



| Marketing

## Chapter eight:

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Even before the gavel banged down on the dais to bring April’s congressional hearing to order, the deck appeared stacked against Pioneer Chief Executive Officer **Scott Sheffield** and five of his counterparts representing the largest energy companies in the country.

They’d been called to testify before a special U.S. House Committee on Energy and Commerce panel as nationwide gas prices soared. Yet before one word of testimony was entered into the record, a verdict had been reached, judging by the title of the six-hour hearing: “*Gouged at the Gas Station: America’s Pain at the Pump.*”

Politicians on both sides, up for reelection in November’s midterms, were scrambling to find a bad guy to publicly lash. So, they (re)turned to a familiar villain: “*Big Oil.*”

Nothing to see here, folks. Never mind Russia’s recent invasion of neighboring Ukraine in February, which sent European nations scrambling to find additional energy resources.

Blame the people in the suits – even though companies like Pioneer are *price-takers*, not makers, which means we don’t set the price consumers pay at the pump. Prices are market-driven, as you learned in Economics 101.

“It’s all based on the world of supply and demand, and also predictions of what may happen in the future,” **Scott** explained to committee member U.S. Rep. Billy Long (R-Missouri).

**Scott** also leveraged his 45 years of experience in the business to explain why the energy we produce domestically is a geopolitical asset.



# “Technical innovations in horizontal drilling and hydraulic fracturing,

combined with the advantages of private ownership and development of mineral resources, have enabled the U.S. to achieve a level of energy security once thought unattainable,” **Scott** told the committee. “Just imagine what the price of oil would be today without shale oil growth adding over 8 million barrels a day to domestic oil production. Had this growth not happened, these 8 million barrels would have come from foreign nations.”

For the past seven weeks, we’ve followed a drop of oil on a whirlwind adventure that touched nearly every department at **Pioneer**, no matter how indirectly.



To begin our journey, we had to go back – billions of years back – to discover how oil deposits first formed on the planet. We then learned how the profession of geology went from being viewed in early oil business days as voodoo science to its proper recognition as the vital linchpin underpinning today’s leading energy companies.

We followed our Development and Land teams as they lined up the key acreage needed to drill on. Then, we reached the most labor-intensive segments of oil’s journey, as our Drilling, Completions and Production units worked around the clock to recover those valuable hydrocarbons beneath Earth’s surface, mastering the *hydraulic fracturing* method that sparked the *Shale Revolution* and forever changed the way the energy industry did business.

And even though it took *us* two months to follow the oil, it’s a speck of time compared to how long the process actually takes. Our trucks don’t just pull up on a patch of West Texas land and start drilling because it feels like the right place. Planning just one wellsite can take years, as all eventualities during the lifecycle of a producing well are calculated to as near-certainty as possible.

# After the exploring, drilling

and separating oil from gas resources as they are brought to the surface, it falls to our Marketing team to complete the journey of that drop of oil – *the Pioneer molecule* – to match our product with a domestic and international buyer pool. The bulk of our produced resources will travel south to coastal port facilities and overseas to a dozen or so countries to power all aspects of their citizens' daily lives, including homes, vehicles and factories.



It's the tireless work of all **Pioneer** employees that seamlessly come together, department by department, to ensure we get the best financial outcome in the end. And Marketing's 25-member unit plays a significant role. They're at the point of the spear when it comes to getting the most value from our products via sales negotiations, contracts, scheduling, reconciliation and more.

**This chapter is  
about how vision  
finally meets reality.**

**Let's pick up where we left off toward the end of the Production chapter. Our hydrocarbons have now been lifted from the wellbore, then the oil, gas and water are separated. Hundreds of smaller pipelines transport crude oil from the wellhead to scores of central production facilities called tank batteries.**

It's here that Production hands responsibilities off to our **Marketing** team to negotiate contracts with *midstream* companies – *midstream* means the points in the oil production process involving the storage, processing and transportation of petroleum products – that collect and transport our oil from the tank battery facilities.

We work with four major companies – we refer to them as *oil gatherers* – who have *AMIs*, or areas of mutual interest, within the seven-county footprint in which we operate. That means they have both a right and an obligation to pick up the oil produced from the wells we drill in their designated territories.

We'll sell all the roughly 500,000 gross barrels of oil we produce a day at the tank batteries to the four major gatherers and about a dozen additional companies.





Here's where we keep up our end of the contract with our major oil gatherers. When we plan to drill a well or locate a tank battery within their respective territories, it's up to folks like Senior Marketing Manager **Keith Buker** to keep our partners up to speed with our latest drilling and production efforts. He's the logistics guy and plays an essential role helping negotiate (or renegotiate) our multiyear contracts with the major gatherers to ensure our product reaches a market center—and a buyer.

“Particularly when we schedule new facilities, that's where I come into play,” says **Keith**, who grew up in the Gulf Coast town of Orange, Texas, near the Louisiana border. The area is known for its thriving petrochemical industry and refineries, and **Keith's** dad retired from one, sparking his early interest in the business. Keith joined the company in 2014 after a nine-year stint at Hunt Oil.



“When you look at all the new production facilities on the schedule, I need to be looking ahead, figuring out who has oil gathering rights at those locations, and making sure that the projects get kicked off and stay on track, consistent with when those facilities are coming online,” he says.

When our gatherers receive the information from **Keith**, it's up to them to build the needed pipeline and related infrastructure to our new facility to take the oil when it comes online.

**Keith** usually plans 18 months to two years out, constantly communicating with our Drilling and Development units. He's currently keeping tabs on roughly 10 new facilities that are set to come online in that time.



# Marketing Daily Price Review



This is a snapshot of the many price graphs Marketing analyzes and reviews daily. Prices moves quickly and not in harmony, which creates arbitrage opportunities to redirect sales to improve revenues. And the price relationships and trends are key to the selling decisions the department makes for crude, natural gas and NGLs. Marketing is responsible for monetizing all of Pioneer’s gross production.

**But as we’ve mentioned a couple times already in this series: Easier said than done.**

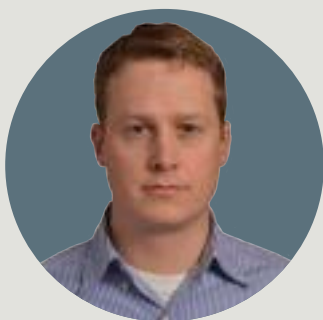
“The worst thing for me that could happen is if we’re ready to bring a new location online and the oil pipeline is not there and ready to take the oil – that can keep me up at night,” he says. “A big part of my job is tracking those projects, helping to keep them on schedule, communicating with the pipeline gatherers and learning about any issues they may be encountering that could slow projects down.”

Taking that a step further, **Keith’s** also responsible for whether existing connections already in those territories will have the capacity to accommodate additional oil volume if we decide to drill beyond those locations.

“A lot of times, our pipeline gatherers may need to perform an upgrade on a project or make some changes to take that additional oil, so that’s kind of my recurring responsibility, and then there’s always unique issues to resolve,” he says.

We depend on the larger midstream oil gathering companies to keep our oil flowing through main pipeline networks and eventually onto larger industry storage tank farms. Two of the main hubs are in Midland and Cushing, Oklahoma – dubbed “The Pipeline Crossroads of the World” because its nearly 8-square-mile area 70 miles northeast of Oklahoma City is the largest crude oil storage facility in North America.

At these larger facilities, most of the major industry players own oil, tank space, pipelines or all three, depending on each company’s business model. We sell our leased crude oil production to both those midstream companies on longer-term contracts and to at least a dozen smaller lease buyers on a month-to-month, or “*evergreen*,” basis. These companies might require oil to supply refineries to mix with other crudes for specific products, for example.



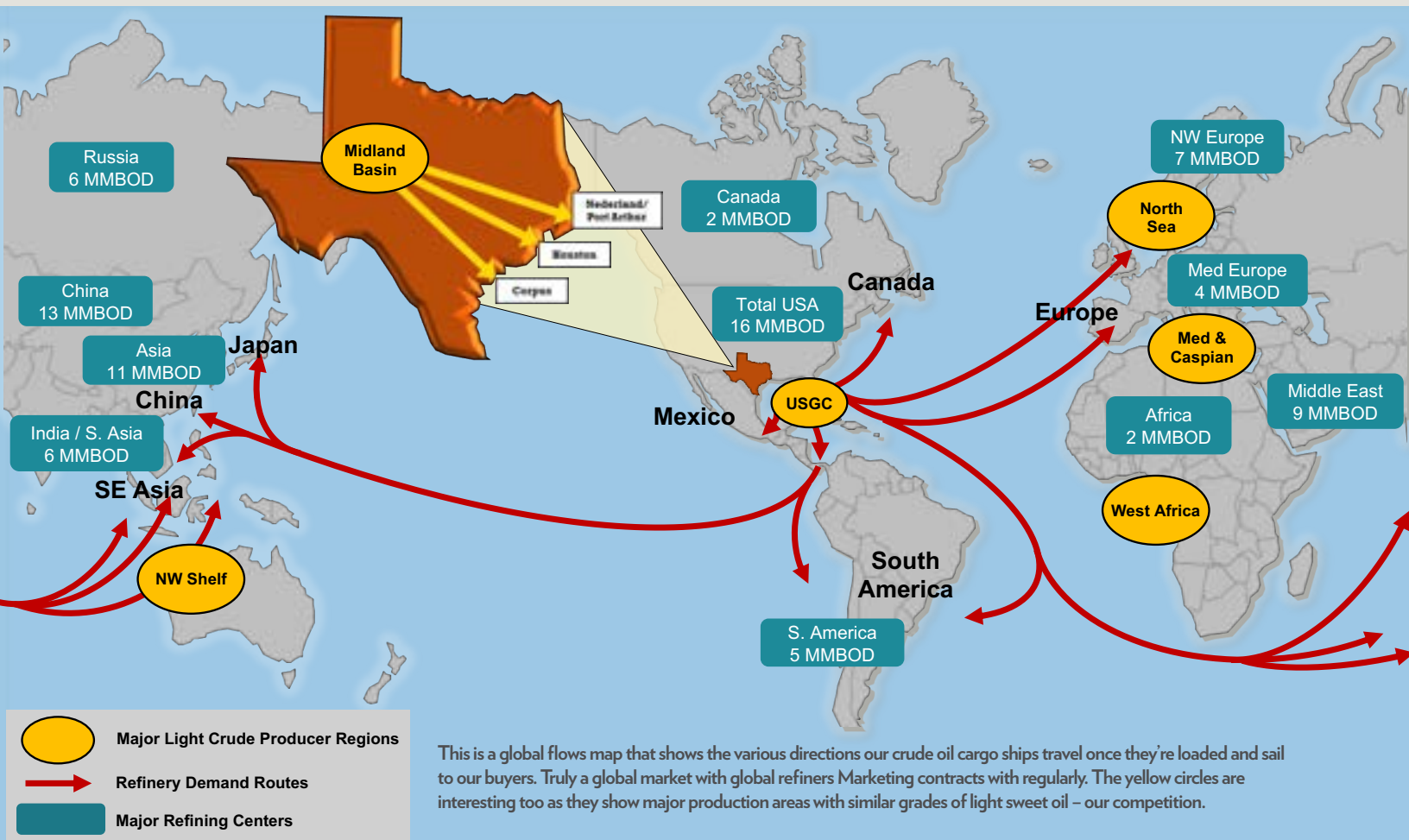
The man responsible for vetting and negotiating with those lease buyers is Senior Marketer **Andrew Greene**, who arrived at Pioneer in 2013 after cutting his teeth at Energy Transfer and Atmos Energy. Like many of his colleagues, he’s got the business in his blood: His dad worked for TXU Energy for 46 years, one brother works in Austin in energy transmission and his other brother worked for GE for 15 years in the company’s nuclear fuels division.

**Photo Caption-Oil Tanker First Cargo:**

Less than a year after the 2015 federal repeal of the crude oil export ban, a tanker ship transporting Pioneer’s first export cargo left port in Nederland, Texas, bound for its destination in northwest Europe. The Paramount Halifax sailed on August 20, 2016, loaded with 307,338 barrels of oil. Marketing Senior Vice President **John Distaso** (left end, in salmon-colored dress shirt) and Senior Crude Marketing Director **Bobby Joseph** (right end, in blue polo) were on hand to commemorate the company’s landmark day. Since then, “we have been going gangbusters,” Bobby says.







“My job is making sure every barrel of oil can flow – that’s the No. 1 priority,” **Andrew** says. You instantly realize why **Andrew’s** in this role: he’s affable, peppers anecdotes with references to *Moneyball* and *The Princess Bride*, and he’s approachable. He’ll tell you he already had the gift of gab, but it was during his two-year stint at Atmos where he learned that the best storytellers make the best marketers.

“You’ve got to know how to network; you’ve got to have a good social game, and that’s why I love this role so much,” he says. “It’s technical, there’s a lot of numbers, some accounting, a little bit of finance, but it’s also centered around people and developing those relationships with your partners – building that trust – so they’ll want to keep doing business with you.”

**Stellar communication skills, and a little bit of finesse, come in handy when Andrew negotiates the company’s monthly “evergreen” contracts.**

“The evergreen contracts keep us flexible, so if somebody comes in and says they need to raise their rates because of high diesel prices – but it’s an unreasonable ask – I’ll say ‘No, I don’t agree,’ cut off the contract and we’ll move the leases to someone else, and that literally happened three times between April and August,” **Andrew** explains. “But then there are a lot of times companies will come to me and say, ‘We need a small increase,’ and, if I see that everybody else is requesting that same amount to cover increasing costs, that’s reasonable to me, and I make a deal.”

And there’s no sour grapes – that’s the finesse part. **Andrew** still makes deals for future “**evergreens**” with the same companies he might’ve turned down a month or so back. It’s about softening the blow. Do it skillfully, and you still get repeat customers.

It may sound like a simple task to sell whatever’s produced, but the complication is understood once you visualize the communication that must take place. **Andrew** works across multiple **Pioneer** departments and disciplines – such as Regulatory, Field Operations, Credit, Accounting and Legal – and consults numerous analysts to ensure our product is sold efficiently and wisely.



**John Distaso is Senior Vice President of the Marketing department. With 39 years in the business under his belt, including stops at Mobil Oil, Apache, Devon and Deloitte leading commercial energy teams, and living in Europe and Africa along the way, John’s seen all aspects of oil and gas marketing from a variety of perspectives and settings.**

There’s one anecdote that will tell you just about all you need to know about **John**: For years, it was on his bucket list to speak about the oil and gas business at his alma mater – and unabashedly left-leaning institution – the University of California at Berkeley, even though he knew he’d likely face a hostile crowd.

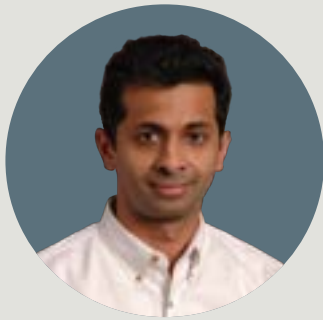
**He got his wish a few years ago to speak on campus. To his surprise, his talk was well-received.**

“It was amazing how many students attended to hear about international oil trading and marketing, its relevance in our modern economy, oil’s global reach, the consumer applications made from refined products, all with an open mind – the way I remembered my Berkeley days, when free speech was the motto,” **John** says. “I was blown away – nearly a dozen interested students stayed over an hour after the talk just to learn more.

“In particular, I think it gave the business students an appreciation to hear the other side – as surely many of their professors took a different stance,” he says.

## Marketing's Mission

Pioneer's Marketing mission is to monetize 100% of available gross upstream production of crude oil, natural gas & natural gas liquids (NGLs) from gas processing plants. The sales campaign includes commitments to a diversified portfolio of creditworthy counterparties under attractive market price formulas and contractual terms that ensure flow, maximize price and minimize performance and payment risks. The department also provides midstream, processing, Land, and Accounting support in addition to pricing analyses to assist the broader organization.



Senior Crude Marketing Director **Bobby Joseph** has notched a quarter-century in the industry and plays major roles in the next phase of this process: Marketing our downstream crude oil.

This next part is a bit of a brain-bender, so stick with us.

Once we've sold the roughly 500,000 barrels of oil in the field at our tank battery locations, it's up to **Bobby's** team to buy the barrels back at the Midland hub and send the product downstream. You heard that right. Doing so allows us to then separately translate our net production of WTI-quality crude into downstream onshore and international prices to sell to a much larger audience.



# After the buyback,

we send the product hundreds of miles south through six major pipelines to the Gulf Coast and port facilities like Corpus Christi, Houston and Nederland. The oil will either be purchased by coastal refineries to make onshore finished products such as gasoline, distillates, jet fuels and fuel oils; or loaded onto large tanker ships sailing for dozens of refineries around the world, mainly to clients in Europe and Asia.

Our barrels don't get sold at the coast until they are loaded onto a ship. It's at a specific point on the ship, the *flange*, where the title transfers between **Pioneer** and the customer. The tankers can store between 600,000 and 2 million barrels of oil per cargo, depending on the ship's size.

**Bobby** cultivates an active roster totaling more than two-dozen international buyers. He joined **Pioneer** in 2005, first managing our oil marketing needs in Alaska, Tunisia and South Africa for about seven years.



In 2012, when  
**Pioneer** sold off  
our international  
assets to focus  
strictly on North  
America,

his role transitioned with the company's move to a single-basin asset, with a strategic focus on ensuring we reached the global market as the company grew.

When the 40-year oil export ban was lifted in December 2015, crude marketing took off. Before that landmark federal repeal, we sold oil mostly to domestic refiners. Our first export cargo came in July 2016, and since then, **Bobby** says, "We have been going gangbusters."

# Bobby keeps an impressive work schedule.



His Rolodex of companies is 40-deep, and every month he speaks to 30 different buyers. He's a news junkie, too, and keeps close tabs on how world events – like the rolling COVID-19 shutdowns in China, or the projected path of a major hurricane – could impact business decisions at company headquarters.

“Part of that isn't only for people we're doing business with that month, but for contacts globally who share their information with me from past business and the inside information that they have about what's going on in the future. They have access to things that aren't written up in news reports,” **Bobby** says. “Having those connections is probably as vital in this business as anything because if they bought from us, we really want to make sure that we deliver on time because it's our credibility that could get hurt, and that's the last thing we want.”

**There's the other tenet we've seen over several of our chapters: *Oil is a people business.***

Folks like **Bobby** have decades of industry chops, meticulously cultivated global contacts and, well, **guts**. When you're executing transactions to ship millions of barrels of crude to clientele in countries halfway across the globe – all while maintaining the trust of company executives that you're making the right deals – there's probably no better definition.

“Convincing our company that we should be going away from being a field seller, you must have the street credit to convince somebody to do this. You need somebody who's done it before, because you're taking your molecules further and further downstream,” says **Bobby**, who's been in front of our Board of Directors seven times, answering the tough questions about risk vs. reward. “The biggest challenge for us was to convince management that there's risk – sometimes a lot of risk. But it's a risk we can manage – and we can manage that risk only because we have the experienced staff to do it.”

## How do you write a fitting conclusion to concisely sum up what we've learned in the past two months?

About how this precious natural resource journeys from a dusty field in West Texas to the gas tank of a car zooming down Germany's *Autobahn* – and how every **Pioneer** employee, no matter their role, has a role in making that happen? How do we put this industry – so misunderstood and mischaracterized by so many – in its rightful place as the engine of a thriving global ecosystem?

**We'll leave it to Keith, who you met earlier in this chapter.**

**“Alternative energy and electric vehicles are the hot topic, and it seems everyone's pushing for them, but then you look out your window and most of the vehicles on the road, all the airplanes in the sky – the reason they're driving and flying is because of fossil fuels,” Keith says. “I feel like there's an assumption that oil and gas are always going to be there, and we can always drive to the gas pump to fill up our car.**



**“For the longest time, there’s been this pressure on oil and gas and, at the same time, a lack of support for our industry, then a war breaks out, and Scott’s in front of Congress answering a question about why we aren’t drilling more – now we’re the bad guys,”**

**Keith says. “People don’t have an appreciation for how important we are to the economy.”**



# The story's not over

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We've spent nearly two years talking with close to 100 **Pioneer** employees to bring this series to life. The result was an abundance of material – far more than we could ever fit into these eight chapters.

Over the course of the legwork, we also knew we were working with a serious limitation: It would be impossible to profile every area of the company whose contributions are vital to the lifecycle of a drop of oil. In ways large and small, direct and indirect, behind the scenes and out-front, you all play a vital part in our success. There's a reason why we say you are our No. 1 asset.

Groups like Facilities, Supply Chain Management, Health, Safety & Environmental, Government Relations, Legal, Accounting, TechSol, Human Resources, Learning & Development, our Executive Assistant corps, Recruiting, Benefits, Compliance and many, many others.

Imagine life if your paychecks weren't deposited on time, or you couldn't get into the garage one morning because the door is stuck. How would we prepare employees for future roles within the company, or find tomorrow's talent? Or interface with state oil and gas groups, lawmakers and other outside stakeholders to ensure our voice is heard beyond Irving and Midland?

**You get the point: It's impossible.**

So, in the coming months, we'll occasionally revisit our **Drop of Oil** format in this portal space to tell these important stories, profiling your colleagues who underpin everything Pioneer does. That's why this story doesn't really have an ending. You're still writing the chapters.

**Thanks for reading.**





## Meet the Creative Team



### *Writer*

#### **Justin Juozapavicius**

Justin kicked off his second stint at **Pioneer** earlier this year as senior technical writer on the corporate communications team. Before that, he was a reporter for nearly 20 years – 11 of them as a regional correspondent for The Associated Press telling the stories of America’s heartland to a global audience. In between his times at **Pioneer**, he worked for Raytheon Technologies, Inc. He graduated with a Journalism degree from Oklahoma State University and has lived in Dallas for five years. He’s a native of Chicago and diehard White Sox fan who can’t fathom why the Cubs even have a fanbase.



### *Concept & Series Editor*

#### **Amy Allen**

Amy is a **Pioneer** Corporate Communications manager and recently celebrated her fifth anniversary with the company. She has 15 years of communications industry experience, and held prior roles at Pier 1 Imports, GM Financial and Flowserve before coming to **Pioneer** in 2017. A native Texan, Amy graduated from Texas A&M University with a bachelor’s degree in Sociology, and a Marketing minor. Amy lives in Fort Worth, where she’s raising a son and two rescue cats. She loves traveling with friends and family and rooting for her Aggies on game days.



### *Graphic Designer*

#### **Aaron Cagle**

Aaron is a graphic designer on **Pioneer’s** corporate communications team who joined the company in May. He has extensive experience in branding, project management, web layout and design, video editing, professional photography, social media campaigns and event planning, among other areas. Before coming to **Pioneer**, Aaron worked for American Airlines, The Michaels Companies, Inc. and the EMJ Corporation. He graduated with a degree in Commercial Art and Advertising from Texas State Technical College and has lived in Dallas for more than 15 years. He’s raising three kids with his wife, Peggy Cagle



### *Copy-editing*

#### **Avery Wurzberger**

Former **Pioneer** Corporate Communications intern Avery Wurzberger is a junior at the University of Oklahoma studying Communication and minoring in Nonprofit Organizational Studies and Sociology. After graduating, Avery hopes to work in a community outreach role to help companies build stronger communities through philanthropy.



### *Copy-editing*

#### **Brijesh Kapadia**

Former **Pioneer** Corporate Communications intern Brijesh Kapadia is pursuing his graduate degree in Marketing at the University of Texas at Dallas. Brijesh will graduate this fall and intends to continue his professional journey in public relations and corporate communications.

# PIONEER

NATURAL RESOURCES

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