial market could have a material adverse effect on our financial position, results of operations, and liquidity.

Risks Relating to Our Capital Resources and Organization

- *We have a significant amount of debt and despite our current level of indebtedness, we may still be able to incur more debt. Our debt levels and the restrictions imposed on us by our debt agreements may have significant consequences, including limiting our liquidity and flexibility for successfully operating our business, pursuing business opportunities, and obtaining additional financing.*

Our level of indebtedness could prevent us from engaging in transactions that might otherwise be beneficial to us and could put us at a competitive disadvantage relative to other less leveraged competitors that have more cash flow to devote to their operations. Because we may have to dedicate a substantial portion of our operating cash flow to make interest and principal payments, we could be limited in our ability to:

- make investments in working capital or capital expenditures;
- obtain additional financing that may be necessary to fund or expand our operations; and
- withstand and respond to changes or events in our business, our industry or the economy in general.

The incurrence of additional indebtedness could exacerbate the above risks and make it more difficult to satisfy our existing financial obligations.

We also may be prevented from taking advantage of business opportunities that arise because of the limitations imposed on us by the restrictive covenants under our debt agreements that, among other things, and subject to certain exceptions limit our ability to:

- incur, assume, or guarantee additional indebtedness;
- make investments;
- transfer or sell assets;
- create liens;
- enter into mergers or consolidations; and
- issue equity securities.

The failure to comply with any of these covenants would cause an event of default under our debt agreements which if not waived, could result in acceleration of the outstanding indebtedness under our debt agreements, in which case the debt would become immediately due and payable. If this occurs, we may not be able to pay our debt or borrow sufficient funds to refinance it.

- *We may be unable to repay or refinance our debt as it becomes due, whether at maturity or as a result of acceleration.*

  Our ability to meet our debt service obligations depends on our ability to generate positive cash flows from operations. We have in the past incurred, and may incur in the future, negative cash flows from our operating activities. Our ability to generate positive cash flows in the future will be influenced by:

  - general industry, economic and financial conditions;
  - the level of commodity prices in our industry and the level of demand for our services;
  - competition in the markets where we operate; and
  - other factors affecting our operations, many of which are beyond our control.

  If our business does not generate sufficient cash flow from operations to service our outstanding indebtedness, we may have to undertake alternative financing plans, such as:

  - refinancing or restructuring our debt;
  - selling assets;
  - reducing or delaying capital investments, including maintenance or refurbishment of our equipment; and/or
  - seeking to raise additional capital.

  We may not be able to repay our debt as it comes due, or to refinance our debt on a timely basis or on terms acceptable to us and within the limitations contained in our debt agreements. Failure to repay or to timely refinance any portion of our debt could result in a default under the terms of all our debt instruments and the acceleration of all indebtedness outstanding.

- *Our current operations and future growth may require significant additional capital, and the amount and terms of our indebtedness could impair our ability to fund our capital requirements.*

  Our business requires substantial capital, and we may require additional capital in the event of significant departures from our current business plan, unanticipated maintenance or capital requirements, or to pursue growth opportunities. However, additional financing may not be available on a timely basis or on terms acceptable to us and within the limitations contained in our debt agreements. To some extent, our ability to obtain additional capital is also reliant on the public perception of our industry, which may influence investors' willingness to invest in the energy sector.

  Failure to obtain additional financing, should the need for it develop, could impair our ability to fund working capital and capital expenditure requirements and meet debt service requirements, which could have a material adverse impact on our business.

- *We expect that our ability to use our net operating losses and certain other tax attributes will be substantially limited.*

  Our ability to utilize our net operating loss carryforwards and certain other tax attributes to offset future taxable income and to reduce our U.S. federal income tax liability is subject to certain governing rules and restrictions. Section 382 of the U.S. Internal Revenue Code ("Section 382") contains rules that limit the ability of a company that undergoes an "ownership change" to utilize its net operating losses and certain other tax attributes existing as of the date of such ownership change. Upon our emergence from Chapter 11, we underwent an ownership change, as defined in the IRC, which will result in future annual limitations on the usage of our remaining domestic net operating losses.

Risks Relating to Our Common Stock

- *We cannot assure you that an active trading market for our common stock will develop or be maintained, and the market price of our common stock may be volatile, which could cause the value of your investment to decline.*

  Our shares of common stock are not currently listed on any stock exchange or quoted on any over-the-counter market. Although we anticipate the trading of our new common stock on the OTC market to commence again in the near future, we cannot assure you that an active public market for our common stock will develop or, if it develops, that it will be sustained. In the absence of an active public trading market, it may be difficult to liquidate your investment in our common stock.

  In the event our common stock commences trading, the trading price of our common stock may fluctuate significantly. Numerous factors, including many over which we have no control, may have a significant impact on the market price of our common stock. These factors include, among other things:

  - our operating and financial performance and prospects;
  - our ability to repay our debt;
  - investor perceptions of us and the industry and markets in which we operate;
  - future sales, or the availability for sale, of equity or equity-related securities;
  - changes in earnings estimates or buy/sell recommendations by analysts;
  - conversion of our Convertible Notes;
  - limited trading volume of our common stock; and
  - general financial, domestic, economic and other market conditions.

- *In the event our common stock commences trading, the trading price of our common stock may not accurately reflect the value of our business.*

  Upon our emergence from Chapter 11, ownership of our common stock is highly concentrated, and there are a limited number of shares available for trading on any public market. As a result, any future reported trading prices for our common stock at any given time may not accurately reflect the underlying economic value of our business at that time. Any future reported trading prices could be higher or lower than the price a stockholder would be able to receive in a sale transaction, and there can be no assurance that there will be sufficient public trading in our common stock in the future to create a liquid trading market that accurately reflects the underlying economic value of our business.

- *We do not intend to pay dividends on our new common stock in the foreseeable future, and therefore only appreciation of the price of our new common stock will provide a return to our stockholders.*

  We do not intend to pay or declare any dividends on our new common stock and currently intend to retain any earnings to fund our working capital needs, reduce debt and fund growth opportunities. Any future dividends will be at the discretion of our board of directors after taking into account various factors it deems relevant, including our financial condition and performance, cash needs, income tax consequences and restrictions imposed by the Delaware General Corporation Law and other applicable laws and by our Senior Secured Notes, ABL Credit Facility, and Covertible Notes. Our debt agreements includes provisions that generally prohibit us from paying dividends on our capital stock, including our new common stock.

- *We may issue preferred stock whose terms could adversely affect the voting power or value of our new common stock.*

  Our certificate of incorporation authorizes us to issue, without the approval of our stockholders, one or more classes or series of preferred stock having such designations, preferences, limitations and relative rights, including preferences over our new common stock respecting dividends and distributions, as our board of directors may determine; however, our issuance of preferred stock is subject to the limitations imposed by our debt agreements. The terms of one or more classes or series of preferred stock could adversely impact the voting power or value of our new common stock. For example, we might grant holders of preferred stock the right to elect some number of our directors in all events or on the happening of specified events or the right to veto specified transactions.

Similarly, the repurchase or redemption rights or liquidation preferences we might assign to holders of preferred stock could affect the residual value of our new common stock.

- *Provisions in our organizational documents could delay or prevent a change in control of our company even if that change would be beneficial to our stockholders.*

  The existence of some provisions in our organizational documents could delay or prevent a change in control of our company even if that change would be beneficial to our stockholders. Our certificate of incorporation and bylaws contain provisions that may make acquiring control of our company difficult, including:

  - provisions regulating the ability of our stockholders to nominate candidates for election as directors or to bring matters for action at annual meetings of our stockholders;
  - limitations on the ability of our stockholders to call a special meeting and act by written consent; and
  - the authorization given to our board of directors to issue and set the terms of preferred stock.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

Our principal executive offices are located at 1250 N.E. Loop 410, Suite 1000, San Antonio, Texas 78209. For a description of our significant properties, see "Business—*Company Overview*" and "Business—*Facilities*" in Item 1 of this report. We believe that we have sufficient properties to conduct our operations and that our significant properties are suitable and adequate for their intended use.

ITEM 3. LEGAL PROCEEDINGS

From time to time, we are involved in routine litigation or subject to disputes or claims arising out of our business activities, including workers' compensation claims and employment-related disputes. In the opinion of our management, none of the pending litigation, disputes or claims against us will have a material adverse effect on our financial condition, results of operations or cash flows. For information on Legal Proceedings, see Note 14, *Commitments and Contingencies*, of the Notes to Consolidated Financial Statements, included in Part II, Item 8 *Financial Statements and Supplementary Data*, of this Annual Report on Form 10-K.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

There is no established public trading market for our common stock. Our Predecessor common stock previously traded on the New York Stock Exchange (NYSE) under the symbol "PES." As a result of our abnormally low trading price levels, the NYSE delisted our Predecessor common stock on August 14, 2019. Our Predecessor common stock subsequently traded on the OTC Markets under the symbol "PESX" until March 3, 2020, at which time, due to our voluntary Chapter 11 filing, it commenced trading on the OTC Pink marketplace under the trading symbol "PESXQ." On May 29, 2020, upon emergence from Chapter 11, all outstanding shares of our Predecessor common stock were cancelled, and we issued a total of 1,049,804 shares of new common stock. As a result of the cancellation of our Predecessor common stock, the Company ceased trading on the OTC Pink marketplace.

As of February 26, 2021, 1,647,224 shares of our common stock were outstanding, held by 68 stockholders of record. The number of record holders does not necessarily bear any relationship to the number of beneficial owners of our common stock.

We have not paid or declared any dividends on our common stock and currently intend to retain earnings to fund our working capital needs and growth opportunities. Any future dividends will be at the discretion of our board of directors after taking into account various factors it deems relevant, including our financial condition and performance, cash needs, income tax consequences and the restrictions imposed by the Delaware General Corporation Law and other applicable laws. Additionally, our debt agreements include provisions that generally prohibit us from paying dividends on our capital stock.

We did not make any unregistered sales of equity securities during the quarter ended December 31, 2020. No shares of our common stock were purchased by or on behalf of our company or any affiliated purchaser during the quarter ended December 31, 2020.

ITEM 6. SELECTED FINANCIAL DATA

Not applicable.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Statements we make in the following discussion that express a belief, expectation or intention, as well as those that are not historical fact, are forward-looking statements made in good faith that are subject to risks, uncertainties and assumptions. These forward-looking statements are based on our current beliefs, intentions, and expectations and are not guarantees or indicators of future performance. Our actual results, performance or achievements, or industry results, could differ materially from those we express in the following discussion as a result of a variety of factors, including risks and uncertainties relating to the effects of our bankruptcy on our business and relationships, the concentration of our equity ownership following bankruptcy, the application of fresh start accounting, the effect of the coronavirus (COVID-19) pandemic on our industry, general economic and business conditions and industry trends, levels and volatility of oil and gas prices, the continued demand for drilling services or production services in the geographic areas where we operate, the highly competitive nature of our business, the supply of marketable equipment within the industry, technological advancements and trends in our industry and improvements in our competitors' equipment, the loss of one or more of our major clients or a decrease in their demand for our services, operating hazards inherent in our operations, the continued availability of supplies, equipment and qualified personnel required to operate our fleets, the political, economic, regulatory and other uncertainties encountered by our operations, changes in, or our failure or inability to comply with, governmental regulations, including those relating to the environment, the occurrence of cybersecurity incidents, the success or failure of future acquisitions or dispositions, our level of indebtedness and future compliance with covenants under our debt agreements, and the impact of not having our common stock listed on a national securities exchange or quoted on an over-the-counter market. We have discussed many of these factors in more detail elsewhere in this report, including under the headings "Risk Factors" in Item 1A and "Special Note Regarding Forward-Looking Statements and Risk Factor Summary" in the Introductory Note to Part I. These factors are not necessarily all the important factors that could affect us. Other unpredictable or unknown factors could also have material adverse effects on actual results of matters that are the subject of our forward-looking statements. All forward-looking statements speak only as of the date on which they are made and we undertake no obligation to publicly update or revise any forward-looking statements whether as a result of new information, future events or otherwise. We advise our stockholders that they should (1) recognize that important factors not referred to above could affect the accuracy of our forward-looking statements and (2) use caution and common sense when considering our forward-looking statements.

Recent Developments

Reorganization and Emergence from Chapter 11

On March 1, 2020, we filed a petition for reorganization under Chapter 11 of the Bankruptcy Code. On May 11, 2020, the Bankruptcy Court confirmed the plan of reorganization (the "Plan") that was filed with the Bankruptcy Court on March 2, 2020, and on May 29, 2020 (the "Effective Date"), the conditions to effectiveness of the Plan were satisfied, and the Pioneer RSA Parties emerged from Chapter 11. Our completion of the Chapter 11 Cases has allowed us to significantly reduce our level of indebtedness and our future cash interest obligations.

On the Effective Date, all applicable agreements governing the obligations under the Term Loan, Prepetition Senior Notes and Prepetition ABL Facility were terminated. The Term Loan and Prepetition ABL Facility were paid in full and all outstanding obligations under the Prepetition Senior Notes were canceled in exchange for 94.25% of the pro forma common equity. On the Effective Date, we entered into a $75 million senior secured asset-based revolving credit agreement which was later amended and reduced to $40 million in August 2020 (the "ABL Credit Facility"), and issued $129.8 million of aggregate principal amount of 5% convertible senior unsecured pay-in-kind notes due 2025 (the "Convertible Notes") and $78.1 million of aggregate principal amount of floating rate senior secured notes due 2025 (the "Senior Secured Notes"), the proceeds of which were used to repay our outstanding Term Loan and certain related fees, all of which are described in more detail in the *Liquidity and Capital Resources* section below, under the headings entitled *ABL Credit Facility* and *Debt Instruments and Compliance Requirements*.

Also on the Effective Date, by operation of the Plan, all agreements, instruments, and other documents evidencing, relating to or connected with any equity interests of the Company, including the existing common stock, issued and outstanding immediately prior to the Effective Date, and any rights of any holder in respect thereof, were deemed canceled, discharged and of no force or effect. Pursuant to the Plan, we issued a total of 1,049,804 shares of our new common stock, with approximately 94.25% of such new common stock being issued to holders of the Prepetition Senior Notes outstanding immediately prior to the Effective Date. Holders of the existing common stock received an aggregate of 5.75% of the proforma common equity (subject to the dilution from the Convertible Notes and new management incentive plan), at a conversion rate of 0.0006849838 new shares for each existing share.

As part of the transactions undertaken pursuant to the Plan, we converted from a Texas corporation to a Delaware corporation, filed the Certificate of Incorporation of the Company with the office of the Secretary of State of the State of Delaware, and adopted Amended and Restated Bylaws of the Company.

Shares of our Predecessor common stock were delisted from the OTC Pink Marketplace, and shares of our new common stock are not currently listed on any stock exchange or quoted on any over-the-counter market. We anticipate the trading of our new common stock on the OTC market to commence again in the near future.

For additional information concerning our bankruptcy proceedings under Chapter 11, see Note 2, *Emergence from Voluntary Reorganization under Chapter 11*, of the Notes to Consolidated Financial Statements included in Part II, Item 8 *Financial Statements and Supplementary Data*.

Fresh Start Accounting — The financial statements included herein have been prepared as if we are a going concern and in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 852, *Reorganizations* (ASC Topic 852). In connection with our emergence from bankruptcy and in accordance with ASC Topic 852, we qualified for and adopted fresh start accounting on the Effective Date. We were required to adopt fresh start accounting because (i) the holders of existing voting shares of the Predecessor Company received less than 50% of the voting shares of the Successor Company, and (ii) the reorganization value of our assets immediately prior to confirmation of the Plan was less than the post-petition liabilities and allowed claims.

We evaluated the events between May 29, 2020 and May 31, 2020 and concluded that the use of an accounting convenience date of May 31, 2020 (the "Fresh Start Reporting Date") would not have a material impact on our consolidated financial statements. As such, the application of fresh start accounting was reflected in our consolidated balance sheet as of May 31, 2020 and related fresh start accounting adjustments were included in our consolidated statement of operations for the five months ended May 31, 2020.

In accordance with ASC Topic 852, with the application of fresh start accounting, we allocated the reorganization value to our individual assets and liabilities (except for deferred income taxes) based on their estimated fair values in conformity with ASC Topic 805, *Business Combinations*. The amount of deferred taxes was determined in accordance with ASC Topic 740, *Income Taxes*. The Effective Date fair values of our assets and liabilities differed materially from their recorded values as reflected on the historical balance sheets. For additional information about the application of fresh start accounting, see Note 3, *Fresh Start Accounting*, of the Notes to Consolidated Financial Statements included in Part II, Item 8 *Financial Statements and Supplementary Data*.

As a result of the application of fresh start accounting and the effects of the implementation of the Plan, our consolidated financial statements after the Effective Date are not comparable with the consolidated financial statements on or before that date as indicated by the "black line" division in the financial statements and footnote tables, which emphasizes the lack of comparability between amounts presented. References to "Successor" relate to our financial position and results of operations after the Effective Date. References to "Predecessor" refer to our financial position and results of operations on or before the Effective Date.

Industry Impacts

Measures taken by federal, state and local governments, both globally and domestically, to reduce the rate of spread of COVID-19 resulted in a decrease in general economic activity and a corresponding decrease in global and domestic energy demand in 2020, which negatively impacted oil and gas prices, and which in turn reduced demand for, and the pricing of, products and services provided to the oil and gas industry, including the products and services which we provide. In addition, actions by OPEC and a group of other oil-producing nations led by Russia further disrupted the supply and demand economics and negatively impacted crude oil prices. These events pushed crude oil storage near capacity and drove prices down significantly, as described further in the below section entitled "*Market Conditions and Outlook*". Although the recovery of supply chain disruptions and the approval of COVID-19 vaccinations in late 2020 have led to signs of stabilization and improvements in commodity pricing, to the extent that the previously described conditions continue to exist or worsen in future periods, our clients' willingness and ability to explore for, develop and produce hydrocarbons will be adversely affected, which will impact the demand for our products and services and adversely affect our results of operations and liquidity. We have worked to respond to the recent and current market conditions in a number of ways, including:

- *Safety Measures.* We have taken proactive steps in our field operations and corporate offices to protect the health and safety of our employees and contractors, including temperature screenings at field job sites, remote working for our office employees, and we implemented procedures for hygiene and distancing at all our locations.
- *Reduced Capital Spending.* We significantly reduced our initial 2020 capital expenditure budget to a total spend of $15.6 million on capital expenditures, while our original budget contemplated capital expenditures of approximately $40 million.
- *Closure of Under-performing Operations.* In April 2020, we closed our coiled tubing operations and idled all our coiled tubing equipment, which were subsequently placed as held for sale. We have also closed or consolidated 9 operating locations within our wireline and well servicing operations and exited 13 long-term leases during 2020 as well as various other short-term leases that support our business, and renegotiated or otherwise downsized other leased locations in order to reduce overhead and improve profitability.
- *Cost-Cutting Measures.* Throughout 2020, we implemented various cost-cutting measures including, among other things, (i) a 50% reduction in our total headcount, (ii) the suspension of our Employee Incentive Plan and determining that no bonuses would be payable thereunder, (iii) a reduction in the base salaries of each of our executive officers (with the exception of our Interim Chief Executive Officer) by 24% to 35%, (iv) certain hourly, salary and incentive compensation reductions for administrative and operations personnel throughout the company, (v) a 20% reduction in the cash compensation of each of our non-employee directors effective until June 30, 2021 (or such other date as determined by the Board) and (vi) the suspension of certain employee benefits, including matching 401(k) contributions.
- *Liquidating Non-strategic Assets*. During 2020, we completed the sales of various assets for cash proceeds of $12.6 million and have an additional $3.6 million designated as held for sale at December 31, 2020.

Company Overview and Business Segments

Pioneer Energy Services Corp. provides land-based drilling services and production services to a diverse group of oil and gas exploration and production companies in the United States and internationally in Colombia. Drilling services and production services are fundamental to establishing and maintaining the flow of oil and natural gas throughout the productive life of a well.

Our current business is comprised of two business lines — Drilling Services (consisting of Domestic Drilling and International Drilling reportable segments) and Production Services (consisting of Well Servicing and Wireline Services reportable segments). In April 2020, we closed our coiled tubing operations and idled all our coiled tubing equipment, which were subsequently placed as held for sale as of June 30, 2020. Financial information about our operating segments is included in Note 13, *Segment Information*, of the Notes to Consolidated Financial Statements, included in Part II, Item 8, *Financial Statements and Supplementary Data,* of this Annual Report on Form 10-K.

- *Drilling Services* — Our current drilling rig fleet is 100% pad-capable and offers the latest advancements in pad drilling, with 17 AC rigs in the US and 8 SCR rigs in Colombia. We provide a comprehensive service offering which includes the drilling rig, crews, supplies, and most of the ancillary equipment needed to operate our drilling rigs, which are deployed through our division offices in the following regions:

	Rig Count
Domestic drilling:	
Marcellus/Utica	5
Permian Basin and Eagle Ford	10
Bakken	2
International drilling	8
	25

- *Production Services* — Our production services business segments provide a range of services to producers primarily in Texas, North Dakota, the Rocky Mountain region, and Louisiana. As of December 31, 2020, the fleet counts for each of our production services business segments were as follows:

	550 HP	600 HP	Total
Well servicing rigs, by horsepower (HP) rating	111	12	123
Wireline services units			76

Market Conditions and Outlook

Industry Overview — Demand for oilfield services offered by our industry is a function of our clients' willingness and ability to make operating expenditures and capital expenditures to explore for, develop and produce hydrocarbons, which is primarily driven by current and expected oil and natural gas prices.

Our business is influenced substantially by exploration and production companies' spending that is generally categorized as either a capital expenditure or an operating expenditure. Capital expenditures for the drilling and completion of exploratory and development wells in proven areas are more directly influenced by current and expected oil and natural gas prices. In contrast, operating expenditures for the maintenance of existing wells, for which a range of production services are required in order to maintain production, are relatively more stable and predictable.

Although over the longer term, drilling and production services have historically trended similarly in response to fluctuations in commodity prices, because exploration and production companies often adjust their budgets for exploration and development drilling first in response to a change in commodity prices, the demand for drilling services is generally impacted first and to a greater extent than the demand for production services which is more dependent on ongoing expenditures that are necessary to maintain production. Additionally, within the range of production services businesses, those that derive more revenue from production-related activity, as opposed to completion of new wells, tend to be less affected by volatility in commodity prices.

However, in a severe downturn that is prolonged, both operating and capital expenditures are significantly reduced, and the demand for all our service offerings is significantly impacted. After a prolonged downturn among the production services, the demand for workover services generally improves first, followed by the demand for completion-oriented services as exploration and production companies begin to complete wells that were previously drilled but not completed during the downturn, and to complete newly drilled wells as the demand for drilling services improves during recovery.

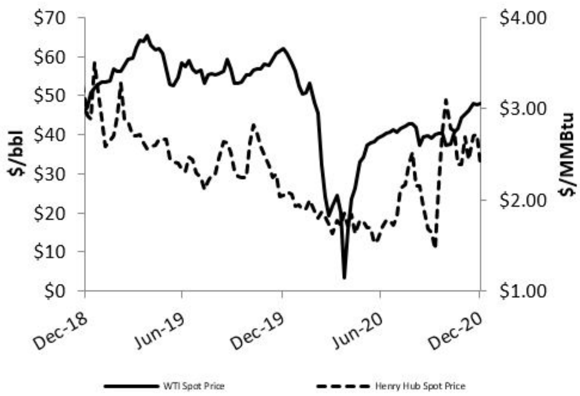
For additional information concerning the potential effects of volatility in oil and gas prices and other industry trends, see Item 1A – “Risk Factors” in Part I of this Annual Report on Form 10-K.

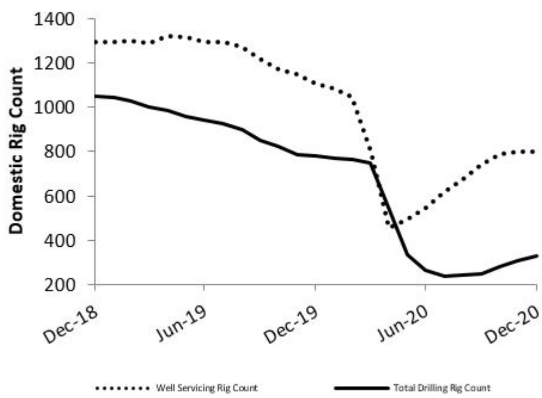
Market Conditions and Outlook — Since January 2020, the COVID-19 pandemic and oil and natural gas market volatility have resulted in a significant decrease in oil prices and significant disruption and uncertainty in the oil and natural gas market. Beginning in March 2020, the decline in demand due to the COVID-19 pandemic coincided with the announcement of price reductions and possible production increases by members of OPEC and other oil exporting nations, including Russia. Although OPEC and other oil exporting nations ultimately agreed to cut production, these extreme supply and demand dynamics caused significant crude oil price declines, negatively impacting our industry’s oil producers who responded with significant cuts in their recent and projected spending.

Additionally, because our business depends on the level of spending by our clients, we are also affected by our clients’ ability to access the capital markets. After several consecutive years without significant improvement in commodity prices, many exploration and production companies have limited their spending to a level which can be supported by net operating cash flows alone, as access to the capital markets through debt or equity financings has become more challenging in our industry. This challenge has increased recently due to the major stock market and bond market indices experiencing elevated levels of volatility during 2020.

However, the recovery of supply chain disruptions and the approval of COVID-19 vaccinations in late 2020 have led to signs of stabilization and improvements in commodity pricing.

The trends in spot prices of WTI crude oil and Henry Hub natural gas, and the resulting trends in domestic land rig counts (per Baker Hughes) and domestic well servicing rig counts (per Guiberson/Association of Energy Service Companies) from January 2019 through December 2020 are illustrated in the graphs below.





The commodity price environment and global oversupply of oil during 2020 resulted in an oversupply of equipment in our industry, declining rig counts and dayrates, and substantially reduced activity for all our service offerings. Oil and gas exploration and production companies reduced their previously planned capital spending programs for 2020, thereby reducing demand for our services. In March 2020, many operators began to curtail operations and several of our clients terminated their drilling contracts with us in April and May 2020. Utilization of our production services fleets also dropped significantly in response to the market conditions described above, and in April 2020, we closed our coiled tubing operations and idled all our coiled tubing equipment, which were subsequently placed as held for sale.

While we cannot predict when and to what extent crude oil production activities will return to normalized levels, rig counts and oil prices have steadily increased in the latter half of 2020 and these indications of market stabilization led to improved activity levels for all of our business segments in the fourth quarter of 2020. Activity levels for our domestic drilling, international drilling, and well servicing operations (measured in revenue days and hours, respectively) in the fourth quarter of 2020 increased 17%, 81%, and 12%, respectively, as compared to the prior quarter, while wireline stage counts increased by almost 400% in our wireline operations. At the end of 2020, 16 of our 25 drilling rigs were earning revenue, 10 of which were under term contracts with an aggregate average term remaining of approximately 7 months, including 3 which were earning but not working.

As our clients continue to adjust their capital budgets and operations in response to the presently uncertain industry conditions, we are currently focusing our efforts on reducing costs and the realignment of certain businesses, while maintaining essential functions and readiness for the moderately improving market conditions which we expect to continue in 2021. We believe our high-quality equipment, services, and excellent safety record position us well to compete as our industry recovers.

Liquidity and Capital Resources

Liquidity Overview

Our completion of the Chapter 11 Cases has allowed us to significantly reduce our level of indebtedness and our future cash interest obligations. We currently expect that cash and cash equivalents, cash generated from operations, and available funds under the ABL Credit Facility are adequate to cover our liquidity requirements for at least the next 12 months. However, our ability to maintain sufficient liquidity and compliance with our debt instruments over the next 12 months, grow, make capital expenditures, and service our debt depends primarily upon (i) the level of demand for, and pricing of, our products and services; (ii) the level of spending by our clients; (iii) our ability to collect our receivables and access borrowings under the ABL Credit Facility; (iv) the supply and demand for oil and gas; (v) oil and gas prices; (vi) general economic and market conditions; and (vii) and other factors that are beyond our control.

The market competition between OPEC and non-OPEC countries coupled with the impact of the COVID-19 pandemic caused significant crude oil price declines, negatively impacting our industry's oil producers who responded with significant cuts in their recent and projected spending which has affected, and to the extent it continues or worsens could continue to negatively affect, the amount of cash we generate and have available for working capital requirements, capital expenditures, and debt service.

Our availability under the ABL Credit Facility at December 31, 2020 was $15.9 million, which our access to would be subject to (i) our requirement to maintain 15% of the maximum revolver amount available or comply with a fixed charge coverage ratio and (ii) the requirement to maintain availability of at least $4 million, which may include up to $2 million of pledged cash. In addition, as a result of current market conditions, certain of our clients are facing financial pressures and liquidity issues. There can be no assurance that one or more of our clients will not delay or default on payments owed to us or file for bankruptcy protection, in which case we may be unable to collect all, or any portion, of the accounts receivable owed to us by such clients. Delays or defaults in payments of accounts receivable owed to us may also adversely affect our borrowing base and our ability to borrow under our ABL Credit Facility.

Sources of Capital Resources

Our principal sources of liquidity currently consist of:

- total cash and cash equivalents, including restricted cash ($32.3 million as of December 31, 2020);
- cash generated from operations; and
- the availability under the ABL Credit Facility ($15.9 million as of December 31, 2020, as discussed below).

In the future, we may also consider equity and/or debt offerings, as appropriate, to meet our liquidity needs. However, our ability to access the capital markets by issuing debt or equity securities will be dependent on market conditions, our financial condition, and other factors beyond our control. Additionally, the ABL Credit Facility and the indentures for our Convertible Notes and Senior Secured Notes contain covenants that limit our ability to incur additional indebtedness, the incurrence of which would also first require the approval of two of our principal stockholders, and our bylaws limit our ability to issue equity securities without the prior written consent of one of our principal stockholders.

ABL Credit Facility — On the Effective Date, pursuant to the terms of the Plan, we entered into a senior secured asset-based revolving credit agreement in an aggregate amount of $75 million among us and substantially all of our domestic subsidiaries as borrowers (the "Borrowers"), the lenders party thereto and PNC Bank, National Association as administrative agent. On August 7, 2020, we entered into a First Amendment to the ABL Credit Facility (together, herein referred to as the "ABL Credit Facility") which, among other things, reduced the maximum amount of the revolving credit agreement to $40 million. Among other things, proceeds of loans under the ABL Credit Facility may be used to finance ongoing working capital and general corporate needs.

The maturity date of loans made under the ABL Credit Facility is the earliest of 90 days prior to maturity of the Senior Secured Notes or the Convertible Notes (both of which are described below in the section entitled *Debt Instruments and Compliance Requirements*) and May 29, 2025. Borrowings under the ABL Credit Facility will bear interest at a rate of (i) the LIBOR rate (subject to a floor of 0%) plus an applicable margin of 375 basis points per annum or (ii) the base rate plus an applicable margin of 275 basis points per annum.

The ABL Credit Facility is guaranteed by the Borrowers and is secured by a first lien on the Borrowers' accounts receivable and inventory, and the cash proceeds thereof, and a second lien on substantially all of the other assets and properties of the Borrowers. The ABL Credit Facility limits our annual capital expenditures to 125% of the budget set forth in the projections for any fiscal year and provides that if our availability plus pledged cash of up to $3 million falls below $6 million (15% of the maximum revolver amount), we will be required to comply with a fixed charge coverage ratio of 1.0 to 1.0, all of which is defined in the ABL Credit Facility.

As of December 31, 2020, we had no borrowings and approximately $7.3 million in outstanding letters of credit under the ABL Credit Facility and subject to the availability requirements in the ABL Credit Facility, based on eligible accounts receivable and inventory balances at December 31, 2020, availability under the ABL Credit Facility was $15.9 million, which our access to would be subject to (i) our requirement to maintain 15% of the maximum revolver amount available or comply with a fixed charge coverage ratio, as described above, and (ii) the requirement to maintain availability of at least $4 million, which may include up to $2 million of pledged cash.

Uses of Capital Resources

Our principal liquidity requirements are currently for:

- working capital needs;
- capital expenditures; and
- debt service.

Our working capital needs typically fluctuate in relation to activity and pricing. Following a sustained period of low activity, our working capital needs generally increase as we invest in reactivating previously idle equipment and in purchases of inventory and supplies for expected increasing activity. Our capital requirements to maintain our equipment also fluctuate in relation to activity, and increase following a period of sustained low activity. Our capital requirements are also increased during periods of expansion, at which times we have been more likely to access capital through equity or debt financing. During periods of sustained low activity and pricing, when our cash flow from operations are negatively impacted, we may also access additional capital through the use of available funds under the ABL Credit Facility.

Working Capital — Our working capital and current ratio, which we calculate by dividing current assets by current liabilities, were as follows as of December 31, 2020 and December 31, 2019 (amounts in thousands, except current ratio):

	Successor	Predecessor	
	December 31, 2020	December 31, 2019	Change
Current assets	$ 113,133	$ 182,912	$ (69,779)
Current liabilities	59,018	91,581	(32,563)
Working capital	$ 54,115	$ 91,331	$ (37,216)
Current ratio	1.9	2.0	(0.1)

The decrease in our working capital during 2020 is primarily due to a decrease of $57.2 million, or 62%, in our total trade and unbilled receivables, despite a decrease of $15.0 million, or 46%, in our accounts payable and a $6.5 million decrease in accrued employee costs, all of which are primarily a result of the significant decline in demand for our service offerings which resulted in decreased revenue and related costs.

Total cash, including cash equivalents and restricted cash, increased by $6.7 million, primarily due to $9.9 million of cash provided by the refinancing of our debt obligations upon emergence from Chapter 11, net of subsequent debt repayments, all of which was partially offset by a net investment of $2.9 million in capital expenditures and $0.3 million of net cash used in operating activities.

Other decreases in our current assets during 2020 included: (i) a $9.8 million decrease in inventory primarily due to the revaluation of assets upon our adoption of fresh start accounting as well as the classification of our coiled tubing inventory as held-for-sale after closing those operations in April 2020, (ii) a $6.2 million decrease in other receivables primarily due to an income tax refund in 2020 related to our international operations, and (iii) a $2.7 million decrease in prepaid and other current assets partially due to the usage of professional fee retainers associated with our bankruptcy proceedings as well as the amortization of deferred mobilization costs for our domestic drilling rigs.

Other decreases in our current liabilities during 2020 included: (i) a $4.7 million decrease in other accrued expenses primarily related to reduced sales tax accruals which was a result of reduced activity levels in our international drilling operations and the payment of sales tax obligations associated with several sales tax audits which were finalized in 2020, a $1.3 million decrease in current lease liabilities primarily associated with leases that were exited during 2020, and an approximate $1 million decrease in legal and other professional fee accruals primarily associated with preparations for our bankruptcy proceedings, (ii) a $3.4 million decrease in accrued interest resulting from the refinancing of our debt obligations upon emergence from Chapter 11, and (iii) a $2.0 million decrease in accrued insurance premiums and deductibles primarily resulting from a decrease in our estimated liability for the deductibles under our workers compensation and health insurance policies, partially as a result of fewer employees and reduced activity.

Capital Expenditures — During 2020 and 2019, our capital expenditures totaled $15.6 million and $50.0 million, respectively, primarily related to routine expenditures that are necessary to maintain our fleets, while capital additions during 2019 also included the completion of construction on our 17th AC drilling rig which we deployed in March 2019 and various vehicle and ancillary equipment purchases and upgrades.

Currently, we expect to spend approximately $20 million to $22 million on capital expenditures during 2021, which is limited to routine expenditures necessary to maintain our fleets. Actual capital expenditures may vary depending on the climate of our industry and any resulting increase or decrease in activity levels, the timing of commitments and payments, availability of capital resources, and the level of investment opportunities that meet our strategic and return on capital employed criteria. We expect to fund the capital expenditures in 2021 from cash and operating cash flow in excess of our working capital requirements, although available borrowings under our ABL Credit Facility are also available, if necessary.

Debt Instruments and Compliance Requirements — On the Effective Date, we entered into a $75 million senior secured asset-based revolving credit agreement which was later amended and reduced to $40 million in August 2020 (the “ABL Credit Facility”), and issued $129.8 million of aggregate principal amount of 5% convertible senior unsecured pay-in-kind notes due 2025 (the “Convertible Notes”) and $78.1 million of aggregate principal amount of floating rate senior secured notes due 2025 (the “Senior Secured Notes”). The proceeds from the issuance of the Convertible Notes and the Senior Secured Notes were used to repay the outstanding Term Loan.

The following is a summary of our debt instruments and compliance requirements including covenants, restrictions and guarantees, as it relates to our Convertible Notes and Senior Secured Notes, and a summary of our ABL Credit Facility is included in the above section entitled *ABL Credit Facility*. As of December 31, 2020, we were in compliance with all covenants required by our debt instruments. However, our ability to maintain compliance with our debt instruments is dependent upon the level of demand for our products and services, the level of spending by our clients, the supply and demand for oil, oil and gas prices, general economic and market conditions and other factors which are beyond our control.

Convertible Notes Indenture and Convertible Notes due 2025. We entered into an indenture, dated as of the Effective Date, among the Company and Wilmington Trust, N.A., as trustee (the “Convertible Notes Indenture”), and issued $129.8 million aggregate principal amount of convertible senior unsecured pay-in-kind notes due 2025 thereunder.

The Convertible Notes are general unsecured obligations which will mature on November 15, 2025, unless earlier accelerated, redeemed, converted or repurchased, and bear interest at a fixed rate of 5% per annum, which will be payable semi-annually in-kind in the form of an increase to the principal amount.

The Convertible Notes are convertible at the option of the holders at any time into shares of our common stock and will convert mandatorily into our common stock at maturity; provided, however, that if the value of our common stock otherwise deliverable in connection with a mandatory conversion of a Convertible Note on the maturity date would be less than the principal amount of such Convertible Note plus accrued and unpaid interest, then the Convertible Note will instead convert into an amount of cash equal to the principal amount thereof plus accrued and unpaid interest. The initial conversion rate is 75 shares of common stock per $1,000 principal amount of the Convertible Notes, which in aggregate represents 9,732,825 shares of common stock and an initial conversion price of $13.33 per share. The conversion rate is subject to customary anti-dilution adjustments.

If we undergo a “fundamental change” as defined in the Convertible Notes Indenture, subject to certain conditions, holders may require us to repurchase all or any portion of their Convertible Notes for cash at an amount equal to 100% of the principal amount of the Convertible Notes to be repurchased plus any accrued and unpaid interest. In the case of certain fundamental change events that constitute merger events (as defined in the Convertible Notes Indenture), we have a superseding right to cause the mandatory conversion of all or part of the Convertible Notes into a number of shares of common stock, per $1,000 principal amount of Convertible Notes, equal to the then-current conversion rate or the cash value of such number of shares of common stock (but not less than the principal amount).

Holders of Convertible Notes are entitled to vote on all matters on which holders of our common stock generally are entitled to vote (or, if any, to take action by written consent of the holders of our common stock), voting together as a single class together with the shares of our common stock and not as a separate class, on an as-converted basis, at any annual or special meeting of holders of our common stock and each holder is entitled to such number of votes as such holder would receive on an as-converted basis on the record date for such vote.

The Convertible Notes Indenture contains covenants that limit our ability and the ability of certain of our subsidiaries to incur, assume or guarantee additional indebtedness and create liens and enter into mergers or consolidations.

The Convertible Notes Indenture contains customary events of default. In the case of an event of default arising from certain events of bankruptcy, insolvency or other similar law, with respect to us or any of our significant subsidiaries, all outstanding Convertible Notes will become due and payable immediately without further action or notice. If any other event of default occurs and is continuing, then the trustee or the holders of at least 25% in aggregate principal amount of the Convertible Notes then outstanding may declare the Convertible Notes due and payable immediately.

The Convertible Notes Indenture provides, subject to certain exceptions, that for so long as our common stock is registered under the Securities Exchange Act of 1934 (the “Exchange Act”), a beneficial owner of the Convertible Notes is not entitled to receive shares of our common stock upon an optional conversion of any Convertible Notes during any period of time in which the aggregate number of shares of our common stock that may be acquired by such beneficial owner upon conversion of Convertible Notes shall, when added to the aggregate number of shares of our common stock deemed beneficially owned, directly or indirectly, by such beneficial owner and each person subject to aggregation of our common stock with such beneficial owner under Section 13 or Section 16 of the Exchange Act at such time, exceed 9.99% of the total issued and outstanding shares of our common stock. Certain of the holders of Convertible Notes opted out of this provision at the Effective Date.

Senior Secured Notes Indenture and Senior Secured Notes due 2025. We entered into an indenture, dated as of the Effective Date, among the Company, the subsidiary guarantors party thereto and Wilmington Trust, N.A., as trustee (the “Senior Secured Notes Indenture”), and issued $78.1 million aggregate principal amount of floating rate senior secured notes due 2025 thereunder. The Senior Secured Notes are guaranteed on a senior secured basis by substantially all of our existing domestic subsidiaries, which also guarantee our obligations under the ABL Credit Facility, (the “Guarantors”) on a full and unconditional basis and are secured by a second lien on the accounts receivable and inventory and a first lien on substantially all of the other assets and properties (including the cash proceeds thereof) of the Company and the Guarantors.

The Senior Secured Notes will mature on May 15, 2025 and interest will accrue at the rate of LIBOR plus 9.5% per annum, with a LIBOR rate floor of 1.5%, payable quarterly in arrears on February 15, May 15, August 15 and November 15 of each year, commencing on August 15, 2020. With respect to any interest payment due on or prior to May 29, 2021, 50% of the interest will be payable in cash and 50% of the interest will be paid in-kind in the form of an increase to the principal amount; however, a majority in interest of the holders of the Senior Secured Notes may elect to have 100% of the interest due on or prior to May 29, 2021 payable in-kind. For all interest periods commencing on or after May 15, 2024, the interest rate for the Senior Secured Notes will be a rate equal to LIBOR plus 10.5%, with a LIBOR rate floor of 1.5%.

We may redeem all or part of the Senior Secured Notes on or after June 1, 2021 at redemption prices (expressed as percentages of the principal amount) equal to (i) 104% for the twelve-month period beginning on June 1, 2021; (ii) 102% for the twelve-month period beginning on June 1, 2022; (iii) 101% for the twelve-month period beginning on June 1, 2023 and (iv) 100% for the twelve-month period beginning June 1, 2024 and at any time thereafter, plus accrued and unpaid interest at the redemption date. Notwithstanding the foregoing, if a change of control (as defined in the Senior Secured Notes Indenture) occurs prior to June 1, 2022, we may elect to purchase all remaining outstanding Senior Secured Notes not tendered to us as described below at a redemption price equal to 103% of the principal amount thereof, plus accrued and unpaid interest, if any, thereon to the applicable redemption date. If a change of control (as defined in the Senior Secured Notes Indenture) occurs, holders of the Senior Secured Notes will have the right to require us to repurchase all or any part of their Senior Secured Notes at a purchase price equal to 101% of the aggregate principal amount of the Senior Secured Notes repurchased, plus accrued and unpaid interest, if any, to the repurchase date.

The Senior Secured Notes Indenture contains covenants that limit, among other things, our ability and the ability of certain of our subsidiaries, to incur, assume or guarantee additional indebtedness; pay dividends or distributions on capital stock or redeem or repurchase capital stock; make investments; repay junior debt; sell stock of our subsidiaries; transfer or sell assets; enter into sale and lease back transactions; create liens; enter into transactions with affiliates; and enter into mergers or consolidations. The Senior Secured Notes Indenture contains a minimum asset coverage ratio of 1.5 to 1.0 as of any June 30 or December 31, beginning December 31, 2020. As of December 31, 2020, the asset coverage ratio, as calculated under the Senior Secured Notes Indenture, was 3.2 to 1.0.

The Senior Secured Notes Indenture also provides for certain customary events of default, including, among others, nonpayment of principal or interest, breach of covenants, failure to pay final judgments in excess of a specified threshold, failure of a guarantee to remain in effect, failure of a security document to create an effective security interest in collateral, bankruptcy and insolvency events, and cross acceleration, which would permit the principal, premium, if any, interest and other monetary obligations on all the then outstanding Senior Secured Notes to be declared due and payable immediately.

Pursuant to the Senior Secured Notes Indenture, we commenced offers to purchase $2.6 million in aggregate principal amount of the Senior Secured Notes in October and December 2020 at a purchase price equal to 100% of the principal amount of the Senior Secured Notes purchased, plus accrued and unpaid interest through, but not including, the respective purchase dates. As of December 31, 2020, the aggregate principal amount of Senior Secured Notes outstanding is $77.4 million.

Supplemental Guarantor Information

Our Prepetition Senior Notes were fully and unconditionally guaranteed, jointly and severally, on a senior unsecured basis by all existing 100% owned domestic subsidiaries, except for Pioneer Services Holdings, LLC. The Prepetition Senior Notes, the guarantees, and the Prepetition Senior Notes Indenture were terminated on the Effective Date pursuant to the Plan. See Note 2, *Emergence from Voluntary Reorganization under Chapter 11*, for more information.

Our Senior Secured Notes are issued by Pioneer Energy Services Corp. (the “Parent Issuer”) and are fully and unconditionally guaranteed, jointly and severally, on a senior secured basis by all existing 100%-owned domestic subsidiaries (the “Guarantors”), except for Pioneer Services Holdings, LLC. The subsidiaries that generally operate our non-U.S. business concentrated in Colombia do not guarantee our Senior Secured Notes (and did not guarantee our Prepetition Senior Notes). The non-guarantor subsidiaries do not have any payment obligations under the Senior Secured Notes, the guarantees, or the Senior Secured Notes Indenture. In the event of a bankruptcy, liquidation or reorganization of any non-guarantor subsidiary, such non-guarantor subsidiary would be obligated to pay the holders of its debt and other liabilities, including its trade creditors, before it would be able to distribute any of its assets to us. As of December 31, 2020, the aggregate principal amount of Senior Secured Notes outstanding is $77.4 million, and there were no restrictions on the ability of subsidiary guarantors to transfer funds to the parent company.

The following tables present summarized financial information for the Parent Issuer and Guarantors, on a combined basis after the elimination of intercompany balances and transactions between the Parent Issuer and Guarantors and investments in any subsidiary that is a non-guarantor (amounts in thousands):

	Successor December 31, 2020
Current assets, excluding those due from non-guarantor subsidiaries	$ 88,544
Current assets due from non-guarantor subsidiaries	28,176
Property and equipment, net	143,277
Noncurrent assets, excluding property and equipment	15,596
Current liabilities	$ 55,362
Long-term debt	147,167
Noncurrent liabilities, excluding long-term debt	6,348

	Successor	Predecessor
	Seven Months Ended December 31, 2020	Five Months Ended May 31, 2020
Revenues	$ 91,654	$ 126,442
Operating costs	68,668	100,372
Loss from operations[(1)]	(17,636)	(61,657)
Net loss[(1)]	(36,299)	(95,631)

(1) Includes intercompany lease income from non-guarantor subsidiary totaling $2.8 million and $2.0 million during the Successor and Predecessor periods, respectively.

Results of Operations

As a result of our emergence from Chapter 11 on May 29, 2020, our financial results for the periods prior to the Fresh Start Reporting date of May 31, 2020 are referred to as those of the “Predecessor,” and our financial results for the periods subsequent to May 31, 2020 are referred to as those of the “Successor.”

Although the Successor period(s) and the Predecessor period(s) are distinct reporting periods, we have combined the Successor and Predecessor period results during the year ended December 31, 2020 in order to provide some comparability of such information to the corresponding Predecessor period ended December 31, 2019. While this combined presentation is not presented according to generally accepted accounting principles in the United States of America (GAAP) and no comparable GAAP measures are presented, management believes that providing this financial information is the most relevant and useful method for making comparisons to the corresponding Predecessor period as reviewing the Successor period results in isolation would not be useful in identifying trends in or reaching conclusions regarding our overall operating performance.

The following table provides certain information about our operations, including details of each of our business segments' revenues, operating costs and gross margin for the periods indicated (amounts in thousands).

	Successor	Predecessor	Combined (Non-GAAP)	Predecessor
	Seven Months Ended December 31, 2020	Five Months Ended May 31, 2020	Year Ended December 31, 2020	Year Ended December 31, 2019
Revenues:				
Domestic drilling	$ 44,205	$ 53,341	$ 97,546	$ 151,769
International drilling	12,220	15,928	28,148	88,932
Drilling services	56,425	69,269	125,694	240,701
Well servicing	30,739	31,947	62,686	115,715
Wireline services	16,710	35,543	52,253	172,931
Coiled tubing services	—	5,611	5,611	46,445
Production services	47,449	73,101	120,550	335,091
Consolidated revenues	$ 103,874	$ 142,370	$ 246,244	$ 575,792
Operating costs:				
Domestic drilling	$ 26,846	$ 33,101	$ 59,947	$ 92,183
International drilling	9,529	13,676	23,205	65,007
Drilling services	36,375	46,777	83,152	157,190
Well servicing	24,325	26,877	51,202	83,461
Wireline services	17,090	31,836	48,926	151,145
Coiled tubing services	408	8,557	8,965	39,557
Production services	41,823	67,270	109,093	274,163
Consolidated operating costs	$ 78,198	$ 114,047	$ 192,245	$ 431,353
Gross margin:				
Domestic drilling	$ 17,359	$ 20,240	$ 37,599	$ 59,586
International drilling	2,691	2,252	4,943	23,925
Drilling services	20,050	22,492	42,542	83,511
Well servicing	6,414	5,070	11,484	32,254
Wireline services	(380)	3,707	3,327	21,786
Coiled tubing services	(408)	(2,946)	(3,354)	6,888
Production services	5,626	5,831	11,457	60,928
Consolidated gross margin	$ 25,676	$ 28,323	$ 53,999	$ 144,439
Consolidated:				
Net loss	$ (40,224)	$ (104,225)	$ (144,449)	$ (63,904)
Adjusted EBITDA [1]	$ 10,597	$ 2,723	$ 13,320	$ 60,153

(1) Adjusted EBITDA represents income (loss) before interest expense, income tax (expense) benefit, depreciation and amortization, prepetition restructuring charges, impairment, reorganization items, and loss on extinguishment of debt. Adjusted EBITDA is a non-GAAP measure that our management uses to facilitate period-to-period comparisons of our core operating performance and to evaluate our long-term financial performance against that of our peers. We believe that this measure is useful to investors and analysts in allowing for greater transparency of our core operating performance and makes it easier to compare our results with those of other companies within our industry. Adjusted EBITDA should not be considered (a) in isolation of, or as a substitute for, net income (loss), (b) as an indication of cash flows from operating activities or (c) as a measure of liquidity. In addition, Adjusted EBITDA does not represent funds available for discretionary use. Adjusted EBITDA may not be comparable to other similarly titled measures reported by other companies.

A reconciliation of net loss, as reported, to Adjusted EBITDA, and to consolidated gross margin, are set forth in the following table (amounts in thousands):

	Successor	Predecessor	Combined (Non-GAAP)	Predecessor
	Seven Months Ended December 31, 2020	**Five Months Ended May 31, 2020**	**Year Ended December 31, 2020**	**Year Ended December 31, 2019**
Net loss	$ (40,224)	$ (104,225)	$ (144,449)	$ (63,904)
Depreciation and amortization	33,613	35,647	69,260	90,884
Prepetition restructuring charges	—	16,822	16,822	—
Impairment	742	17,853	18,595	2,667
Reorganization items, net	4,263	21,903	26,166	—
Interest expense	14,831	12,294	27,125	39,835
Loss on extinguishment of debt	188	4,215	4,403	—
Income tax benefit	(2,816)	(1,786)	(4,602)	(9,329)
Adjusted EBITDA	10,597	2,723	13,320	60,153
General and administrative	24,055	22,047	46,102	91,185
Bad debt expense (recovery), net	(227)	1,209	982	(79)
Gain on dispositions of property and equipment, net	(6,132)	(989)	(7,121)	(4,513)
Other expense (income)	(2,617)	3,333	716	(2,307)
Consolidated gross margin	$ 25,676	$ 28,323	$ 53,999	$ 144,439

Consolidated gross margin — We experienced a significant decline in demand for all our service offerings during 2020 as a result of the economic downturn caused by the COVID-19 pandemic and adverse global oil production and pricing decisions made by OPEC and non-OPEC countries, as described in more detail in the earlier section entitled, "*Market Conditions and Outlook.*" Our consolidated gross margin decreased by $90.4 million, or 63%, during 2020, as compared to 2019. Our production services offerings, which are heavily completion-oriented businesses, were most significantly impacted by the decline in demand, with a combined gross margin decrease of 81% during 2020 as compared to 2019. While our drilling services business were also significantly impacted, and experienced a combined 49% gross margin decrease during this same period, the impact was somewhat mitigated by the longer-term nature of the operations, which are typically supported by term contracts.

- *Drilling Services* — On a percentage basis, our drilling services revenues and operating costs decreased in tandem during 2020 as compared to 2019, declining by 48% and 47%, respectively. The following table provides operating statistics for each of our drilling services segments:

	Successor	Predecessor	Combined (Non-GAAP)	Predecessor
	Seven Months Ended December 31, 2020	Five Months Ended May 31, 2020	Year Ended December 31, 2020	Year Ended December 31, 2019
Domestic drilling:				
Average number of drilling rigs	17	17	17	17
Utilization rate	57 %	81 %	67 %	92 %
Revenue days	2,083	2,100	4,183	5,660
Average revenues per day	$ 21,222	$ 25,400	$ 23,320	$ 26,814
Average operating costs per day	12,888	15,762	14,331	16,287
Average margin per day	$ 8,334	$ 9,638	$ 8,989	$ 10,527
International drilling:				
Average number of drilling rigs	8	8	8	8
Utilization rate	28 %	28 %	28 %	75 %
Revenue days	480	335	815	2,195
Average revenues per day	$ 25,458	$ 47,546	$ 34,537	$ 40,516
Average operating costs per day	19,852	40,824	28,472	29,616
Average margin per day	$ 5,606	$ 6,722	$ 6,065	$ 10,900

Our domestic drilling average margin per day decreased by 15% during 2020 as compared to 2019, as revenue days decreased by 26%. Average revenues per day declined during 2020 as dayrates for contracts that were renewed and renegotiated in late 2019 and during 2020 were reduced. Additionally, average revenues and margin per day during 2019 benefited from $1.5 million of additional revenue associated with the early termination of two of our domestic drilling contracts in 2019, which is net of $1.6 million of early termination revenue recognized in May 2020. These decreases were offset in part by the benefit of rigs placed on standby in 2020. Beginning in late March 2020, rather than terminating their contracts with us, certain of our clients elected to temporarily stack three of our rigs, placing them on an extended standby for a reduced revenue rate and the option to reactivate the rigs through the remainder of the contract term. Although these drilling rigs earn lower standby rates as compared to daywork rates, operating costs incurred are minimal, which reduces operating costs per day and benefits overall margin per day. Two of these rigs recommenced operations in the fourth quarter of 2020 while the third rig remained stacked through the end of the year.

Our international drilling average margin per day decreased by 44% during 2020, as compared to 2019, primarily driven by the 63% reduction in revenue days during 2020 as certain customers terminated or suspended drilling contracts in response to the decline in industry conditions. These contract terminations and suspensions in 2020 also resulted in an increase in rig demobilization activity, for which revenues and costs are higher than daywork activity, and for which there are no associated revenue days. Average revenue per day during the year ended December 31, 2019 also benefited from $2.5 million of revenues associated with the demobilization of five rigs during the second half of 2019. The decline in utilization combined with the increase in rig standby and demobilization costs in 2020 and higher demobilization revenue in 2019 all contributed to the decreases in average margin per day.

- *Production Services* — Our revenues from production services decreased 64% during 2020 as compared to 2019, while operating costs decreased 60%. The following table provides operating statistics for each of our production services segments:

	Successor	Predecessor	Combined (Non-GAAP)	Predecessor
	Seven Months Ended December 31, 2020	Five Months Ended May 31, 2020	Year Ended December 31, 2020	Year Ended December 31, 2019
Well servicing:				
Average number of rigs	123	123	123	125
Utilization rate	31 %	40 %	35 %	58 %
Rig hours	62,730	56,797	119,527	201,768
Average revenue per hour	$ 490	$ 562	$ 524	$ 574
Wireline services:				
Average number of units	81	93	86	97
Number of stages	3,430	6,510	9,940	26,919
Coiled tubing services:				
Average number of units	—	9	4	9
Revenue days	—	226	226	1,274
Average revenue per day	$ —	$ 24,827	$ 24,827	$ 36,456

Our well servicing rig hours decreased by 41% during 2020 as compared to 2019, while average revenues per hour decreased by 9%. Although overall activity declined beginning in March 2020, especially for completion services, average revenues per hour remained relatively stable until June 2020 in regions where pricing was slower to respond to economic conditions. By late 2020, activity levels began to improve, resulting in fourth quarter rig hours that were 12% higher than those in the third quarter, but still approximately 35% less than in the first quarter of 2020.

Our wireline services business segment experienced decreases of 63% and 21% in the number of perforating stages performed and revenue per stage, respectively, during 2020, as compared to 2019. Already decreasing demand for completion-related services worsened with the sharp decline in industry conditions beginning in late February, and resulted in our decision to close several underperforming operating locations and downsize our fleet in 2020. Activity began improving in late 2020 with a nearly fourfold increase in perforating stages performed in the fourth quarter as compared to the third quarter, although the improved activity during the fourth quarter still represented less than half the number performed in the first quarter of 2020, with revenue per stage approximately 30% lower than that of the first quarter.

In April 2020, we closed our coiled tubing operations and idled all our coiled tubing equipment, which were subsequently placed as held for sale. This closure, combined with the decline in demand for our coiled tubing services prior to April 2020, resulted in the 82% decrease in revenue days and the 32% decrease in average revenue per day during 2020 as compared to 2019.

Depreciation and amortization expense — Our depreciation expense decreased by $21.6 million, or 24%, during 2020 as compared to 2019, primarily as a result of the application of fresh start accounting which resulted in reductions to the values of our long-lived assets as of May 31, 2020 as well as the designation of all our coiled tubing assets as held-for-sale at June 30, 2020. The overall decrease in depreciation expense was partially offset by an increase due to the deployment of our 17th domestic AC drilling rig in March 2019 and an increase for the amortization of intangibles which were established in connection with fresh start accounting at May 31, 2020. Also, as a result of applying fresh start accounting, we assigned new useful lives to our long-lived assets, several of which were assigned a remaining useful life of one year. Therefore, with no significant capital expenditures expected for 2021, we expect a decline in depreciation and amortization expense in mid-2021 as this class of assets becomes fully depreciated.

Prepetition restructuring charges — All expenses and losses incurred prior to the Petition Date which were related to the Chapter 11 proceedings are presented as prepetition restructuring charges in our Predecessor consolidated statements of operations, including $9.6 million of expense incurred for the Commitment Premium pursuant to the Backstop Commitment Agreement. For more detail, see Note 2, *Emergence from Voluntary Reorganization under Chapter 11*, of the Notes to Consolidated Financial Statements, included in Part II, Item 8, *Financial Statements and Supplementary Data*, of this Annual Report on Form 10-K.

Impairment — Due to the significant decline in industry conditions, commodity prices, and projected utilization of equipment, as well as the COVID-19 pandemic's impact on our industry, our projected cash flows declined during the first quarter of 2020, and we performed recoverability testing on all our reporting units. As a result of this analysis, we incurred impairment charges of $16.4 million and $2.2 million during 2020 to reduce the carrying values of our coiled tubing assets and certain held-for-sale assets, respectively, to their estimated fair values. For more detail, see Note 5, *Property and Equipment*, of the Notes to Consolidated Financial Statements, included in Part II, Item 8, *Financial Statements and Supplementary Data*, of this Annual Report on Form 10-K.

Reorganization items, net — Any expenses, gains, and losses incurred subsequent to the filing for Chapter 11 and directly related to such proceedings are presented as reorganization items in our consolidated statements of operations. For more detail, see Note 2, *Emergence from Voluntary Reorganization under Chapter 11*, of the Notes to Consolidated Financial Statements, included in Part II, Item 8, *Financial Statements and Supplementary Data*, of this Annual Report on Form 10-K.

Interest expense — Our interest expense decreased by $12.7 million, or 32% during 2020 as compared to 2019, primarily because the Prepetition Senior Notes stopped accruing interest as of March 1, 2020, in accordance with the terms of the Plan, and because our total outstanding debt was significantly reduced upon our emergence from Chapter 11. The overall decreases were slightly offset by an increase in amortization of debt discounts and issuance costs, which increased the total effective interest rate during the period.

Loss on extinguishment of debt — Loss on extinguishment of debt during 2020 primarily related to the termination of our Predecessor ABL Facility at the Petition Date, as well as tender offer repayments of our Senior Secured Notes in the Successor period, as further described in Note 7, *Debt*, of the Notes to Consolidated Financial Statements, included in Part II, Item 8, *Financial Statements and Supplementary Data*, of this Annual Report on Form 10-K.

Income tax benefit — Our effective tax rates differ from the applicable U.S. statutory rates primarily due to the impact of valuation allowances, as well as the impact of state taxes, other permanent differences, and the mix of profit and loss between federal, state and international taxing jurisdictions with different tax rates. For more information, see Note 8, *Taxes*, of the Notes to Consolidated Financial Statements, included in Part II, Item 8, *Financial Statements and Supplementary Data*, of this Annual Report on Form 10-K.

General and administrative expense — Our general and administrative expense decreased by $45.1 million, or 49%, during 2020 as compared to 2019, of which $30.7 million is attributable to reduced employee costs primarily in connection with the decline in operational activity but also including a $20.8 million decrease in incentive compensation primarily associated with the retention and incentive compensation awards granted in the third quarter of 2019, the termination of our previous annual and long-term cash incentive awards in 2019 and the suspension of incentive awards in early 2020. Other factors contributing to the overall decrease in our general and administrative expense include higher professional fees incurred in 2019 relating to the evaluation of strategic alternatives and the ultimate preparation for the filing for Chapter 11 reorganization in March 2020 as well as costs incurred in connection with the evaluation and selection of a company-wide enterprise resource planning system that has since been postponed. The overall decrease in general and administrative expense was partially offset by $3.6 million of severance costs for certain executives whose employment was terminated during the third quarter of 2020.

Gain on dispositions of property and equipment, net — During the years ended December 31, 2020 and 2019, we recognized net gains of $7.1 million and $4.5 million, respectively, on the disposition or sale of various property and equipment, including coiled tubing equipment, drill pipe and collars and certain older and/or underutilized equipment.

Other expense (income) — The decrease in our other income during 2020 is primarily related to $1.2 million of net foreign currency losses recognized for our Colombian operations, as compared to $1.0 million of net foreign currency gains during the corresponding period in 2019.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions that affect the amounts reported in our financial statements and accompanying notes. Actual results could differ from those estimates.

Accounting estimates — Material estimates affecting our financial results, including those that are particularly susceptible to significant changes in the near term, relate to our application of fresh start accounting, our estimates of certain variable revenues and amortization periods of certain deferred revenues and costs associated with drilling daywork contracts, our estimates of projected cash flows and fair values for impairment evaluations, our estimate of the valuation allowance for deferred tax assets, and our estimate of the liability relating to the self-insurance portion of our health and workers' compensation insurance.

- Fresh Start Accounting. In connection with our emergence from bankruptcy and in accordance with ASC Topic 852, we qualified for and adopted fresh start accounting on the Effective Date. We were required to adopt fresh start accounting because (i) the holders of existing voting shares of the Predecessor Company received less than 50% of the voting shares of the Successor Company, and (ii) the reorganization value of our assets immediately prior to confirmation of the Plan was less than the post-petition liabilities and allowed claims.

  In accordance with ASC Topic 852, with the application of fresh start accounting, we allocated the reorganization value to our individual assets and liabilities (except for deferred income taxes) based on their estimated fair values in conformity with ASC Topic 805, *Business Combinations*. The amount of deferred taxes was determined in accordance with ASC Topic 740, *Income Taxes*. The Effective Date fair values of our assets and liabilities differed materially from their recorded values as reflected on the historical balance sheets.

  Fresh start accounting involved a comprehensive valuation process in which we determined the fair value of all our assets and liabilities on the Effective Date. For more information, see Note 3, *Fresh Start Accounting*, of the Notes to Consolidated Financial Statements, included in Part II, Item 8, *Financial Statements and Supplementary Data*, of this Annual Report on Form 10-K.

- Revenues. In accordance with ASC Topic 606, *Revenue from Contracts with Customers*, we estimate certain variable revenues associated with the demobilization of our drilling rigs under daywork drilling contracts. We also make estimates of the applicable amortization periods for deferred mobilization costs, and for mobilization revenues related to cancelable term contracts which represent a material right to our clients. These estimates and assumptions are described in more detail in Note 4, *Revenue from Contracts with Customers*. In order to make these estimates, management considers all the facts and circumstances pertaining to each particular contract, our past experience and knowledge of current market conditions. For more information, see Note 4, *Revenue from Contracts with Customers*, of the Notes to Consolidated Financial Statements, included in Part II, Item 8, *Financial Statements and Supplementary Data*, of this Annual Report on Form 10-K.

- Impairment Evaluation. In accordance with ASC Topic 360, *Property, Plant and Equipment*, we monitor all indicators of potential impairments. Due to the significant decline in industry conditions, commodity prices, and projected utilization of equipment, as well as the COVID-19 pandemic's impact on our industry, our projected cash flows declined during the first quarter of 2020, and we performed recoverability testing on all our reporting units. As a result of this analysis, we incurred impairment charges of $16.4 million to reduce the carrying values of our coiled tubing assets to their estimated fair values during the three months ended March 31, 2020. For all our other reporting units, excluding coiled tubing, we determined that the sum of the estimated future undiscounted net cash flows were in excess of the carrying amounts and that no impairment existed for these reporting units at March 31, 2020. We continued to monitor potential indicators of impairment through December 31, 2020 and concluded that none of our reporting units are currently at risk of impairment.

  The assumptions we use in the evaluation for impairment are inherently uncertain and require management judgment. Although we believe the assumptions and estimates used in our impairment analysis are reasonable, different assumptions and estimates could materially impact the analysis and resulting conclusions. The most significant inputs used in our impairment analysis include the projected utilization and pricing of our services, as well as the estimated proceeds upon any future sale or disposal of the assets, all of which are classified as Level 3 inputs as defined by ASC Topic 820, *Fair Value Measurements and Disclosures*. If commodity prices decrease or remain at current levels for an extended period of time, or if the demand for any of our services decreases below what we are currently projecting, our estimated cash flows may decrease and our estimates of the fair value of certain assets may decrease as well. If any of the foregoing were to occur, we could incur impairment charges on the related assets. For more information, see Note 5, *Property and Equipment*, of the Notes to Consolidated Financial Statements, included in Part II, Item 8, *Financial Statements and Supplementary Data*, of this Annual Report on Form 10-K.

- Deferred Tax Assets. We provide a valuation allowance when it is more likely than not that some portion of our deferred tax assets will not be realized. We evaluated the impact of the reorganization, including the change in control, resulting from our bankruptcy emergence and determined it is more likely than not that we will not fully realize future income tax benefits related to our domestic net deferred tax assets based on the annual limitations that impact us, historical results, and expected market conditions known on the date of measurement. For more information, see Note 8, *Income Taxes*, of the Notes to Consolidated Financial Statements, included in Part II, Item 8, *Financial Statements and Supplementary Data*, of this Annual Report on Form 10-K.

- Insurance Claim Liabilities. We use a combination of self-insurance and third-party insurance for various types of coverage. We have stop-loss coverage of $225,000 per covered individual per year under our health insurance and deductibles of $500,000 and $250,000 per occurrence under our workers' compensation and auto liability insurance, respectively. We have a $500,000 self-insured retention and an additional aggregate deductible of $500,000 under our general liability insurance as well as an annual aggregate deductible of $1,000,000 on the first layer of excess coverage. At December 31, 2020, our accrued insurance premiums and deductibles include approximately $0.6 million of accruals for costs incurred under the self-insurance portion of our health insurance and approximately $2.0 million of accruals for costs associated with our workers' compensation insurance. We accrue for these costs as claims are incurred using an actuarial calculation that is based on industry and our company's historical claim development data, and we accrue the cost of administrative services associated with claims processing.

Recently Issued Accounting Standards

For information about recently issued accounting standards, see Note 1, *Organization and Summary of Significant Accounting Policies*, of the Notes to Consolidated Financial Statements, included in Part II, Item 8, *Financial Statements and Supplementary Data*, of this Annual Report on Form 10-K.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

PIONEER ENERGY SERVICES CORP.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Pioneer Energy Services Corp.:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Pioneer Energy Services Corp. and subsidiaries (the Company) as of December 31, 2020 (Successor) and December 31, 2019 (Predecessor), the related consolidated statements of operations, stockholders' equity, and cash flows for the seven months ended December 31, 2020 (Successor), for the five months ended May 31, 2020 (Predecessor), and for the year ended December 31, 2019 (Predecessor), and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 (Successor) and December 31, 2019 (Predecessor), and the results of its operations and its cash flows for the seven months ended December 31, 2020 (Successor), for the five months ended May 31, 2020 (Predecessor), and for the year ended December 31, 2019 (Predecessor), in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2020 (Successor), based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated March 5, 2021 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis of Presentation

As discussed in Note 1 to the consolidated financial statements, the Company emerged from bankruptcy on May 29, 2020 with a reporting date of May 31, 2020. Accordingly, the accompanying consolidated financial statements have been prepared in conformity with Accounting Standards Codification Topic 852, *Reorganizations*, for the Successor as a new entity with assets, liabilities and a capital structure having carrying amounts not comparable with prior periods.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

Fair value of trademark and tradename intangible assets

As discussed in Note 3 to the consolidated financial statements, on May 29, 2020 the Company emerged from Chapter 11 Bankruptcy. In connection with the Company's emergence from bankruptcy, the Company qualified for and adopted fresh start accounting. The Company determined a reorganization value of $352.6 million, which represents the fair value of the Successor Company's assets before considering liabilities and allocated the value to its individual assets based on their estimated fair values. The Company used the relief-from-royalty income approach to determine the fair value of the trademark and tradename intangible assets, which was $9.4 million as of May 29, 2020.

We identified the assessment of the measurement of fair value of the trademark and tradename intangible assets as a critical audit matter. Due to the significant estimation uncertainty associated with the fair value of such intangible assets, subjective and challenging auditor judgment was required to evaluate certain assumptions used in the Company’s valuation, specifically the selection of the royalty rate used in the valuation of the trademark and tradename intangible assets. The audit effort associated with this evaluation required specialized skills and knowledge.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls over the determination of the fair value of trademark and tradename intangible assets, including certain controls over the selection of the royalty rate. To test the valuation of the trademark and tradename intangible assets, we involved valuation professionals with specialized skills and knowledge, who assisted in the evaluation of the royalty rate used by the Company by comparing it to publicly available market royalty rates for comparable trade names and by performing a sensitivity analysis to assess the impact of reasonably possible changes in the royalty rate on the Company’s determination of fair value.

Coiled tubing asset group impairment

As discussed in Note 5 to the consolidated financial statements, the Company evaluates for potential impairment of long-lived assets when indicators of impairment are present. Due to the significant decline in industry conditions, commodity prices, and projected utilization of equipment, as well as the COVID-19 pandemic’s impact on the Company’s industry, the Company’s projected cash flows declined during the first quarter of 2020 and the Company performed recoverability testing on its long-lived assets. As a result of this analysis, the Company recorded impairment charges of $16.4 million to reduce the carrying value of its coiled tubing asset group to estimated fair value.

We identified the assessment of the coiled tubing asset group impairment as a critical audit matter. Subjective and challenging auditor judgment was required to evaluate the Company’s determination of the fair value of such assets, specifically the valuation date market adjustments applied in the cost approach to market sales data for comparable assets, due to the lack of observable inputs. The audit effort related to the evaluation of the market adjustments required specialized skills and knowledge.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls over the Company’s property and equipment impairment process, including controls related to the valuation date market adjustments applied to market sales data for comparable assets. We involved valuation professionals with specialized skills and knowledge, who assisted in evaluating the valuation date market adjustments by performing independent research regarding current market conditions and testing the mathematical accuracy of the valuation date market adjustments calculations.

/s/ KPMG LLP

We have served as the Company’s auditor since 1979.

San Antonio, Texas
March 5, 2021

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Pioneer Energy Services Corp.:

Opinion on Internal Control Over Financial Reporting

We have audited Pioneer Energy Services Corp. and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2020 (Successor), based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020 (Successor), based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2020 (Successor) and December 31, 2019 (Predecessor), the related consolidated statements of operations, stockholders' equity, and cash flows for the seven months ended December 31, 2020 (Successor), for the five months ended May 31, 2020 (Predecessor), and for the year ended December 31, 2019 (Predecessor), and the related notes (collectively, the consolidated financial statements), and our report dated March 5, 2021, expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

San Antonio, Texas
March 5, 2021

PIONEER ENERGY SERVICES CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

	Successor	Predecessor
	December 31, 2020	December 31, 2019
ASSETS		
Cash and cash equivalents	$ 31,181	$ 24,619
Restricted cash	1,148	998
Receivables:		
Trade, net of allowance for doubtful accounts	29,803	79,135
Unbilled receivables	4,740	12,590
Insurance recoveries	22,106	22,873
Other receivables	2,716	8,928
Inventory	12,641	22,453
Assets held for sale	3,608	3,447
Prepaid expenses and other current assets	5,190	7,869
Total current assets	113,133	182,912
Property and equipment, at cost	193,529	1,119,546
Less accumulated depreciation	31,760	648,376
Net property and equipment	161,769	471,170
Intangible assets, net of accumulated amortization	8,942	—
Deferred income taxes	12,746	11,540
Operating lease assets	4,383	7,264
Other noncurrent assets	13,457	1,068
Total assets	$ 314,430	$ 673,954
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	$ 17,516	$ 32,551
Current portion of long-term debt	150	—
Deferred revenues	1,019	1,339
Accrued expenses:		
Employee compensation and related costs	7,325	13,781
Insurance claims and settlements	22,106	22,873
Insurance premiums and deductibles	3,928	5,940
Interest	2,015	5,452
Other	4,959	9,645
Total current liabilities	59,018	91,581
Long-term debt, less unamortized discount and debt issuance costs	147,167	467,699
Noncurrent operating lease liabilities	3,622	5,700
Deferred income taxes	947	4,417
Other noncurrent liabilities	1,779	481
Total liabilities	212,533	569,878
Commitments and contingencies (Note 14)		
Stockholders' equity:		
Predecessor common stock $0.10 par value; 200,000,000 shares authorized; 79,202,216 shares outstanding at December 31, 2019	—	8,008
Successor common stock, $0.001 par value; 25,000,000 shares authorized; 1,647,224 shares outstanding at December 31, 2020	2	—
Additional paid-in capital	142,119	553,210
Predecessor treasury stock, at cost; 877,047 shares at December 31, 2019	—	(5,090)
Accumulated deficit	(40,224)	(452,052)
Total stockholders' equity	101,897	104,076
Total liabilities and stockholders' equity	$ 314,430	$ 673,954

See accompanying notes to consolidated financial statements.

PIONEER ENERGY SERVICES CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)

	Successor	Predecessor	
	Seven Months Ended December 31, 2020	Five Months Ended May 31, 2020	Year Ended December 31, 2019
Revenues	$ 103,874	$ 142,370	$ 575,792
Costs and expenses:			
Operating costs	78,198	114,047	431,353
Depreciation and amortization	33,613	35,647	90,884
General and administrative	24,055	22,047	91,185
Prepetition restructuring charges	—	16,822	—
Impairment	742	17,853	2,667
Bad debt expense (recovery), net	(227)	1,209	(79)
Gain on dispositions of property and equipment, net	(6,132)	(989)	(4,513)
Total costs and expenses	130,249	206,636	611,497
Loss from operations	(26,375)	(64,266)	(35,705)
Other income (expense):			
Interest expense, net of interest capitalized	(14,831)	(12,294)	(39,835)
Reorganization items, net	(4,263)	(21,903)	—
Loss on extinguishment of debt	(188)	(4,215)	—
Other income (expense), net	2,617	(3,333)	2,307
Total other expense, net	(16,665)	(41,745)	(37,528)
Loss before income taxes	(43,040)	(106,011)	(73,233)
Income tax benefit	2,816	1,786	9,329
Net loss	$ (40,224)	$ (104,225)	$ (63,904)
Loss per common share - Basic	$ (36.01)	$ (1.32)	$ (0.81)
Loss per common share - Diluted	$ (36.01)	$ (1.32)	$ (0.81)
Weighted average number of shares outstanding—Basic	1,117	78,968	78,423
Weighted average number of shares outstanding—Diluted	1,117	78,968	78,423

See accompanying notes to consolidated financial statements.

PIONEER ENERGY SERVICES CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Shares		Amount				
	Common	Treasury	Common	Treasury	Additional Paid In Capital	Accumulated Deficit	Total Stockholders' Equity
			(in thousands)				
Balance as of December 31, 2018 (Predecessor)	79,004	(790)	$ 7,900	$ (4,965)	$ 550,548	$ (388,425)	$ 165,058
Net loss	—	—	—	—	—	(63,904)	(63,904)
Purchase of treasury stock	—	(87)	—	(125)	—	—	(125)
Cumulative-effect adjustment due to adoption of ASC Topic 842	—	—	—	—	—	277	277
Equity awards vested or exercised	1,075	—	108	—	(108)	—	—
Stock-based compensation expense	—	—	—	—	2,770	—	2,770
Balance as of December 31, 2019 (Predecessor)	80,079	(877)	$ 8,008	$ (5,090)	$ 553,210	$ (452,052)	$ 104,076
Net loss	—	—	—	—	—	(104,225)	(104,225)
Purchase of treasury stock	—	(265)	—	(8)	—	—	(8)
Equity awards vested in connection with the Plan	7,946	—	795	—	(795)	—	—
Equity awards vested or exercised	905	—	90	—	(90)	—	—
Stock-based compensation expense	—	—	—	—	1,306	—	1,306
Balance as of May 31, 2020 (Predecessor)	88,930	(1,142)	$ 8,893	$ (5,098)	$ 553,631	$ (556,277)	$ 1,149
Cancellation of Predecessor equity	(88,930)	1,142	(8,893)	5,098	(553,631)	556,277	(1,149)
Balance as of May 31, 2020 (Predecessor)	—	—	$ —	$ —	$ —	$ —	$ —
Balance as of June 1, 2020 (Successor)	—	—	$ —	$ —	$ —	$ —	$ —
Issuance of Successor common stock	1,050	(1)	1	—	18,083	—	18,084
Equity component of Convertible Notes, net of offering costs	—	—	—	—	120,875	—	120,875
Net loss	—	—	—	—	—	(40,224)	(40,224)
Payment of in-kind interest on Convertible Notes	—	—	—	—	1,913	—	1,913
Equity awards vested or issued	599	—	1	—	(1)	—	—
Stock-based compensation expense	—	—	—	—	1,249	—	1,249
Balance as of December 31, 2020 (Successor)	1,649	(1)	$ 2	$ —	$ 142,119	$ (40,224)	$ 101,897

See accompanying notes to consolidated financial statements.

PIONEER ENERGY SERVICES CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Successor	Predecessor	
	Seven Months Ended December 31, 2020	Five Months Ended May 31, 2020	Year Ended December 31, 2019
Cash flows from operating activities:			
Net loss	$ (40,224)	$ (104,225)	$ (63,904)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	33,613	35,647	90,884
Allowance for doubtful accounts, net of recoveries	(227)	1,209	(79)
Write-off of obsolete inventory	—	—	570
Gain on dispositions of property and equipment, net	(6,132)	(989)	(4,513)
Reorganization items, net	—	18,713	—
Stock-based compensation expense	1,249	552	2,770
Phantom stock compensation expense	—	—	(112)
Amortization of debt issuance costs and discount	5,665	1,084	3,147
Interest paid in-kind	4,956	—	—
Loss on extinguishment of debt	188	4,215	—
Impairment	742	17,853	2,667
Deferred income taxes	(4,130)	(546)	(10,811)
Change in other noncurrent assets	(792)	(800)	3,122
Change in other noncurrent liabilities	12	1,524	(4,328)
Changes in current assets and liabilities:			
Receivables	11,726	44,041	7,062
Inventory	631	1,441	(4,088)
Prepaid expenses and other current assets	715	1,121	(809)
Accounts payable	1,162	(15,174)	3,638
Deferred revenues	899	(1,219)	(383)
Accrued expenses	(8,127)	(6,692)	(12,811)
Net cash provided by (used in) operating activities	1,926	(2,245)	12,022
Cash flows from investing activities:			
Purchases of property and equipment	(4,791)	(10,848)	(50,046)
Proceeds from sale of property and equipment	10,923	1,665	7,733
Proceeds from insurance recoveries	155	22	1,469
Net cash provided by (used in) investing activities	6,287	(9,161)	(40,844)
Cash flows from financing activities:			
Debt repayments	(2,649)	(175,000)	—
Proceeds from debt issuance	—	195,187	—
Proceeds from DIP Facility	—	4,000	—
Repayment of DIP Facility	—	(4,000)	—
Payments of debt issuance costs	—	(7,625)	—
Purchase of treasury stock	—	(8)	(125)
Net cash provided by (used in) financing activities	(2,649)	12,554	(125)
Net increase (decrease) in cash, cash equivalents and restricted cash	5,564	1,148	(28,947)
Beginning cash, cash equivalents and restricted cash	26,765	25,617	54,564
Ending cash, cash equivalents and restricted cash	$ 32,329	$ 26,765	$ 25,617
Supplementary disclosure:			
Interest paid	$ 2,235	$ 8,105	$ 37,342
Income tax paid	$ 885	$ 893	$ 3,964
Reorganization items paid	$ 13,985	$ 14,947	—
Noncash investing and financing activity:			
Change in capital expenditure accruals	$ 979	$ (1,924)	$ (5,217)

See accompanying notes to consolidated financial statements.

1. Organization and Summary of Significant Accounting Policies

Business

Pioneer Energy Services Corp. provides land-based drilling services and production services to a diverse group of oil and gas exploration and production companies in the United States and internationally in Colombia.

Our drilling services business segments provide contract land drilling services through three domestic divisions which are located in the Marcellus/Utica, Permian Basin and Eagle Ford, and Bakken regions, and internationally in Colombia. We provide a comprehensive service offering which includes the drilling rig, crews, supplies, and most of the ancillary equipment needed to operate our drilling rigs. Our fleet is 100% pad-capable and offers the latest advancements in pad drilling. The following table summarizes our current rig fleet count and composition for each drilling services business segment:

	Multi-well, Pad-capable		
	AC rigs	**SCR rigs**	**Total**
Domestic drilling	17	—	17
International drilling	—	8	8
			25

Our production services business segments provide a range of services to producers primarily in Texas, North Dakota, the Rocky Mountain region, and Louisiana. As of December 31, 2020, the fleet counts for each of our production services business segments were as follows:

	550 HP	**600 HP**	**Total**
Well servicing rigs, by horsepower (HP) rating	111	12	123
Wireline services units			76

Basis of Presentation

The accompanying consolidated financial statements include the accounts of Pioneer Energy Services Corp. and our wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation. The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. As described below, as a result of the application of fresh start accounting and the effects of the implementation of our Plan of Reorganization (as defined below), the consolidated financial statements after the Effective Date (as defined below) are not comparable with the consolidated financial statements on or before that date. See Note 3, *Fresh Start Accounting*, for additional information.

Periods Presented — We qualify for certain reduced disclosure requirements as permitted by the SEC for smaller reporting companies including, among other things, the presentation of the two most recent fiscal years' statements of operations, stockholders' equity, and cash flows.

Chapter 11 Cases — On March 1, 2020 (the "Petition Date"), Pioneer and certain of our domestic subsidiaries (collectively, the "Debtors") filed voluntary petitions (the "Bankruptcy Petitions") for reorganization under title 11 of the United States Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the Southern District of Texas (the "Bankruptcy Court"). On May 11, 2020, the Bankruptcy Court confirmed the plan of reorganization (the "Plan") that was filed with the Bankruptcy Court on March 2, 2020, and on May 29, 2020 (the "Effective Date"), the conditions to effectiveness of the plan were satisfied and we emerged from Chapter 11. See Note 2, *Emergence from Voluntary Reorganization under Chapter 11*, for more information.

The accompanying consolidated financial statements have been prepared as if we are a going concern and in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 852, *Reorganizations* (ASC Topic 852). Upon our emergence from Chapter 11, we adopted fresh start accounting in accordance with ASC Topic 852 and became a new entity for financial reporting purposes. As a result, the consolidated financial statements after the Effective Date are not comparable with the consolidated financial statements on or before that date as indicated by the "black line" division in the financial statements and footnote tables, which emphasizes the lack of comparability between amounts presented. References to "Successor" relate to our financial position and results of operations after the Effective Date. References to "Predecessor" refer to our financial position and results of operations on or before the Effective Date.

We evaluated the events between May 29, 2020 and May 31, 2020 and concluded that the use of an accounting convenience date of May 31, 2020 (the "Fresh Start Reporting Date") would not have a material impact on our consolidated financial statements. As such, the application of fresh start accounting was reflected in our consolidated balance sheet as of May 31, 2020 and related fresh start accounting adjustments were included in our consolidated statement of operations for the five months ended May 31, 2020. See Note 3, *Fresh Start Accounting*, for additional information.

Use of Estimates — In preparing the accompanying consolidated financial statements, we make various estimates and assumptions that affect the amounts of assets and liabilities we report as of the dates of the balance sheets and income and expenses we report for the periods shown in the income statements and statements of cash flows. Our actual results could differ significantly from those estimates. Material estimates affecting our financial results, including those that are particularly susceptible to significant changes in the near term, relate to our application of fresh start accounting, our estimates of certain variable revenues and amortization periods of certain deferred revenues and costs associated with drilling daywork contracts, our estimates of projected cash flows and fair values for impairment evaluations, our estimate of the valuation allowance for deferred tax assets, and our estimate of the liability relating to the self-insurance portion of our health and workers' compensation insurance. For information about our use of estimates relating to fresh start accounting, see Note 3, *Fresh Start Accounting*.

Subsequent Events — In preparing the accompanying consolidated financial statements, we have reviewed events that have occurred after December 31, 2020, through the filing of this Form 10-K, for inclusion as necessary.

Recently Issued Accounting Standards and Securities and Exchange Commission Rules

Changes to accounting principles generally accepted in the United States of America ("U.S. GAAP") are established by the FASB in the form of Accounting Standards Updates (ASUs) to the FASB ASC. We consider the applicability and impact of all ASUs. Additionally, because we have securities registered under the Securities and Exchange Act of 1934, we consider the applicability and impact of releases issued by the Securities & Exchange Commission (the "SEC"). Other than the ASU and SEC release listed below, we have determined that there are currently no new or recently adopted ASUs or SEC releases which we believe will have a material impact on our consolidated financial position and results of operations.

- *Convertible Instruments and Contracts in an Entity's Own Equity*. In August 2020, the FASB issued ASU No. 2020-06, *Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*, which simplifies the accounting for convertible instruments by reducing the number of accounting models available for convertible debt instruments and preferred stock. Additionally, this ASU improves the consistency of EPS calculations by requiring entities to apply one method, the if-converted method, to all convertible instruments in diluted earnings-per-share calculations. This ASU will be effective for us on January 1, 2022, however, early adoption is permitted on January 1, 2021. We are currently evaluating the effect that the ASU will have on our consolidated financial statements.
- In March 2020, the SEC issued SEC Release No. 33-10762, effective January 4, 2021, which amends Rule 3-10 of Regulation S-X governing financial disclosure requirements for guarantors and issuers of guaranteed registered securities. Among other changes, the amendment simplifies the disclosure requirements, eliminating the requirement to disclose condensed consolidating financial statements within the financial statements for qualifying entities and allowing abbreviated disclosures of the guarantor/issuer relationship within Part II, Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*. We adopted the amendment effective December 31, 2020 and have included supplemental guarantor information in the *Liquidity and Capital Resources* section of Part II, Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*.

Significant Accounting Policies and Detail of Account Balances

Cash and Cash Equivalents — We had no cash equivalents at December 31, 2020. Cash equivalents at December 31, 2019 were $8.9 million, consisting of investments in highly-liquid money-market mutual funds.

Restricted Cash — Our restricted cash balance primarily reflects the portion of net proceeds from the issuance of our senior secured term loan held in a restricted account until the completion of certain administrative tasks related to providing access rights to certain of our real property, a condition which is still in effect under the terms of our post-emergence debt instruments, as well as $0.2 million of proceeds from asset sales at December 31, 2020 which were used to fund the redemption of Senior Secured Notes tendered in January 2021, as described further in Note 7, *Debt*.

Revenue — Production services jobs are varied in nature but typically represent a single performance obligation, either for a particular job, a series of distinct jobs, or a period of time during which we stand ready to provide services as our client needs them. Revenue is recognized for these services over time, as the services are performed. Our drilling services business segments earn revenues by drilling oil and gas wells for our clients under daywork contracts. Daywork contracts are comprehensive agreements under which we provide a comprehensive service offering, including the drilling rig, crew, supplies, and most of the ancillary equipment necessary to operate the rig. We account for our services provided under daywork contracts as a single performance obligation comprised of a series of distinct time increments which are satisfied over time. Accordingly, dayrate revenues are recognized in the period during which the services are performed. All of our revenues are recognized net of sales taxes, when applicable. For more information, see Note 4, *Revenue from Contracts with Customers*.

Trade and Unbilled Accounts Receivable — We record trade accounts receivable at the amount we invoice to our clients. These accounts do not bear interest. The allowance for doubtful accounts is our best estimate of the amount of probable credit losses in our accounts receivable as of the balance sheet date. We determine the allowance based on the credit worthiness of our clients and general economic conditions. Consequently, an adverse change in those factors could affect our estimate of our allowance for doubtful accounts. Substantially all of our unbilled receivables represent revenues we have recognized in excess of amounts billed on drilling contracts. For more information, see Note 4, *Revenue from Contracts with Customers*.

Other Receivables — Our other receivables primarily consist of recoverable taxes related to our international operations, as well as refundable payroll tax credit receivables associated with the CARES Act and vendor rebates.

Inventories — Inventories primarily consist of drilling rig replacement parts and supplies held for use by our drilling operations in Colombia and job supplies held for use by our wireline operations (and previously our coiled tubing operations). Inventories are valued at the lower of cost (first in, first out or actual) or net realizable value.

Prepaid Expenses and Other Current Assets — Prepaid expenses and other current assets include items such as insurance, rent deposits, software subscriptions, and other fees. We routinely expense these items in the normal course of business over the periods that we benefit from these expenses. Prepaid expenses and other current assets also include deferred mobilization costs for short-term drilling contracts and demobilization revenues recognized on drilling contracts expiring in the near term.

Property and Equipment — Property and equipment are carried at cost less accumulated depreciation. Depreciation is provided for our assets over the estimated useful lives of the assets using the straight-line method. We record the same depreciation expense whether our equipment is idle or working. We charge our expenses for maintenance and repairs to operating costs. We capitalize expenditures for renewals and betterments to the appropriate property and equipment accounts. For more information, see Note 5, *Property and Equipment*.

Intangible Assets — Our intangible assets consist of trademark and tradename assets established in connection with the adoption of fresh start accounting which are being amortized using the straight-line method over the ten-year estimated useful life. Amortization expense is estimated to be approximately $0.9 million for each of the five succeeding years ending December 31, 2021 through 2025, although actual amortization amounts could differ as a result of future acquisitions, impairments, changes in amortization periods, or other factors. For more information, see Note 3, *Fresh Start Accounting.*

Other Noncurrent Assets — Other noncurrent assets primarily consist of prepaid taxes in Colombia which are creditable against future income taxes, as well as the noncurrent portion of prepaid insurance premiums, unamortized debt issuance costs associated with our ABL Credit Facility, deferred mobilization costs on long-term drilling contracts, cash deposits related to the deductibles on our workers' compensation insurance policies, and deferred compensation plan investments.

Other Accrued Expenses — Our other accrued expenses include accruals for items such as sales taxes, property taxes and withholding tax liabilities related to our international operations and accruals for professional fees. We routinely expense these items in the normal course of business over the periods these expenses benefit. Our other accrued expenses also includes the current portion of the lease liability associated with our long-term operating leases.

Other Noncurrent Liabilities — Our other noncurrent liabilities primarily relate to the noncurrent portion of payroll taxes deferred in connection with the CARES Act, as well as noncurrent deferred compensation and the noncurrent portion of deferred mobilization revenues.

Insurance Recoveries, Accrued Insurance Claims and Settlements, and Accrued Premiums and Deductibles — We use a combination of self-insurance and third-party insurance for various types of coverage. Our accrued premiums and deductibles include the premiums and estimated liability for the self-insured portion of costs associated with our health, workers' compensation, general liability and auto liability insurance. Our insurance recoveries receivables and our accrued liability for insurance claims and settlements represent our estimate of claims in excess of our deductible, which are covered and managed by our third-party insurance providers, some of which may ultimately be settled by the insurance provider in the long-term. These are presented in our consolidated balance sheets as current due to the uncertainty in the timing of reporting and payment of claims. For more information, see Note 12, *Employee Benefit Plans and Insurance*.

Debt — Due to the application of fresh start accounting, our debt obligations were recognized at fair value on our consolidated balance sheet at the Fresh Start Reporting Date as described further in Note 3, *Fresh Start Accounting*. Additionally, because the Convertible Notes contain an embedded conversion option whereby they, or a portion of them, may be settled in cash, we have separately accounted for the liability and equity components of the Convertible Notes in accordance with the accounting requirements for convertible debt instruments set forth in ASC Topic 470-20, *Debt with Conversion and Other Options*. We treat the issuance of new Convertible Notes for the payment of in-kind interest as an issuance of a new instrument that retains the original economics associated with the conversion option at inception, and therefore, the Convertible Notes issued in payment of in-kind interest are accounted for with their separate equity and liability components that are proportionally the same as the original issuance. For more information, see Note 7, *Debt.*

Leases — As a drilling and production services provider, we provide the drilling rigs and production services equipment which are necessary to fulfill our performance obligations and which are considered leases under ASU No. 2016-02, *Leases*, *(*together with its amendments, herein referred to as "ASC Topic 842"). However, we elected to apply the practical expedient in ASU No. 2018-11, *Leases: Targeted Improvements,* which allows us to continue to recognize our revenues (both lease and service components) under ASC Topic 606, and present them as one revenue stream in our consolidated statements of operations.

As a lessee, we recognize an operating lease asset and a corresponding operating lease liability for all our long-term leases for which we elected to combine, or not separate, the lease and non-lease components, and therefore, all fixed charges associated with non-lease components are included in the lease payments and the calculation of the operating lease asset and associated lease liability. Due to the nature of our business, any option to renew our short-term leases, and the options to extend certain of our long-term real estate leases, are generally not considered reasonably certain to be exercised. Therefore, the periods covered by such optional periods are not included in the determination of the term of the lease, and the lease payments during these periods are similarly excluded from the calculation of operating lease asset and lease liability balances. For more information, see Note 6, *Leases*.

Treasury Stock — Treasury stock purchases are accounted for under the cost method whereby the cost of the acquired common stock is recorded as treasury stock. Gains and losses on the subsequent reissuance of treasury stock shares are credited or charged to additional paid in capital using the average cost method.

Stock-based Compensation — We recognize compensation cost for our stock-based compensation awards based on the fair value estimated in accordance with ASC Topic 718, *Compensation—Stock Compensation*, and we recognize forfeitures when they occur. For our awards with graded vesting, we recognize compensation expense on a straight-line basis over the service period for each separately vesting portion of the award as if the award was, in substance, multiple awards. For more information, see Note 11, *Stock-Based Compensation Plans*.

Income Taxes — We follow the asset and liability method of accounting for income taxes, under which we recognize deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. We measure our deferred tax assets and liabilities by using the enacted tax rates we expect to apply to taxable income in the years in which we expect to recover or settle those temporary differences. The effect of a change in tax rates on deferred tax assets and liabilities is reflected in income in the period of enactment. For more information, see Note 8, *Income Taxes*.

Foreign Currencies — Our functional currency for our foreign subsidiary in Colombia is the U.S. dollar. Nonmonetary assets and liabilities are translated at historical rates and monetary assets and liabilities are translated at exchange rates in effect at the end of the period. Income statement accounts are translated at average rates for the period. Gains and losses from remeasurement of foreign currency financial statements into U.S. dollars and from foreign currency transactions are included in other income or expense.

Related Party Transactions — We paid approximately $0.2 million for consulting services provided during 2020 by one of our directors, Matthew S. Porter, in connection with his appointment as Interim Chief Executive Officer in July 2020. On December 31, 2020, Mr. Porter was appointed by the Board of Directors to be the President and Chief Executive Officer, at which time his consulting agreement ended.

Comprehensive Income — We have not reported comprehensive income due to the absence of items of other comprehensive income in the periods presented.

2. Emergence from Voluntary Reorganization under Chapter 11

Reorganization and Chapter 11 Proceedings

On March 1, 2020 (the “Petition Date”), Pioneer Energy Services Corp. (“Pioneer”) and its affiliates Pioneer Coiled Tubing Services, LLC, Pioneer Drilling Services, Ltd., Pioneer Fishing & Rental Services, LLC, Pioneer Global Holdings, Inc., Pioneer Production Services, Inc., Pioneer Services Holdings, LLC, Pioneer Well Services, LLC, Pioneer Wireline Services Holdings, Inc., Pioneer Wireline Services, LLC (collectively with Pioneer, the “Pioneer RSA Parties”) filed voluntary petitions (the “Bankruptcy Petitions”) for reorganization under title 11 of the United States Code (the “Bankruptcy Code”) in the United States Bankruptcy Court for the Southern District of Texas (the “Bankruptcy Court”). The Chapter 11 proceedings were being jointly administered under the caption *In re Pioneer Energy Services Corp. et al* (the “Chapter 11 Cases”).

In connection with the Bankruptcy Petitions, the Pioneer RSA Parties entered into a restructuring support agreement (the “RSA”) with holders of approximately 99% in aggregate principal amount of our outstanding Term Loan (the “Consenting Term Lenders”) and holders of approximately 75% in aggregate principal amount of our Prepetition Senior Notes (the “Consenting Noteholders” and together with the Consenting Term Lenders, the “Consenting Creditors”). Pursuant to the RSA, the Consenting Creditors and the Pioneer RSA Parties made certain customary commitments to each other, including the Consenting Noteholders committing to vote for, and the Consenting Creditors committing to support, the restructuring transactions (the “Restructuring”) to be effectuated through a plan of reorganization that incorporates the economic terms included in the RSA (the “Plan”). The Pioneer RSA Parties filed the Plan with the Bankruptcy Court on March 2, 2020.

After commencement of the Chapter 11 Cases, we continued to operate our businesses as “debtors-in-possession” under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court.

On May 11, 2020, the Bankruptcy Court entered an order, Docket No. 331 (the “Confirmation Order”) confirming the Plan. On May 29, 2020 (the “Effective Date”) the conditions to effectiveness of the Plan were satisfied, and we emerged from Chapter 11.

The commencement of the Chapter 11 Cases constituted an event of default that accelerated our obligations under our Prepetition Senior Notes, the Prepetition ABL Facility, and Term Loan. Under the Bankruptcy Code, holders of our Prepetition Senior Notes and the lenders under our Term Loan and the Prepetition ABL Facility were stayed from taking any action against us as a result of this event of default. On the Effective Date, all applicable agreements governing the obligations under the Term Loan, Prepetition Senior Notes and Prepetition ABL Facility were terminated. The Term Loan and Prepetition ABL Facility were paid in full and all outstanding obligations under the Prepetition Senior Notes were canceled in exchange for 94.25% of the pro forma common equity (subject to the dilution from the Convertible Notes and new management incentive plan).

On the Effective Date, we entered into a $75 million senior secured asset-based revolving credit agreement which was later amended and reduced to $40 million in August 2020 (the “ABL Credit Facility”), and issued $129.8 million of aggregate principal amount of 5% convertible senior unsecured pay-in-kind notes due 2025 (the “Convertible Notes”) and $78.1 million of aggregate principal amount of floating rate senior secured notes due 2025 (the “Senior Secured Notes”), all of which are further described in Note 7, *Debt*.

Also on the Effective Date, by operation of the Plan, all agreements, instruments, and other documents evidencing, relating to or connected with any equity interests of the Company, including the existing common stock, issued and outstanding immediately prior to the Effective Date, and any rights of any holder in respect thereof, were deemed canceled, discharged and of no force or effect. Pursuant to the Plan, we issued a total of 1,049,804 shares of our new common stock, with approximately 94.25% of such new common stock being issued to holders of the Prepetition Senior Notes outstanding immediately prior to the Effective Date. Holders of the existing common stock received an aggregate of 5.75% of the proforma common equity (subject to the dilution from the Convertible Notes and new management incentive plan), at a conversion rate of 0.0006849838 new shares for each existing share.

As part of the transactions undertaken pursuant to the Plan, we converted from a Texas corporation to a Delaware corporation, filed the Certificate of Incorporation of the Company with the office of the Secretary of State of the State of Delaware, and adopted Amended and Restated Bylaws of the Company.

Backstop Commitment Agreement

Prior to filing the Plan, we entered into a separate backstop commitment agreement with the Consenting Noteholders and certain members of our senior management (the “Backstop Commitment Agreement”), pursuant to which the Consenting Noteholders and certain members of our senior management committed to backstop approximately $118 million and $1.8 million, respectively, of new convertible bonds to be issued in a rights offering. As consideration for this commitment, we committed to make an aggregate payment of $9.4 million and $0.1 million to the Consenting Noteholders and certain members of our senior management, respectively, in the form of additional new convertible bonds, or in cash if the Backstop Commitment Agreement was terminated under certain circumstances as forth therein. As a result, we incurred a liability and expense at the time we entered into the Backstop Commitment Agreement for the aggregate amount of $9.6 million (the “Commitment Premium”) which was recognized in our Predecessor condensed consolidated financial statements as of and for the three months ended March 31, 2020. The Commitment Premium was settled in conjunction with our emergence from Chapter 11 and the issuance of the Convertible Notes.

Debtor-in-Possession Financing

On February 28, 2020, we received commitments pursuant to the Commitment Letter from PNC Bank, N.A. for a $75 million asset-based revolving loan debtor-in-possession financing facility (the “DIP Facility”) and a $75 million asset-based revolving exit financing facility. On March 3, 2020, with the approval of the Bankruptcy Court, we entered into the DIP Facility and used the proceeds thereunder to refinance all outstanding letters of credit under the Prepetition ABL Facility in connection with the termination of the Prepetition ABL Facility and to pay fees and expenses in connection with the Chapter 11 proceedings and transaction and professional fees related thereto.

The DIP Facility provided financing with a 5-month maturity, bearing interest at a rate of LIBOR plus 200 basis points per annum, and contained customary covenants and events of default. The DIP Facility was terminated upon our emergence from the Chapter 11 Cases on May 29, 2020.

Chapter 11 Accounting

Prepetition restructuring charges — All expenses and losses incurred prior to the Petition Date which were related to the Chapter 11 proceedings are presented as prepetition restructuring charges in our Predecessor consolidated statements of operations, including $9.6 million of expense incurred for the Commitment Premium pursuant to the Backstop Commitment Agreement.

Reorganization items, net — Any expenses, gains, and losses incurred subsequent to the filing for Chapter 11 and directly related to such proceedings are presented as reorganization items in our consolidated statements of operations. Reorganization items consisted of the following (amounts in thousands):

	Successor	Predecessor
	Seven Months Ended December 31, 2020	Five Months Ended May 31, 2020
Gain on settlement of liabilities subject to compromise	$ —	$ (291,378)
Fresh start valuation adjustments	—	284,392
Legal and professional fees	3,860	26,038
Unamortized debt costs on liabilities subject to compromise	—	2,003
Accelerated stock-based compensation	—	713
Loss (gain) on rejected leases	403	(378)
DIP facility costs	—	513
	$ 4,263	$ 21,903

Contractual interest expense on our Prepetition Senior Notes totaled $7.6 million for the five months ended May 31, 2020, which is in excess of the $3.1 million included in interest expense on our Predecessor consolidated statements of operations because we discontinued accruing interest on the Petition Date in accordance with the terms of the Plan and ASC Topic 852.

3. Fresh Start Accounting

Fresh Start Accounting

In connection with our emergence from bankruptcy and in accordance with ASC Topic 852, we qualified for and adopted fresh start accounting on the Effective Date. We were required to adopt fresh start accounting because (i) the holders of existing voting shares of the Predecessor Company received less than 50% of the voting shares of the Successor Company, and (ii) the reorganization value of our assets immediately prior to confirmation of the Plan was less than the post-petition liabilities and allowed claims.

In accordance with ASC Topic 852, with the application of fresh start accounting, we allocated the reorganization value to our individual assets and liabilities (except for deferred income taxes) based on their estimated fair values in conformity with ASC Topic 805, *Business Combinations*. The amount of deferred taxes was determined in accordance with ASC Topic 740, *Income Taxes*. The Effective Date fair values of our assets and liabilities differed materially from their recorded values as reflected on the historical balance sheets.

Reorganization Value

The reorganization value represents the fair value of the Successor Company's total assets before considering liabilities and is intended to approximate the amount a willing buyer would pay for the Company's assets immediately after restructuring. The reorganization value was derived from the enterprise value, which represents the estimated fair value of an entity's long-term debt and equity. As set forth in the Plan, the enterprise value of the Successor Company was estimated to be in the range of $275 million to $335 million with a midpoint of $305 million. However, the third-party valuation advisor engaged to assist in determining the enterprise value subsequently revised this range to $249 million to $303 million, with a midpoint of $276 million, which was filed with the Bankruptcy Court in order to update the initial assumptions for current information. Based on the estimates and assumptions discussed below, we estimated the enterprise value to be the midpoint of the range of estimated enterprise value of $276 million.

The following table reconciles the enterprise value to the estimated fair value of our Successor Common Stock as of the Fresh Start Reporting Date (dollars in thousands, except per share data):

Enterprise value	$	276,000
Plus: cash and cash equivalents		10,592
Less: fair value of debt		(145,420)
Total implied equity (prior to debt issuance costs on equity component on Convertible Notes)		141,172
Less: equity portion of Convertible Notes		(123,088)
Fair value of Successor stockholders' equity	$	18,084
Shares issued upon emergence		1,049,804
Per share value	$	17.23

The following table reconciles enterprise value to the reorganization value of our Successor's assets to be allocated to our individual assets as of the Fresh Start Reporting Date (amounts in thousands):

Enterprise value	$	276,000
Plus: cash and cash equivalents		10,592
Plus: current liabilities		65,799
Plus: non-current liabilities excluding long-term debt		6,626
Less: debt issuance costs on Successor debt		(6,394)
Reorganization value of Successor assets	$	352,623

With the assistance of our financial advisors, we determined the enterprise and corresponding equity value of the Successor using various valuation methods, including (i) discounted cash flow analysis, (ii) comparable company analysis and (iii) precedent transaction analysis. The use of each approach provides corroboration for the other approaches.

In order to estimate the enterprise value using the discounted cash flow (DCF) analysis approach, management's estimated future cash flow projections through 2024, plus a terminal value calculated assuming a perpetuity growth rate and applying a multiple to the terminal year's projected earnings before interest, tax, depreciation and amortization (EBITDA), were discounted to an assumed present value using our estimated weighted average cost of capital (WACC), which represents the internal rate of return (IRR).

The comparable company analysis provides an estimate of the company's value relative to other publicly traded companies with similar operating and financial characteristics, by which a range of EBITDA multiples of the comparable companies was then applied to management's projected EBITDA to derive an estimated enterprise value.

Precedent transaction analysis provides an estimate of enterprise value based on recent sale transactions of similar companies, by deriving the implied EBITDA multiple of those transactions, based on sales prices, which was then applied to management's projected EBITDA.

Certain inputs and assumptions used to estimate the enterprise value are considered significant unobservable inputs which are classified as Level 3 inputs under ASC Topic 820, *Fair Value Measurements and Disclosures*, including management's estimated future cash flow projections. All estimates, assumptions, valuations and financial projections, including the fair value adjustments, the enterprise value and equity value projections, are inherently subject to significant uncertainties beyond our control, and accordingly, our actual results could vary materially.

Valuation Process

The fair values of our principal assets (including inventory, drilling and production services equipment, land and buildings, and intangible assets), and our liabilities were estimated with the assistance of third-party valuation advisors. The cost, income and market approaches were utilized in estimating these fair values. As more than one approach was used in our valuation analysis, the various approaches were reconciled to determine a final value conclusion. Further, economic obsolescence was considered in determining the fair value of our inventory and property and equipment. The fair value was allocated to our individual assets and liabilities as follows:

Inventory — Inventory valued consisted of spare parts and consumables that support our international, coiled tubing and wireline operations. The fair value of the international spare parts and coiled tubing inventory was determined using the indirect method of the cost approach, with adjustments for economic obsolescence. For wireline inventory, the cost basis was adjusted to account for the changes in cost between the acquisition date and the valuation date.

Property and Equipment — Property and equipment valued consisted of leasehold improvements, machinery and equipment, transportation equipment, office furniture, fixtures and equipment, computers and software, construction-in-progress and assets held for sale. The fair value of our property and equipment was estimated using the cost approach and market approach, while the income approach was considered in the context of the economic obsolescence analysis which was applied to certain assets. As a part of the valuation process, the third-party advisors performed site inspections and utilized internal data to identify and value assets.

Land and Buildings — Land and buildings valued consisted of four facilities and the underlying land, for which the fair value was estimated using the cost approach and sales comparison (market) approach, with adjustments for economic obsolescence to certain assets.

Intangible Assets — Intangible assets valued consisted of trademark and tradename, for which the fair value was estimated using the relief-from-royalty income approach. As a part of the valuation process, the third-party advisors considered overall revenue and cash flow projections and guidance on long-term growth rates. Additionally, above or below market leases and contracts and relationships were examined and determined to have no fair value. The value of our intangible assets will be amortized using the straight-line method over the economic useful life, which we estimated to be ten years.

Senior Secured Notes — The fair value of the Senior Secured Notes was estimated by applying a stochastic interest rate model implemented within a binomial lattice framework that considers the call provisions associated with the notes and captures the decision of prepaying the notes or holding to maturity by evaluating the optimal decision at each time step constructed within the lattice model.

Convertible Notes — The fair value of the Convertible Notes was estimated by applying a binomial lattice model and a recovery rate adjustment model, which provides a quantitative method for estimating the yield for a debt or debt-like security based on an observed market yield for a security of a different seniority. Certain inputs and assumptions used to derive the fair value of the Convertible Notes are considered significant unobservable inputs which are classified as Level 3 inputs under ASC Topic 820, *Fair Value Measurements and Disclosures*, including the company’s stock price, the volatility and the market yield related to the Convertible Notes.

Consolidated Balance Sheet

The adjustments set forth in the following consolidated balance sheet as of May 31, 2020 reflect the effects of the transactions contemplated by the Plan and executed on the fresh start reporting date (reflected in the column entitled "Reorganization Adjustments"), and fair value and other required accounting adjustments resulting from the adoption of Fresh Start Accounting (reflected in the column entitled "Fresh Start Accounting Adjustments").

	As of May 31, 2020					
(in thousands)	**Predecessor**	**Reorganization Adjustments**		**Fresh Start Accounting Adjustments**		**Successor**
ASSETS						
Cash and cash equivalents	$ 21,253	$ (10,661)	(1)	$ —		$ 10,592
Restricted cash	4,452	11,721	(2)	—		16,173
Receivables:						
Trade, net of allowance for doubtful accounts	33,537	—		—		33,537
Unbilled receivables	9,163	—		—		9,163
Insurance recoveries	23,636	—		—		23,636
Other receivables	5,256	1,000	(3)	—		6,256
Inventory	21,012	—		(6,883)	(18)	14,129
Assets held for sale	1,825	—		29	(19)	1,854
Prepaid expenses and other current assets	4,817	—		952	(20)	5,769
Total current assets	124,951	2,060		(5,902)		121,109
Property and equipment, at cost	1,082,704	—		(886,733)	(21)	195,971
Less accumulated depreciation	655,512	—		(655,512)	(21)	—
Net property and equipment	427,192	—		(231,221)		195,971
Intangible assets, net of accumulated amortization	—	—		9,370	(22)	9,370
Deferred income taxes	10,897	—		(2,157)	(23)	8,740
Operating lease assets	5,234	—		—		5,234
Other noncurrent assets	13,247	(5,023)	(4)	3,975	(24)	12,199
Total assets	$ 581,521	$ (2,963)		$ (225,935)		$ 352,623
LIABILITIES AND STOCKHOLDERS' EQUITY						
Accounts payable	$ 24,601	$ (9,478)	(5)	$ —		$ 15,123
Deferred revenues	121	—		—		121
Commitment premium	9,584	(9,584)	(6)	—		—
Debtor in possession financing	4,000	(4,000)	(7)	—		—
Accrued expenses:						
Employee compensation and related costs	4,970	—		—		4,970
Insurance claims and settlements	23,517	—		—		23,517
Insurance premiums and deductibles	5,269	—		—		5,269
Interest	3,775	(3,731)	(8)	—		44
Other	12,436	4,329	(9)	(10)		16,755
Total current liabilities	88,273	(22,464)		(10)		65,799
Long-term debt, less unamortized discount and debt issuance costs	175,000	(53,831)	(10)	20,070	(25)	141,239
Noncurrent operating lease liabilities	4,189	—		—		4,189
Deferred income taxes	4,296	—		(3,225)	(26)	1,071
Other noncurrent liabilities	1,366	—		—		1,366
Total liabilities not subject to compromise	273,124	(76,295)		16,835		213,664
Liabilities subject to compromise	308,422	(308,422)	(11)	—		—
Stockholders' equity:						
Predecessor common stock	8,893	(8,893)	(12)	—		—
Successor common stock	—	1	(13)	—		1
Predecessor additional paid-in capital	553,631	(553,631)	(14)	—		—
Successor additional paid-in capital	—	98,413	(15)	40,545	(27)	138,958
Predecessor treasury stock, at cost	(5,098)	5,098	(16)	—		—
Accumulated deficit	(557,451)	840,766	(17)	(283,315)	(28)	—
Total stockholders' equity	(25)	381,754		(242,770)		138,959
Total liabilities and stockholders' equity	$ 581,521	$ (2,963)		$ (225,935)		$ 352,623

(1) Represents the following net change in cash and cash equivalents:

Cash proceeds from Convertible Notes	$	120,187
Cash proceeds from Senior Secured Notes		75,000
Payment to fund claims reserve		(950)
Payment to escrow remaining professional fees		(10,771)
Payment of professional fees		(9,468)
Payment in full to extinguish DIP Facility		(4,000)
Payment of accrued interest on DIP Facility		(55)
Payment of DIP Facility fees		(177)
Payment in full to extinguish Prepetition Term Loan		(175,000)
Payment of accrued interest on Prepetition Term Loan		(3,677)
Payment of prepayment penalty on Prepetition Term Loan		(1,750)
	$	(10,661)

(2) Represents the following net change in restricted cash:

Payment to fund rejected leases claims reserve	$	950
Payment to escrow remaining professional fees		10,771
	$	11,721

(3) Represents recognition of a receivable for a portion of the proceeds from the issuance of the Senior Secured Notes which was received in June 2020.

(4) Represents the reclassification of previously paid debt issuance costs from deferred assets to offset the carrying amount of long-term debt.

(5) Represents the payment of professional fees which were incurred prior to emergence.

(6) Represents the settlement of the Backstop Commitment Premium upon issuance of the Convertible Notes.

(7) Represents the payment to extinguish the DIP Facility.

(8) Represents the payment of accrued interest on the Prepetition Term Loan and DIP Facility.

(9) Represents the increase in accrued expenses for fees which were incurred upon our emergence from Chapter 11.

(10) Represents the following changes in long-term debt, less unamortized discount and debt issuance costs:

Payment in full to extinguish Prepetition Term Loan	$	(175,000)
Issuance of Senior Secured Notes at Par		78,125
Recognition of debt issuance costs on Senior Secured Notes		(2,913)
Recognition of liability component of Convertible Notes		47,225
Recognition of debt issuance costs on liability component of Convertible Notes		(1,268)
	$	(53,831)

Due to the Convertible Notes' embedded conversion option, the liability and equity components were reported separately, as described further in Note 7, *Debt*.

(11) Represents the settlement of liabilities subject to compromise in accordance with the Plan, for which the resulting gain is as follows:

Prepetition Senior Notes	$	300,000
Accrued interest on Prepetition Senior Notes		8,422
Liabilities subject to compromise		308,422
Cash paid by holders of Prepetition Senior Notes		118,013
Issuance of equity to Prepetition Senior Notes creditors		(17,044)
Notes Received by Prepetition Senior Note holders		(118,013)
	$	291,378

(12) Represents the cancellation of Predecessor common stock.

(13) Represents the issuance of Successor common stock to prior equity holders and to settle the Prepetition Senior Notes.

(14) Represents the cancellation of Predecessor additional paid-in capital.

(15) The changes in Successor additional paid-in capital were as follows:

Recognition of equity component of Convertible Notes	$	82,546
Issuance of Successor common stock to Prepetition Senior Notes creditors and prior equity holders		18,083
Recognition of debt issuance costs on equity component of Convertible Notes		(2,216)
	$	98,413

Due to the Convertible Notes' embedded conversion option, the liability and equity components were reported separately, as described further in Note 7, *Debt*.

(16) Represents the cancellation of Predecessor treasury stock.

(17) Represents the cumulative impact to Predecessor retained earnings of the reorganization adjustments described above.

(18) Represents the fair value adjustment to inventory, as described further in the previous section under the heading "*Valuation Process*".

(19) Represents the fair value adjustment to assets held for sale, as described further in the previous section under the heading "*Valuation Process*".

(20) Represents deferred compensation associated with the excess of fair value over the par value of Convertible Notes purchased by senior management, which is compensation to the Successor and therefore was expensed in June 2020.

(21) Represents the following fair value adjustments to property and equipment:

	Predecessor Historical Value	Fair Value Adjustment	Successor Fair Value
Drilling rigs and equipment	$ 1,010,612	$ (832,294)	$ 178,318
Vehicles	41,283	(28,561)	12,722
Building and improvements	16,619	(13,742)	2,877
Office equipment	12,231	(11,743)	488
Land	1,959	(393)	1,566
	$ 1,082,704	$ (886,733)	$ 195,971
Less: Accumulated Depreciation	(655,512)	655,512	—
	$ 427,192	$ (231,221)	$ 195,971

(22) Represents the fair value adjustment to recognize the trademark and tradename of Pioneer Energy Services Corp. as an intangible, as described further in the above section under the heading "*Valuation Process*".

(23) Represents the recognition of the noncurrent deferred tax asset as a result of the cumulative tax impact of the fresh start adjustments herein.

(24) Represents a prepaid tax asset established as part of the fresh start accounting adjustments.

(25) Represents the following fair value adjustments to long-term debt less unamortized discount and debt issuance costs:

Fair value adjustment to the liability component of the Convertible Notes	$	23,195
Discount on Senior Secured Notes		(3,125)
	$	20,070

Due to the Convertible Notes' embedded conversion option, the liability and equity components were reported separately, as described further in Note 7, *Debt*.

(26) Represents the derecognition of the deferred tax liability as a result of the cumulative tax impact of the fresh start adjustments herein.

(27) Represents the fair value adjustment to the equity component of the Convertible Notes.

(28) Represents the cumulative impact of the fresh start accounting adjustments discussed above and the elimination of Predecessor accumulated earnings.

4. Revenue from Contracts with Customers

Our production services business segments earn revenues for well servicing and wireline services pursuant to master services agreements based on purchase orders or other contractual arrangements with the client. Production services jobs are generally short-term (ranging in duration from several hours to less than 30 days) and are charged at current market rates for the labor, equipment and materials necessary to complete the job. Production services jobs are varied in nature but typically represent a single performance obligation, either for a particular job, a series of distinct jobs, or a period of time during which we stand ready to provide services as our client needs them. Revenue is recognized for these services over time, as the services are performed.

Our drilling services business segments earn revenues by drilling oil and gas wells for our clients under daywork contracts. Daywork contracts are comprehensive agreements under which we provide a comprehensive service offering, including the drilling rig, crew, supplies, and most of the ancillary equipment necessary to operate the rig. Contract modifications that extend the term of a dayrate contract are generally accounted for prospectively as a separate dayrate contract. We account for our services provided under daywork contracts as a single performance obligation comprised of a series of distinct time increments which are satisfied over time. Accordingly, dayrate revenues are recognized in the period during which the services are performed.

With most drilling contracts, we also receive payments contractually designated for the mobilization and demobilization of drilling rigs and other equipment to and from the client’s drill site. Revenues associated with the mobilization and demobilization of our drilling rigs to and from the client’s drill site do not relate to a distinct good or service and are recognized ratably over the related contract term. The amount of demobilization revenue that we ultimately collect is dependent upon the specific contractual terms, most of which include provisions for reduced (or no) payment for demobilization when, among other things, the contract is renewed or extended with the same client, or when the rig is subsequently contracted with another client prior to the termination of the current contract. Since revenues associated with demobilization activity are typically variable, at each period end, they are estimated at the most likely amount, and constrained when the likelihood of a significant reversal is probable. Any change in the expected amount of demobilization revenue is accounted for with the net cumulative impact of the change in estimate recognized in the period during which the revenue estimate is revised.

The upfront costs that we incur to mobilize the drilling rig to our client’s initial drilling site are capitalized and recognized ratably over the term of the related contract, including any contracted renewal or extension periods, which is our estimate of the period during which we expect to benefit from the cost of mobilizing the rig. Costs associated with the final demobilization at the end of the contract term are expensed when incurred, when the demobilization activity is performed.

From time to time, we may receive fees from our clients for capital improvements to our rigs to meet our client’s requirements. Such revenues are not considered to be distinct within the terms of the contract and are therefore allocated to the overall performance obligation, satisfied over the term of the contract. We record deferred revenue for such payments and recognize them ratably as revenue over the initial term of the related drilling contract.

We also act as a principal for certain reimbursable services and auxiliary equipment provided by us to our clients, for which we incur costs and earn revenues, many of which are variable, or dependent upon the activity that is actually performed each day under the related contract. Accordingly, reimbursements that we receive for out-of-pocket expenses are recorded as revenues and the out-of-pocket expenses for which they relate are recorded as operating costs during the period to which they relate within the series of distinct time increments.

All of our revenues are recognized net of sales taxes, when applicable.

Trade and Unbilled Accounts Receivable

We record trade accounts receivable at the amount we invoice to our clients. These accounts do not bear interest. The allowance for doubtful accounts is our best estimate of the amount of probable credit losses in our accounts receivable as of the balance sheet date. We determine the allowance based on the credit worthiness of our clients and general economic conditions. Consequently, an adverse change in those factors could affect our estimate of our allowance for doubtful accounts.

Our production services terms generally provide for payment of invoices in 30 days. Our typical drilling contract provides for payment of invoices in 30 days, though the process for invoicing work performed in our international operations generally lengthens the billing cycle for those operations. We review our allowance for doubtful accounts on a monthly basis, and balances more than 90 days past due are reviewed individually for collectability. We charge off account balances against the allowance after we have exhausted all reasonable means of collection and determined that the potential for recovery is remote. We do not have any off-balance sheet credit exposure related to our clients.

The changes in our allowance for doubtful accounts consist of the following (amounts in thousands):

	Successor	Predecessor	
	Seven Months Ended December 31, 2020	Five Months Ended May 31, 2020	Year Ended December 31, 2019
Balance at beginning of period	$ 1,988	$ 824	$ 1,423
Increase (decrease) in allowance charged to expense	(587)	1,164	(167)
Accounts charged against the allowance	(237)	—	(432)
Balance at end of period	$ 1,164	$ 1,988	$ 824

Substantially all of our unbilled receivables represent revenues we have recognized in excess of amounts billed on drilling contracts. We typically bill our clients at 15-day intervals during the performance of daywork drilling contracts and upon completion of the daywork contract.

Contract Asset and Liability Balances and Contract Cost Assets

Contract asset and contract liability balances relate to demobilization and mobilization revenues, respectively. Demobilization revenue that we expect to receive is recognized ratably over the related contract term, but invoiced upon completion of the demobilization activity. Mobilization revenue, which is typically collected upon the completion of the initial mobilization activity, is deferred and recognized ratably over the related contract term. Contract asset and liability balances are netted at the contract level, with the net current and noncurrent portions separately classified in our consolidated balance sheets, and the resulting contract liabilities are referred to herein as "deferred revenues." When demobilization revenues are recognized prior to the activity being performed, they are not yet billable, and the resulting contract assets are included in our other current assets in our consolidated financial statements.

Contract cost assets represent the costs associated with the initial mobilization required in order to fulfill the contract, which are deferred and recognized ratably over the period during which we expect to benefit from the mobilization, or the period during which we expect to satisfy the performance obligations of the related contract. Contract cost assets are presented as either current or noncurrent, according to the duration of the original contract to which it relates, and referred to herein as "deferred costs."

Our current and noncurrent deferred revenues, contract assets and deferred costs as of December 31, 2020 and 2019 were as follows (amounts in thousands):

	Successor	Predecessor
	December 31, 2020	December 31, 2019
Current deferred revenues	$ 1,019	$ 1,339
Current deferred costs	361	1,071
Current contract assets	300	—
Noncurrent deferred revenues	—	57
Noncurrent deferred costs	194	267

The changes in contract balances during the year ended December 31, 2020 are primarily related to the amortization of deferred revenues and costs during the period, partially offset by increases related to seven rigs deployed under new contracts in 2020 as well as an increase in deferred revenues associated with prepayments made by our domestic drilling clients for capital improvements to our rigs to meet their requirements and the recognition of demobilization revenue for one international contract which expired in January 2021. Amortization of deferred revenues and costs were as follows (amounts in thousands):

	Successor	Predecessor	
	Seven Months Ended December 31, 2020	Five Months Ended May 31, 2020	Year Ended December 31, 2019
Amortization of deferred revenues	$ 1,024	$ 2,705	$ 6,203
Amortization of deferred costs	659	1,876	4,786

Beginning in late March 2020, rather than terminating their contracts with us, certain of our clients elected to temporarily stack three of our rigs, placing them on an extended standby for a reduced revenue rate and the option to reactivate the rigs through the remainder of the contract term. In May 2020, one of our domestic clients elected to early terminate their contract with us and make an upfront early termination payment based on a per day rate for the respective remaining contract term, resulting in $1.6 million of revenues recognized in the Predecessor period. As of December 31, 2020, 16 of our 25 rigs are earning under daywork contracts, of which 6 are under domestic term contracts including 1 that is earning but not working, and 2 are international rigs which are currently on standby.

Unlike our domestic term contracts, our international drilling contracts are cancelable by our clients without penalty, although the contracts require 15 to 30 days notice and payment for demobilization services. Revenues associated with the initial mobilization and/or demobilization of drilling rigs under cancelable contracts are deferred and recognized ratably over the anticipated duration of the original contract, which is the period during which we expect our client to benefit from the mobilization of the rig, and represents a separate performance obligation because the payment for mobilization and/or demobilization creates a material right to our client during the cancelable period, for which the transaction price is allocated to the optional goods and services expected to be provided.

Remaining Performance Obligations

We have elected to apply the practical expedients in ASC Topic 606, *Revenue from Contracts with Customers*, which allow entities to omit disclosure of (i) the transaction price allocated to the remaining performance obligations associated with short-term contracts, and (ii) the estimated variable consideration related to wholly unsatisfied performance obligations, or to distinct future time increments within a series of performance obligations. Therefore, we have not disclosed the remaining amount of fixed mobilization revenue (or estimated future variable demobilization revenue) associated with short-term contracts, and we have not disclosed an estimate of the amount of future variable dayrate drilling revenue. However, the amount of fixed mobilization revenue associated with remaining performance obligations is reflected in the net unamortized balance of deferred mobilization revenues, which is presented in both current and noncurrent portions in our consolidated balance sheet, and discussed in more detail in the section above entitled, *Contract Asset and Liability Balances and Contract Cost Assets*.

Disaggregation of Revenue

ASC Topic 606 requires disclosure of the disaggregation of revenue into categories that depict how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors. We believe the disclosure of revenues by operating segment achieves the objective of this disclosure requirement. See Note 13, *Segment Information*, for the disaggregation of revenues by operating segment, which reflects the disaggregation of revenues by the type of services provided and by geography (international versus domestic).

Concentration of Clients

We derive a significant portion of our revenue from a limited number of major clients. While none of our clients individually accounted for more than 10% of our total revenues in either of the years ended December 31, 2020 or 2019, our drilling and production services provided to our top three clients accounted for approximately 19% and 18%, respectively, of our revenue.

5. Property and Equipment

The following table presents the estimated useful lives and costs of our assets by class as of December 31, 2020 (amounts in thousands, except useful lives):

	Successor	
	Lives	December 31, 2020
Drilling rigs and equipment	3 - 25	$ 136,982
Well servicing rigs and equipment	5 - 17	32,346
Wireline units and equipment	1 - 10	6,057
Vehicles	3 - 5	12,128
Buildings and improvements	2 - 40	2,702
Office equipment	3 - 5	478
Property and equipment not yet placed in service	0	1,207
Land	0	1,629
		$ 193,529

Due to the application of fresh start accounting, the carrying value of our property and equipment was reduced to the estimated fair value and a new historical cost basis was established at the Fresh Start Reporting Date, as described further in Note 3, *Fresh Start Accounting.*

Capital Expenditures — Capital additions during 2020 primarily related to routine expenditures that are necessary to maintain our fleets, while capital additions during 2019 also included the completion of construction on our 17th AC drilling rig which we deployed in March 2019, and various vehicle and ancillary equipment purchases and upgrades.

Assets Held for Sale — In April 2020, we closed our coiled tubing services business and placed all of our coiled tubing services assets as held for sale at June 30, 2020, which represents $3.3 million of our total assets held for sale at December 31, 2020. We have various other equipment designated as held for sale which is carried at fair value. When the net carrying value of an asset designated as held for sale exceeds its estimated fair value, which we estimate based on expected sales prices, which are classified as Level 3 inputs as defined by ASC Topic 820, *Fair Value Measurements and Disclosures*, we recognize the difference as an impairment charge.

Impairments — In accordance with ASC Topic 360, *Property, Plant and Equipment*, we monitor all indicators of potential impairments. We evaluate for potential impairment of long-lived assets when indicators of impairment are present, which may include, among other things, significant adverse changes in industry trends (including revenue rates, utilization rates, oil and natural gas market prices, and industry rig counts). In performing an impairment evaluation, we estimate the future undiscounted net cash flows from the use and eventual disposition of the assets grouped at the lowest level that independent cash flows can be identified. We perform an impairment evaluation and estimate future undiscounted cash flows for each of our asset groups separately, which are our domestic drilling services, international drilling services, well servicing and wireline services segments, and, prior to being placed as held for sale, our coiled tubing services segment. If the sum of the estimated future undiscounted net cash flows is less than the carrying amount of the asset group, then we determine the fair value of the asset group, and the amount of an impairment charge would be measured as the difference between the carrying amount and the fair value of the assets.

Due to the significant decline in industry conditions, commodity prices, and projected utilization of equipment, as well as the COVID-19 pandemic's impact on our industry, our projected cash flows declined during the first quarter of 2020, and we performed recoverability testing on all our reporting units. As a result of this analysis, we incurred impairment charges of $16.4 million to reduce the carrying values of our coiled tubing assets to their estimated fair values during the three months ended March 31, 2020. For all our other reporting units, excluding coiled tubing, we determined that the sum of the estimated future undiscounted net cash flows were in excess of the carrying amounts and that no impairment existed for these reporting units at March 31, 2020. We continued to monitor potential indicators of impairment through December 31, 2020 and concluded that none of our reporting units are currently at risk of impairment.

The assumptions we use in the evaluation for impairment are inherently uncertain and require management judgment. Although we believe the assumptions and estimates used in our impairment analysis are reasonable, different assumptions and estimates could materially impact the analysis and resulting conclusions. The most significant inputs used in our impairment analysis include the projected utilization and pricing of our services, as well as the estimated proceeds upon any future sale or disposal of the assets, all of which are classified as Level 3 inputs as defined by ASC Topic 820, *Fair Value Measurements and Disclosures*. If commodity prices decrease or remain at current levels for an extended period of time, or if the demand for any of our services decreases below what we are currently projecting, our estimated cash flows may decrease and our estimates of the fair value of certain assets may decrease as well. If any of the foregoing were to occur, we could incur impairment charges on the related assets.

6. Leases

As a drilling and production services provider, we provide the drilling rigs and production services equipment which are necessary to fulfill our performance obligations and which are considered leases under ASU No. 2016-02, *Leases*, (together with its amendments, herein referred to as "ASC Topic 842"). However, ASU No. 2018-11, *Leases: Targeted Improvements*, allows lessors to (i) combine the lease and non-lease components of revenues when the revenue recognition pattern is the same and when the lease component, when accounted for separately, would be considered an operating lease, and (ii) account for the combined lease and non-lease components under ASC Topic 606, *Revenue from Contracts with Customers*, when the non-lease component is the predominant element of the combined component. We elected to apply this expedient and therefore recognize our revenues (both lease and service components) under ASC Topic 606, and present them as one revenue stream in our consolidated statements of operations.

As a lessee, we lease our corporate office headquarters in San Antonio, Texas, and we conduct our business operations through 15 other regional offices located throughout the United States and internationally in Colombia. These operating locations typically include regional offices, storage and maintenance yards and employee housing sufficient to support our operations in the area. We lease most of these properties under non-cancelable term and month-to-month operating leases, many of which contain renewal options that can extend the lease term from one year to five years and some of which contain escalation clauses. We also lease supplemental equipment, typically under cancelable short-term and very short term (less than 30 days) leases. Due to the nature of our business, any option to renew these short-term leases, and the options to extend certain of our long-term real estate leases, are generally not considered reasonably certain to be exercised. Therefore, the periods covered by such optional periods are not included in the determination of the term of the lease, and the lease payments during these periods are similarly excluded from the calculation of operating lease asset and lease liability balances.

In accordance with ASC Topic 842, we recognize an operating lease asset and a corresponding operating lease liability for all our long-term leases, which include real estate and office equipment leases, for which we elected to combine, or not separate, the lease and non-lease components, and therefore, all fixed charges associated with non-lease components are included in the lease payments and the calculation of the operating lease asset and associated lease liability. The operating lease asset and operating lease liability are discounted at the rate which represents our secured incremental borrowing rate, as our leases do not provide an implicit rate, and which we estimate based on the rate in effect under our asset-based lending facility.

We recognize rent expense on a straight-line basis, except for certain variable expenses which are recognized when the variability is resolved, typically during the period in which they are paid. Variable lease payments typically include charges for property taxes and insurance, and some leases contain variable payments related to non-lease components, including common area maintenance and usage of office equipment (for example, copiers). The following table summarizes our lease expense recognized, excluding variable lease costs (amounts in thousands):

	Successor	Predecessor	
	Seven Months Ended December 31, 2020	Five Months Ended May 31, 2020	Year Ended December 31, 2019
Long-term operating lease expense	$ 853	$ 1,080	$ 3,699
Short-term operating lease expense	3,370	4,456	15,187

The following table summarizes the amount and timing of our obligations associated with our long-term operating leases (amounts in thousands):

	Successor December 31, 2020	Predecessor December 31, 2019
Within 1 year	$ 1,069	$ 2,496
In the second year	985	1,933
In the third year	921	1,447
In the fourth year	874	1,117
In the fifth year	895	912
Thereafter	299	811
Total undiscounted lease obligations	$ 5,043	$ 8,716
Impact of discounting	(532)	(818)
Discounted value of operating lease obligations	$ 4,511	$ 7,898
Current operating lease liabilities	$ 889	$ 2,198
Noncurrent operating lease liabilities	3,622	5,700
	$ 4,511	$ 7,898

During 2020, leased assets obtained in exchange for new operating lease liabilities totaled approximately $2.1 million.

The following table summarizes the weighted-average remaining lease term and discount rate associated with our long-term operating leases:

	Successor December 31, 2020	Predecessor December 31, 2019
Weighted-average remaining lease term (in years)	5.0	4.5
Weighted-average discount rate	4.5 %	4.5 %

7. Debt

At December 31, 2019, our debt consisted of the following (amounts in thousands):

	Predecessor December 31, 2019
Term Loan	$ 175,000
Prepetition Senior Notes	300,000
	475,000
Less unamortized discount	(1,869)
Less unamortized debt issuance costs	(5,432)
	$ 467,699

The commencement of the Chapter 11 Cases constituted an event of default that accelerated our obligations under our Prepetition Senior Notes, the Prepetition ABL Facility, and Term Loan. Under the Bankruptcy Code, holders of our Prepetition Senior Notes and the lenders under our Term Loan and the Prepetition ABL Facility were stayed from taking any action against us as a result of this event of default.

On the Effective Date, all applicable agreements governing the obligations under the Term Loan, Prepetition Senior Notes and Prepetition ABL Facility were terminated. The Term Loan and Prepetition ABL Facility were paid in full and all outstanding obligations under the Prepetition Senior Notes were canceled in exchange for 94.25% of the pro forma common equity. For additional information concerning our bankruptcy proceedings under Chapter 11, see Note 2, *Emergence from Voluntary Reorganization under Chapter 11*.

As of December 31, 2020, the principal amount of our outstanding debt obligations, including those issued in payment of in-kind interest, were as follows (amounts in thousands):

	Successor
	December 31, 2020
Convertible Notes	132,763
Senior Secured Notes	77,439

Due to the application of fresh start accounting, our debt obligations were recognized at fair value on our consolidated balance sheet at the Fresh Start Reporting Date, as described further in Note 3, *Fresh Start Accounting*. Additionally, a portion of the fair value of our Convertible Notes is classified as equity, as described further below.

ABL Credit Facility

On the Effective Date, pursuant to the terms of the Plan, we entered into a senior secured asset-based revolving credit agreement in an aggregate amount of $75 million (the “ABL Credit Facility”) among us and substantially all of our domestic subsidiaries as borrowers (the “Borrowers”), the lenders party thereto and PNC Bank, National Association as administrative agent, and on August 7, 2020, we entered into a First Amendment to the ABL Credit Facility (together, herein referred to as the “ABL Credit Facility”) which, among other things, reduced the maximum amount of the revolving credit agreement to $40 million.

Among other things, proceeds of loans under the ABL Credit Facility may be used to finance ongoing working capital and general corporate needs.

The maturity date of loans made under the ABL Credit Facility is the earliest of 90 days prior to maturity of the Senior Secured Notes or the Convertible Notes (both of which are described further below) and May 29, 2025. Borrowings under the ABL Credit Facility will bear interest at a rate of (i) the LIBOR rate (subject to a floor of 0%) plus an applicable margin of 375 basis points per annum or (ii) the base rate plus an applicable margin of 275 basis points per annum.

The ABL Credit Facility is guaranteed by the Borrowers and is secured by a first lien on the Borrowers’ accounts receivable and inventory, and the cash proceeds thereof, and a second lien on substantially all of the other assets and properties of the Borrowers.

The ABL Credit Facility limits our annual capital expenditures to 125% of the budget set forth in the projections for any fiscal year and provides that if our availability plus pledged cash of up to $3 million falls below $6 million (15% of the maximum revolver amount), we will be required to comply with a fixed charge coverage ratio of 1.0 to 1.0, all of which is defined in the ABL Credit Facility. As of December 31, 2020, we had no borrowings and approximately $7.3 million in outstanding letters of credit under the ABL Credit Facility and subject to the availability requirements in the ABL Credit Facility, based on eligible accounts receivable and inventory balances at December 31, 2020, availability under the ABL Credit Facility was $15.9 million, which our access to would be subject to (i) our requirement to maintain 15% available or comply with a fixed charge coverage ratio, as described above and (ii) the requirement to maintain availability of at least $4.0 million, which may include up to $2.0 million of pledged cash.

Convertible Notes

We entered into an indenture, dated as of the Effective Date, among the Company and Wilmington Trust, N.A., as trustee (the “Convertible Notes Indenture”), and issued $129.8 million aggregate principal amount of convertible senior unsecured pay-in-kind notes due 2025 thereunder (the “Convertible Notes”). We received net issuance proceeds of $120.2 million, which was net of the $9.6 million Backstop Commitment Premium.

The Convertible Notes are general unsecured obligations which will mature on November 15, 2025, unless earlier accelerated, redeemed, converted or repurchased, and bear interest at a fixed rate of 5% per annum, which will be payable semi-annually on May 15 and November 15 in-kind in the form of an increase to the principal amount. The Convertible Notes are convertible at the option of the holders at any time into shares of our common stock and will convert mandatorily into our common stock at maturity; provided, however, that if the value of our common stock otherwise deliverable in connection with a mandatory conversion of a Convertible Note on the maturity date would be less than the principal amount of such Convertible Note plus accrued and unpaid interest, then the Convertible Note will instead convert into an amount of cash equal to the principal amount thereof plus accrued and unpaid interest. The initial conversion rate is 75 shares of common stock per $1,000 principal amount of the Convertible Notes, which in aggregate represents 9,732,825 shares of common stock and an initial conversion price of $13.33 per share. The conversion rate is subject to customary anti-dilution adjustments.

If we undergo a “fundamental change” as defined in the Convertible Notes Indenture, subject to certain conditions, holders may require us to repurchase all or any portion of their Convertible Notes for cash at an amount equal to 100% of the principal amount of the Convertible Notes to be repurchased plus any accrued and unpaid interest. In the case of certain fundamental change events that constitute merger events (as defined in the Convertible Notes Indenture), we have a superseding right to cause the mandatory conversion of all or part of the Convertible Notes into a number of shares of common stock, per $1,000 principal amount of Convertible Notes, equal to the then-current conversion rate or the cash value of such number of shares of common stock (but not less than the principal amount).

Holders of Convertible Notes are entitled to vote on all matters on which holders of our common stock generally are entitled to vote (or, if any, to take action by written consent of the holders of our common stock), voting together as a single class together with the shares of our common stock and not as a separate class, on an as-converted basis, at any annual or special meeting of holders of our common stock and each holder is entitled to such number of votes as such holder would receive on an as-converted basis on the record date for such vote.

The Convertible Notes Indenture contains customary events of default and covenants that limit our ability and the ability of certain of our subsidiaries to incur, assume or guarantee additional indebtedness and create liens and enter into mergers or consolidations.

Because the Convertible Notes contain an embedded conversion option whereby they, or a portion of them, may be settled in cash, we have separately accounted for the liability and equity components of the Convertible Notes in accordance with the accounting requirements for convertible debt instruments set forth in ASC Topic 470-20, *Debt with Conversion and Other Options*. The initial fair value of the Convertible Notes was estimated in accordance with the application of Fresh Start Accounting, as described further in Note 3, *Fresh Start Accounting*. In order to allocate the initial fair value, we first calculated the value of the liability component by estimating the fair value for the debt instrument as if it did not contain a conversion feature. The amount by which the initial fair value of the Convertible Notes exceeded the estimated fair value of the liability component represented the estimated fair value of the equity component. We also allocated the debt issuance costs incurred to the liability and equity components, for which the portion attributable to the equity component is netted with the respective equity component in additional paid-in capital.

The below table summarizes the allocation of issuance proceeds, fair value and debt issuance costs to the liability and equity components of the Convertible Notes at the Fresh Start Reporting Date (in thousands):

	Successor		
	Liability Component	**Equity Component**	**Total**
Issuance proceeds, net of Backstop Commitment Premium	$ 43,738	$ 76,449	$ 120,187
Face value	47,225	82,546	129,771
Issuance discount	23,195	40,542	63,737
Fair value	$ 70,420	$ 123,088	$ 193,508
Debt issuance costs	(1,268)	(2,216)	(3,484)
Net carrying value at Fresh Start Reporting Date	$ 69,152	$ 120,872	$ 190,024

We treat the issuance of new Convertible Notes for the payment of in-kind interest as an issuance of a new instrument that retains the original economics associated with the conversion option at inception, and therefore, the Convertible Notes issued in payment of in-kind interest are accounted for with their separate equity and liability components that are proportionally the same as the original issuance.

Senior Secured Notes

We entered into an indenture, dated as of the Effective Date, among the Company, the subsidiary guarantors party thereto and Wilmington Trust, N.A., as trustee (the “Senior Secured Notes Indenture”), and issued $78.1 million aggregate principal amount of floating rate senior secured notes due 2025 (the “Senior Secured Notes”) thereunder. The Senior Secured Notes are guaranteed on a senior secured basis by substantially all of our existing domestic subsidiaries, which also guarantee our obligations under the ABL Credit Facility, (the “Guarantors”) on a full and unconditional basis and are secured by a second lien on the accounts receivable and inventory and a first lien on substantially all of the other assets and properties (including the cash proceeds thereof) of the Company and the Guarantors. We received net issuance proceeds of $75 million, which was net of the original issue discount of $3.1 million.

The Senior Secured Notes will mature on May 15, 2025 and interest will accrue at the rate of LIBOR plus 9.5% per annum, with a LIBOR rate floor of 1.5%, payable quarterly in arrears on February 15, May 15, August 15 and November 15 of each year, commencing on August 15, 2020. With respect to any interest payment due on or prior to May 29, 2021, 50% of the interest will be payable in cash and 50% of the interest will be paid in-kind in the form of an increase to the principal amount; however, a majority in interest of the holders of the Senior Secured Notes may elect to have 100% of the interest due on or prior to May 29, 2021 payable in-kind. For all interest periods commencing on or after May 15, 2024, the interest rate for the Senior Secured Notes will be a rate equal to LIBOR plus 10.50%, with a LIBOR rate floor of 1.5%.

We may redeem all or part of the Senior Secured Notes on or after June 1, 2021 at redemption prices (expressed as percentages of the principal amount) equal to (i) 104% for the twelve-month period beginning on June 1, 2021; (ii) 102% for the twelve-month period beginning on June 1, 2022; (iii) 101% for the twelve-month period beginning on June 1, 2023 and (iv) 100% for the twelve-month period beginning June 1, 2024 and at any time thereafter, plus accrued and unpaid interest at the redemption date. Notwithstanding the foregoing, if a change of control (as defined in the Senior Secured Notes Indenture) occurs prior to June 1, 2022, we may elect to purchase all remaining outstanding Senior Secured Notes not tendered to us as described below at a redemption price equal to 103% of the principal amount thereof, plus accrued and unpaid interest, if any, thereon to the applicable redemption date. If a change of control (as defined in the Senior Secured Notes Indenture) occurs, holders of the Senior Secured Notes will have the right to require us to repurchase all or any part of their Senior Secured Notes at a purchase price equal to 101% of the aggregate principal amount of the Senior Secured Notes repurchased, plus accrued and unpaid interest, if any, to the repurchase date.

The Senior Secured Notes Indenture contains a minimum asset coverage ratio of 1.5 to 1.0 as of any June 30 or December 31, beginning December 31, 2020. The Senior Secured Notes Indenture provides for certain customary events of default and contains covenants that limit, among other things, our ability and the ability of certain of our subsidiaries, to incur, assume or guarantee additional indebtedness; pay dividends or distributions on capital stock or redeem or repurchase capital stock; make investments; repay junior debt; sell stock of our subsidiaries; transfer or sell assets; enter into sale and lease back transactions; create liens; enter into transactions with affiliates; and enter into mergers or consolidations.

Having completed qualifying asset sales in the aggregate of $7.6 million, we commenced and completed offers to purchase $2.6 million in aggregate principal amount of the Senior Secured Notes in October and December 2020 in accordance with the Senior Secured Notes Indenture, at a purchase price equal to 100% of the principal amount, plus accrued and unpaid interest through, but not including, the purchase date. We recognized loss on extinguishment of debt associated with these repayments of $0.2 million.

In December, we completed asset sales which required us to commence an offer to purchase another $0.2 million of Senior Secured Notes which is presented as a current liability in our consolidated balance sheet and for which the purchase will be funded through cash on hand, classified as “restricted cash” as of December 31, 2020. In January 2021, we completed additional qualifying asset sales totaling $0.5 million, and we completed an offer to purchase the aggregate $0.6 million principal amount of the Senior Secured Notes in February 2021, at a purchase price equal to 100% of the principal amount, plus accrued and unpaid interest.

Successor Debt Issuance Costs and Discount

Costs incurred in connection with the issuance of our Convertible Notes (which were allocated to the liability component, as described above) and Senior Secured Notes, as well as the issuance discounts, were capitalized and are being amortized using the effective interest method over the term of the related debt instrument. Costs incurred in connection with our ABL Credit Facility were capitalized and are being amortized using the straight-line method over the expected term of the agreement. Our unamortized debt issuance costs and discounts are presented below (amounts in thousands):

	Successor	
	December 31, 2020	
Unamortized discount on Convertible Notes (based on imputed interest rate of 20.9%)	$	56,438
Unamortized discount on Senior Secured Notes (based on imputed interest rate of 13.2%)		2,733
Unamortized debt issuance costs		3,714

Predecessor Senior Secured Term Loan

Our senior secured term loan (the "Term Loan") entered into in 2017 provided for one drawing in the amount of $175 million, net of a 2% original issue discount. Proceeds from the issuance of the Term Loan were used to repay the entire outstanding balance under our previous credit facility, plus fees and accrued and unpaid interest, as well as the fees and expenses associated with entering into the Term Loan and Prepetition ABL Facility. The remainder of the proceeds were used for other general corporate purposes.

Interest on the principal amount accrued at the LIBOR rate or the base rate as defined in the agreement, at our option, plus an applicable margin of 7.75% and 6.75%, respectively. The Term Loan was set to mature on November 8, 2022, or earlier, subject to certain circumstances as described in the agreement.

Our obligations under the Term Loan were guaranteed by our wholly-owned domestic subsidiaries, and secured by substantially all of our domestic assets, in each case, subject to certain exceptions and permitted liens, and were not subject to compromise as defined by ASC Topic 852, *Reorganizations*.

Prepetition Asset-based Lending Facility

At the same time as we entered into the Term Loan in 2017, we also entered into a senior secured revolving asset-based credit facility (the "Prepetition ABL Facility") which provided for borrowings in the aggregate principal amount of up to $75 million, subject to a borrowing base and including a $30 million sub-limit for letters of credit. As a part of the Chapter 11 process, the Prepetition ABL Facility was terminated at the Petition Date and all remaining unamortized debt issuance costs were written off in March 2020.

Predecessor Senior Notes

In 2014, we issued $300 million of unregistered senior notes at face value, with a coupon interest rate of 6.125% that were due in 2022 (the "Senior Notes"). The Senior Notes were set to mature on March 15, 2022 with interest due semi-annually in arrears on March 15 and September 15 of each year.

In accordance with a registration rights agreement with the holders of our Senior Notes, we filed an exchange offer registration statement on Form S-4 with the Securities and Exchange Commission that became effective on October 2, 2014. The exchange offer registration statement enabled the holders of our Senior Notes to exchange their senior notes for publicly registered notes with substantially identical terms. References to the "Senior Notes" herein include the senior notes issued in the exchange offer.

The Senior Notes were fully and unconditionally guaranteed, jointly and severally, on a senior unsecured basis by certain of our domestic subsidiaries. As a result of the Chapter 11 Cases, the Senior Notes ceased accruing interest as of the Petition Date, in accordance with the Plan, and were subsequently accounted for as liabilities subject to compromise in accordance with ASC Topic 852, *Reorganizations*.

8. Income Taxes

The jurisdictional components of income (loss) before income taxes consist of the following (amounts in thousands):

	Successor	Predecessor	
	Seven Months Ended December 31, 2020	Five Months Ended May 31, 2020	Year Ended December 31, 2019
Domestic	$ (36,216)	$ (98,773)	$ (85,133)
Foreign	(6,824)	(7,238)	11,900
Loss before income taxes	$ (43,040)	$ (106,011)	$ (73,233)

The components of our income tax expense (benefit) consist of the following (amounts in thousands):

	Successor	Predecessor	
	Seven Months Ended December 31, 2020	Five Months Ended May 31, 2020	Year Ended December 31, 2019
Current:			
Federal	$ (55)	$ (67)	$ (206)
State	88	86	663
Foreign	309	189	654
	342	208	1,111
Deferred:			
State	(123)	(3,347)	729
Foreign	(3,035)	1,353	(11,169)
	(3,158)	(1,994)	(10,440)
Income tax benefit	$ (2,816)	$ (1,786)	$ (9,329)

The difference between the income tax benefit and the amount computed by applying the federal statutory income tax rate to loss before income taxes consists of the following (amounts in thousands):

	Successor	Predecessor	
	Seven Months Ended December 31, 2020	Five Months Ended May 31, 2020	Year Ended December 31, 2019
Expected tax benefit	$ (9,038)	$ (22,262)	$ (15,379)
Valuation allowance:			
Valuation allowance	2,579	10,623	12,638
Reversal of valuation allowance on foreign operations	—	—	(14,756)
State income taxes	(28)	73	614
Foreign currency translation loss (gain)	(891)	1,579	742
Net tax benefits and nondeductible expenses in foreign jurisdictions	(227)	(537)	940
GILTI tax	—	—	1,579
Stock-based compensation	—	1,449	595
Compensation expense nondeductible for tax purposes	784	—	1,684
Reorganization and restructuring costs	2,418	7,528	1,388
Convertible Notes interest and issuance costs	1,838	—	—
Other nondeductible expenses for tax purposes	(4)	190	575
Other, net	(247)	(429)	51
Income tax benefit	$ (2,816)	$ (1,786)	$ (9,329)

Deferred income taxes arise from temporary differences between the tax basis of assets and liabilities and their reported amounts in the consolidated financial statements. The components of our deferred income tax assets and liabilities were as follows (amounts in thousands):

	Successor	Predecessor
	December 31, 2020	December 31, 2019
Deferred tax assets:		
Net operating loss carryforward	$ 82,901	$ 110,834
Intangibles	7,653	12,145
Interest expense deduction limitation carryforward	3,200	6,649
Employee stock-based compensation	63	3,124
Employee benefits and insurance claims accruals	866	2,422
Operating lease liabilities	1,027	1,832
Accounts receivable reserve	278	187
Inventory	918	202
Accrued expenses	451	233
Deferred revenue	—	124
	97,357	137,752
Valuation allowance	(74,676)	(59,842)
Deferred tax liabilities:		
Property and equipment	(9,816)	(68,694)
Operating lease assets	(998)	(1,686)
Unbilled revenue	(68)	(407)
Net deferred tax assets	$ 11,799	$ 7,123

As described in Note 2**,** *Emergence from Voluntary Reorganization under Chapter 11*, in accordance with the Plan, our Prepetition Senior Notes were exchanged for shares of our new common stock. Absent an exception, a debtor recognizes cancellation of debt income (CODI) upon discharge of its outstanding indebtedness for an amount of consideration that is less than its adjusted issue price. The Internal Revenue Code (IRC) provides that a debtor in a Chapter 11 bankruptcy case may exclude CODI from taxable income but must reduce certain of its tax attributes by the amount of CODI realized as a result of the consummation of a plan of reorganization. The amount of CODI realized by a taxpayer is determined based on the fair market value of the consideration received by the creditors in settlement of outstanding indebtedness. As a result of the market value of equity upon emergence from Chapter 11 bankruptcy proceedings, the amount of CODI for federal income tax purposes is approximately $229 million, which reduced the value of our net operating losses by an equal amount. The reduction of net operating losses was fully offset by a corresponding decrease in the valuation allowance.

Upon our emergence from Chapter 11, we underwent an ownership change, as defined in the IRC, which will result in future annual limitations on the usage of our remaining domestic net operating losses. The majority of our remaining domestic net operating losses will begin to expire in 2030, while losses generated after 2017 are carried forward indefinitely but are limited in usage to 80% of taxable income beginning in 2021. The majority of our foreign net operating losses are carried forward indefinitely, but losses generated after 2016 are carried forward for 12 years and will begin to expire in 2029.

We provide a valuation allowance when it is more likely than not that some portion of our deferred tax assets will not be realized. We evaluated the impact of the reorganization, including the change in control, resulting from our bankruptcy emergence and determined it is more likely than not that we will not fully realize future income tax benefits related to our domestic net deferred tax assets based on the annual limitations that impact us, historical results, and expected market conditions known on the date of measurement.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) was enacted in response to the COVID-19 pandemic. The CARES Act contains numerous corporate income tax provisions, some of which impact our calculation of income taxes, including providing for the carryback of certain net operating losses, modifications to the net interest deduction limitations, refundable payroll tax credits, and deferment of employer social security payments. However, the provisions did not have a material impact on our Predecessor or Successor financial statements.

We have no unrecognized tax benefits relating to ASC Topic 740 and no unrecognized tax benefit activity during the year ended December 31, 2020. We record interest and penalty expense related to income taxes as interest and other expense, respectively. At December 31, 2020, no interest or penalties have been or are required to be accrued. Our open tax years are 2017 and forward for our federal and most state income tax returns in the United States and 2015 and forward for our income tax returns in Colombia. Net operating losses generated in years prior to our open years and carried forward are available for adjustment and subject to the statute of limitation provisions of such year when the net operating losses are utilized.

International Tax Reform

On December 28, 2018, the Colombian government enacted a new tax reform bill that decreases the general corporate tax rate from 33% to 30% by 2022, phases out the presumptive tax system by 2021, increases withholding tax rates on payments abroad for various services, and taxes indirect transfers of Colombian assets, among other things. Deferred tax assets and liabilities were adjusted to the new tax rates as of December 31, 2018; however, the adjustments to the valuation allowance fully offset the impact to tax expense in the year of enactment.

On October 19, 2019, the Colombian Constitutional Court declared Colombia's 2018 Tax Reform unconstitutional due to procedural flaws in the approval process. On December 27, 2019, Colombia re-enacted the tax reform effective January 1, 2020, mirroring most of the provisions contained in the 2018 Tax Reform that was ruled unconstitutional.

9. Fair Value of Financial Instruments

The FASB's Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements and Disclosures*, defines fair value and provides a hierarchical framework associated with the level of subjectivity used in measuring assets and liabilities at fair value. Currently, our financial instruments consist primarily of cash and cash equivalents, trade and other receivables, trade payables and long-term debt. The carrying value of cash and cash equivalents, trade and other receivables, and trade payables are considered to be representative of their respective fair values due to the short-term nature of these instruments. As a result of the application of fresh start accounting, and subsequent stability in the market for energy bonds, we estimate that the carrying value of our long-term debt approximates fair value.

10. Earnings (Loss) Per Common Share

Basic earnings (loss) per share (EPS) is computed by dividing net income (loss) by the weighted-average number of common shares outstanding during the period.

Diluted EPS is computed based on the sum of the weighted average number of common shares and potentially dilutive common shares outstanding during the period. Potentially dilutive common shares consist of shares issuable from stock-based compensation awards and the Convertible Notes. Potentially dilutive common shares from outstanding stock-based compensation awards are determined using the average share price for each period under the treasury stock method. Potentially dilutive shares from the Convertible Notes are determined using the if-converted method, whereby the Convertible Notes are assumed to be converted and included in the denominator of the EPS calculation and the interest expense, net of tax, recorded in connection with the Convertible Notes is added back to net income (loss).

The following presents a reconciliation of the numerators and denominators of the basic and diluted EPS computations (amounts in thousands, except per share data):

	Successor	Predecessor	
	Seven Months Ended December 31, 2020	Five Months Ended May 31, 2020	Year Ended December 31, 2019
Numerator:			
Net loss (numerator for basic EPS)	$ (40,224)	$ (104,225)	$ (63,904)
Interest expense on Convertible Notes, net of tax	—	—	—
Numerator for diluted EPS, if-converted method	(40,224)	(104,225)	(63,904)
Denominator:			
Weighted-average shares (denominator for basic EPS)	1,117	78,968	78,423
Potentially dilutive shares issuable from Convertible Notes, if-converted method	—	—	—
Potentially dilutive shares issuable from outstanding stock-based compensation awards, treasury stock method	—	—	—
Denominator for diluted EPS	1,117	78,968	78,423
Loss per common share - Basic	$ (36.01)	$ (1.32)	$ (0.81)
Loss per common share - Diluted	$ (36.01)	$ (1.32)	$ (0.81)
Potentially dilutive securities excluded as anti-dilutive	9,782	4,517	4,842

11. Stock-Based Compensation Plans

Our stock-based award plan is administered by the Compensation Committee of our Board of Directors, which selects persons eligible to receive awards and determines the number, terms, conditions, and other provisions of the awards.

We recognize compensation cost for our stock-based compensation awards based on the fair value estimated in accordance with ASC Topic 718, *Compensation—Stock Compensation*, and we recognize forfeitures when they occur. For awards with graded vesting, we recognize compensation expense on a straight-line basis over the service period for each separately vesting portion of the award as if the award was, in substance, multiple awards. The following summarizes our stock-based compensation expense recognized, by award type, and the compensation expense (benefit) recognized for phantom stock unit awards (amounts in thousands):

	Successor	Predecessor	
	Seven Months Ended December 31, 2020	Five Months Ended May 31, 2020	Year Ended December 31, 2019
Stock option awards	$ —	$ 9	$ 137
Restricted stock awards	1,249	202	504
Restricted stock unit awards	—	341	2,129
	$ 1,249	$ 552	$ 2,770
Phantom stock unit awards	$ —	$ —	$ (112)

Predecessor Awards

Prior to the Effective Date, we had various outstanding stock option, restricted stock, and restricted stock unit (RSU) awards, as well as phantom stock unit awards which were classified as liability awards under ASC Topic 718, *Compensation—Stock Compensation*. Certain of these awards were subject to performance and market conditions, and as a result, their fair values were measured using either the Black-Scholes pricing model or the Monte Carlo simulation model with inputs that are defined as Level 3 inputs under ASC Topic 820, *Fair Value Measurements and Disclosures*. Upon our emergence from the Chapter 11 Cases in May 2020, all unvested equity-based incentive compensation awards vested in full and settled in shares of our new post-emergence common stock at the conversion rate of 0.0006849838 new shares for each existing share, resulting in $0.7 million of accelerated compensation expense which was included in reorganization costs in the Predecessor period, as described further in Note 2, *Emergence from Voluntary Reorganization under Chapter 11*.

Successor Awards

Pursuant to the terms of the Plan, we adopted the Pioneer Energy Services Corp. 2020 Employee Incentive Plan (the “Employee Incentive Plan”) providing for the issuance from time to time, as approved by our new board of directors, of equity and equity-based awards with respect to the Common Stock in the aggregate and on a fully-diluted basis, of up to 1,198,074 shares of Common Stock, representing approximately 114% of the shares of Common Stock issued on the Effective Date, but representing 10% of the shares of Common Stock issued on the Effective Date on a fully-diluted basis. The shares of Common Stock issued under the Employee Incentive Plan in the future will dilute all of the shares of Common Stock issued on the Effective Date and all shares of Common Stock issued upon conversion of the Convertible Notes equally.

In July 2020, we issued to our former Chief Executive Officer in connection with his resignation 90,000 shares of restricted stock, which vested immediately upon issuance and converted to shares of our common stock with an aggregate fair value of $1.0 million. In December 2020, we granted 509,039 restricted stock awards, which will vest over a three-year period. When restricted stock awards are granted, shares of our common stock are considered issued, but subject to certain restrictions. The weighted-average grant-date fair value per share of restricted stock awards granted during the Successor period was $10.81, based on the price of our common stock estimated by third-party specialists using a discounted cash flow model with inputs that are defined as Level 3 inputs under ASC Topic 820, *Fair Value Measurements and Disclosures*. As of December 31, 2020, the aggregate unrecognized compensation cost to be recognized for our outstanding awards is $5.2 million with a weighted-average period remaining of 1.9 years.

At December 31, 2020, the total shares available for future grants to employees and directors under the Employee Incentive Plan were 599,035.

12. Employee Benefit Plans and Insurance

We maintain a 401(k) retirement plan for our eligible employees. Under this plan, we may make a matching contribution, on a discretionary basis, equal to a percentage of each eligible employee’s annual contribution, which we determine annually. In response to the downturn in our industry, matching contributions were suspended from July 2020 to January 2021. Our matching contributions were as follows (amounts in thousands):

	Successor	Predecessor	
	Seven Months Ended December 31, 2020	Five Months Ended May 31, 2020	Year Ended December 31, 2019
Matching contributions	$ 114	$ 1,473	$ 5,277

We use a combination of self-insurance and third-party insurance for various types of coverage. We are self-insured for up to $500,000 per incident for all workers’ compensation claims submitted by employees for on-the-job injuries. We accrue our workers’ compensation claim cost estimates using an actuarial calculation that is based on industry and our company’s historical claim development data, and we accrue the cost of administrative services associated with claims processing. We maintain a self-insurance program for major medical and hospitalization coverage for employees and their dependents, which is partially funded by employee payroll deductions. We have a maximum health insurance liability of $225,000 per covered individual per year, while amounts in excess of this maximum are covered under a separate policy provided by an insurance company. We have provided for reported claims costs as well as incurred but not reported medical costs in the accompanying consolidated balance sheets. We have a deductible of $250,000 per occurrence under our auto liability insurance, and we have a $500,000 self-insured retention and an additional aggregate deductible of $500,000 under our general liability insurance as well as an annual aggregate deductible of $1,000,000 on the first layer of excess coverage.

Accrued insurance premiums and deductibles related to our estimate of the self-insured portion of costs associated with our health, workers' compensation, general liability and auto liability insurance are as follows (amounts in thousands):

	Successor	Predecessor
	December 31, 2020	December 31, 2019
Workers' compensation	$ 1,976	$ 3,269
Health insurance	646	1,282
General liability and auto liability	1,306	1,389
	$ 3,928	$ 5,940

Based upon our past experience, management believes that we have adequately provided for potential losses. However, future multiple occurrences of serious injuries to employees could have a material adverse effect on our financial position and results of operations.

Our insurance recoveries receivables and our accrued liability for insurance claims and settlements represent our estimate of claims in excess of our deductible, which are covered and managed by our third-party insurance providers, some of which may ultimately be settled by the insurance provider in the long-term. These are presented in our consolidated balance sheets as current due to the uncertainty in the timing of reporting and payment of claims.

13. Segment Information

As of December 31, 2020, we have four operating segments, comprised of two drilling services business segments (domestic and international drilling) and two production services business segments (well servicing and wireline services), which reflects the basis used by management in making decisions regarding our business for resource allocation and performance assessment, as required by ASC Topic 280, *Segment Reporting*. In April 2020, we closed our coiled tubing services business and placed all of our coiled tubing services assets as held for sale at June 30, 2020. Historical financial information for our coiled tubing services business, which had previously been presented as a separate operating segment, continues to be presented in the following tables as a component of continuing operations.

Our domestic and international drilling services segments provide contract land drilling services to a diverse group of exploration and production companies through our three drilling divisions in the US and internationally in Colombia. We provide a comprehensive service offering which includes the drilling rig, crews, supplies, and most of the ancillary equipment needed to operate our drilling rigs.

Our well servicing and wireline services segments provide a range of production services to producers primarily in Texas, North Dakota, the Rocky Mountain region, and Louisiana. Our former coiled tubing services segment also provided various production services primarily in Texas, Wyoming, and surrounding areas.

The following tables set forth certain financial information for each of our segments and corporate (amounts in thousands):

	Successor	Predecessor	
	Seven Months Ended December 31, 2020	Five Months Ended May 31, 2020	Year Ended December 31, 2019
Revenues:			
Domestic drilling	$ 44,205	$ 53,341	$ 151,769
International drilling	12,220	15,928	88,932
Drilling services	56,425	69,269	240,701
Well servicing	30,739	31,947	115,715
Wireline services	16,710	35,543	172,931
Coiled tubing services	—	5,611	46,445
Production services	47,449	73,101	335,091
Consolidated revenues	$ 103,874	$ 142,370	$ 575,792

	Successor	Predecessor	
	Seven Months Ended December 31, 2020	Five Months Ended May 31, 2020	Year Ended December 31, 2019
Operating costs:			
Domestic drilling	$ 26,846	$ 33,101	$ 92,183
International drilling	9,529	13,676	65,007
Drilling services	36,375	46,777	157,190
Well servicing	24,325	26,877	83,461
Wireline services	17,090	31,836	151,145
Coiled tubing services	408	8,557	39,557
Production services	41,823	67,270	274,163
Consolidated operating costs	$ 78,198	$ 114,047	$ 431,353
Gross margin:			
Domestic drilling	$ 17,359	$ 20,240	$ 59,586
International drilling	2,691	2,252	23,925
Drilling services	20,050	22,492	83,511
Well servicing	6,414	5,070	32,254
Wireline services	(380)	3,707	21,786
Coiled tubing services	(408)	(2,946)	6,888
Production services	5,626	5,831	60,928
Consolidated gross margin	$ 25,676	$ 28,323	$ 144,439
Identifiable Assets:			
Domestic drilling [(1)]	$ 145,916	$ 158,283	$ 347,036
International drilling [(1)] [(2)]	44,229	49,611	60,026
Drilling services	190,145	207,894	407,062
Well servicing	44,138	49,388	116,473
Wireline services	21,182	23,948	71,887
Coiled tubing services	3,491	6,336	30,834
Production services	68,811	79,672	219,194
Corporate	55,474	65,057	47,698
Consolidated identifiable assets	$ 314,430	$ 352,623	$ 673,954
Depreciation and amortization:			
Domestic drilling	$ 14,363	$ 18,058	$ 43,162
International drilling	7,575	2,144	5,665
Drilling services	21,938	20,202	48,827
Well servicing	8,023	7,820	19,894
Wireline services	3,320	5,088	14,772
Coiled tubing services	—	2,164	6,447
Production services	11,343	15,072	41,113
Corporate	332	373	944
Consolidated depreciation	$ 33,613	$ 35,647	$ 90,884
Capital Expenditures:			
Domestic drilling	$ 4,327	$ 3,862	$ 17,889
International drilling	474	1,273	4,812
Drilling services	4,801	5,135	22,701
Well servicing	649	1,918	10,185
Wireline services	320	1,684	5,907
Coiled tubing services	—	166	4,736
Production services	969	3,768	20,828
Corporate	—	21	1,300
Consolidated capital expenditures	$ 5,770	$ 8,924	$ 44,829

(1) Identifiable assets for our drilling segments include the impact of a $28.4 million and $36.1 million intercompany balance, as of December 31, 2020 and 2019, respectively, between our domestic drilling segment (intercompany receivable) and our

international drilling segment (intercompany payable).

(2) Identifiable assets for our international drilling segment include five drilling rigs that are owned by our Colombia subsidiary and three drilling rigs that are owned by one of our domestic subsidiaries and leased to our Colombia subsidiary.

The following is a reconciliation of consolidated gross margin of our segments reported above to loss from operations as reported on the consolidated statements of operations (amounts in thousands):

	Successor	Predecessor	
	Seven Months Ended December 31, 2020	Five Months Ended May 31, 2020	Year Ended December 31, 2019
Consolidated gross margin	$ 25,676	$ 28,323	$ 144,439
Depreciation and amortization	(33,613)	(35,647)	(90,884)
General and administrative	(24,055)	(22,047)	(91,185)
Prepetition restructuring charges	—	(16,822)	—
Impairment	(742)	(17,853)	(2,667)
Bad debt (expense) recovery, net	227	(1,209)	79
Gain on dispositions of property and equipment, net	6,132	989	4,513
Loss from operations	$ (26,375)	$ (64,266)	$ (35,705)

14. Commitments and Contingencies

In connection with our operations in Colombia, our foreign subsidiaries routinely obtain bonds for bidding on drilling contracts, performing under drilling contracts, and remitting customs and importation duties. Based on historical experience and information currently available, we believe the likelihood of demand for payment under these bonds and guarantees is remote.

In February 2021, we received a $2.5 million assessment from the Colombian tax and customs authority related to an administrative delay in documentation provided for one of our drilling rigs. After evaluating the assessment with our customs advisors, we do not believe that it is probable that we will be required to pay the customs duty assessment.

We are routinely subject to various states' sales and use tax audits. As of December 31, 2020 and 2019, our accrued liability was $0.9 million and $2.0 million, respectively, based on our estimate of the indirect tax obligations. During 2020, we finalized a number of audits with the state of Texas and directly paid the amount of additional tax due, resulting in a reduction of our accrued liability. Due to the inherent uncertainty of the audit process, we believe that it is reasonably possible that we may incur additional tax assessments with respect to one or more potential audits in excess of the amount accrued. We believe that such an outcome would not have a material adverse effect on our results of operations or financial position, but because of the aforementioned uncertainty, an estimate of the possible loss or range of loss from adverse audit results cannot reasonably be made.

Due to the nature of our business, we are, from time to time, involved in litigation or subject to disputes or claims related to our business activities, including workers' compensation claims and employment-related disputes. Legal costs relating to these matters are expensed as incurred. In the opinion of our management, none of the pending litigation, disputes or claims against us will have a material adverse effect on our financial condition, results of operations or cash flow from operations.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

Management's Evaluation of Disclosure Controls and Procedures

In accordance with Exchange Act Rules 13a-15 and 15d-15, we carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2020, to provide reasonable assurance that information required to be disclosed in our reports filed or submitted under the Exchange Act is (1) recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and (2) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

In the ordinary course of business, we may make changes to our systems and processes to improve controls and increase efficiency, and make changes to our internal controls over financial reporting in order to ensure that we maintain an effective internal control environment.

There has been no change in our internal control over financial reporting that occurred during the three months ended December 31, 2020 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Management's Annual Report on Internal Control Over Financial Reporting

The management of Pioneer Energy Services Corp. is responsible for establishing and maintaining adequate internal control over financial reporting. Pioneer Energy Services Corp.'s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of Pioneer Energy Services Corp. are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Pioneer Energy Services Corp.'s management assessed the effectiveness of Pioneer Energy Services Corp.'s internal control over financial reporting as of December 31, 2020. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework (2013). Based on our assessment we have concluded that, as of December 31, 2020, Pioneer Energy Services Corp.'s internal control over financial reporting was effective based on those criteria.

KPMG LLP, the independent registered public accounting firm that audited the consolidated financial statements of Pioneer Energy Services Corp. included in this Annual Report on Form 10-K, has issued an attestation report on the effectiveness of Pioneer Energy Services Corp.'s internal control over financial reporting as of December 31, 2020. This report is included in Item 8, *Financial Statements and Supplementary Data*.

ITEM 9B. OTHER INFORMATION

Not applicable.

PART III

In Items 10, 11, 12, 13 and 14 below, we are incorporating by reference the information we refer to in those Items from the definitive proxy statement for our 2021 Annual Meeting of Shareholders. We intend to file that definitive proxy statement with the SEC on or about April 28, 2021 (and, in any event, not later than 120 days after the end of the fiscal year covered by this report).

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Please see the information appearing in the proposal for the election of directors and under the headings "Executive Officers," "Information Concerning Meetings and Committees of the Board of Directors," "Code of Business Conduct and Ethics and Corporate Governance Guidelines" and "Section 16(a) Beneficial Ownership Reporting Compliance" in the definitive proxy statement for our 2021 Annual Meeting of Shareholders for the information this Item 10 requires.

ITEM 11. EXECUTIVE COMPENSATION

Please see the information appearing under the headings "Compensation Discussion and Analysis," "Director Compensation," "Executive Compensation," "Compensation Committee Interlocks and Insider Participation" and "Compensation Committee Report" in the definitive proxy statement for our 2021 Annual Meeting of Shareholders for the information this Item 11 requires.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Please see the information appearing under the headings "Equity Compensation Plan Information" and "Security Ownership of Certain Beneficial Owners and Management" in the definitive proxy statement for our 2021 Annual Meeting of Shareholders for the information this Item 12 requires.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Please see the information appearing in the proposal for the election of directors and under the heading "Certain Relationships and Related Transactions" in the definitive proxy statement for our 2021 Annual Meeting of Shareholders for the information this Item 13 requires.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Please see the information appearing in the proposal for the ratification of the appointment of our independent registered public accounting firm in the definitive proxy statement for our 2021 Annual Meeting of Shareholders for the information this Item 14 requires.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(1) Financial Statements.

See Index to Consolidated Financial Statements included in Item 8, *Financial Statements and Supplementary Data*.

(2) Financial Statement Schedules.

No financial statement schedules are submitted because either they are inapplicable or because the required information is included in the consolidated financial statements or notes thereto.

(3) Exhibits.

The following exhibits are filed as part of this report:

Exhibit Number		Description
2.1*	-	Order of the Bankruptcy Court, dated May 11, 2020, confirming Pioneer's Joint Prepackaged Plan of Reorganization under the Bankruptcy Code, together with such Joint Prepackaged Plan of Reorganization (Form 8-K dated May 11, 2020 (File No. 1-8182, Exhibit 2.1)).
3.1*	-	Certificate of Incorporation of Pioneer Energy Services Corp. (Form 8-K dated May 29, 2020 (File No. 1-8182, Exhibit 3.1)).
3.2*	-	Amended and Restated Bylaws of Pioneer Energy Services Corp. (Form 8-K dated May 29, 2020 (File No. 1-8182, Exhibit 3.2)).
4.1*	-	Specimen Common Stock Certificate (New Common Stock) (Form 8-A/A dated June 5, 2020 (File No. 1-8182, Exhibit 4.4)).
4.2**	-	Description of Securities (New Common Stock)
4.3*	-	Convertible Notes Indenture, dated May 29, 2020 (Form 8-K dated May 29, 2020 (File No. 1-8182, Exhibit 4.1)).
4.4*	-	Convertible Notes (Form 8-K dated May 29, 2020 (File No. 1-8182, Exhibit 4.2)).
4.5*	-	Senior Secured Notes Indenture, dated May 29, 2020 (Form 8-K dated May 29, 2020 (File No. 1-8182, Exhibit 4.3)).
4.6*	-	Senior Secured Notes (Form 8-K dated May 29, 2020 (File No. 1-8182, Exhibit 4.4)).
4.7*	-	Registration Rights Agreement, dated May 29, 2020 (Form 8-K dated May 29, 2020 (File No. 1-8182, Exhibit 10.3)).
4.8**	-	First Supplemental Indenture, dated March 3, 2021
10.1*	-	ABL Credit Agreement, dated May 29, 2020 (Form 8-K dated May 29, 2020 (File No. 1-8182, Exhibit 10.1)).
10.2*	-	Intercreditor Agreement, dated May 29, 2020 (Form 8-K dated May 29, 2020 (File No. 1-8182, Exhibit 10.2)).
10.3*	-	Pioneer Energy Services Corp. 2020 Employee Incentive Plan (Form 8-K dated May 29, 2020 (File No. 1-8182, Exhibit 10.4)).
10.4*	-	Pioneer Energy Services Corp. Key Executive Severance Plan (Form 8-K dated May 29, 2020 (File No. 1-8182, Exhibit 10.5)).
10.5*	-	First Amendment to ABL Credit Agreement, dated as of August 7, 2020, by and among Pioneer Energy Services Corp., certain of its subsidiaries party thereto, the several lenders party thereto, and PNC Bank, National Association, as administrative agent (Form 8-K dated August 7, 2020 (File No. 1-8182, Exhibit 10.1)).
10.6*+	-	Consulting Agreement, dated as of July 17, 2020, by and between Pioneer Energy Services Corp. and Matthew S. Porter (Form 8-K dated July 22, 2020 (File No. 1-8182, Exhibit 10.1)).

Exhibit Number		Description
10.7*+	-	Separation Agreement and Release, dated as of July 17, 2020, by and between Pioneer Energy Services Corp. and Wm. Stacy Locke (Form 8-K dated July 22, 2020 (File No. 1-8182, Exhibit 10.2)).
10.8*+	-	Extension of Consulting Agreement, dated as of October 14, 2020, by and between Pioneer Energy Services Corp. and Matthew S. Porter (Form 8-K dated October 14, 2020 (File No. 1-8182. Exhibit 10.1)).
10.9+*	-	Employment Letter, effective January 7, 2009, from Pioneer Drilling Company to Lorne E. Phillips (Form 8-K dated January 14, 2009 (File No. 1-8182, Exhibit 10.1)).
10.10+*	-	Employment Letter, effective May 13, 2012, from Pioneer Drilling Company to Brian L. Tucker (Form 10-Q dated April 29, 2016 (File No. 1-8182, Exhibit 10.1)).
10.11*	-	Restructuring Support Agreement, by and among the Pioneer RSA Parties and the Consenting Creditors (Form 8-K dated February 28, 2020 (File No. 1-8182, Exhibit 10.1)).
10.12*	-	Backstop Commitment Agreement, by and among Pioneer Energy Services Corp. and the Commitment Parties (Form 8-K dated February 28, 2020 (File No. 1-8182, Exhibit 10.2)).
10.13+**	-	Pioneer Energy Services Corp. 2020 Equity Incentive Plan Form of Restricted Stock Award Agreement
21.1**	-	Subsidiaries of Pioneer Energy Services Corp.
23.1**	-	Consent of Independent Registered Public Accounting Firm.
31.1**	-	Certification by Matthew S. Porter, President and Chief Executive Officer, pursuant to Rule 13a-14(a) or Rule 15d-14(a) under the Securities Exchange Act of 1934.
31.2**	-	Certification by Lorne E. Phillips, Executive Vice President and Chief Financial Officer, pursuant to Rule 13a-14(a) or Rule 15d-14(a) under the Securities Exchange Act of 1934.
32.1#	-	Certification by Matthew S. Porter, President and Chief Executive Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2#	-	Certification by Lorne E. Phillips, Executive Vice President and Chief Financial Officer, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	-	Inline XBRL Instance Document—the instance document does not appear in the Interactive Data File as its XBRL tags are embedded within the Inline XBRL document
101.SCH	-	Inline XBRL Taxonomy Extension Schema Document
101.CAL	-	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	-	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	-	Inline XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	-	Inline XBRL Taxonomy Extension Definition Linkbase Document
104	-	Cover Page Interactive Data File (embedded within the Inline XBRL document)

*	Incorporated by reference to the filing indicated.
**	Filed herewith.
#	Furnished herewith.
+	Management contract or compensatory plan or arrangement.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PIONEER ENERGY SERVICES CORP.

March 5, 2021

/S/ MATTHEW S. PORTER
Matthew S. Porter
Chief Executive Officer and President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/S/ CHARLIE THOMPSON Charlie Thompson	Chairman	March 5, 2021
/S/ MATTHEW S. PORTER Matthew S. Porter	President, Chief Executive Officer and Director (Principal Executive Officer)	March 5, 2021
/S/ LORNE E. PHILLIPS Lorne E. Phillips	Executive Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	March 5, 2021
/S/ DAVID COPPÉ David Coppé	Director	March 5, 2021
/S/ JOHN JACOBI John Jacobi	Director	March 5, 2021

EXHIBIT 4.2

PIONEER ENERGY SERVICES CORP.
DESCRIPTION OF SECURITIES REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

On March 1, 2020, Pioneer Energy Services Corp. (the "Company") and certain of its subsidiaries filed voluntary petitions for relief under Title 11 ("Chapter 11") of the United States Code in the United States Bankruptcy Court for the Southern District of Texas (the "Bankruptcy Court") and, on March 2, 2020, filed the prepackaged Chapter 11 plan of reorganization (the "Plan") with the Bankruptcy Court. On May 11, 2020, the Bankruptcy Court entered an order, Docket No. 331 (the "Confirmation Order"), confirming the Plan, a copy of which was included as Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission (the "SEC") on May 12, 2020. On May 29, 2020 (the "Effective Date"), the conditions to effectiveness of the Plan were satisfied and the Company emerged from Chapter 11.

Pursuant to the Plan, on the Effective Date, all shares of the Company's common stock, par value $0.10 per share (the "Old Common Stock"), issued and outstanding immediately before the Effective Date were cancelled, and the Company issued shares of its new Common Stock, par value $0.001 per share (the "Common Stock"), to the holders of its 6.125% Senior Notes due 2022 (the "Senior Notes") and holders of its Old Common Stock. For a description of the Company's Old Common Stock, see Exhibit 4.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2020.

Also on the Effective Date, as part of the transactions undertaken pursuant to the Plan, the Company was converted from a Texas corporation to a Delaware corporation, and the Company filed a Certificate of Incorporation of the Company (the "Certificate of Incorporation") with the office of the Secretary of State of the State of Delaware and adopted the Amended and Restated Bylaws of the Company (the "Bylaws"). The following description of the Common Stock does not purport to be complete and is subject to and qualified by the full terms of the Certificate of Incorporation and the Bylaws, which are filed as Exhibit 3.1 and Exhibit 3.2 to the Company's Current Report on Form 8-K filed with the SEC on June 2, 2020 and incorporated herein by reference. Additionally, the General Corporation Law of the State of Delaware (the "DGCL") contains provisions which affect the capital stock of the Company

Authorized Capital Stock

The Certificate of Incorporation authorizes the Company to issue up to 25,000,000 shares of Common Stock and 1,000,000 shares of Preferred Stock, par value $0.001 per share (the "Preferred Stock"). The Certificate of Incorporation prohibits the Company from issuing non-voting equity securities (which shall not be deemed to include any warrants or options to purchase capital stock of the Company) to the extent prohibited by Section 1123(a)(6) of Title 11 of the United States Code (the "Bankruptcy Code"). The Certificate of Incorporation provides that, notwithstanding the provisions of Section 242(b)(2) of the DGCL, the number of authorized shares of Preferred Stock and Common Stock may, without a class or series vote, be increased or decreased (but not below the number of shares thereof then outstanding) from time to time by the affirmative vote of the holders of at least a majority of the voting power of all outstanding securities of the Company generally entitled to vote at a meeting of stockholders (including the Company's convertible senior unsecured pay-in-kind notes due 2025 (the "Convertible Notes")), voting together as a single class.

Common Stock

Voting Rights. At every meeting of the stockholders of the Company in connection with the election of directors and all other matters submitted to a vote of stockholders, each holder of shares of Common Stock is entitled to one vote in person or by proxy for each share of Common Stock registered in the name of such holder on the transfer books of the Company. Notwithstanding the foregoing, except as otherwise required by applicable law, holders of Common Stock, as such, shall not be entitled to vote on any amendment to the Certificate of Incorporation that relates solely to the terms of one or more outstanding series of Preferred Stock if the holders of such affected series of Preferred Stock are entitled, either separately or together with the holders of one or more other such classes or series, to vote thereon pursuant to the Certificate of Incorporation or pursuant to the DGCL. The holders of shares of Common Stock shall not have cumulative voting rights.

In addition to Common Stock and Preferred Stock, if any, the Certificate of Incorporation also sets out the voting rights with respect to holders of the Convertible Notes, who are entitled to vote upon all matters upon which holders of any class or classes of Common Stock have the right to vote under the DGCL or the Certificate of Incorporation and shall be deemed to be stockholders of the Company (and the Convertible Notes shall be deemed to be stock) for the purpose of any provision of the DGCL that requires the vote of stockholders as a prerequisite to any corporate action. The number of votes represented by each Convertible Note is equal to the largest number of whole shares of Common Stock (rounded down to the nearest whole share) into which such Convertible Note may be converted, in accordance with the Convertible Notes Indenture (as defined below), at the record date for the determination of the stockholders entitled to vote on such matters or, if no such record date is established, at the date such vote is taken.

Preemptive Rights. The Bylaws provide each holder of the Convertible Notes (each, a "Convertible Noteholder") and each holder of Common Stock issued to each Convertible Noteholder upon the conversion of Convertible Notes, preemptive rights to purchase its pro rata portion of any capital stock, equity interest, or other instrument exercisable or exchangeable for or convertible into capital stock or equity interest of the Company or any of its subsidiaries proposed to be issued by the Company or any of its subsidiaries, subject to certain exceptions. The section of the Bylaws containing these preemptive rights shall terminate at such time as the Company has a class of equity securities listed on The Nasdaq Global Market, The Nasdaq Global Select Market or The New York Stock Exchange. The Bylaws further provide that any amendment to the section of the Bylaws containing the preemptive rights must be approved by the affirmative vote of not less than 66 2/3% of the total voting power of (i) the outstanding Convertible Notes and (ii) the Common Stock issued upon conversion of the Convertible Notes, with the Convertible Notes and such Common Stock voting together as a single class.

Dividends. Subject to the rights of any holders of any shares of Preferred Stock which may from time to time come into existence and be outstanding, and subject to any other provisions of the Certificate of Incorporation, as it may be amended from time to time in accordance with the terms thereof, the holders of Common Stock shall be entitled to receive, on a pro rata basis, such dividends and other distributions in cash, stock or property of the Company when, as and if declared thereon by the Company's Board of Directors (the "Board") from time to time out of assets or funds of the Company legally available therefore.

Liquidation Preference. Subject to the rights of any holders of any shares of Preferred Stock which may from time to time come into existence and be outstanding, in the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company, the holders of shares of Common Stock shall be entitled to receive the assets and funds of the Company available for distribution after payments to creditors and to the holders of any class or series of stock having preference over the Common Stock as to the distribution of assets upon liquidation, dissolution or winding up of the Company, ratably in proportion to the number of shares held by them.

Other Rights and Restrictions. The Bylaws provide that the prior written consent of each holder (together with its affiliates and related funds) of at least 17.5% of the aggregate voting power of all voting securities of the Company outstanding as of May 29, 2020 (each such holder, a "Major Securityholder"), for so long as such Major Securityholder holds at least 17.5% of the aggregate voting power of all voting securities of the Company outstanding as of such date, is required prior to the Company or any subsidiary incurring any indebtedness other than (i) borrowings outstanding on May 29, 2020, (ii) paid-in-kind interest on the Convertible Notes and the Company's floating rate senior secured notes due 2025, (iii) borrowings under that certain Credit Agreement, dated as of May 29, 2020, by and among PNC Bank, National Association, the lenders party thereto, and the Company and its subsidiaries as in effect on May 29, 2020, and (iv) indebtedness incurred in the ordinary course of business (the "Major Securityholder Consent Provision"). The Bylaws further provide that any amendment to the Major Securityholder Consent Provision must be approved by the affirmative vote of the holders of not less than 66 2/3% of the total voting power of all outstanding securities of the Company generally entitled to vote in the election of directors (including each holder that is then, and has been since the Effective Date, a Major Securityholder).

The Bylaws provide that as long as Ascribe III Investments LLC ("Ascribe") (together with its affiliates and affiliated funds) holds or beneficially owns at least 12.5% of the aggregate voting power of all voting securities of the Company outstanding as of May 29, 2020, the Company and its subsidiaries cannot issue any capital stock, equity interest, or other instrument exercisable or exchangeable for or convertible into capital stock or equity interest of the Corporation or any of its subsidiaries without Ascribe's prior written consent, subject to certain exceptions (the "Ascribe Consent Provision"). The Bylaws further provide that, for so long as Ascribe (together with its affiliates and affiliated funds) holds or beneficially owns at least 10% of the aggregate voting power of all voting securities of the Company outstanding as of May 29, 2020, any amendment to the Ascribe Consent Provision must be approved by the affirmative vote of Ascribe.

Except for those transactions specifically set forth in the Bylaws, the Bylaws contain a provision stating that the Company shall not, and shall not permit any of its subsidiaries to, enter into, amend or renew an agreement, arrangement or transaction with (a) any affiliate of the Company (including any of the Company's directors or officers or any entity in which any of the Company's directors or officers has a financial interest) or (b) any owner of 5% or more of the Common Stock (including shares of Common Stock (rounded down to the nearest whole share) into which Convertible Notes may be converted), or an affiliate of such owner (each, a "Related Party"), unless such action is approved by either (i) a majority of the disinterested directors on the Board, or (ii) the holders of 60% of the Common Stock (including shares of Common Stock into which Convertible Notes may be converted), other than any Common Stock (including shares of Common Stock into which Convertible Notes may be converted) held by the Related Party.

Limitation of Liability of Directors

The Certificate of Incorporation provides that a director of the Company shall not be liable to the Company or its stockholders for monetary damages for breach of fiduciary duty as a director to the fullest extent permitted by the DGCL.

Section 203 of the DGCL

The Certificate of Incorporation expressly states that the Company elects not to be governed by Section 203 of the DGCL (Business combinations with interested stockholders).

Anti-Takeover Provisions

The Certificate of Incorporation, the Bylaws and the DGCL contain provisions that may have some anti-takeover effects and may delay, defer or prevent a takeover attempt or a removal of the Company's incumbent officers or directors that a stockholder might consider in his, her or its best interest, including those attempts that might result in a premium over the market price for shares held by the stockholders.

These provisions are expected to discourage coercive takeover practices and inadequate takeover bids. These provisions are also designed to encourage persons seeking to acquire control of the Company to first negotiate with the Company. The Company believes that the benefits of increased protection and the Company's potential ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure the Company outweigh the disadvantages of discouraging these proposals because, among other things, negotiation of these proposals could result in an improvement of their terms.

Deemed Liquidation Event. The Certificate of Incorporation expressly provides that approval by the holders of at least 60% of the total voting power of all outstanding securities of the Company generally entitled to vote at a meeting of stockholders (including the Convertible Notes) is required to be obtained prior to the consummation of any Deemed Liquidation Event. "Deemed Liquidation Event" means any acquisition of beneficial ownership of more than 50% of the total voting power of all outstanding securities of the Company generally entitled to vote at a meeting of stockholders (including the Convertible Notes), voting together as a single class, any sales or dispositions of all or substantially all of the assets of the Company on a consolidated basis, or any merger, consolidation, recapitalization or similar transaction where the Common Stock is converted into, or exchanged for, any other consideration.

Preferred Stock. The Board is expressly granted authority, subject to limitations prescribed by law, to provide by resolution or resolutions for the issuance of a share or shares of Preferred Stock in one or more series and, by filing a certificate of designation with the Secretary of State pursuant to the DGCL setting forth a copy of such resolution or resolutions, to establish from time to time the number of shares to be included in each such series, and to fix the designation, powers, preferences, and rights of the shares of each such series and the qualifications, limitations, and restrictions thereof.

Special Meetings of Stockholders and Stockholder Actions. The Certificate of Incorporation provides that, subject to the provisions of the Bylaws, special meetings of stockholders of the Company may be called by the Chairperson of the Board, the Chief Executive Officer or a majority of the Board. Subject to the provisions of the Bylaws governing special meetings, holders of not less than 50% of the voting power of all outstanding securities of the Company generally entitled to vote at a meeting of stockholders (including the Convertible Notes) entitled to vote at the proposed special meeting may also call a special meeting of stockholders of the Company by furnishing the Company a written request which states the purpose or purposes of the proposed meeting in the manner set forth in the Bylaws.

The Bylaws provide that prior to the date of the first annual meeting of stockholders, which shall be no earlier than May 29, 2021, no special meeting may be called by the Board or any person for the purposes of electing or removing any director or at which a proposal to elect or remove any director will be acted on unless such meeting is at the written request of the holders of at least 90% of the voting power of all outstanding securities of the Company generally entitled to vote at a meeting of stockholders (including the Convertible Notes), unless such election or removal is to occur in connection with a Deemed

Liquidation Event to be duly approved at such special meeting. The Bylaws further provide that any amendment to the foregoing provision must be approved by the affirmative vote of the holders of not less than 90% of the total voting power of all outstanding securities of the Company generally entitled to vote in the election of directors.

Under the Certification of Incorporation, subject to the rights of the holders of any class or series of Preferred Stock then outstanding, any action required or permitted to be taken at any annual or special meeting of stockholders may be taken only upon the vote of stockholders at an annual or special meeting duly noticed and called in accordance with the DGCL and the Certificate of Incorporation and may not be taken by written consent of stockholders without a meeting.

Amendment of the Certification of Incorporation and Bylaws. None of the provisions in the Certificate of Incorporation may be repealed or amended in any respect, and no other provision may be adopted, amended or repealed which would have the effect of modifying or permitting the circumvention of any provision set forth in the Certificate of Incorporation, unless such action is approved by the affirmative vote of the holders of not less than 66 2/3% of the total voting power of all outstanding securities of the Company generally entitled to vote at a meeting of stockholders (including the Convertible Notes), voting together as a single class. The Certificate of Incorporation grants to the Board the power to adopt, amend or repeal the Bylaws, subject to any restriction set forth in the Bylaws. Subject to the provisions of the Bylaws, the stockholders and holders of Convertible Notes may adopt, amend or repeal the Bylaws only with the affirmative vote of the holders of not less than 66 2/3% of the total voting power of all outstanding securities of the Company generally entitled to vote at a meeting of stockholders (including the Convertible Notes), voting together as a single class.

Board of Directors. The Bylaws provide that the Board shall initially consist of five directors and thereafter, the exact number of directors shall be determined from time to time solely by resolution adopted by the affirmative vote of a majority of the Board. The Certificate of Incorporation provides that any or all of the directors of the Company may be removed from office, with or without cause, by the affirmative vote of the holders of at least a majority of the voting power of all outstanding securities of the Company generally entitled to vote at a meeting of stockholders (including the Convertible Notes), voting together as a single class. Under the Certificate of Incorporation, except as may be provided in any certificate of designations for any series of Preferred Stock with respect to any directors elected (or to be elected) by the holders of such series, vacancies on the Board resulting from death, resignation, removal or otherwise and newly created directorships resulting from any increase in the number of directors shall, except as otherwise required by law, be filled solely by a majority of the directors then in office (although less than a quorum) or by the sole remaining director, until such seat is filled at the next election of directors.

Other Limitations on Stockholder Actions. Advance notice is required for stockholders to nominate directors or to submit proposals for consideration at meetings of stockholders.

Exclusive Forum. The Bylaws provide that any suit, action or proceeding by stockholders seeking to enforce any provision of, or based on any matter arising out of or in connection with, the Certificate of Incorporation or the Bylaws shall be brought in the Court of Chancery of the State of Delaware, or to the extent such court does not have subject matter jurisdiction, the United States District Court for the District of Delaware, or to the extent such court also does not have subject matter jurisdiction, another court of the State of Delaware, County of New Castle, so long as one of such courts shall have subject matter jurisdiction over such suit, action or proceeding, and that any case of action arising out of the Certificate of Incorporation or the Bylaws shall be deemed to have arisen from a transaction of business in the State of Delaware. Process in any such suit, action or proceeding may be served on any party anywhere in the world, whether within or without the jurisdiction of any such court.

Transfer Agent and Registrar

The transfer agent and registrar for the Common Stock is American Stock Transfer & Trust Company, LLC.

Convertible Notes Indenture and Convertible Notes

Pursuant to the Plan, the Company entered into an indenture, dated as of the Effective Date (the "Convertible Notes Indenture"), among the Company and Wilmington Trust, N.A., as trustee, and issued $129,771,000 aggregate principal amount of Convertible Notes thereunder.

A description of the material provisions of the Convertible Notes Indenture and the Convertible Notes is contained in the Company's Current Report on Form 8-K filed with the SEC on June 2, 2020, which description is incorporated herein by reference.

The foregoing description of the Convertible Notes Indenture and the Convertible Notes does not purport to be complete and is qualified in its entirety by reference to the full text of those documents, which are filed as Exhibit 4.1 and Exhibit 4.2 to the Company's Current Report on Form 8-K filed with the SEC on June 2, 2020 and incorporated herein by reference.

Registration Rights Agreement

Pursuant to the Plan, on the Effective Date, the Company entered into a registration rights agreement (the "Registration Rights Agreement") with certain parties who received the Common Stock and the Convertible Notes on the Effective Date.

A description of the material provisions of the Registration Rights Agreement is contained in the Company's Current Report on Form 8-K filed with the SEC on June 2, 2020, which description is incorporated herein by reference.

The foregoing description of the Registration Rights Agreement does not purport to be complete and is qualified in its entirety by reference to the Registration Rights Agreement, which is filed as Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the SEC on June 2, 2020 and incorporated herein by reference.

EXHIBIT 4.8

FIRST SUPPLEMENTAL INDENTURE

FIRST SUPPLEMENTAL INDENTURE (this "First Supplemental Indenture"), dated as of March 3, 2021, among Pioneer Energy Services Corp., a Delaware corporation (the "Company"), the guarantors party hereto (the "Guarantors") and Wilmington Trust, National Association, as trustee (in such capacity, the "Trustee") and security agent (in such capacity, the "Security Agent"), under the indenture referred to below.

RECITALS

WHEREAS, the Company and the Guarantors heretofore executed and delivered to the Trustee and the Security Agent an indenture, dated as of May 29, 2020 (the "Indenture"), providing for the issuance of the Company's Senior Secured Floating Rate Notes due 2025 (the "Notes");

WHEREAS, Section 10.01(1) of the Indenture provides that the Indenture may be amended or supplemented without the consent of any Holder of the Notes to cure any ambiguity, defect or inconsistency, and Section 10.01(7) of the Indenture provides that the Indenture may be amended or supplemented without the consent of any Holder of the Notes to release a Guarantor from its obligations under the Indenture and its Subsidiary Guarantee pursuant to the Indenture;

WHEREAS, Pioneer Services Holdings, LLC, a Delaware limited liability company and a subsidiary of the Company ("Pioneer Services"), was not intended to be a Guarantor under the Indenture or to provide a Subsidiary Guarantee pursuant to the Indenture, as evidenced by the fact that (a) Section 4.09 of the Indenture provides that Pioneer Services does not have to be a Guarantor as long as certain conditions are met, (b) the term sheet for the Notes attached to the Joint Prepackaged Chapter 11 Plan of Reorganization of Pioneer Energy Services Corp. and its Affiliated Debtors (the "Plan") provided that the Notes would be guaranteed by the existing guarantors under the Company's Existing Term Loan Agreement (as defined in the Plan) and Pioneer Services was not a guarantor under such credit facility, (c) Pioneer Services is not a guarantor or borrower under the ABL Credit Documents and (d) Pioneer Services did not execute the Intercreditor Agreement that was executed by all the other Subsidiary Guarantors;

WHEREAS, Pioneer Services inadvertently executed and delivered the Indenture as a Guarantor and, as a result, inadvertently provided the Subsidiary Guarantee set forth in Section 12.01 therein;

WHEREAS, the Company desires to cure the inconsistency resulting from such inadvertent error and release Pioneer Services from its obligations under the Indenture and its Subsidiary Guarantee pursuant to the Indenture and, in connection therewith, proposes to amend and supplement the Indenture as set forth herein (the "Proposed Amendment");

WHEREAS, the Company has delivered to the Trustee an Officers' Certificate and an Opinion of Counsel stating that execution of this First Supplemental Indenture is authorized or permitted by the Indenture and that all conditions precedent and covenants provided for in the Indenture related thereto have been satisfied;

WHEREAS, the Company has requested that the Trustee and Security Agent execute and deliver this First Supplemental Indenture; and

WHEREAS all requirements necessary to make this First Supplemental Indenture a valid, binding and enforceable instrument in accordance with its terms have been done and performed, and the execution and delivery of this First Supplemental Indenture has been duly authorized in all respects;

NOW, THEREFORE, in consideration of the foregoing, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company, the Guarantors, the Trustee and the Security Agent mutually covenant and agree for the equal and ratable benefit of the Holders of the Notes as follows:

ARTICLE I
DEFINITIONS

Section 1.1. Relation to Indenture. This First Supplemental Indenture constitutes an integral part of the Indenture.

Section 1.2. Definition of Terms. For all purposes of this First Supplemental Indenture:

(a) Capitalized terms used herein without definition shall have the meanings set forth in the Indenture;

(b) a term defined anywhere in this First Supplemental Indenture has the same meaning throughout;

(c) the singular includes the plural and vice versa; and

(d) headings, subheadings and captions are for convenience of reference only and do not affect interpretation.

ARTICLE II
AMENDMENT

Section 2.1. Amendment to the Indenture. Effective and operative as of the times set forth in Section 3.1 of this First Supplemental Indenture, the Proposed Amendment, as set forth in this Article II, shall apply to the applicable Notes Documents and be effective. Any provision of the Notes Documents that conflicts with the express provisions of this First Supplemental Indenture shall be deemed to be amended so as to cure such inconsistency, and the provisions of this First Supplemental Indenture shall control.

Section 2.2. Release. Pioneer Services is hereby released from its obligations under the Indenture and its Subsidiary Guarantee pursuant to the Indenture.

ARTICLE III
MISCELLANEOUS

Section 3.1. Effectiveness.

(a) This First Supplemental Indenture shall become effective and binding on the Company, the Guarantors, the Trustee and every Holder of Notes heretofore or hereafter authenticated and delivered under the Indenture as of the date hereof.

(b) The Proposed Amendment, as set forth in Article II hereof, shall become operative with respect to the Notes Documents at such time as the Company, the Guarantors, the Trustee and the Security Agent, as applicable, shall have executed this First Supplemental Indenture to give effect to the Proposed Amendment.

(c) Upon becoming operative (and not before), all provisions of this First Supplemental Indenture shall be deemed to be incorporated in, and made part of, the Indenture with respect to the Notes and each reference in the Indenture to “this Indenture,” “hereunder,” “hereof,” or “herein” shall mean and be a reference to the Indenture as amended by this First Supplemental Indenture with respect to the Notes, unless the context otherwise requires. Upon becoming operative (and not before), the Indenture as amended and supplemented by this First Supplemental Indenture shall be read, taken and construed as one and the same instrument with respect to the Notes.

Section 3.2. Ratification of Indenture. Except as expressly amended hereby, the Indenture is in all respects ratified and confirmed, and all of the terms, conditions and provisions thereof shall remain in full force and effect.

Section 3.3. Trustee and Security Agent Not Responsible for Recitals. The recitals herein contained are made by the Company and not by the Trustee or the Security Agent, and neither the Trustee nor the Security Agent assumes any responsibility for the correctness thereof. Neither the Trustee nor the Security Agent makes any representation as to the validity or sufficiency of this First Supplemental Indenture.

Section 3.4. Governing Law. THE INTERNAL LAW OF THE STATE OF NEW YORK WILL GOVERN AND BE USED TO CONSTRUE THE INDENTURE (AS SUPPLEMENTED BY THIS FIRST SUPPLEMENTAL INDENTURE), THE NOTES AND THE SUBSIDIARY GUARANTEES.

Section 3.5. Severability. In case any provision in the Indenture (as supplemented by this First Supplemental Indenture) or in the Notes is invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions will not in any way be affected or impaired thereby.

Section 3.6. Execution in Counterparts. This First Supplemental Indenture may be executed in any number of counterparts, each of which shall be an original, but such counterparts shall together constitute but one and the same instrument. The exchange of copies of this First

Supplemental Indenture and of signature pages by fax or .pdf transmission shall constitute effective execution and delivery of this First Supplemental Indenture as to the parties hereto.

Section 3.7. The Trustee and the Security Agent. Wilmington Trust, National Association is entering into this First Supplemental Indenture solely in its capacity as Trustee and Security Agent under the Indenture. Except as otherwise expressly provided herein, no duties, responsibilities or liabilities are assumed, or shall be construed to be assumed, by the Trustee or Security Agent by reason of this First Supplemental Indenture. This First Supplemental Indenture is executed and accepted by the Trustee and the Security Agent subject to all the terms and conditions set forth in the Indenture with the same force and effect as if those terms and conditions were repeated at length herein and made applicable to the Trustee and Security Agent with respect hereto. The recitals above shall constitute statements of the Company, and neither the Trustee nor the Security Agent assume any responsibility for their accuracy.

Section 3.8. Benefits Acknowledged. Each Guarantor acknowledges that it will receive direct and indirect benefits from this First Supplemental Indenture and that the guarantee made by it pursuant to its respective Guarantee is knowingly made in contemplation of such benefits.

[Signature page follows]

IN WITNESS WHEREOF, the undersigned has caused a counterpart of this First Supplemental Indenture to be duly executed as of the date first written above.

PIONEER ENERGY SERVICES CORP., a Delaware corporation
By: /s/ Lorne E. Phillips
Name: Lorne E. Phillips
Title: Executive Vice President and Chief Financial Officer

PIONEER DRILLING SERVICES, LTD., a Texas corporation
By: /s/ Lorne E. Phillips
Name: Lorne E. Phillips
Title: Executive Vice President and Chief Financial Officer

PIONEER GLOBAL HOLDINGS, INC., a Delaware corporation
By: /s/ Lorne E. Phillips
Name: Lorne E. Phillips
Title: Executive Vice President and Chief Financial Officer

PIONEER PRODUCTION SERVICES, INC., a Delaware corporation
By: /s/ Lorne E. Phillips
Name: Lorne E. Phillips
Title: Executive Vice President and Chief Financial Officer

PIONEER SERVICES HOLDINGS, LLC, a Delaware limited liability company
By: /s/ Lorne E. Phillips
Name: Lorne E. Phillips
Title: Executive Vice President and Chief Financial Officer

PIONEER WIRELINE SERVICES HOLDINGS, INC., a Delaware corporation
By: /s/ Lorne E. Phillips
Name: Lorne E. Phillips
Title: Executive Vice President and Chief Financial Officer

PIONEER WIRELINE SERVICES, LLC, a Delaware limited liability company
By: /s/ Lorne E. Phillips
Name: Lorne E. Phillips
Title: Executive Vice President and Chief Financial Officer

PIONEER WELL SERVICES, LLC, a Delaware limited liability company
By: /s/ Lorne E. Phillips
Name: Lorne E. Phillips
Title: Executive Vice President and Chief Financial Officer

PIONEER FISHING & RENTAL SERVICES, LLC, a Delaware limited liability company
By: /s/ Lorne E. Phillips
Name: Lorne E. Phillips
Title: Executive Vice President and Chief Financial Officer

PIONEER COILED TUBING SERVICES, LLC, a Delaware limited liability company
By: /s/ Lorne E. Phillips
Name: Lorne E. Phillips
Title: Executive Vice President and Chief Financial Officer

IN WITNESS WHEREOF, the undersigned has caused a counterpart of this First Supplemental Indenture to be duly executed as of the date first written above.

WILMINGTON TRUST, NATIONAL ASSOCIATION, as Trustee and Security Agent

By: /s/ Jane Schweiger
Name: Jane Schweiger
Title: Vice President

EXHIBIT 10.13

RESTRICTED STOCK AWARD AGREEMENT
Under the Pioneer Energy Services Corp. 2020 Equity Incentive Plan

THIS AWARD AGREEMENT (the "**Award Agreement**") is made and entered into as of **<<Date>>** between Pioneer Energy Services Corp., a Delaware corporation (the "**Company**"), and **<<Name>>** (the "**Participant**").

The Company hereby grants to the Participant an Award of Restricted Stock (the "**Award**") which represents Common Shares that are subject to vesting conditions according to the terms and conditions as set forth in this Award Agreement and in the Pioneer Energy Services Corp. 2020 Equity Incentive Plan (the "**Plan**"). Capitalized terms not otherwise defined herein have the meanings set forth in the Plan.

In accordance with this grant, and as a condition thereto, the Company and the Participant agree as follows:

Section 1. *Number of Common Shares; Date of Grant; Vesting Schedule.* The number of shares of Restricted Stock subject to the Award, the grant date, the vesting commencement date and the vesting schedule are set forth in Exhibit A to this Award Agreement.

Section 2 . *Transferability.* Any unvested shares of Restricted Stock subject to the Award, may not be assigned, alienated, pledged, attached, sold or otherwise transferred or encumbered, whether voluntarily, involuntarily or by option of law.

Section 3. *Termination of Employment or Servic*e. In the event of a termination of the Participant's employment or service with the Company or any of its Subsidiaries, this Award will be treated as follows:

(a) *Death or Disability*. If the Participant's employment or service with the Company or any of its Subsidiaries is terminated due to the Participant's death or Disability, (i) the number of shares of Time-Vesting Restricted Stock that would have become vested within a period of one year following the date of such termination shall vest as of the date of such termination and any unvested Time-Vesting Restricted Stock shall immediately be forfeited and canceled without any payment or consideration being due from the Company and (ii) a prorata portion of the Performance-Vesting Restricted Stock shall become vested as of the last day of the Performance Period, determined by multiplying the actual number of shares of Performance-Vesting Restricted Stock that would have vested based on actual performance of the Performance Condition, by a fraction (i) the numerator of which is the number of days of service completed in the Performance Period as of the date of termination *plus* 365 and (ii) the denominator of which is 1,095 and any shares of the Performance-Vesting Restricted Stock that remain unvested at the end of the Performance Period shall immediately be forfeited and canceled without any payment or consideration being due from the Company.

(b) *Termination Without Cause or for Good Reason.* If the Participant's employment or service with the Company or any of its Subsidiaries is terminated (i) by the Company or any of its Subsidiaries without Cause or (ii) due to the Participant resigning for Good Reason, (x) all outstanding Time-Vesting Restricted Stock shall vest as of the date of termination and (y) all outstanding Performance-Vesting Restricted Stock shall vest as of the date of termination based on performance of the Performance Condition at target level.

For the purposes of this Award Agreement, "**Good Reason**" means, a voluntary termination by the Participant due to the occurrence (without the Participant's consent) of any of the following: (i) material diminution of the Participant's title, authority or responsibilities as in effect on the Effective Date that is not remedied by the Company within 5 business days after the Participant's written notice to the Company of such diminution; (ii) a reduction in the Participant's base salary as in effect on the Effective Date, other than as a result of a reduction (reasonably determined in good faith by the Board to be necessary and in the best interests of the Company in response to (or to reasonably forestall) a deterioration the Company's financial condition) of not more than 5% that applies generally to similarly situated employees of the Company; or (iii) relocation of the Participant's principal place of business by more than 45 miles.

(c) *Termination for Cause*. If the Participant's employment or service with the Company or any of its Subsidiaries is terminated by the Company or any of its Subsidiaries for Cause, any unvested shares of Time-Vesting Restricted Stock and Performance-Vesting Restricted Stock shall be immediately forfeited and canceled in their entirety without any payment or consideration being due from the Company.

(d) *Voluntary Termination Without Good Reason*. If the Participant resigns from the Participant's employment or service with the Company or any of its Subsidiaries without Good Reason, any unvested shares of Time-Vesting Restricted Stock and Performance-Vesting Restricted Stock shall be immediately forfeited and canceled in their entirety without any payment or consideration being due from the Company.

Section 4. *Change in Control*. The treatment upon a Change in Control of any unvested shares of Restricted Stock subject to the Award shall be determined by the Committee pursuant to Section 7.01 of the Plan; provided that Section 7.01(d) of the Plan shall not apply to the Award.

Section 5. *Voting Rights*. For the avoidance of doubt, subject to the Company's Charter, any unvested shares of Restricted Stock subject to the Award shall be entitled to voting rights to the extent that the Company's 5.00% Convertible Senior Unsecured PIK Notes due 2025 have voting rights on an as-converted basis.

Section 6. *Representations.* The Participant represents and warrants that:

(a) If the Participant qualifies as an "Accredited Investor" (as defined in Rule 501 of Regulation D promulgated under the Securities Act) he or she has completed Annex I hereto, in accordance with the instructions therein.

(b) The Common Shares issued in connection with the Award are for the Participant's own account for investment and not with any view to the distribution thereof, and the Participant will not sell, assign, transfer or otherwise dispose of the Award or any of the Common Shares issued in connection with the Award, or any interest therein, in violation of the Securities Act or any applicable state securities law.

(c) The Participant understands that (i) the Common Shares issued in connection with the Award will not be registered under the Securities Act or any applicable state securities law and may not be sold or otherwise disposed of unless it is registered or sold or otherwise disposed of in a transaction that is exempt from such registration and (ii) the certificates representing such Common Shares will bear appropriate legends restricting the transferability thereof.

(d) The Participant understands that the Company Group will rely upon the completeness and accuracy of these representations in establishing that the contemplated transactions are exempt from the Securities Act and hereby affirms that all such representations are accurate and complete. The Participant will notify the Company immediately of any changes in any of such information at any time.

Section 7. *Restrictive Covenants.* As a condition precedent to receiving the Award granted pursuant to this Award Agreement, the Participant shall execute and agree to be subject to the Restrictive Covenant Agreement in substantially the form set forth in Exhibit B to the Pioneer Energy Services Corp. Key Executive Severance Plan. Notwithstanding anything herein to the contrary, if the Participant does not execute and agree to be subject to the Restrictive Covenant Agreement contemporaneously with this Award Agreement, the Award shall be void *ab initio* and canceled in its entirety without any payment or consideration being due from the Company.

Section 8. *Spousal Consent.* The Participant agrees to cause any current or future spouse of his or hers to deliver to the Company a consent in the form of the consent set forth in Exhibit B hereto validly executed by such spouse on the date hereof or promptly after any such person becomes his or her spouse, as applicable.

Section 9. *Governing Law; Waiver of Jury Trial.* This Award Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware without regard to the conflicts of laws rules of such state. Each of the parties hereto hereby irrevocably waives any and all right to trial by jury in any legal proceeding arising out of or related to this Award Agreement or the transactions contemplated hereby.

Section 10. *Amendment*. The Committee may waive any conditions or rights under, amend any terms of, or alter, suspend, discontinue, cancel or terminate, this Award or Award Agreement, prospectively or retroactively; provided, however, and notwithstanding Section 12.02 of the Plan, any such waiver, amendment, alteration, suspension, discontinuance, cancelation or termination that would adversely affect the rights of the Participant will not to that extent be effective without the consent of the Participant.

Section 11. *Interpretation.* The Participant accepts this Award subject to all the terms and provisions of the Plan; provided that in the event of any conflict between any provision of the Plan and this Award Agreement, this Award Agreement shall control. The Participant accepts as binding, conclusive and final all decisions or interpretations of the Board or the Committee upon any questions arising under the Plan and/or this Award Agreement. Notwithstanding the immediately preceding sentence or the provisions of Section 3.03 of the Plan, any good faith dispute by the Participant of any action taken by the Committee in respect of this Award Agreement (or any applicable provisions of the Plan relating hereto) shall be subject to *de novo* review by the applicable court. The Participant acknowledges receiving a copy of the Plan.

Section 12. *Notices.* Any notice under this Award Agreement shall be (i) if in writing, effective when delivered in person or deposited in the United States mail, postage prepaid, registered or certified, and addressed to the Participant at his or her last known address on the books of the Company or, in the case of the Company, at the address set forth below, subject to the right of either party to designate some other address at any time hereafter in a notice satisfying the requirements of this Section 12, or (ii) if delivered by electronic email transmission, effective when a receipt of such e-mail is requested and received.

Pioneer Energy Services Corp.
1250 N.E. Loop 410, Suite 1000 San Antonio, Texas 78209
Attention: Bryce Seki, VP - General Counsel
E-mail: bseki@pioneeres.com

Section 13. *Sections and Headings.* All section references in this Award Agreement are to sections hereof for convenience of reference only and are not to affect the meaning of any provision of this Award Agreement.

Section 14. *Counterparts.* This Award Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Award Agreement shall become effective when each party hereto shall have received counterparts hereof signed by all of the other parties hereto. Until and unless each party has received a counterpart hereof signed by the other party hereto, this Award Agreement shall have no effect and no party shall have any right or obligation hereunder (whether by virtue of any other oral or written agreement or other communication).

[*signature page follows*]

IN WITNESS WHEREOF, the undersigned have caused this Award Agreement to be duly executed as of the date first above written.

PIONEER ENERGY SERVICES CORP.

By: ______________________________

Name:

Title:

PARTICIPANT

By: ______________________________

Name:

ANNEX I

1. The Participant is an Accredited Investor as a result of meeting one or more of the criteria set forth in items 2(a) through (d) below (check the relevant response):

Yes ____________ No ____________

2. If the answer to Question 1 above is yes, the Participant is an Accredited Investor because he or she certifies that (check all appropriate descriptions that apply):

a. ____________ The Participant has individual net worth, or joint net worth with his or her spouse, exceeding $1,000,000. For purposes of this Question 2, “net worth” means the excess of total assets at fair market value (including personal and real property, but excluding the estimated fair market value of a person’s primary home) over total liabilities.

b. ____________ The Participant had individual income exceeding $200,000 in each of the last two calendar years and the Participant has a reasonable expectation of reaching the same income level in the current calendar year. For purposes of this Question 2(b), "income" means annual adjusted gross income, as reported for federal income tax purposes, plus (i) the amount of any tax-exempt interest income received; (ii) the amount of losses claimed as a limited partner in a limited partnership; (iii) any deduction claimed for depletion; (iv) amounts contributed to an IRA or Keogh retirement plan; (v) alimony paid; and (vi) any amount by which income from long-term capital gains has been reduced in arriving at adjusted gross income pursuant to the provisions of Section 1202 of the Code.

c. ____________ The Participant had joint income with his or her spouse exceeding $300,000 in each of the last two calendar years and the Participant has a reasonable expectation of reaching the same income level in the current calendar year, as defined in (b) above.

d. ____________ The Participant is a director, executive officer or general partner of the Company, or a director, executive officer of the Company. (For purposes of this Question 2(d), executive officer means the president; any vice president in charge of a principal business unit, division or function, such as sales, administration or finance; or any other person or persons who perform(s) similar policymaking functions for the Company.)

3. The Participant is qualified to purchase the Common Shares underlying the Award because he or she has such knowledge and experience in financial and business matters that he or she is capable of evaluating the merits and risks of such investment.

Yes ____________ No ____________

4. The Participant has sufficient knowledge and experience in similar investments to evaluate the merits and risks of an investment in the Company Group.

Yes _____________ No _____________

EXHIBIT A

GRANT NOTICE OF AWARD

1	**Number of Common Shares underlying the Award**	**<<Restricted Stock Shares>>** **<<Time-Vesting Restricted Stock Shares>>** will be "**Time-Vesting Restricted Stock**" and **<<Performance-Vesting Restricted Stock Shares>>** will be "**Performance-Vesting Restricted Stock**"
2	**Type of Award**	Restricted Stock
3	**"Grant Date"**	**<<Grant Date>>**
4	**"Vesting Commencement Date"**	**<<Vesting Commencement Date>>**
5	**Vesting Schedule**	Subject to Section 3 of the Award Agreement, the Restricted Stock issued under the Award will vest as follows: Time-Vesting Restricted Stock will vest 1/3 on each of the first three anniversaries of the Vesting Commencement Date, subject to the Participant's continuous employment with the Company and its Affiliates. Performance-Vesting Restricted Stock will vest subject to the Performance Conditions below.
6	**"Performance Condition"**	**<<Performance Condition>>**

EXHIBIT B

CONSENT OF SPOUSE

The undersigned spouse of Participant who is the signatory to the foregoing Award Agreement has read and hereby approves the terms and conditions of the Plan and this Award Agreement. In consideration of the Company’s granting his or her spouse the Award as set forth in the Plan and this Award Agreement, the undersigned hereby agrees to be irrevocably bound by the terms and conditions of the Plan and this Award Agreement and further agrees that any community property interest shall be similarly bound. The undersigned hereby appoints the undersigned’s spouse as attorney-in-fact for the undersigned with respect to any amendment or exercise of rights under the Plan or this Award Agreement.

____
Name: **<<Spouse>>**
Spouse of **<<Employee Name>>**

EXHIBIT 21.1

The following is a list of all of Pioneer Energy Services Corp.'s direct and indirect subsidiaries:

1. Pioneer Drilling Services, Ltd., a Texas corporation - 100% direct subsidiary.

2. Pioneer Global Holdings, Inc., a Delaware corporation - 100% indirect subsidiary-100% owned by Pioneer Drilling Services, Ltd.

3. Pioneer Services Holdings, LLC, a Delaware limited liability company - 100% indirect subsidiary-100% owned by Pioneer Global Holdings, Inc.

4. Pioneer Latina Group SDAD, Ltda., a Panama corporation - 100% indirect subsidiary-owned by Pioneer Global Holdings, Inc. (99%) and Pioneer Services Holdings, LLC (1%).

5. Pioneer de Colombia SDAD, Ltda., a Panama corporation - 100% indirect subsidiary-owned by Pioneer Latina Group SDAD, Ltda. (99%) and Pioneer Services Holdings, LLC (1%).

6. Pioneer de Colombia SDAD, Ltda., Surcusal Colombia, a Colombian branch - 100% indirect subsidiary-100% owned by Pioneer de Colombia SDAD, Ltda.

7. Proveedora Internacional de Taladros S.A.S - 100% indirect subsidiary-100% owned by Pioneer Global Holdings, Inc.

8. Pioneer Production Services, Inc., a Delaware corporation - 100% direct subsidiary.

9. Pioneer Wireline Services Holdings, Inc., a Delaware corporation - 100% indirect subsidiary-100% owned by Pioneer Production Services, Inc.

10. Pioneer Wireline Services, LLC, a Delaware limited liability company - 100% indirect subsidiary-100% owned by Pioneer Wireline Services Holdings, Inc.

11. Pioneer Well Services, LLC, a Delaware limited liability company - 100% indirect subsidiary-100% owned by Pioneer Production Services, Inc.

12. Pioneer Fishing & Rental Services, LLC, a Delaware limited liability company - 100% indirect subsidiary-100% owned by Pioneer Production Services, Inc.

13. Pioneer Coiled Tubing Services, LLC, a Delaware limited liability company - 100% indirect subsidiary-100% owned by Pioneer Production Services, Inc.

EXHIBIT 23.1

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Pioneer Energy Services Corp.:

We consent to the incorporation by reference in the registration statements (No. 333-250916) on Form S-1 and (No. 333-250058) on Form S-8 of Pioneer Energy Services Corp. of our reports dated March 5, 2021, with respect to the consolidated balance sheets of Pioneer Energy Services Corp. as of December 31, 2020 (Successor) and December 31, 2019 (Predecessor), the related consolidated statements of operations, stockholders' equity, and cash flows for the periods of June 1, 2020 to December 31, 2020 (Successor), January 1, 2020 to May 31, 2020 (Predecessor), and for the year ended December 31, 2019 (Predecessor), and the related notes (collectively, the consolidated financial statements), and the effectiveness of internal control over financial reporting as of December 31, 2020, which reports appear in the December 31, 2020 annual report on Form 10-K of Pioneer Energy Services Corp.

/s/ KPMG LLP

San Antonio, Texas
March 5, 2021

Exhibit 31.1

I, Matthew S. Porter, certify that:

1. I have reviewed this annual report on Form 10-K of Pioneer Energy Services Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

March 5, 2021

/s/ Matthew S. Porter

Matthew S. Porter
President and Chief Executive Officer

Exhibit 31.2

I, Lorne E. Phillips, certify that:

1. I have reviewed this annual report on Form 10-K of Pioneer Energy Services Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

March 5, 2021

/s/ Lorne E. Phillips
Lorne E. Phillips
Executive Vice President and Chief Financial Officer

Exhibit 32.1

Officer's Certification Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002
(18 U.S.C 1350)

In connection with the Annual Report on Form 10-K of Pioneer Energy Services Corp., a Texas corporation, (the "Company") for the year ended December 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Matthew S. Porter, President and Chief Executive Officer, hereby certifies, pursuant to 18 U.S.C. Section 1350, that, to the best of his knowledge:

(1) The Report is in full compliance with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated:	March 5, 2021	/s/ Matthew S. Porter
		Matthew S. Porter
		President and Chief Executive Officer

Exhibit 32.2

Officer’s Certification Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002
(18 U.S.C 1350)

In connection with the Annual Report on Form 10-K of Pioneer Energy Services Corp., a Texas corporation, (the “Company”) for the year ended December 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned, Lorne E. Phillips, Executive Vice President and Chief Financial Officer, hereby certifies, pursuant to 18 U.S.C. Section 1350, that, to the best of his knowledge:

(1) The Report is in full compliance with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated:	March 5, 2021	/s/ Lorne E. Phillips
		Lorne E. Phillips
		Executive Vice President and Chief Financial Officer