

Houston Chronicle Texas oil patch safety survey

To: Basic Energy Services Inc./Basic Energy LP

Attention: Alan Krenek

alan.krenek@basicenergyservices.com

Or Jack Lascar

jlascar@dennardlascar.com

In response to reported increases in oil patch deaths and in related traffic accidents, the **Houston Chronicle** obtained and analyzed public information about the amounts paid from 2008-2012 by oil and gas industry employers to workers who were injured or ill enough to miss a day of work or more. We are surveying 20 oil and gas companies across the state that ranked highest among 300 companies in terms of the amounts paid in compensation in those years.

The data from this analysis will be published online and in print and we'd appreciate your responses to put it in better context.

Please e-mail all responses to Yang Wang or Lise Olsen at the Houston Chronicle

by **Thursday, August 15, 2013.**

Yang.wang@chron.com

Lise.Olsen@chron.com

Opening Statement from Basic Energy Services:

Employee safety is our number one priority at Basic Energy Services. Our safety mission grants our employees the authority to slow down or shut down an operation they believe may jeopardize the safety of people, property or the environment. We provide training and equipment resources for a safe work environment for our employees and any third party personnel that may share work environments with us.

Over the last 20 years, Basic has developed a comprehensive safety policy and provides extensive training and the equipment to promote a safe work environment throughout our operations. Those policies and practices are regularly updated as we identify new risks, better safety practices or more effective safety equipment. We also update our safety management capabilities as new technologies such as GPS tracking and monitoring became available. We maintain our steadfast commitment to working with our employees, customers and peers on attaining our goal of zero incidents.

1. What was the average size of your workforce in Texas in 2012?

What was the number of average employees you employed in Texas in 2008?

We currently employ more than 3,800 people in Texas and had an average employee base of 3,500 in the state between 2008 and 2012. Our Texas-based employees worked more than 9 million hours during 2012 with the vast majority of those work hours engaged in providing services at the well site or in our trucking segment.

2. What's your main business (es) - check all that apply:

- a. Drilling (oil or natural gas) ✓
- b. Oil/gas well supply services ✓
- c. Well operator/lease holder
- d. Trucking/transport ✓
- e. Other? (please specify)
 - a. Pumping services ✓
 - b. Rental tools ✓
 - c. Coil tubing ✓

3. In which of the Texas shale plays do you operate – check all the apply

✓ Haynesville/Bossier (East Texas)

✓ Eagle Ford/Pearsall (South Texas)

✓ Permian Basin (West Texas) – including Cline and Wolfcamp

✓ Barnett/Fort Worth Basin

Other (please specify):

4. If you are a driller, how many land rigs do you have in Texas on average in 2012? 12

How many did you have in Texas in 2008? 9

If you are a well operator how many well leases did you hold in Texas in 2012? How does this compare with the number you had in 2008? NA

If you own a fleet of trucks, how many did you operate in Texas in 2012? How many in 2008?

We currently operate more than 2,300 highway vehicles in Texas with about half of those being heavy trucks and the other half primarily pickup trucks. That combined fleet grew by approximately 33% from 2008 as we expanded our business in many parts of the state. Those vehicles were driven more than 83 million miles during 2012 in the course of providing our services throughout the state.

5. Texas Department of Insurance public records indicate you had 374 claims involving injuries, illnesses or death involving one day or more of work lost from 2008-2012 and paid \$9,102,836.82 in benefits.

Broken down, the workers comp benefits paid for 2008-2012 were reported by employer Basic Energy Services Inc or Basic Energy Services LP both under FEIN no. 752441819. The payments included : \$4,824,705 in income indemnity benefits and \$4,278,132 in total medical benefits.

Does this seem accurate to you? Why or why not? **We have confirmed the numbers you cite are consistent with the amounts reported to the Texas Department of Insurance by our Workers' Compensation carrier.**

6. **According to preliminary calculations, you ranked 2nd out of 300 companies in terms of the total compensation paid to injured workers in Texas from 2008-12.**

Do you have any comment or information to help explain this data or to put it in context for a related story?

As one of the largest companies in the Texas oilfield services industry, our employees worked approximately 38 million hours and drove more than 300 million miles during the survey period. We believe our OSHA recordable accident frequency rate, which averaged 2.55 during the survey period (personal injury accidents per 200,000 man hours worked), is competitive in our industry. Similar statistics for vehicle accidents per million miles driven among oilfield service companies are not available but we believe we would compare favorably with competitors. We provide extensive training to all newly hired employees as well as providing additional and refresher training throughout our employees' careers.

7. **This figure does not include any death benefits paid to the families of workers who were killed on the job**, such as Basic Energy Services employee Abel Garcia Burn, 39, reported killed on or about 8/19/2010 and his colleague, Fernando Zamora, burned in the same flash explosion, who died almost two years later. What changes did you make following the fire/fatal burns of these two men?

Basic provides workers compensation insurance coverage to our employees injured on the job regardless of how the injury is caused. In the case of the accident which ultimately claimed the lives of Abel Garcia and Fernando Zamora, another service company's failure to follow good safety practices at the well site resulted in the death of those two experienced employees. Had that other service company followed a safety policy similar to ours, particularly communicating planned actions with all people on the job site, the tragic accident may have been avoided.

We can't control which service providers our customers may choose to work alongside our employees on the job site. Our safety policy however requires our personnel to communicate with other companies' personnel on location to coordinate plans and practices to promote a safe work environment for everyone.

Have you had any other deaths of employees from 2008-2012? **We had two employee fatalities at separate well site locations in Texas during the survey period in addition to the two**

discussed above. We also had four employee fatalities in Texas resulting from separate vehicle accidents over the five-year survey period.

8. **Please provide names of affiliated companies/subsidiaries under which you also do business in Texas.** (Include any previous names used if you changed names or merged with another company/ies since 2008)

We operate in the state of Texas under Basic Energy Services, L.P.

9. **Do you have any new safety initiatives you've developed to respond to the oil boom in Texas? Safety has always been an integral part of the Mission Statement of Basic Energy Services with achieving a safe, incident free workplace every day a part of each employee's job function. To back up that assigned responsibility, we specifically grant all or our employees the authority to slow down or even shut down an operation they believe jeopardizes the safety of people, property or the environment.**

Over the last 20 years, Basic has developed a comprehensive safety policy and provides extensive training and the equipment to promote a safe work environment throughout our operations. Those policies and practices are regularly updated as we identify new risks, better safety practices or more effective safety equipment. We also update our safety management capabilities as new technologies such as GPS tracking and monitoring became available.

Thanks for your responses. You are welcome to provide further information, including links or related reports or other supplemental information