

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

Form 10-Q

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2017

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

FOR THE TRANSITION PERIOD FROM _____ TO _____

Commission File No. 001-37917

Mammoth Energy Services, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

32-0498321

(I.R.S. Employer
Identification No.)

**14201 Caliber Drive Suite 300
Oklahoma City, Oklahoma**

(Address of principal executive offices)

73134

(Zip Code)

(405) 608-6007

(Registrant's telephone number, including area code)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, accelerated filer, non-accelerated filer, 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 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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of November 7, 2017, there were 44,502,223 shares of common stock, \$0.01 par value, outstanding.

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GLOSSARY OF OIL AND NATURAL GAS TERMS

The following is a glossary of certain oil and natural gas industry terms used in this report:

Blowout	An uncontrolled flow of reservoir fluids into the wellbore, and sometimes catastrophically to the surface. A blowout may consist of salt water, oil, natural gas or a mixture of these. Blowouts can occur in all types of exploration and production operations, not just during drilling operations. If reservoir fluids flow into another formation and do not flow to the surface, the result is called an underground blowout. If the well experiencing a blowout has significant open-hole intervals, it is possible that the well will bridge over (or seal itself with rock fragments from collapsing formations) down-hole and intervention efforts will be averted.
Bottomhole assembly	The lower portion of the drillstring, consisting of (from the bottom up in a vertical well) the bit, bit sub, a mud motor (in certain cases), stabilizers, drill collar, heavy-weight drillpipe, jarring devices (“jars”) and crossovers for various threadforms. The bottomhole assembly must provide force for the bit to break the rock (weight on bit), survive a hostile mechanical environment and provide the driller with directional control of the well. Oftentimes the assembly includes a mud motor, directional drilling and measuring equipment, measurements-while-drilling tools, logging-while-drilling tools and other specialized devices.
Cementing	To prepare and pump cement into place in a wellbore.
Coiled tubing	A long, continuous length of pipe wound on a spool. The pipe is straightened prior to pushing into a wellbore and rewound to coil the pipe back onto the transport and storage spool. Depending on the pipe diameter (1 in. to 4 1/2 in.) and the spool size, coiled tubing can range from 2,000 ft. to 23,000 ft. (610 m to 7,010 m) or greater length.
Completion	A generic term used to describe the assembly of down-hole tubulars and equipment required to enable safe and efficient production from an oil or gas well. The point at which the completion process begins may depend on the type and design of the well.
Directional drilling	The intentional deviation of a wellbore from the path it would naturally take. This is accomplished through the use of whipstocks, bottomhole assembly (BHA) configurations, instruments to measure the path of the wellbore in three-dimensional space, data links to communicate measurements taken down-hole to the surface, mud motors and special BHA components, including rotary steerable systems, and drill bits. The directional driller also exploits drilling parameters such as weight on bit and rotary speed to deflect the bit away from the axis of the existing wellbore. In some cases, such as drilling steeply dipping formations or unpredictable deviation in conventional drilling operations, directional-drilling techniques may be employed to ensure that the hole is drilled vertically. While many techniques can accomplish this, the general concept is simple: point the bit in the direction that one wants to drill. The most common way is through the use of a bend near the bit in a down-hole steerable mud motor. The bend points the bit in a direction different from the axis of the wellbore when the entire drillstring is not rotating. By pumping mud through the mud motor, the bit turns while the drillstring does not rotate, allowing the bit to drill in the direction it points. When a particular wellbore direction is achieved, that direction may be maintained by rotating the entire drillstring (including the bent section) so that the bit does not drill in a single direction off the wellbore axis, but instead sweeps around and its net direction coincides with the existing wellbore. Rotary steerable tools allow steering while rotating, usually with higher rates of penetration and ultimately smoother boreholes.
Down-hole	Pertaining to or in the wellbore (as opposed to being on the surface).
Down-hole motor	A drilling motor located in the drill string above the drilling bit powered by the flow of drilling mud. Down-hole motors are used to increase the speed and efficiency of the drill bit or can be used to steer the bit in directional drilling operations. Drilling motors have become very popular because of horizontal and directional drilling applications.
Drilling rig	The machine used to drill a wellbore.
Drillpipe or Drill pipe	Tubular steel conduit fitted with special threaded ends called tool joints. The drillpipe connects the rig surface equipment with the bottomhole assembly and the bit, both to pump drilling fluid to the bit and to be able to raise, lower and rotate the bottomhole assembly and bit.
Drillstring or Drill string	The combination of the drillpipe, the bottomhole assembly and any other tools used to make the drill bit turn at the bottom of the wellbore.
Horizontal drilling	A subset of the more general term “directional drilling,” used where the departure of the wellbore from vertical exceeds about 80 degrees. Note that some horizontal wells are designed such that after reaching true 90-degree horizontal, the wellbore may actually start drilling upward. In such cases, the angle past 90 degrees is continued, as in 95 degrees, rather than reporting it as deviation from vertical, which would then be 85 degrees. Because a horizontal well typically penetrates a greater length of the reservoir, it can offer significant production improvement over a vertical well.
Hydraulic fracturing	A stimulation treatment routinely performed on oil and gas wells in low permeability reservoirs. Specially engineered fluids are pumped at high pressure and rate into the reservoir interval to be treated, causing a vertical fracture to open. The wings of the fracture extend away from the wellbore in opposing directions according to the natural stresses within the formation. Proppant, such as grains of sand of a particular size, is mixed with the treatment fluid to keep the fracture open when the treatment is complete. Hydraulic fracturing creates high-conductivity communication with a large area of formation and bypasses any damage that may exist in the near-wellbore area.
Hydrocarbon	A naturally occurring organic compound comprising hydrogen and carbon. Hydrocarbons can be as simple as methane, but many are highly complex molecules, and can occur as gases, liquids or solids. Petroleum is a complex mixture of hydrocarbons. The most common hydrocarbons are natural gas, oil and coal.
Mud motors	A positive displacement drilling motor that uses hydraulic horsepower of the drilling fluid to drive the drill bit. Mud motors are used extensively in directional drilling operations.
Natural gas liquids	Components of natural gas that are liquid at surface in field facilities or in gas processing plants. Natural gas liquids can be classified according to their vapor pressures as low (condensate), intermediate (natural gasoline) and high (liquefied petroleum gas) vapor pressure.

Nitrogen pumping unit	A high-pressure pump or compressor unit capable of delivering high-purity nitrogen gas for use in oil or gas wells. Two basic types of units are commonly available: a nitrogen converter unit that pumps liquid nitrogen at high pressure through a heat exchanger or converter to deliver high-pressure gas at ambient temperature, and a nitrogen generator unit that compresses and separates air to provide a supply of high pressure nitrogen gas.
Plugging	The process of permanently closing oil and gas wells no longer capable of producing in economic quantities. Plugging work can be performed with a well servicing rig along with wireline and cementing equipment; however, this service is typically provided by companies that specialize in plugging work.
Plug	A down-hole packer assembly used in a well to seal off or isolate a particular formation for testing, acidizing, cementing, etc.; also a type of plug used to seal off a well temporarily while the wellhead is removed.
Pressure pumping	Services that include the pumping of liquids under pressure.
Producing formation	An underground rock formation from which oil, natural gas or water is produced. Any porous rock will contain fluids of some sort, and all rocks at considerable distance below the Earth's surface will initially be under pressure, often related to the hydrostatic column of ground waters above the reservoir. To produce, rocks must also have permeability, or the capacity to permit fluids to flow through them.
Proppant	Sized particles mixed with fracturing fluid to hold fractures open after a hydraulic fracturing treatment. In addition to naturally occurring sand grains, man-made or specially engineered proppants, such as resin-coated sand or high-strength ceramic materials like sintered bauxite, may also be used. Proppant materials are carefully sorted for size and sphericity to provide an efficient conduit for production of fluid from the reservoir to the wellbore.
Resource play	Accumulation of hydrocarbons known to exist over a large area.
Shale	A fine-grained, fissile, sedimentary rock formed by consolidation of clay- and silt-sized particles into thin, relatively impermeable layers.
Tight oil	Conventional oil that is found within reservoirs with very low permeability. The oil contained within these reservoir rocks typically will not flow to the wellbore at economic rates without assistance from technologically advanced drilling and completion processes. Commonly, horizontal drilling coupled with multistage fracturing is used to access these difficult to produce reservoirs.
Tight sands	A type of unconventional tight reservoir. Tight reservoirs are those which have low permeability, often quantified as less than 0.1 millidarcies.
Tubulars	A generic term pertaining to any type of oilfield pipe, such as drillpipe, drill collars, pup joints, casing, production tubing and pipeline.
Unconventional resource	An umbrella term for oil and natural gas that is produced by means that do not meet the criteria for conventional production. What has qualified as "unconventional" at any particular time is a complex function of resource characteristics, the available exploration and production technologies, the economic environment, and the scale, frequency and duration of production from the resource. Perceptions of these factors inevitably change over time and often differ among users of the term. At present, the term is used in reference to oil and gas resources whose porosity, permeability, fluid trapping mechanism, or other characteristics differ from conventional sandstone and carbonate reservoirs. Coalbed methane, gas hydrates, shale gas, fractured reservoirs and tight gas sands are considered unconventional resources.
Wellbore	The physical conduit from surface into the hydrocarbon reservoir.
Well stimulation	A treatment performed to restore or enhance the productivity of a well. Stimulation treatments fall into two main groups, hydraulic fracturing treatments and matrix treatments. Fracturing treatments are performed above the fracture pressure of the reservoir formation and create a highly conductive flow path between the reservoir and the wellbore. Matrix treatments are performed below the reservoir fracture pressure and generally are designed to restore the natural permeability of the reservoir following damage to the near wellbore area. Stimulation in shale gas reservoirs typically takes the form of hydraulic fracturing treatments.
Wireline	A general term used to describe well-intervention operations conducted using single-strand or multi-strand wire or cable for intervention in oil or gas wells. Although applied inconsistently, the term commonly is used in association with electric logging and cables incorporating electrical conductors.
Workover	The process of performing major maintenance or remedial treatments on an oil or gas well. In many cases, workover implies the removal and replacement of the production tubing string after the well has been killed and a workover rig has been placed on location. Through-tubing workover operations, using coiled tubing, snubbing or slickline equipment, are routinely conducted to complete treatments or well service activities that avoid a full workover where the tubing is removed. This operation saves considerable time and expense.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Various statements contained in this report that express a belief, expectation, or intention, or that are not statements of historical fact, are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, or the Exchange Act. In particular, the factors discussed in this report and detailed under Part II, Item 1A. Risk Factors in this report and our Annual Report on Form 10-K for the year ended December 31, 2016 could affect our actual results and cause our actual results to differ materially from expectations, estimates or assumptions expressed, forecasted or implied in such forward-looking statements.

Forward-looking statements may include statements about our:

- business strategy;
- pending or future acquisitions and future capital expenditures;
- ability to obtain permits and governmental approvals;
- technology;
- financial strategy;
- future operating results; and
- plans, objectives, expectations and intentions.

All of these types of statements, other than statements of historical fact included in this report, are forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as “may,” “will,” “could,” “should,” “expect,” “plan,” “project,” “budget,” “intend,” “anticipate,” “believe,” “estimate,” “predict,” “potential,” “pursue,” “target,” “seek,” “objective” or “continue,” the negative of such terms or other comparable terminology.

The forward-looking statements contained in this report are largely based on our expectations, which reflect estimates and assumptions made by our management. These estimates and assumptions reflect our best judgment based on currently known market conditions and other factors. Although we believe such estimates and assumptions to be reasonable, they are inherently uncertain and involve a number of risks and uncertainties that are beyond our control. In addition, our management’s assumptions about future events may prove to be inaccurate. Our management cautions all readers that the forward-looking statements contained in this report are not guarantees of future performance, and we cannot assure any reader that such statements will be realized or the forward-looking events and circumstances will occur. Actual results may differ materially from those anticipated or implied in the forward-looking statements.

MAMMOTH ENERGY SERVICES, INC.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

MAMMOTH ENERGY SERVICES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)

ASSETS	September 30, 2017	December 31, 2016 (a)
CURRENT ASSETS		
Cash and cash equivalents	\$ 14,278,328	\$ 29,238,618
Accounts receivable, net	65,490,189	21,169,579
Receivables from related parties	44,772,661	27,589,283
Inventories	12,164,225	6,124,201
Prepaid expenses	2,753,800	4,425,872
Other current assets	335,513	391,599
Total current assets	<u>139,794,716</u>	<u>88,939,152</u>
Property, plant and equipment, net	347,317,716	242,119,663
Sand reserves	75,210,457	55,367,295
Intangible assets, net - customer relationships	11,770,375	15,949,772
Intangible assets, net - trade names	6,722,197	5,617,057
Goodwill	99,810,819	88,726,875
Other non-current assets	4,509,500	5,642,661
Total assets	<u>\$ 685,135,780</u>	<u>\$ 502,362,475</u>
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 70,229,349	\$ 20,469,542
Payables to related parties	211,352	203,209
Accrued expenses and other current liabilities	21,556,542	8,546,198
Income taxes payable	—	28,156
Total current liabilities	<u>91,997,243</u>	<u>29,247,105</u>
Long-term debt	94,000,000	—
Deferred income taxes	51,086,739	47,670,789
Asset retirement obligation	2,031,119	259,804
Other liabilities	4,755,414	2,404,422
Total liabilities	<u>243,870,515</u>	<u>79,582,120</u>
COMMITMENTS AND CONTINGENCIES (Note 14)		
EQUITY		
Equity:		
Common stock, \$0.01 par value, 200,000,000 shares authorized, 44,502,223 and 37,500,000 issued and outstanding at September 30, 2017 and December 31, 2016, respectively.	445,022	375,000
Additional paid in capital	506,274,038	400,205,921
Member's equity	—	81,738,675
Accumulated deficit	(63,274,499)	(56,322,878)
Accumulated other comprehensive loss	(2,179,296)	(3,216,363)
Total equity	<u>441,265,265</u>	<u>422,780,355</u>
Total liabilities and equity	<u>\$ 685,135,780</u>	<u>\$ 502,362,475</u>

(a) Financial information has been recast to include the financial position and results attributable to Sturgeon Acquisitions LLC ("Sturgeon"). See Note 3.

The accompanying notes are an integral part of these condensed consolidated financial statements.

MAMMOTH ENERGY SERVICES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS (unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016 (a)	2017 (b)	2016 (a)
REVENUE				
Services revenue	\$ 63,112,621	\$ 19,077,680	\$ 119,863,654	\$ 65,964,774
Services revenue - related parties	56,860,754	36,028,399	134,425,170	76,679,011
Product revenue	15,276,279	1,675,230	29,043,367	4,651,673
Product revenue - related parties	14,055,246	6,557,237	39,200,789	17,788,581
Total revenue	149,304,900	63,338,546	322,532,980	165,084,039
COST AND EXPENSES				
Services cost of revenue (1)	89,345,946	35,850,660	191,910,453	102,113,120
Services cost of revenue - related parties	8,899	587,087	701,008	787,079
Product cost of revenue (2)	25,177,849	6,429,040	57,759,173	22,861,407
Selling, general and administrative	7,667,419	3,063,445	21,473,039	11,558,114
Selling, general and administrative - related parties	355,242	131,162	986,126	456,505
Depreciation, depletion, accretion and amortization	27,223,733	17,921,471	64,354,383	54,483,158
Impairment of long-lived assets	—	—	—	1,870,885
Total cost and expenses	149,779,088	63,982,865	337,184,182	194,130,268
Operating loss	(474,188)	(644,319)	(14,651,202)	(29,046,229)
OTHER (EXPENSE) INCOME				
Interest expense	(1,420,067)	(1,024,514)	(2,928,859)	(3,332,901)
Bargain purchase gain, net of tax	—	—	4,011,512	—
Other, net	(319,252)	(253,832)	(705,894)	371,894
Total other (expense) income	(1,739,319)	(1,278,346)	376,759	(2,961,007)
Loss before income taxes	(2,213,507)	(1,922,665)	(14,274,443)	(32,007,236)
(Benefit) provision for income taxes	(1,412,680)	1,055,961	(7,322,822)	2,739,696
Net loss	\$ (800,827)	\$ (2,978,626)	\$ (6,951,621)	\$ (34,746,932)
OTHER COMPREHENSIVE INCOME (LOSS)				
Foreign currency translation adjustment (3)	627,515	(386,265)	1,037,067	1,583,593
Comprehensive loss	\$ (173,312)	\$ (3,364,891)	\$ (5,914,554)	\$ (33,163,339)
Net loss per share (basic and diluted) (Note 10)	\$ (0.02)	\$ (0.10)	\$ (0.17)	\$ (1.16)
Weighted average number of shares outstanding (Note 10)	44,501,885	30,000,000	40,526,276	30,000,000
Pro Forma C Corporation Data:				
Net loss, as reported		(2,978,626)		(34,746,932)
Pro forma benefit for income taxes		(3,896,035)		(9,701,517)
Pro forma net loss		917,409		(25,045,415)
Basic and Diluted (Note 10)		\$ 0.02		\$ (0.58)
Weighted average pro forma shares outstanding—basic and diluted (Note 10)		43,107,452		43,107,452
(1) Exclusive of depreciation and amortization	24,152,840	16,115,125	57,641,729	49,658,528
(2) Exclusive of depreciation and amortization	3,033,092	1,783,439	6,599,251	4,729,620
(3) Net of tax	357,594	—	811,906	—

(a) Financial information has been recast to include the financial position and results attributable to Sturgeon. See Note 3.

(b) Financial information includes the financial position and results attributable to Sturgeon for the entire period presented. See Note 3.

The accompanying notes are an integral part of these condensed consolidated financial statements .

MAMMOTH ENERGY SERVICES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (unaudited)

	Common Stock		Common Partners	Members' Equity	Accumulated Deficit	Additional Paid-In Capital		AOCL	Total
	Shares	Amount							
Balance at January 1, 2016 (a)	—	\$ —	\$ 329,090,230	\$ 90,783,508	\$ —	\$ —	\$ —	(5,926,968)	\$ 413,946,770
Net loss prior to LLC conversion	—	—	(32,085,117)	—	—	—	—	—	(32,085,117)
Equity based compensation	—	—	(18,683)	—	—	—	—	—	(18,683)
LLC Conversion (Note 1)	—	—	(296,986,430)	—	—	296,986,430	—	—	—
Issuance of common stock at public offering, net of offering costs	37,500,000	375,000	—	—	—	102,699,661	—	—	103,074,661
Stock-based compensation	—	—	—	—	—	519,830	—	—	519,830
Net loss	—	—	—	(4,044,833)	—	—	—	—	(4,044,833)
Distributions	—	—	—	(5,000,000)	—	—	—	—	(5,000,000)
Net loss subsequent to LLC conversion	—	—	—	—	(56,322,878)	—	—	—	(56,322,878)
Other comprehensive income	—	—	—	—	—	—	—	2,710,605	2,710,605
Balance at December 31, 2016 (a)	37,500,000	375,000	—	81,738,675	(56,322,878)	400,205,921	—	(3,216,363)	422,780,355
Net loss	—	—	—	—	(6,951,621)	—	—	—	(6,951,621)
Stingray acquisition	1,392,548	13,925	—	—	—	25,748,213	—	—	25,762,138
Sturgeon acquisition	5,607,452	56,075	—	(81,738,675)	—	77,671,715	—	—	(4,010,885)
Equity based compensation	2,223	22	—	—	—	2,648,189	—	—	2,648,211
Other comprehensive income	—	—	—	—	—	—	—	1,037,067	1,037,067
Balance at September 30, 2017	44,502,223	\$ 445,022	\$ —	\$ —	\$ (63,274,499)	\$ 506,274,038	\$ —	(2,179,296)	\$ 441,265,265

(a) Financial information has been recast to include the financial position and results attributable to Sturgeon. See Note 3.

The accompanying notes are an integral part of these condensed consolidated financial statements.

MAMMOTH ENERGY SERVICES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

	Nine Months Ended	
	September 30,	
	2017 (a)	2016 (b)
Cash flows from operating activities		
Net loss	\$ (6,951,621)	\$ (34,746,932)
Adjustments to reconcile net loss to cash provided by operating activities:		
Equity based compensation	2,648,211	(18,683)
Depreciation, depletion, accretion and amortization	64,354,383	54,483,158
Amortization of coil tubing strings	2,144,231	1,386,856
Amortization of debt origination costs	299,104	452,343
Bad debt expense	117,426	1,779,870
(Gain) loss on disposal of property and equipment	125,653	(426,917)
Gain on bargain purchase	(4,011,512)	—
Impairment of long-lived assets	—	1,870,885
Deferred income taxes	(8,151,410)	(18,906)
Changes in assets and liabilities, net of acquisitions of businesses:		
Accounts receivable, net	(37,439,781)	(2,139,172)
Receivables from related parties	(12,080,870)	167,964
Inventories	(7,878,174)	(119,260)
Prepaid expenses and other assets	2,643,797	59,940
Accounts payable	30,444,904	2,099,991
Payables to related parties	7,934	(394,292)
Accrued expenses and other liabilities	14,392,715	(1,292,176)
Income taxes payable	(28,156)	(4,052)
Net cash provided by operating activities	40,636,834	23,140,617
Cash flows from investing activities:		
Purchases of property and equipment	(102,273,490)	(4,108,047)
Business acquisitions	(42,008,187)	—
Proceeds from disposal of property and equipment	782,432	3,399,705
Business combination cash acquired (Note 3)	2,671,558	—
Net cash used in investing activities	(140,827,687)	(708,342)
Cash flows from financing activities:		
Borrowings from lines of credit	118,850,000	22,776,411
Repayments of lines of credit	(24,850,000)	(45,776,411)
Repayment of Stingray acquisition long-term debt	(8,851,063)	—
Net cash provided by (used in) financing activities	85,148,937	(23,000,000)
Effect of foreign exchange rate on cash	81,626	186,967
Net decrease in cash and cash equivalents	(14,960,290)	(380,758)
Cash and cash equivalents at beginning of period	29,238,618	4,038,899
Cash and cash equivalents at end of period	\$ 14,278,328	\$ 3,658,141
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 2,300,250	\$ 2,972,072
Cash paid for income taxes	\$ 840,421	\$ 2,755,562
Supplemental disclosure of non-cash transactions:		
Purchases of property and equipment included in trade accounts payable	\$ 13,647,557	\$ 1,832,892
Acquisition of Sturgeon, Stingray Cementing LLC and Stingray Energy Services LLC (Note 3)	\$ 23,090,580	\$ —

(a) Financial information includes the financial position and results attributable to Sturgeon for the entire period presented. See Note 3.

(b) Financial information has been recast to include the financial position and results attributable to Sturgeon. See Note 3.

The accompanying notes are an integral part of these condensed consolidated financial statements.

MAMMOTH ENERGY SERVICES, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Basis of Presentation

The accompanying unaudited condensed consolidated interim financial statements were prepared in accordance with the rules and regulations of the Securities and Exchange Commission, and reflect all adjustments, which in the opinion of management are necessary for the fair presentation of the results for the interim periods, on a basis consistent with the annual audited consolidated financial statements. These condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements and the summary of significant accounting policies and notes thereto included in the 2016 annual consolidated financial statements of Mammoth Energy Services, Inc. (the "Company," "Mammoth Inc." or "Mammoth") in the Company's Annual Report on Form 10-K filed on February 24, 2017.

Mammoth, together with its subsidiaries, is an integrated, growth-oriented energy services company serving companies engaged in the exploration and development of North American onshore unconventional oil and natural gas reserves and energy infrastructure. The Company was incorporated in Delaware in June 2016 as a wholly-owned subsidiary of Mammoth Energy Partners LP, a Delaware limited partnership (the "Partnership" or the "Predecessor"). The Partnership was originally formed by Wexford Capital LP ("Wexford") in February 2014 as a holding company under the name Redback Inc. and was converted to a Delaware limited partnership in August 2014. On November 24, 2014, Gulfport Energy Corporation ("Gulfport"), Rhino Resource Partners LP ("Rhino") and Mammoth Energy Holdings LLC ("Mammoth Holdings"), an entity controlled by Wexford, contributed their interest in certain of the entities presented below to the Partnership in exchange for 20 million limited partner units. Mammoth Energy Partners GP, LLC (the "General Partner") held a non-economic general partner interest.

The following companies (the "Operating Entities") are included in these condensed consolidated financial statements: Bison Drilling and Field Services, LLC ("Bison Drilling"), formed November 15, 2010; Bison Trucking LLC ("Bison Trucking"), formed August 9, 2013; White Wing Tubular Services LLC ("White Wing"), formed July 29, 2014; Barracuda Logistics LLC ("Barracuda"), formed October 24, 2014; Mr. Inspections LLC ("MRI"), formed January 25, 2015; Panther Drilling Systems LLC ("Panther"), formed December 11, 2012; Redback Energy Services, LLC ("Energy Services"), formed October 6, 2011; Redback Coil Tubing, LLC ("Coil Tubing"), formed May 15, 2012; Redback Pump Down Services LLC ("Pump Down"), formed January 16, 2015; Muskie Proppant LLC ("Muskie"), formed September 14, 2011; Stingray Pressure Pumping LLC ("Pressure Pumping"), formed March 20, 2012; Stingray Logistics LLC ("Logistics"), formed November 19, 2012; and Great White Sand Tiger Lodging Ltd. ("Lodging"), formed October 1, 2007, Silverback Energy Services LLC ("Silverback"), formed June 8, 2016; Mammoth Equipment Leasing LLC, formed on November 14, 2016; Cobra Acquisitions LLC ("Cobra Acquisitions"), formed January 9, 2017; Cobra Energy LLC ("Cobra"), formed January 24, 2017; Piranha Proppant LLC ("Piranha"), formed March 28, 2017; Mako Acquisitions LLC, ("Mako") formed on March 28, 2017; Higher Power Electrical LLC ("Higher Power"), acquired April 21, 2017; Stingray Energy Services LLC ("SR Energy"), acquired June 5, 2017; Stingray Cementing LLC ("Cementing"), acquired June 5, 2017; Sturgeon Acquisitions LLC ("Sturgeon"), acquired June 5, 2017; Taylor Frac, LLC ("Taylor Frac"), acquired June 5, 2017; Taylor Real Estate Investments, LLC ("Taylor RE"), acquired June 5, 2017; South River Road, LLC ("South River"), acquired June 5, 2017; and 5 Star Electric, LLC ("5 Star"), acquired July 1, 2017.

The contribution to the Partnership on November 24, 2014 of all Operating Entities, except Pressure Pumping, Logistics and entities created or acquired after the date of such contribution to the Partnership, was treated as a combination of entities under common control. On November 24, 2014, the Partnership also acquired Pressure Pumping and Logistics (collectively, the "Stingray Entities") in exchange for 10 million limited partner units. Prior to the contribution, the Partnership did not conduct any material business operations other than certain activities related to the preparation of the registration statement for a proposed initial public offering.

On October 12, 2016, the Partnership was converted into a Delaware limited liability company named Mammoth Energy Partners LLC ("Mammoth LLC"), and then Mammoth Holdings, Gulfport and Rhino, as all the members of Mammoth LLC, contributed their member interests in Mammoth LLC to Mammoth Inc. Prior to the conversion and the contribution, Mammoth Inc. was a wholly-owned subsidiary of the Partnership. Following the conversion and the contribution, Mammoth LLC (as the converted successor to the Partnership) was a wholly-owned subsidiary of Mammoth Inc. Mammoth Inc. did not conduct any material business operations until Mammoth LLC was contributed to it. On October 19, 2016, Mammoth Inc. closed its initial public offering of 7,750,000 shares of common stock (the "IPO"), which included an aggregate of 250,000 shares that were offered by Mammoth Holdings, Gulfport and Rhino, at a price to the public of \$15.00 per share.

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Net proceeds to Mammoth Inc. from its sale of 7,500,000 shares of common stock were approximately \$103.1 million. On the closing date of the IPO, Mammoth Inc. repaid all outstanding borrowings under its revolving credit facility and the remaining net proceeds for general corporate purposes, which included the acquisition of additional equipment and complementary businesses that enhanced its existing service offerings, broadened its service offerings and expanded its customer relationships.

On March 27, 2017, the Company entered into a definitive asset purchase agreement, as amended as of May 24, 2017 (the "Purchase Agreement"), with Chieftain Sand and Proppant, LLC and Chieftain Sand and Proppant Barron, LLC, unrelated third party sellers (the "Chieftain Sellers"), following Mammoth's successful bid in a bankruptcy court auction for substantially all of the assets of the Sellers (the "Chieftain Acquisition"). The Chieftain Acquisition closed on May 26, 2017 for the purchase price of \$36.3 million, including closing adjustments. Mammoth funded the purchase price for the Chieftain Acquisition with cash on hand and borrowings under its revolving credit facility. Refer to Note 3 - Acquisitions for additional disclosure regarding the Chieftain Acquisition.

On June 5, 2017, the Company completed the acquisition of (1) Sturgeon, a Delaware limited liability company, which included the acquisition of Sturgeon's wholly-owned subsidiaries Taylor Frac, a Wisconsin limited liability company, Taylor RE, a Wisconsin limited liability company, and South River, a Wisconsin limited liability company, (2) SR Energy, a Delaware limited liability company; and (3) Cementing, a Delaware limited liability company (together with SR Energy, the "Stingray Acquisition") in exchange for the issuance by Mammoth of an aggregate of 7,000,000 shares of its common stock.

Prior to its acquisition of Sturgeon, the Company and Sturgeon were under common control and it is required under accounting principles generally accepted in the United States of America ("GAAP") to account for this common control acquisition in a manner similar to the pooling of interest method of accounting. Therefore, the Company's historical financial information for all periods included in the accompanying financial statements has been recast to combine Sturgeon LLC with the Company as if the acquisition had been effective since the date Sturgeon commenced operations. Refer to Note 3 - Acquisitions for additional disclosure regarding the acquisition of Sturgeon LLC.

At September 30, 2017 and December 31, 2016, Mammoth Holdings, or its affiliates, Gulfport and Rhino owned the following share of outstanding common stock of Mammoth Inc.:

	At September 30, 2017		At December 31, 2016	
	Share Count	% Ownership	Share Count	% Ownership
Mammoth Holdings	25,009,319	56.2%	20,443,903	54.5%
Gulfport	11,171,887	25.1%	9,073,750	24.2%
Rhino	568,794	1.3%	232,347	0.6%
Outstanding shares owned by related parties	36,750,000	82.6%	29,750,000	79.3%
Total outstanding	44,502,223	100.0%	37,500,000	100.0%

Operations

The Company's pressure pumping services include equipment and personnel used in connection with the completion and early production of oil and natural gas wells, well services include coil tubing units used to enhance the flow of oil or natural gas and natural sand proppant services include the distribution and production of natural sand proppant that is used primarily for hydraulic fracturing in the oil and gas industry. The Company's contract land and directional drilling services provides drilling rigs and directional tools for both vertical and horizontal drilling of oil and natural gas wells. The Company also provides other energy services, which have historically consisted of remote accommodations for people working in the oil sands located in Northern Alberta, Canada, but now include energy infrastructure services.

All of the Company's operations are in North America. The Company operates in the Permian Basin, the Utica Shale, the Eagle Ford Shale, the Marcellus Shale, the Granite Wash, the Cana-Woodford Shale, the Cleveland Sand and the oil sands located in Northern Alberta, Canada. The Company's business depends in large part on the conditions in the oil and natural gas industry and, specifically, on the amount of capital spending by its customers. Any prolonged increase or decrease in oil and natural gas prices affects the levels of exploration, development and production activity, as well as the

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entire health of the oil and natural gas industry. Changes in the commodity prices for oil and natural gas could have a material effect on the Company's results of operations and financial condition.

2. Summary of Significant Accounting Policies

(a) Principles of Consolidation

The condensed consolidated financial statements are prepared in accordance with GAAP. All material intercompany accounts and transactions between the entities within the Company have been eliminated.

(b) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include but are not limited to the Company's sand reserves and their impact on calculating the depletion expense, the allowance for doubtful accounts, asset retirement obligation, reserves for self-insurance, depreciation and amortization of property and equipment, business combination valuations, amortization of intangible assets, and future cash flows and fair values used to assess recoverability and impairment of long-lived assets, including goodwill.

(c) Cash and Cash Equivalents

All highly liquid investments with an original maturity of three months or less are considered cash equivalents. The Company maintains its cash accounts in financial institutions that are insured by the Federal Deposit Insurance Corporation, with the exception of cash held by Lodging in a Canadian financial institution. At September 30, 2017, the Company had \$3.0 million, in Canadian dollars, of cash in Canadian accounts. Cash balances from time to time may exceed the insured amounts; however the Company has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risks on such accounts.

(d) Accounts Receivable

Accounts receivable include amounts due from customers for services performed and are recorded as the work progresses. The Company grants credit to customers in the ordinary course of business and generally does not require collateral. Most areas in which the Company operates provide for a mechanic's lien against the property on which the service is performed if the lien is filed within the statutorily specified time frame. Customer balances are generally considered delinquent if unpaid by the 30th day following the invoice date and credit privileges may be revoked if balances remain unpaid.

The Company regularly reviews receivables and provides for estimated losses through an allowance for doubtful accounts. In evaluating the level of established reserves, the Company makes judgments regarding its customers' ability to make required payments, economic events, and other factors. As the financial conditions of customers change, circumstances develop, or additional information becomes available, adjustments to the allowance for doubtful accounts may be required. In the event the Company was to determine that a customer may not be able to make required payments, the Company would increase the allowance through a charge to income in the period in which that determination is made. Uncollectible accounts receivable are periodically charged against the allowance for doubtful accounts once final determination is made of their uncollectability.

Following is a roll forward of the allowance for doubtful accounts for the year ended December 31, 2016 and the nine months ended September 30, 2017:

Balance, January 1, 2016	\$	4,011,882
Additions charged to expense		1,968,001
Deductions for uncollectible receivables written off		(602,967)
Balance, December 31, 2016		5,376,916
Additions charged to expense		117,426
Additions other		178,871
Balance, September 30, 2017	\$	5,673,213

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As discussed in Note 1, prolonged declines in pricing can impact the overall health of the oil and natural gas industry. The year ended December 31, 2016 contained such pricing conditions which may lead to enhanced risk of uncollectibility on certain receivables. As such, the Company monitored its previously established reserves and adjusted upward. The Company will continue to pursue collection until such time as final determination is made consistent with Company policy.

(e) Inventory

Inventory consists of raw sand and processed sand available for sale, chemicals and other products sold as a bi-product of completion and production operations, and supplies used in performing services. Inventory is stated at the lower of cost or market (net realizable value) on an average cost basis. The Company assesses the valuation of its inventories based upon specific usage and future utility.

Inventory manufactured at the Company's sand production facilities includes direct excavation costs, processing costs and overhead allocation. Stockpile tonnages are calculated by measuring the number of tons added and removed from the stockpile. Tonnages are verified periodically by an independent surveyor. Costs are calculated on a per ton basis and are applied to the stockpiles based on the number of tons in the stockpile. Inventory transported for sale at the Company's terminal facility includes the cost of purchased or manufactured sand, plus transportation related charges.

Coil tubing strings of various widths, diameters and lengths are included in inventory. The strings are used in providing specialized services to customers who are primarily operators of oil or gas wells and are used at various rates based on factors such as well conditions (i.e. pressure and friction), vertical and horizontal length of the well, running speed of the string in the well, and total running feet accumulated to the string. The Company obtains usage information from data acquisition software and other established assessment methods and attempts to amortize the strings over their estimated useful life. In no event will a string be amortized over a period longer than 12 months. Amortization of coil strings is included in services cost of revenue in the Condensed Consolidated Statements of Comprehensive Loss and totaled \$2,144,231 and \$1,386,856 for the nine months ended September 30, 2017 and 2016, respectively.

(f) Prepaid Expenses

Prepaid expenses primarily consist of insurance costs. Insurance costs are expensed over the periods that these costs benefit.

(g) Property and Equipment

Property and equipment, including renewals and betterments, are capitalized and stated at cost, while maintenance and repairs that do not increase the capacity, improve the efficiency or safety, or improve or extend the useful life are charged to operations as incurred. Disposals are removed at cost, less accumulated depreciation, and any resulting gain or loss is recorded in other, net. Depreciation is calculated using the straight-line method over the shorter of the estimated useful life, or the remaining lease term, as applicable. Depreciation does not begin until property and equipment is placed in service. Once placed in service, depreciation on property and equipment continues while being repaired, refurbished, or between periods of deployment. Sand reserves are depleted using the units-of-production method over the estimated sand reserves.

(h) Sand reserves

Sand reserve costs include engineering, mineralogical studies and other related costs to develop the mine, the removal of overburden to initially expose the mineral and building access ways. Exploration costs are expensed as incurred and classified as product cost of revenue. Capitalization of mine development project costs begins once the deposit is classified as proven and probable reserves. Drilling and related costs are capitalized for deposits where proven and probable reserves exist and the activities are directed at obtaining additional information on the deposit or converting non-reserve minerals to proven and probable reserves and the benefit is to be realized over a period greater than one year. Mining property and development costs are amortized using the units-of-production method on estimated measured tons in in-place reserves. The impact of revisions to reserve estimates is recognized on a prospective basis.

(i) Long-Lived Assets

The Company reviews long-lived assets for recoverability in accordance with the provisions of Financial Accounting Standards Board ("FASB") Accounting Standard Codification ("ASC") Topic 360, Impairment or Disposal of Long-Lived Assets, which requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. Recoverability of assets is measured by comparing the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. These evaluations for impairment are significantly impacted by estimates of revenues, costs and expenses, and other factors. If

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long-lived assets are considered to be impaired, the impairment to be recognized is measured by the amount in which the carrying amount of the assets exceeds the fair value of the assets. For the nine months ended September 30, 2017 and 2016, the Company recognized an impairment loss of \$0 and \$1,870,885, respectively, on various fixed assets included in property, plant and equipment, net in the Condensed Consolidated Balance Sheets.

(j) Goodwill

Goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that goodwill might be impaired. The impairment test is a two-step process. First, the fair value of each reporting unit is compared to its carrying value to determine whether an indication of impairment exists. If impairment is indicated, then the implied value of the reporting unit's goodwill is determined by allocating the unit's fair value to its assets and liabilities as if the reporting unit had been acquired in a business combination. The fair value of the reporting unit is determined using the discounted cash flow approach, excluding interest. The impairment for goodwill is measured as the excess of its carrying value over its implied value. Goodwill was tested for impairment as of December 31, 2016. For the nine months ended September 30, 2017 and 2016, no impairment losses were recognized.

(k) Other Non-Current Assets

Other non-current assets primarily consist of deferred financing costs on the credit facility (See Note 8) and sales tax receivables.

(l) Asset Retirement Obligation

Mine reclamation costs, future remediation costs for inactive mines or other contractual site remediation costs are accrued based on management's best estimate at the end of each period of the costs expected to be incurred at a site. Such cost estimates include, where applicable, ongoing care, maintenance and monitoring costs. Changes in estimates at inactive mines are reflected in earnings in the period an estimate is revised. The nine months ended September 30, 2017 included recognition of \$1,732,081 in asset retirement obligations as a result of the Chieftain acquisition (Note 3).

(m) Business Combinations

The Company accounts for its business acquisitions under the acquisition method of accounting as indicated in FASB ASC No. 805, "Business Combinations", which requires the acquiring entity in a business combination to recognize the fair value of all assets acquired, liabilities assumed and any noncontrolling interest in the acquiree and establishes the acquisition date as the fair value measurement point. Accordingly, the Company recognizes assets acquired and liabilities assumed in business combinations, including contingent assets and liabilities and noncontrolling interest in the acquiree, based on fair value estimates as of the date of acquisition. In accordance with FASB ASC No. 805, the Company recognizes and measures goodwill, if any, as of the acquisition date, as the excess of the fair value of the consideration paid over the fair value of the identified net assets acquired.

When the Company acquires a business from an entity under common control, whereby the companies are ultimately controlled by the same party or parties both before and after the transaction, it is treated for accounting purposes in a manner similar to the pooling of interest method of accounting. The assets and liabilities are recorded at the transferring entity's historical cost instead of reflecting the fair market value of assets and liabilities.

(n) Amortizable Intangible Assets

Intangible assets subject to amortization include customer relationships and trade names. Customer relationships are amortized based on an estimated attrition factor and trade names are amortized over their estimated useful lives. For the nine months ended September 30, 2017 and 2016, no impairment losses were recognized.

(o) Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, trade receivables, long-term debt, trade payables and amounts receivable or payable to related parties. The carrying amount of cash and cash equivalents, trade receivables, trade payables and receivables from related parties approximates fair value because of the short-term nature of the instruments. The fair value of long-term debt approximates its carrying value because the cost of borrowing fluctuates based upon market conditions.

(p) Revenue Recognition

The Company generates revenue from multiple sources within its operating segments. In all cases, revenue is recognized when services are performed, collection of the receivable is probable, persuasive evidence of an arrangement exists, and the price is fixed and determinable. Services are sold without warranty or right of return. Taxes assessed on revenue transactions are presented on a net basis and are not included in revenue.

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Pressure pumping services are typically provided based upon a purchase order, contract, or on a spot market basis. Services are provided on a day rate, contracted, or hourly basis, and revenue is recognized as the work progresses. Jobs for these services are typically short-term in nature and range from a few hours to multiple days. Revenue is recognized upon the completion of each day's work based upon a completed field ticket, which includes the charges for the services performed, mobilization of the equipment to the location, and personnel. Additional revenue is generated through labor charges and the sale of consumable supplies that are incidental to the service being performed. The labor charges and the use of consumable supplies are reflected on the completed field tickets.

Natural sand proppant revenues are recognized when legal title passes to the customer, which may occur at the production facility, rail origin or at the destination terminal. At that point, delivery has occurred, evidence of a contractual arrangement exists, the price is fixed and determinable, and collectability is reasonably assured. Amounts received from customers in advance of sand deliveries are recorded as deferred revenue. Customers have the ability to make up contractual short falls by achieving higher-than-contracted volumes over the shortfall window. Contractual shortfall revenue is deemed not probable until the end of the measurement period.

Well services are typically provided based upon a purchase order, contract or on a spot market basis. Services are provided on a day rate, contracted or hourly basis, and revenue is recognized as the work progresses. Jobs for these services are typically short-term in nature and range from a few hours to multiple days. Our equipment rental services are recognized upon completion of each day's work based on a completed field ticket.

Contract drilling services are provided under daywork or footage contracts, and revenue is recognized as the work progresses based on the days completed or the feet drilled, as applicable. Mobilization revenue and costs for daywork and footage contracts are recognized over the days of actual drilling.

Directional drilling services are provided on a day rate or hourly basis, and revenue is recognized as work progresses. Proceeds from customers for the cost of equipment that is damaged or lost down-hole are reflected as service revenues as this is deemed to be perfunctory or inconsequential to the underlying service being performed.

Revenue from remote accommodation services is recognized when rooms are occupied and services have been rendered. Advance deposits on rooms and special events are deferred until services are provided to the customer. For the nine months ended September 30, 2017, the Company recognized and collected \$918,963 in business interruption insurance proceeds which is included in service revenue in the accompanying Condensed Consolidated Statements of Comprehensive Loss. The proceeds resulted from loss of revenue relating to wildfires that forced evacuation of personnel.

Revenue from energy infrastructure services, a component of the Company's other energy services segment, is recognized as the work progresses based on the days completed or as the contract is completed. These services may be provided pursuant to master service agreements, repair and maintenance contracts or fixed price and non-fixed price installation contracts. Pricing under these contracts may be unit priced, cost-plus/hourly (or time and materials basis) or fixed price (or lump sum basis), and the final terms and prices of these contracts are frequently negotiated with the customer. Under unit-based contracts, the utilization of an output-based measurement is appropriate for revenue recognition. Under our cost-plus/hourly and time and materials type contracts, the Company recognizes revenue on an input basis, as labor hours are incurred and services are performed.

The timing of revenue recognition may differ from contract billing or payment schedules, resulting in revenues that have been earned but not billed ("unbilled revenue"). The Company had \$7,435,694 and \$2,744,986 of unbilled revenue included in accounts receivable, net in the Condensed Consolidated Balance Sheets at September 30, 2017 and December 31, 2016, respectively. The Company had \$14,777,586 and \$10,505,240 of unbilled revenue included in receivables from related parties in the Condensed Consolidated Balance Sheets at September 30, 2017 and December 31, 2016, respectively.

(q) Earnings per Share

Earnings per share is computed by dividing net loss by the weighted average number of outstanding shares. See Note 10.

(r) Unaudited Pro Forma Loss per Share

The Company's pro forma basic loss per share amounts have been computed based on the weighted-average number of shares of common stock outstanding for the period, as if the common stock issued in the October 12, 2016 contribution and the IPO was outstanding for the nine months ended September 30, 2016. Diluted earnings per share reflects the

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potential dilution, using the treasury stock method. During periods in which the Company realizes a net loss, restricted stock awards would be anti-dilutive to net loss per share and conversion into common stock is assumed not to occur. See Note 10.

(s) Equity-based Compensation

The Company records equity-based payments at fair value on the date of grant, and expenses the value of these equity-based payments in compensation expense over the applicable vesting periods. See Note 11.

(t) Stock-based Compensation

The Company's stock-based compensation program consists of restricted stock units granted to employees and restricted stock units granted to non-employee directors under the Mammoth Energy Services, Inc. 2016 Incentive Plan (the "2016 Plan"). The Company recognizes in its financial statements the cost of employee services received in exchange for restricted stock based on the fair value of the equity instruments as of the grant date. In general, this value is amortized over the vesting period; for grants with a non-substantive service condition, this value is recognized immediately. Amounts are recognized in selling, general and administrative expenses. See Note 12.

(u) Income Taxes

On October 12, 2016, immediately prior to the IPO of Mammoth Inc., the Partnership converted into Mammoth LLC a limited liability company. All equity interests in Mammoth LLC were contributed to Mammoth Inc. and Mammoth LLC became a wholly owned subsidiary of Mammoth Inc. Mammoth Inc. is a C corporation under the Internal Revenue Code and is subject to income tax. Historically, each of Mammoth LLC and the Operating Entities other than Lodging were treated as a partnership for federal income tax purposes. As a result, essentially all taxable earnings and losses were passed through to its members, and Mammoth LLC did not pay any federal income taxes at the entity level. Mammoth Inc. owns the member interests in several single member limited liability companies. These LLCs are subject to taxation in Texas where the Company does business; therefore, the Company may provide for income taxes attributable to that state on a current basis. The income tax provision for the period before the IPO has been prepared on a separate return basis for Mammoth LLC and all of its subsidiaries that were treated as a partnership for federal income tax purposes.

Subsequent to the IPO, the Company's operations are included in a consolidated federal income tax return and other state returns. Accordingly, the Company has recognized 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 bases for all its subsidiaries as if each entity were a corporation, regardless of its actual characterization for U.S. federal income tax purposes. The Company's effective tax rate was 37.1% for the nine months ended September 30, 2017. The Company's effective tax rate can fluctuate as a result of the impact of state income taxes, permanent differences and changes in pre-tax income.

Under FASB ASC 740, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using statutory tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect of deferred tax assets and liabilities as a result of a change in tax rate is recognized in the period that includes the statutory enactment date. A valuation allowance for deferred tax assets is recognized when it is more likely than not that the benefit of deferred tax assets will not be realized.

The Company has included a pro forma provision for income taxes assuming it had been taxed as a C corporation in all periods prior to the conversion and contribution as part of its earnings per share calculation in Note 10. The unaudited pro forma data are presented for informational purposes only, and do not purport to project the Company's results of operations for any future period or its financial position as of any future date.

Lodging is subject to foreign income taxes, and such taxes are provided in the financial statements pursuant to FASB ASC 740, Income Taxes.

The Company evaluates tax positions taken or expected to be taken in preparation of its tax returns and disallows the recognition of tax positions that do not meet a "more likely than not" threshold of being sustained upon examination by the taxing authorities. During the nine months ended September 30, 2017 and 2016, no uncertain tax positions existed. Penalties and interest, if any, are recognized in general and administrative expense. The Company's 2016, 2015, 2014 and 2013 income tax returns remain open to examination by the applicable taxing authorities.

(v) Foreign Currency Translation

For foreign operations, assets and liabilities are translated at the period-end exchange rate, and income statement items are translated at the average exchange rate for the period. Resulting translation adjustments are recorded within accumulated other comprehensive loss. Assets and liabilities denominated in foreign currencies, if any, are re-measured at the balance sheet date. Transaction gains or losses are included as a component of current period earnings.

(w) Environmental Matters

The Company is subject to various federal, state and local laws and regulations relating to the protection of the environment. Management has established procedures for the ongoing evaluation of the Company's operations, to identify potential environmental exposures and to comply with regulatory policies and procedures. Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations and do not contribute to current or future revenue generation are expensed as incurred. Liabilities are recorded when environmental costs are probable, and the costs can be reasonably estimated. The Company maintains insurance which may cover in whole or in part certain environmental expenditures. As of September 30, 2017 and December 31, 2016, there were no probable environmental matters.

(x) Comprehensive Loss

Comprehensive loss consists of net loss and other comprehensive loss. Other comprehensive income (loss) included certain changes in equity that are excluded from net loss. Specifically, cumulative foreign currency translation adjustments are included in accumulated other comprehensive loss.

(y) Concentrations of Credit Risk and Significant Customers

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash and cash equivalents in excess of federally insured limits and trade receivables. The Company's accounts receivable have a concentration in the oil and gas industry and the customer base consists primarily of independent oil and natural gas producers. At September 30, 2017, one third-party customer accounted for 11% of the Company's trade accounts receivable and receivables from related parties balance combined. At September 30, 2017 and December 31, 2016, related party customers accounted for 41% and 57%, respectively, of the Company's trade accounts receivable and receivables from related parties balance combined. During the nine months ended September 30, 2017 and 2016, one related party customer accounted for 54% and 56%, respectively, of the Company's total revenue. One third-party customers accounted for greater than 10% of the Company's total revenue fomine months ended September 30, 2016, at 12%. No third-party customer accounted for greater than 10% for the nine months ended September 30, 2017.

(z) New Accounting Pronouncements

In July 2015, the FASB issued ASU No. 2015-11, "Inventory (Topic 330): Simplifying the Measurement of Inventory," which changes inventory measured using any method other than last-in, first-out (LIFO) or the retail inventory method (for example, inventory measured using first-in, first-out (FIFO) or average cost) at the lower of cost and net realizable value. ASU 2015-11 is effective for annual and interim reporting periods beginning after December 15, 2016, with early adoption permitted. On January 1, 2017, the Company adopted the ASU and it did not impact our condensed consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers." ASU 2014-09 supersedes existing revenue recognition requirements in GAAP and requires an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. Additionally, it requires expanded disclosures regarding the nature, amount, timing and certainty of revenue and cash flows from contracts with customers. The ASU was effective for annual and interim reporting periods beginning after December 15, 2016, using either a full or a modified retrospective application approach; however, in July 2015 the FASB decided to defer the effective date by one year (until 2018) by issuing ASU No. 2015-14, "Revenue From Contracts with Customers: Deferral of the Effective Date." The Company expects to adopt this new revenue guidance in the first quarter of 2018. The Company's review has indicated that the pressure pumping services and natural sand proppant segments contain contracts which could lead to changes in the timing of revenue recognition. Although the Company has not completed its review, the Company has made initial assessments of the impact on revenue and expenses. Based on these assessments, the Company currently does not expect a material impact to the Company's results of operations, financial position and cash flows as a result of this guidance. The Company expects to complete its review of all remaining customer contracts and will make a final assessment in the fourth quarter of 2017. The Company's services are primarily short-term in nature, and it does not expect that the new revenue recognition standard will have a material impact on its financial statements upon adoption. The Company will

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adopt the new standard utilizing the modified retrospective method that will result in a cumulative effect adjustment as of January 1, 2018.

In February 2016, the FASB issued ASU No. 2016-2 “Leases” amending the current accounting for leases. Under the new provisions, all lessees will report a right-of-use asset and a liability for the obligation to make payments for all leases with the exception of those leases with a term of 12 months or less. All other leases will fall into one of two categories: (i) a financing lease or (ii) an operating lease. Lessor accounting remains substantially unchanged with the exception that no leases entered into after the effective date will be classified as leveraged leases. For sale leaseback transactions, a sale will only be recognized if the criteria in the new revenue recognition standard are met. ASU 2016-2 is effective for fiscal years beginning after December 15, 2018, and interim periods within that fiscal year. Early adoption is permitted. Since a portion of the Company’s revenue may be subject to this new leasing guidance, it is evaluating the possibility of adopting this updated leasing guidance at the same time its adopts the new revenue guidance discussed above, utilizing the retrospective method of adoption. This new leasing guidance will also impact the Company in situations where it is the lessee, and in certain circumstances it will have a right-of-use asset and lease liability on its consolidated financial statements. The Company is currently evaluating the effect the new guidance will have on the Company's consolidated financial statements and results of operations.

3. Acquisitions

(a) Description of Stingray Acquisition

On March 20, 2017, and as amended on May 12, 2017, the Company entered into two definitive contribution agreements, one such agreement with MEH Sub LLC (“MEH Sub”), Wexford Offshore Stingray Energy Corp., Gulfport and Mammoth LLC and the other with MEH Sub, Wexford Offshore Stingray Pressure Pumping Corp., Gulfport and Mammoth LLC (collectively, the “Stingray Contribution Agreements”). Under the Stingray Contribution Agreements, the Company agreed to acquire all outstanding membership interests, through its wholly-owned subsidiary Mammoth LLC, in Cementing and SR Energy (the “2017 Stingray Acquisition”). Cementing and SR Energy are included in the Company's well services segment. The addition of their water transfer, equipment rentals and cementing services further expanded and vertically integrated Mammoth’s service offerings.

The 2017 Stingray Acquisition closed on June 5, 2017. Pursuant to the Stingray Contribution Agreements, Mammoth issued 1,392,548 shares of its common stock, par value \$0.01 per share, for all outstanding equity interests in SR Energy and Cementing. Based upon a closing price of Mammoth's common stock of \$18.50 per share on June 5, 2017, the total purchase price was \$25,762,138.

At the acquisition date, the components of the consideration transferred were as follows:

Consideration attributable to Cementing ⁽¹⁾	\$	12,975,123
Consideration attributable to SR Energy ⁽¹⁾		12,787,015
Total consideration transferred	\$	25,762,138

(1) See Summary of acquired assets and liabilities below

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	<u>SR Energy</u>	<u>Cementing</u>	<u>Total</u>
Cash and cash equivalents	\$ 1,611,791	\$ 1,059,767	\$ 2,671,558
Accounts receivable, net	3,912,322	495,222	4,407,544
Receivables from related parties	3,683,892	1,418,616	5,102,508
Inventories	—	306,081	306,081
Prepaid expenses	35,322	31,980	67,302
Property, plant and equipment ⁽¹⁾	13,060,850	7,458,942	20,519,792
Identifiable intangible assets - customer relationships ⁽²⁾	—	1,140,000	1,140,000
Identifiable intangible assets - trade names ⁽²⁾	550,000	270,000	820,000
Goodwill ⁽³⁾	3,928,508	6,263,978	10,192,486
Other assets	6,532	—	6,532
Total assets acquired	\$ 26,789,217	\$ 18,444,586	\$ 45,233,803
Accounts payable and accrued liabilities	\$ 5,889,523	\$ 2,063,443	\$ 7,952,966
Long-term debt ⁽⁴⁾	5,073,854	2,000,000	7,073,854
Deferred tax liability	3,038,825	1,406,020	4,444,845
Total liabilities assumed	\$ 14,002,202	\$ 5,469,463	\$ 19,471,665
Net assets acquired	\$ 12,787,015	\$ 12,975,123	\$ 25,762,138

- (1) Property, plant and equipment fair value measurements were prepared by utilizing a combined fair market value and cost approach. The market approach relies on comparability of assets using market data information. The cost approach places emphasis on the physical components and characteristics of the asset. It places reliance on estimated replacement cost, depreciation and economic obsolescence.
- (2) Identifiable intangible assets were measured using a combination of income approaches. Trade names were valued using a "Relief-from-Royalty" method. Non-contractual customer relationships were valued using a "Multi-period excess earnings" method. Identifiable intangible assets will be amortized over 5-10 years.
- (3) Goodwill was the excess of the consideration transferred over the net assets recognized and represents the future economic benefits arising from other assets acquired that could not be individually identified and separately recognized. Goodwill recorded in connection with the acquisition is attributable to assembled workforces and future profitability based on the synergies expected to arise from the acquired entities.
- (4) Long-term debt assumed was paid off subsequent the acquisition.

Since the acquisition date, the businesses acquired have provided the following activity:

	2017	
	SR Energy	Cementing
Revenues	\$ 7,538,735	\$ 4,121,051
Net loss (a)	(1,284,347)	(1,885,743)

a. Includes \$1,961,179 and \$2,370,569 in depreciation and amortization for SR Energy and Cementing, respectively.

The following table presents unaudited pro forma information as if the acquisition of SR Energy and Cementing had occurred on January 1, 2016:

	Nine Months Ended September 30, 2017	Year Ended December 31, 2016
Revenues	\$ 27,481,890	\$ 23,659,445
Net loss	(2,550,270)	(8,171,257)

The historical financial information was adjusted to give effect to the pro forma events that were directly attributable to the 2017 Stingray Acquisition. For the nine months ended September 30, 2017, there were \$0.2 million transaction related costs expensed. The unaudited pro forma consolidated results are not necessarily indicative of what the consolidated results of operations actually would have been had the 2017 Stingray Acquisition been completed on January 1, 2017. In addition, the unaudited pro forma consolidated results do not purport to project the future results of operations of the Company.

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(b) Description of Chieftain Acquisition

On March 27, 2017, as amended as of May 24, 2017, the Company entered into a the Purchase Agreement with the Chieftain Sellers, following the Company's successful bid in a bankruptcy court auction for substantially all of the assets of the Chieftain Sellers (the "Chieftain Assets"). The Chieftain Acquisition closed on May 26, 2017. Mammoth funded the purchase price for the Chieftain Assets with cash on hand and borrowings under its revolving credit facility. The Chieftain Assets are held by the Company's wholly owned subsidiary Piranha and are included in the Company's sand segment. The Chieftain Acquisition added sand reserves, increased our production capacity and provided access to the Union Pacific railroad, which affords access to both the Mid-Continent basin in support of the Company's pressure pumping services as well as the Permian basin.

On the acquisition date, the \$36,320,187 in cash consideration consisted of the following components:

	Total
Property, plant and equipment ⁽¹⁾	\$ 23,372,800
Sand reserves ⁽²⁾	20,910,000
Total assets acquired	\$ 44,282,800
Asset retirement obligation	1,732,081
Total liabilities assumed	\$ 1,732,081
Total allocation of purchase price	\$ 42,550,719
Bargain purchase price ^(3, 4)	(6,230,532)
Total purchase price	\$ 36,320,187

- (1) Property, plant and equipment fair value measurements were prepared by utilizing a combined fair market value and cost approach. The market approach relies on comparability of assets using market data information. The cost approach places emphasis on the physical components and characteristics of the asset. It places reliance on estimated replacement cost, depreciation and economic obsolescence.
- (2) The fair value of the sand reserves was determined based on the excess cash flow method, a form of the income approach. The method provides a value based on the estimated remaining life of sand reserves, projected financial information and industry projections.
- (3) Amount reflected in Condensed Consolidated Statements of Comprehensive Loss reflected net of income taxes of \$2,219,020.
- (4) The fair value of the business was determined based on the excess cash flow method, a form of the income approach.

Since the acquisition date, the Chieftain Assets have provided the following activity:

	2017
	Piranha
Revenues	\$ 3,131,408
Net loss (a)	(5,354,907)

a. Includes \$1,617,531 in depreciation and amortization

The following table presents unaudited pro forma information as if the acquisition of the Chieftain Assets had occurred as of January 1, 2016:

	Nine Months Ended September 30, 2017	Year Ended December 31, 2016
Revenues	\$ 4,230,359	\$ 7,690,032
Net (loss) income	(2,458,402)	34,127,344

The Company's historical financial information was adjusted to give pro forma effect to the events that were directly attributable to the Chieftain Acquisition. For thaine months ended September 30, 2017, \$0.8 million of transaction related costs was expensed.

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(c) Description of Sturgeon Acquisition

On March 20, 2017, and as amended on May 12, 2017, the Company entered into a definitive contribution agreement with MEH Sub, Wexford Offshore Sturgeon Corp., Gulfport, Rhino and Mammoth Energy Partners LLC (the "Sturgeon Contribution Agreement"). Under the Sturgeon Contribution Agreement, the Company agreed to acquire all outstanding membership interests, through its wholly-owned subsidiary Mammoth LLC, in Sturgeon, which owns all of the membership interests in Taylor Frac, Taylor RE and South River (collectively, the "Sturgeon subsidiaries"). The acquisition added sand reserves, increased our production capacity and provided access to the Canadian National Railway, which affords access to the Appalachian basin in support of the Company's pressure pumping services as well as to western Canada.

The acquisition of Sturgeon closed on June 5, 2017. Pursuant to the Sturgeon Contribution Agreement, Mammoth issued 5,607,452 shares of its common stock, par value \$0.01 per share, for all outstanding equity interests in Sturgeon. Based upon a closing price of Mammoth's common stock of \$18.50 per share on June 5, 2017, the total purchase price was \$103,737,862.

As a result of this transaction, the Company's historical financial information has been recast to combine the Condensed Consolidated Statements of Operations and the Condensed Consolidated Balance Sheets of the Company for all periods included in the accompanying financial statements with those of Sturgeon as if the combination had been in effect since Sturgeon commenced operations on September 13, 2014. Any material transactions between the Company and Sturgeon were eliminated. Sturgeon's financial results were incorporated into the Company's natural sand proppant services division.

For the nine months ended September 30, 2017, \$1.3 million of transaction related costs was expensed.

The following table summarizes the carrying value of Sturgeon as of September 13, 2014, the date at which Sturgeon commenced operations with the acquisition of the Sturgeon subsidiaries:

	Sturgeon
Cash and cash equivalents	\$ 705,638
Accounts receivable	7,587,298
Inventories	2,221,073
Other current assets	555,939
Property, plant and equipment	20,424,087
Sand reserves	57,420,000
Goodwill	2,683,727
Total assets acquired	\$ 91,597,762
Accounts payable and accrued liabilities	\$ 2,878,072
Total liabilities assumed	\$ 2,878,072
Net assets acquired	\$ 88,719,690
 <u>Allocation of purchase price</u>	
Carrying value of sponsor's non-controlling interest prior to Sturgeon contribution	\$ 81,738,675
Deferred tax liability assumed	(4,010,885)
Members' equity conveyed	\$ 77,727,790

(d) Acquisition of Higher Power

On April 21, 2017, the Company completed its acquisition of Higher Power for total consideration of \$3,250,000 in cash to the sellers plus up to \$750,000 in contingent consideration to be paid in equal annual installments over the next three years subject to contractual conditions. As of September 30, 2017, \$250,000 and \$500,000 of the contingent consideration are reflected in the accrued expenses and other current liabilities and other liabilities, respectively. Mammoth funded the

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purchase price for Higher Power with cash on hand and borrowings under its credit facility. The acquisition of Higher Power added an energy infrastructure component to the Company's other energy services segment, helping to diversify its service offerings.

For the nine months ended September 30, 2017, there was \$0.1 million of transaction related costs expensed.

The following table summarizes the fair value of Higher Power as of April 21, 2017:

	Higher Power
Property, plant and equipment	\$ 1,743,600
Identifiable intangible assets - customer relationships	1,613,000
Goodwill ⁽¹⁾	643,400
Total assets acquired	\$ 4,000,000
Long-term debt and other liabilities	\$ 750,000
Total liabilities assumed	\$ 750,000
Net assets acquired	\$ 3,250,000

(1) Goodwill was the excess of the consideration transferred over the net assets recognized and represents the future economic benefits arising from other assets acquired that could not be individually identified and separately recognized. Goodwill recorded in connection with the acquisition is attributable to assembled workforces and future profitability expected to arise from the acquired entity.

From its acquisition date through September 30, 2017, Higher Power has provided the following activity:

	2017
	Higher Power
Revenues	\$ 8,846,930
Net loss ^(a)	(112,367)

a. Includes \$1,052,020 in depreciation and amortization

The following table presents unaudited pro forma information as if the acquisition of Higher Power had occurred as of January 1, 2016:

	Nine Months Ended September 30, 2017	Year Ended December 31, 2016
Revenues	\$ 11,618,913	\$ 10,038,825
Net loss	(236,055)	(1,189,496)

(e) Acquisition of 5 Star

On July 1, 2017, the Company completed its acquisition of 5 Star for total consideration of \$2,438,000 in cash to the sellers. Mammoth funded the purchase price for 5 Star with cash on hand and borrowings under its credit facility. The acquisition of 5 Star added to the infrastructure component of the Company's other energy services segment.

For the nine months ended September 30, 2017, there was \$0.1 million of transaction related costs expensed.

The following table summarizes the fair value of 5 Star as of July 1, 2017:

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	5 Star
Accounts receivable	\$ 2,440,440
Property, plant and equipment	1,862,500
Identifiable intangible assets - trade names ⁽¹⁾	300,000
Goodwill ⁽²⁾	248,058
Total assets acquired	\$ 4,850,998
Long-term debt and other liabilities	\$ 2,412,998
Total liabilities assumed	\$ 2,412,998
Net assets acquired	\$ 2,438,000

- (1) Identifiable intangible assets were measured using a combination of income approaches. Trade names were valued using a "Relief-from-Royalty" method. Non-contractual customer relationships were valued using a "Multi-period excess earnings" method. Identifiable intangible assets will be amortized over 5-10 years.
- (2) Goodwill was the excess of the consideration transferred over the net assets recognized and represents the future economic benefits arising from other assets acquired that could not be individually identified and separately recognized. Goodwill recorded in connection with the acquisition is attributable to assembled workforces and future profitability expected to arise from the acquired entity.

From its acquisition date through September 30, 2017, 5 Star has provided the following activity:

	2017
	5 Star
Revenues	\$ 6,348,734
Net income ^(a)	776,182

a. Includes \$327,351 in depreciation and amortization

The following table presents unaudited pro forma information as if the acquisition of 5 Star had occurred as of January 1, 2016:

	Nine Months Ended September 30, 2017	Year Ended December 31, 2016
Revenues	\$ 12,680,853	\$ 13,970,985
Net income (loss)	494,612	(839,125)

4. Inventories

A summary of the Company's inventories is shown below:

	September 30, 2017	December 31, 2016
Supplies	\$ 9,038,905	\$ 4,020,670
Raw materials	1,552,225	75,971
Work in process	289,104	205,450
Finished goods	1,283,991	1,822,110
Total inventory	\$ 12,164,225	\$ 6,124,201

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5. Property, Plant and Equipment

Property, plant and equipment include the following:

	Useful Life	September 30,	December 31,
		2017	2016
Land		\$ 11,316,910	\$ 5,040,482
Land improvements	15 years or life of lease	9,317,354	3,640,976
Buildings	15-39 years	58,814,815	54,833,021
Drilling rigs and related equipment	3-15 years	151,883,172	138,526,519
Pressure pumping equipment	3-5 years	174,609,203	96,500,592
Coil tubing equipment	4-10 years	28,006,153	28,019,217
Rail improvements	10-20 years	5,962,779	4,276,928
Vehicles, trucks and trailers	5-10 years	50,263,851	33,140,599
Machinery and equipment	7-20 years	52,866,319	35,548,357
Other property and equipment	3-12 years	14,208,936	11,461,839
		<u>557,249,492</u>	<u>410,988,530</u>
Deposits on equipment and equipment in process of assembly		22,225,520	9,427,307
		<u>579,475,012</u>	<u>420,415,837</u>
Less: accumulated depreciation		232,157,296	178,296,174
Property, plant and equipment, net		<u>\$ 347,317,716</u>	<u>\$ 242,119,663</u>

Proceeds from customers for horizontal and directional drilling services equipment, damaged or lost down-hole are reflected in revenue with the carrying value of the related equipment charged to cost of service revenues and are reported as cash inflows from investing activities in the statement of cash flows. For the nine months ended September 30, 2017, proceeds from the sale of equipment damaged or lost down-hole were \$347,844 and gain on sales of equipment damaged or lost down-hole was \$221,779. There were no proceeds from the sale of equipment damaged or lost down-hole for the nine months ended September 30, 2016.

A summary of depreciation, depletion, accretion and amortization expense is outlined below:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Depreciation expense	\$ 24,104,784	\$ 15,223,767	\$ 56,301,053	\$ 47,030,398
Accretion expense (see Note 2)	24,825	165	39,234	494
Depletion expense (see Note 2)	682,367	431,706	1,066,839	650,933
Amortization expense (see Note 6)	2,411,757	2,265,833	6,947,257	6,801,333
Depreciation, depletion, accretion and amortization	<u>\$ 27,223,733</u>	<u>\$ 17,921,471</u>	<u>\$ 64,354,383</u>	<u>\$ 54,483,158</u>

Deposits on equipment and equipment in process of assembly represents deposits placed with vendors for equipment that is in the process of assembly and purchased equipment that is being outfitted for its intended use. The equipment is not yet placed in service.

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6. Goodwill and Intangible Assets

The Company had the following definite lived intangible assets recorded:

	September 30, 2017	December 31, 2016
Customer relationships	\$ 35,798,000	\$ 33,605,000
Trade names	8,790,000	7,110,000
Less: accumulated amortization - customer relationships	24,027,625	17,655,228
Less: accumulated amortization - trade names	2,067,803	1,492,943
Intangible assets, net	<u>\$ 18,492,572</u>	<u>\$ 21,566,829</u>

Amortization expense for intangible assets was \$6,947,257 and \$6,801,333 for the nine months ended September 30, 2017 and 2016, respectively. The original life of customer relationships range from 4 to 10 years with a remaining average useful life of 4.57 years. Trade names are amortized over a 10 year useful life and as of September 30, 2017 the remaining useful life was 9.04 years.

Aggregated expected amortization expense for the future periods is expected to be as follows:

Year ended December 31:	Amount
Remainder of 2017	\$ 2,357,126
2018	8,581,505
2019	1,096,004
2020	1,096,004
2021	1,090,252
Thereafter	4,271,681
	<u>\$ 18,492,572</u>

Goodwill was \$99,810,819 and \$88,726,875 at September 30, 2017 and December 31, 2016, respectively. Changes in the goodwill for the year ended December 31, 2016 and the nine months ended September 30, 2017 are set forth below:

Balance, January 1, 2016	\$ 88,726,875
Additions	—
Balance, December 31, 2016	88,726,875
Additions - 2017 Stingray Acquisition (Note 3)	10,192,486
Additions - Higher Power Acquisition (Note 3)	643,400
Additions - 5 Star Acquisition (Note 3)	248,058
Balance, September 30, 2017	<u>\$ 99,810,819</u>

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7. Accrued Expenses and Other Current Liabilities

Accrued expense and other current liabilities included the following:

	September 30, 2017	December 31, 2016
Accrued compensation, benefits and related taxes	\$ 7,257,925	\$ 2,432,093
Financed insurance premiums	—	3,293,859
State & local taxes payable	1,519,073	319,597
Insurance reserves	2,270,444	971,351
Deferred revenue	6,051,796	—
Other	4,457,304	1,529,298
Total	\$ 21,556,542	\$ 8,546,198

Financed insurance premiums are due in monthly installments, bear interest at rates ranging from 1.79% to 5.00%, are unsecured, and mature within the twelve month period following the close of the year.

8. Debt

Mammoth Credit Facility

On November 25, 2014, Mammoth entered into a revolving credit and security agreement with a syndicate of banks that provides for maximum borrowings of \$170 million. The facility, as amended in connection with the IPO, matures on November 25, 2019. Borrowings under this facility are secured by the assets of Mammoth, inclusive of the subsidiary companies. The maximum availability of the facility is subject to a borrowing base calculation prepared monthly. Concurrent with the execution of the facility, the initial advance was used to repay all the debt of the Company then outstanding. Interest is payable monthly at a base rate set by the lead institution's commercial lending group plus an applicable margin. Additionally, at the Company's request, outstanding balances are permitted to be converted to LIBOR rate plus applicable margin tranches at set increments of \$500,000. The LIBOR rate option allows the Company to select interest periods from one, two, three or six months. The applicable margin for either the base rate or the LIBOR rate option can vary from 1.5% to 3.0%, based upon a calculation of the excess availability of the line as a percentage of the maximum credit limit. The deferred loan costs associated with this facility are classified in other non-current assets.

At September 30, 2017, all of the \$94,000,000 outstanding balance of the facility was in a one month LIBOR rate option tranche with an interest rate of 3.99%. As of September 30, 2017, Mammoth had availability of \$69,779,297, which is net of letters of credit of \$5,454,187.

As of December 31, 2016, the facility was undrawn and had borrowing base availability of \$146,181,002.

The Mammoth facility also contains various customary affirmative and restrictive covenants. Among the various covenants are specifically identified financial covenants placing requirements of a minimum interest coverage ratio (3.0 to 1.0), maximum leverage ratio (4.0 to 1.0), and minimum availability (\$10 million). As of September 30, 2017 and December 31, 2016, the Company was in compliance with its covenants under the facility.

9. Income Taxes

As discussed in Note 1, the Partnership was converted into a limited liability company on October 12, 2016 and the membership interests in the limited liability company were contributed to the Company. As a result, the Company will file a consolidated return for the period October 12, 2016 through December 31, 2016. Prior to the conversion, the Partnership, other than Lodging, was not subject to corporate income taxes.

The components of income tax (benefit) expense attributable to the Company for the nine months ended September 30, 2017 and 2016, are as follows:

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	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
U.S. current income tax (benefit) expense	\$ —	\$ 44,232	\$ —	\$ 31,352
U.S. deferred income tax (benefit) expense	(1,330,254)	19,324	(7,826,628)	29,110
Foreign current income tax expense	(100,815)	998,663	505,741	2,652,847
Foreign deferred income tax (benefit) expense	18,389	(6,258)	(1,935)	26,387
Total	<u>\$ (1,412,680)</u>	<u>\$ 1,055,961</u>	<u>\$ (7,322,822)</u>	<u>\$ 2,739,696</u>

A reconciliation of the statutory federal income tax amount to the recorded expense is as follows:

	Nine Months Ended September 30,	
	2017	2016
Loss before income taxes, as reported	\$ (14,274,443)	\$ (32,007,236)
Bargain purchase gain, net of tax	(4,011,512)	—
Loss before income taxes, as taxed	(18,285,955)	(32,007,236)
Statutory income tax rate	35 %	35 %
Expected income tax benefit	(6,400,084)	(11,202,533)
Non-taxable entity	—	14,763,650
Other permanent differences	40,287	33,471
State tax benefit	(301,569)	60,463
Foreign income tax rate differential	(126,630)	(820,580)
Other	(534,826)	(94,775)
Total	<u>\$ (7,322,822)</u>	<u>\$ 2,739,696</u>

Deferred tax assets and liabilities attributable to the Company consisted of the following:

	September 30, 2017	December 31, 2016
Deferred tax assets:		
Allowance for doubtful accounts	\$ 2,049,095	\$ 1,892,761
Net operating loss carryforward	4,653,055	—
Deferred stock compensation	2,894,538	1,686,671
Accrued liabilities	1,573,448	746,132
Other	3,470,006	1,785,999
Deferred tax assets	<u>14,640,142</u>	<u>6,111,563</u>
Deferred tax liabilities:		
Property and equipment	\$ (54,589,256)	\$ (42,525,793)
Intangible assets	(5,995,560)	(7,662,590)
Unrepatriated foreign earnings	(4,948,229)	(3,451,110)
Other	(193,836)	(142,859)
Deferred tax liabilities	<u>(65,726,881)</u>	<u>(53,782,352)</u>
Net deferred tax liability	<u>\$ (51,086,739)</u>	<u>\$ (47,670,789)</u>
Reflected in accompanying balance sheet as:		
Deferred income taxes	<u>\$ (51,086,739)</u>	<u>\$ (47,670,789)</u>

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10. Earnings Per Share

Common Stock Offering

On October 14, 2016, Mammoth Inc.'s common stock began trading on The Nasdaq Global Select Market under the symbol "TUSK." On October 19, 2016, the Company closed the IPO of 7,750,000 shares of common stock at \$15.00 per share. Net proceeds to Mammoth Inc. from its sale of 7,500,000 shares of common stock were approximately \$103.1 million.

The authorized capital stock of the Company consists of 200 million shares of common stock, par value \$0.01 per share, and 20 million shares of preferred stock, par value \$0.01 per share.

Earnings Per Share

In connection with the contribution of Operating Entities to the Partnership in November 2014, the Partnership issued an aggregate of 30,000,000 common units to Mammoth Holdings, Gulfport and Rhino. Upon the conversion of the Partnership into Mammoth LLC, a limited liability company, in October 2016, the common units were converted into an equal number of membership interests in Mammoth LLC. Finally, when Mammoth Holdings, Gulfport and Rhino contributed their 30,000,000 membership interests in Mammoth LLC to the Company in connection with the IPO, the Company issued to them an aggregate of 30,000,000 shares of the Company's common stock.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Basic loss per share:				
Allocation of earnings:				
Net loss	\$ (800,827)	\$ (2,978,626)	\$ (6,951,621)	\$ (34,746,932)
Weighted average common shares outstanding	44,501,885	30,000,000	40,526,276	30,000,000
Basic loss per share	\$ (0.02)	\$ (0.10)	\$ (0.17)	\$ (1.16)
Diluted loss per share:				
Allocation of earnings:				
Net loss	\$ (800,827)	\$ (2,978,626)	\$ (6,951,621)	\$ (34,746,932)
Weighted average common shares, including dilutive effect ^(a)	44,501,885	30,000,000	40,526,276	30,000,000
Diluted loss per share	\$ (0.02)	\$ (0.10)	\$ (0.17)	\$ (1.16)

^a No incremental shares of potentially dilutive restricted stock awards were included for periods presented as their effect was antidilutive under the treasury stock method.

Unaudited Pro Forma Earnings Per Share

The Company's pro forma basic and diluted earnings per share amounts have been computed based on the weighted-average number of shares of common stock outstanding for the period, as if the shares of common stock issued upon the conversion and contribution of Mammoth LLC to Mammoth Inc. were outstanding for the entire year. A reconciliation of the components of pro forma basic and diluted earnings per common share is presented in the table below:

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	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>September 30, 2016</u>		<u>September 30, 2016</u>	
Pro Forma C Corporation Data (unaudited):				
Net loss, as reported	\$	(2,978,626)	\$	(34,746,932)
Pro forma benefit for income taxes		(3,896,035)		(9,701,517)
Pro forma net loss	\$	917,409	\$	(25,045,415)
Basic loss per share:				
Allocation of earnings:				
Net loss	\$	917,409	\$	(25,045,415)
Weighted average common shares outstanding		43,107,452		43,107,452
Basic loss per share	\$	0.02	\$	(0.58)
Diluted loss per share:				
Allocation of earnings:				
Net loss	\$	917,409	\$	(25,045,415)
Weighted average common shares, including dilutive effect ^(a)		43,107,452		43,107,452
Diluted loss per share	\$	0.02	\$	(0.58)

^(a) No incremental shares of potentially dilutive restricted stock awards were included for periods presented as their effect was antidilutive under the treasury stock method.

11. Equity Based Compensation

Upon formation of certain Operating Entities (including the acquired Stingray Entities), specified members of management (“Specified Members”) were granted the right to receive distributions from their respective Operating Entity, after the contribution member’s unreturned capital balance was recovered (referred to as “Payout” provision). Additionally, non-employee members were included in the award class (“Non-Employee Members”).

On November 24, 2014, the awards were modified in conjunction with the contribution of the Operating Entities to Mammoth. Awards are not granted in limited or general partner units. Agreements are for interest in the distributable earnings of Mammoth Holdings, Mammoth’s majority equity holder.

On the IPO closing date, Mammoth Holdings unreturned capital balance was not fully recovered from its sale of common stock in the IPO. As a result, Payout did not occur and no compensation cost was recorded. Future offerings or sales of common stock to recover outstanding unreturned capital remain not probable.

Payout is expected to occur following the sale by Mammoth Holding’s of its shares of the Company’s common stock, which is considered not probable until the event occurs. Therefore, for the awards that contained the Payout provision, no compensation cost was recognized as the distribution rights do not vest until Payout is reached. For the Specified Member awards, the unrecognized amount, which represents the fair value of the award as of the modification dates or grant date, was \$5,618,552. For the Non-Employees Member awards, the unrecognized cost, which represents the fair value of the awards as of September 30, 2017 was \$41,040,779.

12. Stock Based Compensation

The 2016 Plan authorizes the Company’s Board of Directors or the compensation committee of the Company’s Board of Directors to grant restricted stock, restricted stock units, stock appreciation rights, stock options and performance awards. There are 4.5 million shares of common stock reserved for issuance under the 2016 Plan.

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Restricted Stock Units

The fair value of restricted stock unit awards was determined based on the fair market value of the Company's common stock on the date of the grant. This value is amortized over the vesting period.

A summary of the status and changes of the unvested shares of restricted stock under the 2016 Plan is presented below.

	Number of Unvested Restricted Shares	Weighted Average Grant- Date Fair Value
Unvested shares as of January 1, 2017	282,780	\$ 14.98
Granted	390,587	21.19
Vested	(2,233)	(17.42)
Forfeited	(8,888)	(15.00)
Unvested shares as of September 30, 2017	<u>662,246</u>	<u>\$ 18.63</u>

As of September 30, 2017, there was \$9,294,444 of total unrecognized compensation cost related to the unvested restricted stock. The cost is expected to be recognized over a weighted average period of approximately 2.3 years.

Included in cost of revenue and selling, general and administrative expenses is stock-based compensation expense of \$1,028,318 and \$2,648,211 for the three and nine months ended September 30, 2017, respectively.

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13. Related Party Transactions

Transactions between the subsidiaries of the Company and the following companies are included in Related Party Transactions: Gulfport; Grizzly Oil Sands ULC ("Grizzly"); El Toro Resources LLC ("El Toro"); Diamondback E&P, LLC ("Diamondback"); Cementing and SR Energy (collectively, prior to the 2017 Stingray Acquisition, the "2017 Stingray Companies"); Everest Operations Management LLC ("Everest"); Elk City Yard LLC ("Elk City Yard"); Double Barrel Downhole Technologies LLC ("DBDHT"); Orange Leaf Holdings LLC ("Orange Leaf"); Caliber Investment Group LLC ("Caliber"); and Dunvegan North Oilfield Services ULC ("Dunvegan").

		REVENUES				ACCOUNTS RECEIVABLE	
		Three Months Ended September 30,		Nine Months Ended September 30,		At September 30,	At December 31,
		2017	2016	2017	2016	2017	2016
Pressure Pumping and Gulfport	(a)	\$ 46,701,582	\$ 35,381,839	\$ 119,546,973	\$ 73,547,397	\$ 26,830,168	\$ 19,094,509
Muskie and Gulfport	(b)	14,055,246	6,557,237	39,200,789	17,788,581	9,464,076	5,373,007
Panther Drilling and Gulfport	(c)	944,177	464,850	2,937,993	1,685,872	1,104,331	1,434,036
Cementing and Gulfport	(d)	3,178,512	—	4,081,829	—	1,663,156	—
SR Energy and Gulfport	(e)	5,768,162	—	7,333,373	—	5,448,130	—
Lodging and Grizzly	(f)	—	4,840	525	5,412	—	274
Bison Drilling and El Toro	(g)	—	—	—	371,873	—	—
Panther Drilling and El Toro	(g)	95,700	—	95,700	171,620	95,700	—
Bison Trucking and El Toro	(g)	—	—	—	130,000	—	—
White Wing and El Toro	(g)	—	—	—	20,431	—	—
Energy Services and El Toro	(h)	25,872	155,855	183,617	405,047	—	108,386
White Wing and Diamondback	(i)	—	—	—	1,650	—	—
Coil Tubing and El Toro	(j)	133,305	—	133,305	318,694	115,631	—
Panther and DBDHT	(k)	13,444	—	27,133	—	25,416	100,450
The Company and 2017 Stingray Companies	(l)	—	21,015	84,722	21,015	—	1,363,056
Other Relationships		—	—	—	—	26,053	115,565
		\$ 70,916,000	\$ 42,585,636	\$ 173,625,959	\$ 94,467,592	\$ 44,772,661	\$ 27,589,283

- a. Pressure Pumping provides pressure pumping, stimulation and related completion services to Gulfport.
- b. Muskie has agreed to sell and deliver, and Gulfport has agreed to purchase, specified annual and monthly amounts of natural sand proppant, subject to certain exceptions specified in the agreement, and pay certain costs and expenses.
- c. Panther Drilling performs drilling services for Gulfport pursuant to a master service agreement.
- d. Cementing performs well cementing services for Gulfport.
- e. SR Energy performs rental services for Gulfport.
- f. Lodging provides remote accommodation and food services to Grizzly, an entity owned approximately 75% by affiliates of Wexford and approximately 25% by Gulfport.
- g. The contract land and directional drilling segment provides services for El Toro, an entity controlled by Wexford, pursuant to a master service agreement.
- h. Energy Services performs completion and production services for El Toro pursuant to a master service agreement.
- i. White Wing provides rental services to Diamondback.
- j. Coil Tubing provides to El Toro services in connection with completion and drilling activities.
- k. Panther provides services and materials to DBDHT.
- l. The Company provided certain services to the 2017 Stingray Companies.

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		COST OF REVENUE				ACCOUNTS PAYABLE			
		Three Months Ended September 30,		Nine Months Ended September 30,		At September 30,		At December 31,	
		2017	2016	2017	2016	2017	2016		
Panther and DBDHT	(a)	\$ —	\$ —	\$ 127,778	\$ 48,998	\$ —	\$ —		
Bison Trucking and Diamondback	(b)	—	43,598	66,522	127,556	—	—		
Energy Services and Elk City Yard	(c)	8,899	26,700	62,299	80,100	—	—		
Lodging and Dunvegan	(d)	—	6,121	—	8,574	—	3,199		
Bison Trucking and El Toro	(e)	—	—	—	5,000	93	—		
The Company and 2017 Stingray Companies	(f)	—	510,668	444,409	516,851	—	174,145		
		\$ 8,899	\$ 587,087	\$ 701,008	\$ 787,079	\$ 93	\$ 177,344		
SELLING, GENERAL AND ADMINISTRATIVE COSTS									
The Company and Everest	(g)	\$ 32,255	\$ 54,442	\$ 140,372	\$ 190,197	\$ 7,857	\$ 12,668		
The Company and Wexford	(h)	184,622	57,046	582,916	193,303	158,386	13,197		
Mammoth and Orange Leaf	(i)	—	19,674	45,786	73,005	—	—		
Mammoth and Caliber	(j)	137,258	—	209,256	—	43,608	—		
Sand Tiger and Grizzly	(k)	84	—	4,131	—	722	—		
Lodging and Dunvegan	(d)	1,023	—	3,665	—	686	—		
		\$ 355,242	\$ 131,162	\$ 986,126	\$ 456,505	\$ 211,259	\$ 25,865		
						\$ 211,352	\$ 203,209		

- a. Panther rents rotary steerable equipment in connection with its directional drilling services from DBDHT.
- b. Bison Trucking leased office space from Diamondback in Midland, Texas.
- c. Energy Services leases property from Elk City Yard.
- d. Dunvegan provides technical and administrative services and pays for goods and services on behalf of the Company.
- e. Bison Trucking leases space from El Toro for storage of a rig.
- f. Prior to the 2017 Stingray Acquisition, the 2017 Stingray Companies provided certain services to the Company and, from time to time, the 2017 Stingray Companies paid for goods and services on behalf of the Company.
- g. Everest has historically provided office space and certain technical, administrative and payroll services to the Company and the Company has reimbursed Everest in amounts determined by Everest based on estimates of the amount of office space provided and the amount of employees' time spent performing services for the Company.
- h. Wexford provides certain administrative and analytical services to the Company and, from time to time, the Company pays for goods and services on behalf of Wexford.
- i. Orange Leaf leases office space to Mammoth.
- j. Caliber leases office space to Mammoth.
- k. Grizzly provides certain administrative and analytical services to the Company.

14. Commitments and Contingencies

Lease Obligations

The Company leases real estate, rail cars and other equipment under long-term operating leases with varying terms and expiration dates through 2025.

Minimum Purchase Commitments

We have entered into agreements with sand suppliers that contain minimum purchase obligations. Our failure to purchase the minimum tonnage would require us to pay shortfall fees. However, the minimum quantities set forth in the agreements are not in excess of our currently expected future requirements.

Capital Spend Commitments

The Company has entered into agreements with suppliers to acquire capital equipment.

Aggregate future minimum payments under these obligations in effect at September 30, 2017 are as follows:

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Year ended December 31:	Operating Leases	Capital Spend Commitments	Minimum Purchase Commitments
Remainder of 2017	\$ 3,377,429	\$ 26,847,278	\$ 3,556,655
2018	13,047,020	—	10,866,000
2019	10,533,906	—	10,866,000
2020	8,085,194	—	—
2021	5,744,808	—	—
Thereafter	6,189,124	—	—
	\$ 46,977,481	\$ 26,847,278	\$ 25,288,655

For the nine months ended September 30, 2017 and 2016, the Company recognized rent expense of \$7,399,404 and \$6,174,150, respectively.

The Company has various letters of credit totaling \$454,560 to secure rail car lease payments. These letters of credit were issued under the Company's revolving credit agreement and are collateralized by substantially all of the assets of the Company.

The Company has insurance coverage for physical partial loss to its assets, employer's liability, automobile liability, commercial general liability, workers' compensation and insurance for other specific risks. The Company has also elected in some cases to accept a greater amount of risk through increased deductibles on certain insurance policies. As of September 30, 2017 and December 31, 2016, the policy requires a per deductible per occurrence of up to \$250,000. The Company establishes liabilities for the unpaid deductible portion of claims incurred relating to workers' compensation and auto liability based on estimates. As of September 30, 2017 and December 31, 2016, the policies contained an aggregate stop loss of \$2,000,000. The Company also self-insures its employee health insurance. The Company has coverage on its self-insurance program in the form of a stop loss of \$150,000 per participant and an aggregate stop-loss of \$5,799,991 for the calendar year ending December 31, 2017. These estimates may change in the near term as actual claims continue to develop. As of September 30, 2017 and December 31, 2016, accrued insurance claims were \$2,270,444 and \$971,351, respectively. In connection with the insurance programs, letters of credit of \$1,636,000 and \$1,285,000 as of September 30, 2017 and December 31, 2016, respectively, have been issued supporting the retained risk exposure. As of September 30, 2017, in connection with environmental remediation programs, letters of credit of \$3,363,627 have been issued supporting the retained risk exposure. As of both September 30, 2017 and December 31, 2016, these letters of credit were collateralized by substantially all of the assets of the Company.

The Company is routinely involved in state and local tax audits. During the year ended December 31, 2016, the State of Ohio assessed taxes on the purchase of equipment the Company believes is exempt under state law. The Company has appealed the assessment and a hearing was scheduled for November 30, 2016. In November 2016, the State of Ohio deferred the hearing until 2017. While the Company is not able to predict the outcome of the appeal, this matter is not expected to have a material adverse effect on the financial position or results of operations of the Company.

On June 3, 2015, a putative class and collective action lawsuit alleging that Pressure Pumping failed to pay a class of workers overtime in compliance with the Fair Labor Standards Act and Ohio law was filed titled William Crigler, et al v. Stingray Pressure Pumping, LLC in the U.S. District Court Southern District of Ohio Eastern Division. The parties have reached a settlement of this matter which received final approval from the court in August 2017. This settlement is expected to be payable in 2017. This settlement will not have a material impact on the Company's financial position, results of operations or cash flows.

On December 2, 2015, a putative class and collective action lawsuit alleging that Bison Drilling failed to pay a class of workers overtime in compliance with the Fair Labor Standards Act and Texas law was filed titled John Talamantez, individually and on behalf of all others similarly situated v. Bison Drilling and Field Services, LLC in the U.S. District Court Western District of Texas Midland/Odessa Division. The Company is evaluating the background facts and at this time is not able to predict the outcome of this lawsuit or whether it will have a material impact on the Company's financial position, results of operations or cash flows.

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On June 22, 2016, a putative, Title VII discrimination, and Oklahoma anti-discrimination lawsuit alleging that Redback Energy Services was in violation of the previously mentioned federal and state laws. The lawsuit was filed titled Earl Richardson and Keary Johnson v. Redback Energy Services LLC in the U.S. District Court for the Western District of Oklahoma. The Company is evaluating the background facts at this time and is not able to predict the outcome of this lawsuit or whether it will have a material impact on the Company's financial position, results of operations or cash flows.

On August 1, 2016, a putative class and collective action lawsuit alleging that Energy Services failed to pay a class of workers overtime in compliance with the Fair Labor Standards Act and Texas law was filed titled Michael Caffey, individually and on behalf of all others similarly situated v. Redback Energy Services LLC in the U.S. District Court for the Western District of Texas. The Company is evaluating the background facts and at this time is not able to predict the outcome of this lawsuit or whether it will have a material impact on the Company's financial position, results of operations or cash flows.

On September 27, 2016, a putative lawsuit alleging that Energy Services failed to pay a class of workers in compliance with the Fair Labor Standards Act was filed titled Michael Drake vs. Redback Coil Tubing LLC, et al in the U.S. District Court Western District of Texas. The Company is evaluating the background facts at this time. The parties have agreed to stay discovery while they engage in settlement discussions. The Company is not able to predict the outcome of this lawsuit or whether it will have a material impact on the Company's financial position, results of operations or cash flows.

On January 26, 2017, a collective action lawsuit alleging that Pressure Pumping failed to pay a class of workers in compliance with the Fair Labor Standards Act was filed titled Ryan Crosby vs. Stingray Pressure Pumping, in the United States District Court for the Southern District of Ohio Eastern Division. The Company is evaluating the background facts at this time and is not able to predict the outcome of this lawsuit or whether it will have a material impact on the Company's financial position, results of operations or cash flows.

On June 27, 2017, a complaint alleging negligence, as a result of a motor vehicle accident, was filed titled Donnelle Banks, individually and as parent and next Friend for Leila Ann Hollis, a minor, vs. Redback Coil Tubing LLC and Mammoth Energy Services, Inc. in the District Court of Gregg County, Texas. The Company is evaluating the background facts and at this time is not able to predict the outcome of this lawsuit or whether it will have a material impact on the Company's financial position, results of operations or cash flows.

The Company is involved in various other legal proceedings in the ordinary course of business. Although the Company cannot predict the outcome of these proceedings, legal matters are subject to inherent uncertainties and there exists the possibility that the ultimate resolution of these matters could have a material adverse effect on the Company's business, financial condition, results of operations or cash flows.

Defined contribution plan

The Company sponsors a 401(k) defined contribution plan for the benefit of substantially all employees at their date of hire. The plan allows eligible employees to contribute up to 92% of their annual compensation, not to exceed annual limits established by the federal government. The Company makes discretionary matching contributions of up to 4% of an employee's compensation and may make additional discretionary contributions for eligible employees. For the nine months ended September 30, 2017 and 2016, the Company paid \$0 and \$102,230, respectively, in contributions to the plan.

15. Operating Segments

The Company is organized into five reportable segments based on the nature of services provided and the basis in which management makes business and operating decisions. The Company principally provides oilfield services in connection with on-shore drilling of oil and natural gas wells for small to large domestic independent oil and natural gas producers. The Company's five segments consist of pressure pumping services ("Pressure Pumping Services"), well services ("Well Services"), natural sand proppant ("Sand"), contract land and directional drilling services ("Drilling") and other energy services ("Other Energy Services").

The Company's Chief Executive Officer and Chief Financial Officer comprise the Company's Chief Operating Decision Maker function ("CODM"). Segment information is prepared on the same basis that the CODM manages the segments, evaluates the segment financial statements, and makes key operating and resource utilization decisions. Segment

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evaluation is determined on a quantitative basis based on a function of revenue and earnings before interest, other expense (income), impairment, taxes and depreciation and amortization as well as a qualitative basis, such as nature of the product and service offerings, types of customers.

Based on the CODM's assessment, effective December 31, 2016, the Company reorganized the reportable segments to align with its new management reporting structure and business activities. Prior to this reorganization, the existing reportable segments were comprised of four segments for financial reporting purposes: land and directional drilling services, completion and production services, completion and production - natural sand proppant and remote accommodation services. As a result of this change, there are five reportable segments for financial reporting purposes as described above. Historical information in this Note to the financial statements has been revised to reflect the new reportable segment.

The following table sets forth certain financial information with respect to the Company's reportable segments:

Nine Months Ended September 30, 2017	Completion and Production					Other Energy Services	Total
	Pressure Pumping Services	Well Services	Sand	Drilling			
Revenue from external customers	\$ 46,511,384	\$ 15,852,372	\$ 29,043,367	\$ 33,805,844	\$ 23,694,054	\$ 148,907,021	
Revenue from related parties	\$ 119,570,520	\$ 11,793,299	\$ 39,200,789	\$ 3,060,826	\$ 525	\$ 173,625,959	
Cost of revenue	\$ 117,494,570	\$ 24,288,693	\$ 57,759,173	\$ 34,584,336	\$ 16,243,862	\$ 250,370,634	
Selling, general and administrative expenses	\$ 6,690,812	\$ 2,789,881	\$ 6,314,182	\$ 4,103,053	\$ 2,561,237	\$ 22,459,165	
Earnings before interest, other expense, impairment, taxes and depreciation and amortization	\$ 41,896,522	\$ 567,097	\$ 4,170,801	\$ (1,820,719)	\$ 4,889,480	\$ 49,703,181	
Other expense	\$ 126,650	\$ 36,195	\$ 251,520	\$ 262,560	\$ 28,969	\$ 705,894	
Bargain purchase gain	\$ —	\$ —	\$ (4,011,512)	\$ —	\$ —	\$ (4,011,512)	
Interest expense (income)	\$ 1,023,519	\$ (14,019)	\$ 572,096	\$ 1,227,422	\$ 119,841	\$ 2,928,859	
Depreciation, depletion, accretion and amortization	\$ 31,823,408	\$ 7,939,784	\$ 6,603,001	\$ 14,978,300	\$ 3,009,890	\$ 64,354,383	
Income tax (benefit) provision	\$ —	\$ (7,778,970)	\$ 32,326	\$ —	\$ 423,822	\$ (7,322,822)	
Net income (loss)	\$ 8,922,945	\$ 384,107	\$ 723,370	\$ (18,289,001)	\$ 1,306,958	\$ (6,951,621)	
Total expenditures for property, plant and equipment	\$ 72,982,713	\$ 1,121,873	\$ 7,897,818	\$ 8,257,702	\$ 12,013,384	\$ 102,273,490	
Three Months Ended September 30, 2017							
Revenue from external customers	\$ 29,003,286	\$ 7,055,718	\$ 15,276,279	\$ 12,590,622	\$ 14,462,995	\$ 78,388,900	
Revenue from related parties	\$ 46,701,582	\$ 9,105,851	\$ 14,055,246	\$ 1,053,321	\$ —	\$ 70,916,000	
Cost of revenue	\$ 52,960,761	\$ 13,852,628	\$ 25,177,849	\$ 11,597,757	\$ 10,943,699	\$ 114,532,694	
Selling, general and administrative expenses	\$ 2,511,147	\$ 1,091,378	\$ 1,840,746	\$ 1,374,275	\$ 1,205,115	\$ 8,022,661	
Earnings before interest, other expense, impairment, taxes and depreciation and amortization	\$ 20,232,960	\$ 1,217,563	\$ 2,312,930	\$ 671,911	\$ 2,314,181	\$ 26,749,545	
Other expense	\$ 120,261	\$ 38,186	\$ 97,744	\$ 38,324	\$ 24,737	\$ 319,252	
Interest expense	\$ 591,724	\$ 94,357	\$ 86,857	\$ 570,364	\$ 76,765	\$ 1,420,067	
Depreciation, depletion, accretion and amortization	\$ 13,038,962	\$ 4,511,622	\$ 3,034,342	\$ 5,035,990	\$ 1,602,817	\$ 27,223,733	
Income tax (benefit) provision	\$ —	\$ (1,278,456)	\$ 23,824	\$ —	\$ (158,048)	\$ (1,412,680)	
Net income (loss)	\$ 6,482,013	\$ (2,148,146)	\$ (929,837)	\$ (4,972,767)	\$ 767,910	\$ (800,827)	
Total expenditures for property, plant and equipment	\$ 19,580,804	\$ 777,399	\$ 4,927,935	\$ 2,356,885	\$ 8,054,748	\$ 35,697,771	
At September 30, 2017							
Goodwill	\$ 86,043,147	\$ 10,192,486	\$ 2,683,727	\$ —	\$ 891,459	\$ 99,810,819	
Intangible assets, net	\$ 14,652,434	\$ 2,022,430	\$ —	\$ —	\$ 1,817,708	\$ 18,492,572	
Total assets	\$ 270,394,551	\$ 93,523,385	\$ 169,424,805	\$ 94,661,601	\$ 57,131,438	\$ 685,135,780	

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Nine Months Ended September 30, 2016	Completion and Production					Total
	Pressure Pumping Services	Well Services	Sand	Drilling	Other Energy Services	
Revenue from external customers	\$ 18,294,739	\$ 6,470,485	\$ 4,651,673	\$ 17,946,458	\$ 23,253,092	\$ 70,616,447
Revenue from related parties	\$ 73,559,413	\$ 732,740	\$ 17,788,581	\$ 2,381,446	\$ 5,412	\$ 94,467,592
Cost of revenue	\$ 60,866,617	\$ 10,030,214	\$ 22,861,407	\$ 22,010,295	\$ 9,993,073	\$ 125,761,606
Selling, general and administrative expenses	\$ 2,981,718	\$ 1,512,824	\$ 2,525,310	\$ 3,353,243	\$ 1,641,524	\$ 12,014,619
Earnings before interest, other expense (income), impairment, taxes and depreciation and amortization	\$ 28,005,817	\$ (4,339,813)	\$ (2,946,463)	\$ (5,035,634)	\$ 11,623,907	\$ 27,307,814
Other expense (income)	\$ 25,087	\$ (671,986)	\$ 82,422	\$ 179,639	\$ 12,944	\$ (371,894)
Interest expense	\$ 502,781	\$ 178,584	\$ 319,855	\$ 2,272,913	\$ 58,768	\$ 3,332,901
Depreciation, depletion, accretion and amortization	\$ 27,964,092	\$ 3,903,924	\$ 4,734,540	\$ 16,243,626	\$ 1,636,976	\$ 54,483,158
Impairment of long-lived assets	\$ 138,587	\$ 1,384,751	\$ —	\$ 347,547	\$ —	\$ 1,870,885
Income tax provision	\$ —	\$ 2,835	\$ 3,716	\$ —	\$ 2,733,145	\$ 2,739,696
Net (loss) income	\$ (624,730)	\$ (9,137,921)	\$ (8,086,996)	\$ (24,079,359)	\$ 7,182,074	\$ (34,746,932)
Total expenditures for property, plant and equipment	\$ 1,262,854	\$ 404,612	\$ 522,267	\$ 1,492,476	\$ 425,838	\$ 4,108,047
Three Months Ended September 30, 2016						
Revenue from external customers	\$ 137,626	\$ 2,109,874	\$ 1,675,230	\$ 8,230,625	\$ 8,599,555	\$ 20,752,910
Revenue from related parties	\$ 35,393,855	\$ 164,854	\$ 6,557,237	\$ 464,850	\$ 4,840	\$ 42,585,636
Cost of revenue	\$ 20,782,936	\$ 3,068,159	\$ 6,429,040	\$ 9,042,242	\$ 3,544,410	\$ 42,866,787
Selling, general and administrative expenses	\$ 916,176	\$ 499,346	\$ 415,505	\$ 786,008	\$ 577,572	\$ 3,194,607
Earnings before interest, other expense, impairment, taxes and depreciation and amortization	\$ 13,832,369	\$ (1,292,777)	\$ 1,387,922	\$ (1,132,775)	\$ 4,482,413	\$ 17,277,152
Other expense	\$ 1,262	\$ 1,159	\$ 9,439	\$ 237,211	\$ 4,761	\$ 253,832
Interest expense	\$ 134,017	\$ 29,489	\$ 108,744	\$ 718,706	\$ 33,558	\$ 1,024,514
Depreciation, depletion, accretion and amortization	\$ 9,050,605	\$ 1,233,702	\$ 1,784,689	\$ 5,297,694	\$ 554,781	\$ 17,921,471
Impairment of long-lived assets	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Income tax provision	\$ —	\$ 5,929	\$ 3,716	\$ —	\$ 1,046,316	\$ 1,055,961
Net income (loss)	\$ 4,646,485	\$ (2,563,056)	\$ (518,666)	\$ (7,386,386)	\$ 2,842,997	\$ (2,978,626)
Total expenditures for property, plant and equipment	\$ 335,312	\$ 156,783	\$ 359,656	\$ 1,069,381	\$ 12,706	\$ 1,933,838
At September 30, 2016						
Goodwill	\$ 86,043,148	\$ —	\$ 2,683,727	\$ —	\$ —	\$ 88,726,875
Intangible assets, net	\$ 23,697,850	\$ 138,646	\$ —	\$ —	\$ —	\$ 23,836,496
Total assets	\$ 195,138,423	\$ 41,263,250	\$ 108,773,302	\$ 103,882,141	\$ 32,896,862	\$ 481,953,978

The pressure pumping services segment provides hydraulic fracturing. The well services segment provides coil tubing, flowback and equipment rental services. The sand segment sells, distributes and produces sand for use in hydraulic fracturing. The contract land and directional drilling services segment provides vertical, horizontal and directional drilling services. The other energy services segment provides housing, kitchen and dining, and recreational service facilities for oilfield workers that are located in remote areas away from readily available lodging as well as energy infrastructure services. The pressure pumping and well service segments primarily services in the Utica Shale of Eastern Ohio, Marcellus Shale in Pennsylvania, Eagle Ford and Permian basin in Texas and the SCOOP/STACK in the mid-continent region. The natural sand proppant segment primarily services the Utica Shale and Montney Shale in British Columbia and Alberta, Canada. The contract land and directional drilling services segment primarily services the Permian Basin in West Texas. The other energy services segment provides service in Canada, Texas and New Mexico.

16. Subsequent Events

Subsequent to September 30, 2017, the Company entered into railcar lease agreements with aggregate commitments of \$2.2 million.

Subsequent to September 30, 2017, the Company ordered additional capital equipment with aggregate commitments of \$3.4 million.

MAMMOTH ENERGY SERVICES, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Subsequent to September 30, 2017, the Company entered into an agreement to purchase sand from an unrelated third party seller with aggregate commitments of \$2.2 million.

On October 19, 2017, Cobra entered into a contract to aid in the restoration of utility infrastructure on the island of Puerto Rico. The contract provides for payments of up to \$200.0 million, including an initial payment of \$15.0 million at the time of signing. As of November 7, 2017, the Company had entered into \$32.7 million of commitments related to this contract and made prepayments and deposits of \$12.6 million with respect to these commitments.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the unaudited condensed consolidated financial statements and related notes thereto presented in this quarterly report and the consolidated financial statements and related notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2016, filed with the Securities and Exchange Commission, or the SEC, on February 24, 2017.

Overview

We are an integrated, growth-oriented energy service company serving companies engaged in the exploration and development of North American onshore unconventional oil and natural gas reserves and energy infrastructure. Our primary business objective is to grow our operations and create value for stockholders through organic opportunities and accretive acquisitions. Our suite of services includes pressure pumping services, well services, natural sand proppant services, contract land and directional drilling services and other energy services. Our pressure pumping services division provides hydraulic fracturing services. Our well services division provides pressure control services, cementing, flowback services and equipment rentals. Our natural sand proppant services division sells, distributes and produces proppant for hydraulic fracturing. Our contract land and directional drilling services division provides drilling rigs and crews for operators as well as rental equipment, such as mud motors and operational tools, for both vertical and horizontal drilling. Our other energy services division has historically provided housing, kitchen and dining, and recreational service facilities for oilfield workers located in remote areas away from readily available lodging and now also includes energy infrastructure services. We believe that the services we offer play a critical role in increasing the ultimate recovery and present value of production streams from unconventional resources. Our complementary suite of completion and production and drilling related services provides us with the opportunity to cross-sell our services and expand our customer base and geographic positioning.

On November 24, 2014, Mammoth Energy Holdings LLC, or Mammoth Holdings, Gulfport Energy Corporation, or Gulfport, and Rhino Exploration LLC, or Rhino, contributed to Mammoth Energy Partners LP, or the Partnership, their respective interests in the following entities: Bison Drilling and Field Services, LLC, or Bison Drilling; Bison Trucking LLC, or Bison Trucking; White Wing Tubular Services LLC, or White Wing; Barracuda Logistics LLC, or Barracuda; Panther Drilling Systems LLC, or Panther Drilling; Redback Energy Services LLC, or Redback Energy Services; Redback Coil Tubing LLC, or Redback Coil Tubing; Muskie Proppant LLC, or Muskie Proppant; Stingray Pressure Pumping LLC, or Pressure Pumping; Stingray Logistics LLC, or Logistics; and Great White Sand Tiger Lodging Ltd., or Lodging. Upon completion of these contributions, Mammoth Holdings, Gulfport and Rhino beneficially owned a 68.7%, 30.5% and 0.8% equity interest, respectively, in the Partnership.

On October 12, 2016, prior to and in connection with the IPO, the Partnership converted to a Delaware limited liability company named Mammoth Energy Partners LLC, or Mammoth LLC, and Mammoth Holdings, Gulfport and Rhino contributed their respective membership interests in Mammoth LLC to us in exchange for shares of our common stock, and Mammoth LLC became our wholly-owned subsidiary.

On October 19, 2016, we closed our IPO of 7,750,000 shares of common stock, of which 7,500,000 shares were sold by us and the remaining 250,000 shares were sold by certain selling stockholders, at a price to the public of \$15.00 per share. Our common stock is traded on the Nasdaq Global Select Market under the symbol "TUSK." Unless the context otherwise requires, references in this report to "we," "our," "us," or like terms, when used in a historical context for periods prior to October 12, 2016 refer to the Partnership and its subsidiaries. References in this report to "we," "our," "us," or like terms, when used in the present tense or for periods commencing on or after October 12, 2016 refer to Mammoth Energy Services, Inc., or Mammoth Inc., and its subsidiaries. Mammoth Inc. was formed in June 2016, and did not conduct any material business operations prior to the completion of the IPO and the contribution described above completed on October 12, 2016 immediately prior to the IPO. Prior to the IPO, Mammoth Inc. was a wholly-owned subsidiary of the Partnership.

On June 5, 2017, we acquired Sturgeon Acquisitions LLC, or Sturgeon, and Sturgeon's wholly owned subsidiaries Taylor Frac, LLC, Taylor Real Estate Investments, LLC and South River Road, LLC. Prior to the acquisition, we and Sturgeon were under common control and, in accordance with generally accepted accounting principles in the United States, or GAAP, we have accounted for this acquisition in a manner similar to the pooling of interest method of accounting. Therefore, our historical financial information for all periods included in this Quarterly Report on Form 10-Q has been recast to combine Sturgeon's financial results with our financial results as if the acquisition had been effective since Sturgeon commenced operations.

Third Quarter 2017 Highlights

Expansion of Services

During the third quarter of 2017, we expanded our pressure pumping, sand and last-mile trucking services into the SCOOP/STACK. The startup of our fifth pressure pumping fleet occurred in August 2017 with the startup of our sixth fleet occurring in October 2017, both of which were in the Mid-Continent.

5-Star Acquisition

On July 1, 2017, we completed our acquisition of 5 Star Electric, LLC, or 5 Star, from unrelated third party sellers. We funded the the acquisition of 5 Star with cash on hand and borrowings under our credit facility. The acquisition of 5 Star expanded the energy infrastructure component of our other energy services segment.

Industry Overview

The oil and natural gas industry has traditionally been volatile and is influenced by a combination of long-term, short-term and cyclical trends, including the domestic and international supply and demand for oil and natural gas, current and expected future prices for oil and natural gas and the perceived stability and sustainability of those prices, production depletion rates and the resultant levels of cash flows generated and allocated by exploration and production companies to their drilling, completion and related services and products budget. The oil and natural gas industry is also impacted by general domestic and international economic conditions, political instability in oil producing countries, government regulations (both in the United States and elsewhere), levels of customer demand, the availability of pipeline capacity and other conditions and factors that are beyond our control.

Demand for most of our products and services depends substantially on the level of expenditures by companies in the oil and natural gas industry. The significant decline in oil and natural gas prices that began in the third quarter of 2014 continued into February 2016, when the closing price of oil reached a 12-year low of \$26.19 per barrel on February 11, 2016. The low commodity price environment caused a reduction in the drilling, completion and other production activities of most of our customers and their spending on our products and services.

The reduction in demand during the first part of 2016, and the resulting oversupply of many of the services and products we provide, substantially reduced the prices we could charge our customers for our products and services, and had a negative impact on the utilization of our services. This overall trend with respect to our customers' activities and spending reversed in late 2016 as oil prices started to rebound from the 12-year low recorded on February 11, 2016 of \$26.21 per barrel, reaching a high of \$54.06 per barrel on December 28, 2016. During the first nine months of 2017, oil traded between a low of \$42.53 per barrel recorded on June 21, 2017 and a high of \$54.45 per barrel on February 23, 2017, with an average of \$49.40 per barrel. This increase in commodity prices from 2016 levels has spurred a significant increase in the land rig count with 918 rigs operating on September 29, 2017, up approximately 45% from the 635 rigs operating at year-end 2016. As the rig count increased, we experienced an increase in activity and pricing, mainly in our completion and production, natural sand proppant and contract land and directional drilling businesses. If near term commodity prices remain at current levels or recover further, we expect to continue to experience an increase in demand for our services and products. Despite the anticipated declines in remote accommodation services revenue, our other energy services revenue increased during the third quarter of 2017 as our energy infrastructure services began to contribute to our financial results. Within this segment, subsequent to the end of the third quarter of 2017, our subsidiary Cobra Acquisitions LLC, or Cobra, signed a contract to aid in the restoration of the electric utility infrastructure in Puerto Rico that provides for payments of up to \$200 million. Under the terms of this contract, we intend to mobilize more than 500 people and the necessary equipment to Puerto Rico.

Results of Operations

Three Months Ended September 30, 2017 Compared to Three Months Ended September 30, 2016

	Three Months Ended	
	September 30, 2017	September 30, 2016
Revenue:		
Pressure pumping services	\$ 75,704,868	\$ 35,531,481
Well services	16,161,569	2,274,728
Natural sand proppant services	29,331,525	8,232,467
Contract land and directional drilling services	13,643,943	8,695,475
Other energy services	14,462,995	8,604,395
Total revenue	149,304,900	63,338,546
Cost of revenue:		
Pressure pumping services	52,960,761	20,782,936
Well services	13,852,628	3,068,159
Natural sand proppant services	25,177,849	6,429,040
Contract land and directional drilling services	11,597,757	9,042,242
Other energy services	10,943,699	3,544,410
Total cost of revenue	114,532,694	42,866,787
Selling, general and administrative expenses	8,022,661	3,194,607
Depreciation and amortization	27,223,733	17,921,471
Operating loss	(474,188)	(644,319)
Interest expense, net	(1,420,067)	(1,024,514)
Other expense, net	(319,252)	(253,832)
Loss before income taxes	(2,213,507)	(1,922,665)
(Benefit) provision for income taxes	(1,412,680)	1,055,961
Net loss	\$ (800,827)	\$ (2,978,626)

Revenue. Revenue for the three months ended September 30, 2017 increased \$86.0 million, or 136%, to \$149.3 million from \$63.3 million for the three months ended September 30, 2016. Revenue by operating division was as follows:

Pressure Pumping Services. Pressure pumping services division revenue increased \$40.2 million, or 113%, to \$75.7 million for the three months ended September 30, 2017 from \$35.5 million for the three months ended September 30, 2016. The increase was primarily driven by an increase in fleet utilization from two active fleets, averaging 36% utilization, for the three months ended September 30, 2016 to 82%, on an average of five active fleets for the three months ended September 30, 2017. Our fourth and fifth fleets began working in June and August 2017, respectively. Additionally, the number of stages completed increased to 1,617 for the three months ended September 30, 2017 from 511 for the three months ended September 30, 2016.

Well Services. Well services division revenue increased \$13.9 million, or 604%, to \$16.2 million for the three months ended September 30, 2017 from \$2.3 million for the three months ended September 30, 2016. Cementing and energy services accounted for \$9.1 million of the increase as a result of our Stingray Cementing and Stingray Energy acquisitions. Our coil tubing services accounted for \$4.1 million of our operating division increase, as a result of increased utilization and an increase in average day rates from approximately \$16,800 for the three months ended September 30, 2016 to approximately \$30,200 for the three months ended September 30, 2017. Our flowback services accounted for \$0.7 million of our operating division increase, as a result of an increase in utilization.

Natural Sand Proppant Services. Natural sand proppant services division revenue increased \$21.1 million, or 257%, to \$29.3 million for the three months ended September 30, 2017, from \$8.2 million for the three months ended September 30, 2016. The increase was primarily attributable to an increase in tons of sand sold from 188,018 for the three months ended September 30, 2016 to 438,800 for the three months ended September 30, 2017. In

addition, the price per ton of sand sold increased from \$44 to \$67, from the three months ended September 30, 2016 to the three months ended September 30, 2017.

Contract Land and Directional Drilling Services. Contract land and directional drilling services division revenue increased \$4.9 million, or 56%, from \$8.7 million for the three months ended September 30, 2016 to \$13.6 million for the three months ended September 30, 2017. The increase was primarily attributable to our land drilling services, which accounted for \$2.0 million, or 41%, of the operating division increase as a result of an increase in average day rates from approximately \$12,200 to approximately \$14,800 for the three months ended September 30, 2016 and 2017, respectively. The average rig count remained consistent at an average of five rigs for each respective period. Our directional drilling services accounted for \$1.5 million, or 30%, of the operating division increase as a result of utilization increasing from 25% for the three months ended September 30, 2016 to 32% for the three months ended September 30, 2017. Our rig moving services accounted for \$1.4 million, or 29%, of the operating division increase. The increase in our rig moving services was driven by the increase in drilling activity.

Other Energy Services. Other energy services division revenue, which has historically included only remote accommodation services but now also includes energy infrastructure services, increased \$5.9 million, or 69%, to \$14.5 million for the three months ended September 30, 2017 from \$8.6 million for the three months ended September 30, 2016. The increase was a result of revenue from our energy infrastructure services of \$13.5 million. The increase from energy infrastructure services was partially offset by a decrease in total rooms nights rented from 65,455 to 5,569 for the three months ended September 30, 2016 and 2017, respectively, partially offset by an increase in revenue per room night, in Canadian dollars, from \$172 for the three months ended September 30, 2016 to \$187 for the three months ended September 30, 2017.

Cost of Revenue. Cost of revenue increased \$71.6 million from \$42.9 million, or 68% of total revenue, for the three months ended September 30, 2016 to \$114.5 million, or 77% of total revenue, for the three months ended September 30, 2017. Cost of revenue by operating division was as follows:

Pressure Pumping Services. Pressure pumping services division cost of revenue increased \$32.2 million, or 155%, to \$53.0 million for the three months ended September 30, 2017 from \$20.8 million for the three months ended September 30, 2016. The increase was primarily due to the increase in active fleets, which resulted in increases in proppant costs, repairs and maintenance expense and labor-related costs. The labor-related costs were primarily as a result of staffing our third, fourth and fifth pressure pumping fleets during 2017. As a percentage of revenue, our pressure pumping services division cost of revenue was 70% and 58% for the three months ended September 30, 2017 and September 30, 2016, respectively.

Well Services. Well services division cost of revenue increased \$10.8 million, or 348%, from \$3.1 million for the three months ended September 30, 2016 to \$13.9 million for the three months ended September 30, 2017. The increase was primarily due to increases in labor-related costs and the acquisition of Stingray Cementing and Stingray Energy. As a percentage of revenue, our well services division cost of revenue was 86% and 135% for the three months ended September 30, 2017 and September 30, 2016, respectively. The decrease in cost of revenue as a percentage of revenue was primarily due to the increase in utilization and average day rates from our coil tubing division.

Natural Sand Proppant Services. Natural sand proppant services division cost of revenue increased \$18.8 million, or 294%, from \$6.4 million for the three months ended September 30, 2016 to \$25.2 million for the three months ended September 30, 2017, primarily due to an increase in tons of sand sold. As a percentage of revenue, cost of revenue was 86% and 78% for the three months ended September 30, 2017 and September 30, 2016, respectively. The increase was primarily due to increases in sales to the pressure pumping division which are eliminated in consolidation.

Contract Land and Directional Drilling Services. Contract land and directional drilling services division cost of revenue increased \$2.6 million, or 29%, from \$9.0 million for the three months ended September 30, 2016 to \$11.6 million for the three months ended September 30, 2017, primarily due to an increase in labor-related costs, repairs and maintenance and increased utilization. As a percentage of revenue, our contract land and directional drilling services division cost of revenue was 85% and 104% for the three months ended September 30, 2017 and September 30, 2016, respectively. The decrease was primarily due to higher day rates and utilization.

Other Energy Services. Other energy services division cost of revenue increased \$7.4 million, or 211%, from \$3.5 million for the three months ended September 30, 2016 to \$10.9 million for the three months ended

September 30, 2017. As a percentage of revenue, cost of revenue was 76% and 41% for the three months ended September 30, 2017 and 2016, respectively. The increase attributable to costs from our energy infrastructure services was partially offset by decreases in costs attributable to our remote accommodation services.

Selling, General and Administrative Expenses. Selling, general and administrative expenses represent the costs associated with managing and supporting our operations. These expenses increased \$4.8 million, or 150%, to \$8.0 million for the three months ended September 30, 2017, from \$3.2 million for the three months ended September 30, 2016. The increase in expenses was primarily attributable to a \$1.5 million increase in compensation, of which \$1.0 million was related to equity based compensation, a \$3.4 million increase in professional fees and services, of which \$0.3 million was related to acquisition-related costs, and a \$0.1 million reduction in bad debt expense for the three months ended September 30, 2017, compared to the three months ended September 30, 2016.

Depreciation and Amortization. Depreciation and amortization increased \$9.3 million, or 52%, to \$27.2 million for the three months ended September 30, 2017 from \$17.9 million for the three months ended September 30, 2016. The increase was primarily attributable to placing in service of \$162.6 million of capital additions during 2017 partially offset by \$26.2 million and \$14.9 million of assets that fully depreciated during 2016 and 2017, respectively.

Interest Expense, Net. Interest expense increased \$0.4 million, or 40%, to \$1.4 million during the three months ended September 30, 2017, from \$1.0 million during the three months ended September 30, 2016. The increase in interest expense was attributable to an increase in average borrowings during the three months ended September 30, 2017.

Other Expense, Net. Non-operating expense resulted in expense of \$0.3 million for both the three months ended September 30, 2016 and 2017. Both periods were primarily comprised of loss recognition on assets disposed of during the period.

Income Taxes. Prior to our initial public offering in October 2016, we were treated as a pass-through entity for federal income tax and most state income tax purposes. For the three months ended September 30, 2017, we recognized income tax benefit of \$1.4 million compared to an income tax expense of \$1.1 million for the three months ended September 30, 2016. The provision for the three months ended September 30, 2016 was primarily attributable to our subsidiary, Lodging, which provides our remote accommodation services.

Nine Months Ended September 30, 2017 Compared to Nine Months Ended September 30, 2016

	Nine Months Ended September 30,	
	2017	2016
Revenue:		
Pressure pumping services	\$ 166,081,904	\$ 91,854,152
Well services	27,645,671	7,203,225
Natural sand proppant services	68,244,156	22,440,254
Contract land and directional drilling services	36,866,670	20,327,904
Other energy services	23,694,579	23,258,504
Total revenue	322,532,980	165,084,039
Cost of revenue:		
Pressure pumping services	117,494,570	60,866,617
Well services	24,288,693	10,030,214
Natural sand proppant services	57,759,173	22,861,407
Contract land and directional drilling services	34,584,336	22,010,295
Other energy services	16,243,862	9,993,073
Total cost of revenue	250,370,634	125,761,606
Selling, general and administrative expenses	22,459,165	12,014,619
Depreciation and amortization	64,354,383	54,483,158
Impairment of long-lived assets	—	1,870,885
Operating loss	(14,651,202)	(29,046,229)
Interest expense, net	(2,928,859)	(3,332,901)
Bargain purchase gain, net of tax	4,011,512	—
Other (expense) income, net	(705,894)	371,894
Loss before income taxes	(14,274,443)	(32,007,236)
(Benefit) provision for income taxes	(7,322,822)	2,739,696
Net loss	\$ (6,951,621)	\$ (34,746,932)

Revenue. Revenue for the nine months ended September 30, 2017 increased \$157.4 million, or 95%, to \$322.5 million from \$165.1 million for the nine months ended September 30, 2016. Revenue by operating division was as follows:

Pressure Pumping Services. Pressure pumping services division revenue increased \$74.2 million, or 81%, to \$166.1 million for the nine months ended September 30, 2017 from \$91.9 million for the nine months ended September 30, 2016. The increase was primarily driven by an increase in fleet utilization of 45%, on an average of two active fleets, for the nine months ended September 30, 2016 to 84%, on an average of 3.3 active fleets, for the nine months ended September 30, 2017. Additionally, the number of stages completed increased to 3,764 for the nine months ended September 30, 2017 from 1,678 for the nine months ended September 30, 2016.

Well Services. Well services division revenue increased \$20.4 million, or 283%, to \$27.6 million for the nine months ended September 30, 2017 from \$7.2 million for the nine months ended September 30, 2016. The cementing and energy services divisions accounted for \$11.7 million of the increase as a result of our Stingray Cementing and Stingray Energy acquisitions. Our coil tubing services accounted for \$7.9 million of our operating division increase, as a result of increased utilization and an increase in average day rates from approximately \$17,933 for the nine months ended September 30, 2016 to approximately \$26,933 for the nine months ended September 30, 2017. Our flowback services accounted for \$0.8 million of our operating division increase, as a result of increased utilization.

Natural Sand Proppant Services. Natural sand proppant services division revenue increased \$45.8 million, or 204%, to \$68.2 million for the nine months ended September 30, 2017, from \$22.4 million for the nine months ended September 30, 2016. The increase was primarily attributable to an increase in tons sold from approximately

447,908 for the nine months ended September 30, 2016 to approximately 1,035,506 in the nine months ended September 30, 2017, in addition to an increase in price per ton of sand sold from \$50 to \$66, for the nine months ended September 30, 2016 and 2017, respectively.

Contract Land and Directional Drilling Services. Contract land and directional drilling services division revenue increased \$16.6 million, or 82%, from \$20.3 million for the nine months ended September 30, 2016 to \$36.9 million for the nine months ended September 30, 2017. The increase was primarily attributable to our land drilling services, which accounted for \$9.0 million, or 55%, of the operating division increase. The increase in our land drilling services was driven by a increase in average active rigs from four for the nine months ended September 30, 2016 to five for the nine months ended September 30, 2017 as well as a increase in average day rates from approximately \$12,667 to approximately \$14,433 during those same periods. Our directional drilling services accounted for \$4.0 million, or 24%, of the operating division increase as a result of utilization declining from 18% for the nine months ended September 30, 2016 to 28% for the nine months ended September 30, 2017. Our rig moving services accounted for \$3.7 million, or 22%, of the operating division increase primarily driven by the increase in drilling activity. Our drill pipe inspection services accounted for a decline of \$0.2 million, or (1)%, of the operating division.

Other Energy Services. Other energy services division revenue increased \$0.4 million, or 2%, to \$23.7 million for the nine months ended September 30, 2017 from \$23.3 million for the nine months ended September 30, 2016. The increase is attributable to \$15.2 million of revenue from our energy infrastructure services during the nine months ended September 30, 2017. We did not provide infrastructure services during the same period in 2016. The increase from our infrastructure services was offset by a decrease in our remote accommodation services due to a decrease in total room nights rented from 174,684 for the nine months ended September 30, 2016 to 55,007 for the nine months ended September 30, 2017 partially offset by an increase in revenue per room night, in Canadian dollars, from \$176 for the nine months ended September 30, 2016 to \$202 for the nine months ended September 30, 2017. The decrease in revenue from our remote accommodation services was partially offset by approximately \$0.9 million of business interruption insurance proceeds we collected and recognized for the nine months ended September 30, 2017.

Cost of revenue. Cost of revenue increased \$124.6 million from \$125.8 million, or 76% of total revenue, for the nine months ended September 30, 2016 to \$250.4 million, or 78% of total revenue, for the nine months ended September 30, 2017. Cost of revenue by operating division was as follows:

Pressure Pumping Services. Pressure pumping services division cost of revenue increased \$56.6 million, or 93%, to \$117.5 million for the nine months ended September 30, 2017 from \$60.9 million for the nine months ended September 30, 2016. The increase was primarily due to our additional fleets, which resulted in increases in proppant costs, repairs and maintenance expense and labor-related costs. The labor-related costs increased primarily as a result of staffing our third, fourth and fifth pressure pumping fleets which came online during 2017. As a percentage of revenue, our pressure pumping services division cost of revenue was 71% and 66% for the nine months ended September 30, 2017 and 2016, respectively.

Well Services. Well services division cost of revenue increased \$14.3 million, or 143%, from \$10.0 million for the nine months ended September 30, 2016 to \$24.3 million for the nine months ended September 30, 2017. The increase was primarily due to an increase in labor-related costs. As a percentage of revenue, our well services division cost of revenue was 88% and 139% for the nine months ended September 30, 2017 and September 30, 2016, respectively. The decrease in cost of revenue as a percentage of revenue was primarily due to increases in utilization as well as pricing in our coil tubing services.

Natural Sand Proppant Services. Natural sand proppant services division cost of revenue increased \$34.9 million, or 152%, from \$22.9 million for the nine months ended September 30, 2016 to \$57.8 million for the nine months ended September 30, 2017, primarily due to an increase in tons sold. As a percentage of revenue, cost of revenue was 85% and 102% for the nine months ended September 30, 2017 and 2016, respectively. The decrease in cost of revenue as a percentage of revenue was primarily due to an increase in price per ton sold.

Contract Land and Directional Drilling Services. Contract land and directional drilling services division cost of revenue increased \$12.6 million, or 57%, from \$22.0 million for the nine months ended September 30, 2016 to \$34.6 million for the nine months ended September 30, 2017, primarily due to an increase in labor-related costs, repairs and maintenance and increased utilization. As a percentage of revenue, our contract land and directional drilling services division cost of revenue was 94% and 108% for the nine months ended September 30, 2017 and 2016, respectively. The decrease was primarily due to higher day rates and utilization.

Other Energy Services. Other energy services division cost of revenue increased \$6.2 million, or 62%, from \$10.0 million the nine months ended September 30, 2016 to \$16.2 million for the nine months ended September 30, 2017, primarily due to costs associated with our energy infrastructure services of \$11.8 million, which were offset by decreases in costs associated with our remote accommodation services. As a percentage of revenue, cost of revenue was 69% and 43% for the nine months ended September 30, 2017 and 2016, respectively. The increase was primarily due to the decrease in total room nights rented from 74,684 for the nine months ended September 30, 2016 to 55,007 for the nine months ended September 30, 2017.

Selling, General and Administrative expenses. Selling, general and administrative expenses represent the costs associated with managing and supporting our operations. These expenses increased \$10.5 million, or 88%, to \$22.5 million for the nine months ended September 30, 2017, from \$12.0 million for the nine months ended September 30, 2016. The increase in expenses was primarily attributable to a \$6.5 million increase in compensation and benefits, of which \$2.5 million was related to equity based compensation, and a \$5.0 million increase in professional fees, of which \$2.6 million was related to acquisition-related costs, partially offset by a decrease in bad debt expense of \$1.1 million.

Depreciation and Amortization. Depreciation and amortization increased \$9.9 million, or 18%, to \$64.4 million for the nine months ended September 30, 2017 from \$54.5 million for the nine months ended September 30, 2016. The increase was primarily attributable to placing in service of \$162.6 million of capital additions during 2017, partially offset by \$26.2 million and \$14.9 million of assets that fully depreciated during 2016 and 2017, respectively.

Impairment of Long-lived Assets. The nine months ended September 30, 2016 included impairment charges of \$1.9 million attributable to various fixed assets in the amount of \$0.4 million, \$0.1 million and \$1.4 million for the contract land and directional drilling services, pressure pumping and well service segments, respectively.

Interest Expense, Net. Interest expense decreased \$0.4 million, or 12%, to \$2.9 million during the nine months ended September 30, 2017, from \$3.3 million during the nine months ended September 30, 2016. The decrease in interest expense was attributable to a decrease in average borrowings during the nine months ended September 30, 2017.

Bargain Purchase Gain. Bargain purchase resulted in a gain of \$4.0 million for the nine months ended September 30, 2017 on the purchase of Chieftain (see Note 3 of Part I of this Report).

Other (Expense) Income, Net. Non-operating (charges) income resulted in expense of \$0.7 million for the nine months ended September 30, 2017, compared to other income, net of \$0.4 million for the nine months ended September 30, 2016. Both periods were primarily comprised of income/loss recognition on assets disposed during the period.

Income Taxes. Prior to our initial public offering in October 2016, we were treated as a pass-through entity for federal income tax and most state income tax purposes. For the nine months ended September 30, 2017, we recognized income tax benefit of \$7.3 million compared to an income tax expense of \$2.7 million for the nine months ended September 30, 2016. The provision for the nine months ended September 30, 2016 was primarily attributable to our subsidiary, Lodging, which provides our remote accommodation services.

Non-GAAP Financial Measures

Adjusted EBITDA is a supplemental non-GAAP financial measure that is used by management and external users of our financial statements, such as industry analysts, investors, lenders and rating agencies. We define Adjusted EBITDA as net income (loss) before depreciation, depletion, accretion and amortization, impairment of long-lived assets, acquisition related costs, equity based compensation, interest expense, other (income) expense, net (which is comprised of the (gain) or loss on disposal of long-lived assets), bargain purchase gain and provision (benefit) for income taxes. We exclude the items listed above from net income (loss) in arriving at Adjusted EBITDA because these amounts can vary substantially from company to company within our industry depending upon accounting methods and book values of assets, capital structures and the method by which the assets were acquired. Adjusted EBITDA should not be considered as an alternative to, or more meaningful than, net income (loss) or cash flows from operating activities as determined in accordance with GAAP or as an indicator of our operating performance or liquidity. Certain items excluded from Adjusted EBITDA are significant components in understanding and assessing a company's financial performance, such as a company's cost of capital and tax structure, as well as the historic costs of depreciable assets, none of which are components of Adjusted EBITDA. Our computations of Adjusted EBITDA may not be comparable to other similarly titled measure of other companies. We believe that Adjusted EBITDA is a widely followed measure of operating performance and may also be used by investors to measure our ability to meet debt service requirements.

The following tables also provide a reconciliation of Adjusted EBITDA to the GAAP financial measure of net income or (loss) for each of our operating segments for the specified periods.

Consolidated

Reconciliation of Adjusted EBITDA to net income (loss):	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Net loss	\$ (800,827)	\$ (2,978,626)	\$ (6,951,621)	\$ (34,746,932)
Depreciation, depletion, accretion and amortization expense	27,223,733	17,921,471	64,354,383	54,483,158
Impairment of long-lived assets	—	—	—	1,870,885
Acquisition related costs	264,091	—	2,454,840	—
Equity based compensation	1,028,317	(18,683)	2,648,210	(18,683)
Bargain purchase gain	—	—	(4,011,512)	—
Interest expense	1,420,067	1,024,514	2,928,859	3,332,901
Other expense (income), net	319,252	253,832	705,894	(371,894)
(Benefit) provision for income taxes	(1,412,680)	1,055,961	(7,322,822)	2,739,696
Adjusted EBITDA	\$ 28,041,953	\$ 17,258,469	\$ 54,806,231	\$ 27,289,131

Pressure Pumping Services

Reconciliation of Adjusted EBITDA to net income (loss):	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Net income (loss)	\$ 6,482,013	\$ 4,646,485	\$ 8,922,945	\$ (624,730)
Depreciation and amortization expense	13,038,962	9,050,605	31,823,408	27,964,092
Impairment of long-lived assets	—	—	—	138,587
Acquisition related costs	500	—	500	—
Equity based compensation	428,398	—	1,202,687	—
Interest expense	591,724	134,017	1,023,519	502,781
Other expense, net	120,261	1,262	126,650	25,087
Adjusted EBITDA	\$ 20,661,858	\$ 13,832,369	\$ 43,099,709	\$ 28,005,817

Other Well Services

Reconciliation of Adjusted EBITDA to net income (loss):	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Net (loss) income	\$ (2,148,146)	\$ (2,563,056)	\$ 384,107	\$ (9,137,921)
Depreciation and amortization expense	4,511,622	1,233,702	7,939,784	3,903,924
Impairment of long-lived assets	—	—	—	1,384,751
Acquisition related costs	65,394	—	235,526	—
Equity based compensation	127,930	(18,683)	265,380	(18,683)
Interest expense, net	94,357	29,489	(14,019)	178,584
Other expense (income), net	38,186	1,159	36,195	(671,986)
(Benefit) provision for income taxes	(1,278,456)	5,929	(7,778,970)	2,835
Adjusted EBITDA	\$ 1,410,887	\$ (1,311,460)	\$ 1,068,003	\$ (4,358,496)

Natural Sand Proppant Services

Reconciliation of Adjusted EBITDA to net income (loss):	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Net (loss) income	\$ (929,837)	\$ (518,666)	\$ 723,370	\$ (8,086,996)
Depreciation, depletion, accretion and amortization expense	3,034,342	1,784,689	6,603,001	4,734,540
Acquisition related costs	166,654	—	2,120,733	—
Equity based compensation	271,762	—	524,223	—
Bargain purchase gain	—	—	(4,011,512)	—
Interest expense	86,857	108,744	572,096	319,855
Other expense, net	97,744	9,439	251,520	82,422
Provision for income taxes	23,824	3,716	32,326	3,716
Adjusted EBITDA	\$ 2,751,346	\$ 1,387,922	\$ 6,815,757	\$ (2,946,463)

Contract Land and Directional Drilling Services

Reconciliation of Adjusted EBITDA to net income (loss):	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Net loss	\$ (4,972,767)	\$ (7,386,386)	\$ (18,289,001)	\$ (24,079,359)
Depreciation and amortization expense	5,035,990	5,297,694	14,978,300	16,243,626
Impairment of long-lived assets	—	—	—	347,547
Acquisition related costs	(16,328)	—	8,187	—
Equity based compensation	137,637	—	429,901	—
Interest expense	570,364	718,706	1,227,422	2,272,913
Other expense, net	38,324	237,211	262,560	179,639
Adjusted EBITDA	\$ 793,220	\$ (1,132,775)	\$ (1,382,631)	\$ (5,035,634)

Other Energy Services

Reconciliation of Adjusted EBITDA to net income (loss):	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Net income	\$ 767,910	\$ 2,842,997	\$ 1,306,958	\$ 7,182,074
Depreciation and amortization expense	1,602,817	554,781	3,009,890	1,636,976
Impairment of long-lived assets	—	—	—	—
Acquisition related costs	47,871	—	89,894	—
Equity based compensation	62,590	—	226,019	—
Interest expense	76,765	33,558	119,841	58,768
Other expense, net	24,737	4,761	28,969	12,944
(Benefit) provision for income taxes	(158,048)	1,046,316	423,822	2,733,145
Adjusted EBITDA	\$ 2,424,642	\$ 4,482,413	\$ 5,205,393	\$ 11,623,907

Liquidity and Capital Resources

We require capital to fund ongoing operations, including maintenance expenditures on our existing fleet and equipment, organic growth initiatives, investments and acquisitions. Since November 2014, our primary sources of liquidity have been cash on hand, borrowings under our revolving credit facility and cash flows from operations. Our primary use of capital has been for investing in property and equipment used to provide our services and to acquire complimentary businesses.

As of September 30, 2017, we had an aggregate of \$94.0 million in borrowings outstanding under our revolving credit facility, leaving an aggregate of \$69.8 million of available borrowing capacity under this facility, which is net of letters of credit of \$5.5 million.

The following table summarizes our liquidity for the periods indicated:

	September 30, 2017	December 31, 2016
Cash and cash equivalents	\$ 14,278,328	\$ 29,238,618
Revolving credit facilities availability	169,233,484	164,354,373
Less long-term debt	(94,000,000)	—
Less letter of credit facilities (rail car commitments)	(454,560)	(454,560)
Less letter of credit facilities (insurance programs)	(1,636,000)	(1,636,000)
Less letter of credit facilities (environmental remediation)	(3,363,627)	(1,375,342)
Net working capital (less cash)	33,519,145	30,453,429
Total	\$ 117,576,770	\$ 220,580,518

At November 7, 2017, we had an aggregate of \$110.2 million in borrowings outstanding under our revolving credit facility, leaving an aggregate of \$53.2 million of available borrowing capacity under this facility, which is net of letters of credit of \$5.5 million.

Liquidity and Cash Flows

The following table sets forth our cash flows at the dates indicated:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Net cash provided by operating activities	\$ 16,631,835	\$ 14,101,540	\$ 40,636,834	\$ 23,140,617
Net cash used in investing activities	(38,134,271)	(1,699,652)	(140,827,687)	(708,342)
Net cash provided by (used in) financing activities	27,222,791	(10,300,000)	85,148,937	(23,000,000)
Effect of foreign exchange rate on cash	8,683	128,280	81,626	186,967
Net change in cash	\$ 5,729,038	\$ 2,230,168	\$ (14,960,290)	\$ (380,758)

Operating Activities

Net cash provided by operating activities was \$40.6 million for the nine months ended September 30, 2017, compared to \$23.1 million for the nine months ended September 30, 2016. The increase in operating cash flows was primarily attributable to the increase in revenue.

Net cash provided by operating activities was \$16.6 million for the three months ended September 30, 2017, compared to \$14.1 million for the three months ended September 30, 2016. The increase in operating cash flows was primarily attributable to timing of receivable collections with related parties.

Investing Activities

Net cash used in investing activities was \$140.8 million for the nine months ended September 30, 2017, compared to \$0.7 million for the nine months ended September 30, 2016. Net cash used in investing activities was \$38.1 million for the three months ended September 30, 2017, compared to \$1.7 million for the three months ended September 30, 2016. With the exception of the businesses acquired, substantially all cash used in investing activities was used to purchase property and equipment that is utilized to provide our services.

The following table summarizes our capital expenditures by operating division for the periods indicated:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2017	2016	2017	2016
Pressure pumping services (a)	\$ 19,580,804	\$ 335,312	\$ 72,982,713	\$ 1,262,854
Well services (b)	777,399	156,783	1,121,873	404,612
Natural sand proppant production (c)	4,927,935	359,656	7,897,818	522,267
Contract and directional drilling services (d)	2,356,885	1,069,381	8,257,702	1,492,476
Other energy services (e)	8,054,748	12,706	12,013,384	425,838
Net change in cash	\$ 35,697,771	\$ 1,933,838	\$ 102,273,490	\$ 4,108,047

- (a). Capital expenditures primarily for pressure pumping equipment for the three and nine months ended September 30, 2017 and 2016.
- (b). Capital expenditures primarily for equipment upgrades for the three and nine months ended September 30, 2017 and 2016.
- (c). Capital expenditures included a conveyor and plant additions for the three and nine months ended September 30, 2017 and 2016.
- (d). Capital expenditures primarily for upgrades to our rig fleet for the three and nine months ended September 30, 2017 and 2016.
- (e). Capital expenditures primarily for an intersection upgrade for the nine months ended September 30, 2016. Capital expenditures for the nine months ended September 30, 2017 represent property and equipment for energy infrastructure services.

Financing Activities

Net cash provided by financing activities was \$85.1 million for the nine months ended September 30, 2017, compared to cash used in financing activities of \$23.0 million for the nine months ended September 30, 2016. Net cash provided by financing activities was \$27.2 million for the three months ended September 30, 2017, compared to cash used in financing activities of \$10.3 million for the three months ended September 30, 2016. For the nine months ended September 30, 2017, cash provided by financing activities were used to fund the Chieftain, 5 Star and Higher Power Electrical, LLC acquisitions and to purchase property and equipment. For the nine months ended September 30, 2016, substantially all cash used in financing activities was used to pay down net borrowings under our credit facility.

Effect of Foreign Exchange Rate on Cash

The effect of foreign exchange rate on cash was \$0.1 million and \$0.2 million for the nine months ended September 30, 2017 and 2016, respectively. The effect of foreign rate on cash was \$8.7 thousand for the three months ended September 30, 2017, compared to \$0.1 million for the three months ended September 30, 2016. The year-over-year effect was driven primarily by a favorable (unfavorable) shift in the weakness (strength) of the Canadian dollar relative to the U.S. dollar for the cash held in Canadian accounts.

Working Capital

Our working capital totaled \$47.8 million and \$59.7 million at September 30, 2017 and December 31, 2016, respectively. Our cash balances totaled \$14.3 million and \$29.2 million at September 30, 2017 and December 31, 2016, respectively.

Our Revolving Credit Facility

On November 25, 2014, we entered into a \$170.0 million revolving credit and security agreement with PNC Capital Markets LLC, as lead arranger, PNC Bank, National Association, as the administrative and collateral agent, and the lenders from time-to-time party thereto. Our revolving credit facility, as amended in connection with the IPO, matures on November 25, 2019. Borrowings under our revolving credit facility are secured by our and our subsidiaries' assets. The maximum

availability for future borrowings under our revolving credit facility is subject to a borrowing base calculation prepared monthly.

Effective as of July 12, 2017, our revolving credit facility was amended, providing us with greater flexibility for permitted acquisitions and permitted indebtedness, increasing the maximum amount credited to the borrowing base for sand inventory and for in-transit inventory and increasing certain default thresholds from \$5 million to \$15 million.

Interest is payable monthly at a base rate set by the lead institution's commercial lending group plus an applicable margin. Additionally, at our request, outstanding balances are permitted to be converted to LIBOR rate plus applicable margin tranches at set increments of \$500,000. The LIBOR rate option allows us to select interest periods from one, two, three or six months. The applicable margin for either the base rate or the LIBOR rate option can vary from 1.5% to 3.0%, based upon a calculation of the excess availability of the line as a percentage of the maximum credit limit.

At September 30, 2017, \$94.0 million of the total outstanding balance of \$94.0 million under the facility was in a one month LIBOR rate option tranche with an interest rate of 3.99%. As of September 30, 2017, we had availability of \$69.8 million under our revolving credit facility, which is net of letters of credit of \$5.5 million.

Our revolving credit facility contains various customary affirmative and restrictive covenants. Among the covenants are two financial covenants, including a minimum interest coverage ratio (3.0 to 1.0), and a maximum leverage ratio (4.0 to 1.0), and minimum availability (\$10.0 million). As of September 30, 2017 and December 31, 2016, we were in compliance with these covenants.

Capital Requirements and Sources of Liquidity

With commodity prices beginning to increase in the second half of 2016 and then stabilizing within their current range, we have seen an increase in customer demand, particularly in our pressure pumping and natural sand proppant services divisions. Our capital budget for 2017 increased substantially from our 2016 capital budget of approximately \$11.3 million. Our expected 2017 full-year capital budget currently includes expenditures of \$64.0 million in our pressure pumping services division for the acquisition of 132,500 horsepower of new high pressure hydraulic pumps and related equipment, \$8.0 million in our pressure pumping service division for tractors, pneumatic trailers to enhance our last mile solutions, \$25.0 million in our sand segment for plant capacity expansion projects, and \$33.0 million for rig upgrades and additional equipment for our well services, contract and direction drilling services and other energy services divisions. During the first nine months ended September 30, 2017, we spent approximately \$102.3 million on such capital expenditures, including \$35.7 million during the third quarter of 2017, and an additional \$42.0 million to complete business acquisitions. Due to the anticipated 120-day duration of the initial work to be performed under the contract signed by Cobra to aid in the restoration of the electric utility infrastructure in Puerto Rico, we intend to lease a majority of the equipment required to fulfill the contract. As a result, we do not anticipate a material increase in our announced \$143.0 million capital expenditure budget for 2017.

We believe that our cash on hand, operating cash flow and available borrowings under our revolving credit facility will be sufficient to fund our operations for at least the next twelve months. However, future cash flows are subject to a number of variables, and significant additional capital expenditures could be required to conduct our operations. There can be no assurance that operations and other capital resources will provide cash in sufficient amounts to maintain planned or future levels of capital expenditures. Further, we continue to pursue our previously announced acquisition strategy to enhance our portfolio of products and services, market positioning and/or geographic presence. We regularly evaluate acquisition opportunities, and the number of opportunities coming to our attention has increased substantially since the IPO. However, we do not have a specific acquisition budget for 2017 since the timing and size of acquisitions cannot be accurately forecasted. Our acquisitions may be undertaken with cash, our common stock or a combination of cash, common stock and/or other consideration. In the event we make one or more additional acquisitions and the amount of capital required is greater than the amount we have available for acquisitions at that time, we could be required to reduce the expected level of capital expenditures and/or seek additional capital. If we seek additional capital for that or other reasons, we may do so through borrowings under our revolving credit facility, joint venture partnerships, asset sales, offerings of debt or equity securities or other means. We cannot assure you that this additional capital will be available on acceptable terms or at all. If we are unable to obtain funds we need, we may not be able to complete acquisitions that may be favorable to us or finance the capital expenditures necessary to conduct our operations.

Off-Balance Sheet Arrangements

Lease Obligations

We lease real estate, rail cars and other equipment under long-term operating leases with varying terms and expiration dates through 2025.

Minimum Purchase Commitments

We have entered into agreements with sand suppliers that contain minimum purchase obligations. Our failure to purchase the minimum tonnage specified would require us to pay shortfall fees. However, the minimum quantities set forth in the agreements are not in excess of our current expected future requirements.

Capital Spend Commitments

We have entered into agreements with suppliers to acquire capital equipment. These commitments are included in our 2017 capital budget discussed under the heading "Capital Requirements and Sources of Liquidity."

Aggregate future minimum lease payments under these agreements in effect at September 30, 2017 are as follows:

Year ended December 31:	Operating Leases	Capital Spend Commitments	Minimum Purchase Commitments
Remainder of 2017	\$ 3,377,429	\$ 26,847,278	\$ 3,556,655
2018	13,047,020	—	10,866,000
2019	10,533,906	—	10,866,000
2020	8,085,194	—	—
2021	5,744,808	—	—
Thereafter	6,189,124	—	—
	<u>\$ 46,977,481</u>	<u>\$ 26,847,278</u>	<u>\$ 25,288,655</u>

Other Commitments

Subsequent to September 30, 2017, we entered into railcar lease agreements with aggregate commitments of \$2.2 million.

Subsequent to September 30, 2017, we entered into a lease agreement for capital equipment with aggregate commitments of \$3.4 million.

Subsequent to September 30, 2017, we entered into an agreement to purchase sand from an unrelated third party seller with aggregate commitments of \$2.2 million.

On October 19, 2017, Cobra entered into a contract to aid in the restoration of utility infrastructure on the island of Puerto Rico. The contract provides for payments of up to \$200.0 million, including an initial payment of \$15.0 million at the time of signing. As of November 7, 2017, Cobra had entered into \$32.7 million of commitments related to this contract and made prepayments and deposits of \$12.6 million with respect to these commitments.

New Accounting Pronouncements

In July 2015, the FASB issued ASU No. 2015-11, *Inventory (Topic 330): Simplifying the Measurement of Inventory*, which changes inventory measured using any method other than last-in, first-out (LIFO) or the retail inventory method (for example, inventory measured using first-in, first-out (FIFO) or average cost) at the lower of cost and net realizable value. ASU 2015-11 is effective for annual and interim reporting periods beginning after December 15, 2016, with early adoption permitted. On January 1, 2017, we adopted the ASU and it did not impact our condensed consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers." ASU 2014-09 supersedes existing revenue recognition requirements in GAAP and requires an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. Additionally, it requires expanded disclosures regarding the nature, amount, timing and certainty of revenue and cash flows from contracts with customers. The ASU was effective for annual and interim reporting periods beginning after December 15, 2016, using either a full or a modified retrospective application approach; however, in July 2015 the FASB decided to defer the effective date by one year (until 2018) by issuing ASU No. 2015-14, "Revenue From Contracts with Customers: Deferral of the Effective Date." We expect to adopt this new revenue guidance in the first quarter of 2018. Our review has indicated that the pressure pumping services and natural sand proppant segments contain contracts which could lead to changes in the timing of revenue recognition. Although we have not completed our review, we have made initial assessments of the impact on revenue and expenses. Based on these assessments, we currently do not expect a material impact to the results of operations, financial position and cash flows as a result of this guidance. We expect to complete our review of all remaining customer contracts and will make a final assessment in the fourth quarter of 2017. Our services are primarily short-term in nature, and we do not expect that the new revenue recognition standard will have a material impact on our financial statements upon adoption. We will adopt the new standard utilizing the modified retrospective method that will result in a cumulative effect adjustment as of January 1, 2018.

In February 2016, the FASB issued ASU No. 2016-2 "*Leases*" amending the current accounting for leases. Under the new provisions, all lessees will report a right-of-use asset and a liability for the obligation to make payments for all leases with the exception of those leases with a term of 12 months or less. All other leases will fall into one of two categories: (i) a financing lease or (ii) an operating lease. Lessor accounting remains substantially unchanged with the exception that no leases entered into after the effective date will be classified as leveraged leases. For sale leaseback transactions, a sale will only be recognized if the criteria in the new revenue recognition standard are met. ASU 2016-2 is effective for fiscal years beginning after December 15, 2018, and interim periods within that fiscal year. Early adoption is permitted. Since a portion of our revenue may be subject to this new leasing guidance, we are evaluating the possibility of adopting this updated leasing guidance at the same time we adopt the new revenue standard discussed above, utilizing the retrospective method of adoption. This new leasing guidance will also impact us in situations where we are the lessee, and in certain circumstances we will have a right-of-use asset and lease liability on our consolidated financial statements. We are currently evaluating the effect the new guidance will have on our consolidated financial statements and results of operations.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The demand, pricing and terms for oil and gas services provided by us are largely dependent upon the level of activity for the U.S. oil and natural gas industry. Industry conditions are influenced by numerous factors over which we have no control, including, but not limited to: the supply of and demand for oil and natural gas; the level of prices, and expectations about future prices of oil and natural gas; the cost of exploring for, developing, producing and delivering oil and natural gas; the expected rates of declining current production; the discovery rates of new oil and natural gas reserves; available pipeline and other transportation capacity; weather conditions; domestic and worldwide economic conditions; political instability in oil-producing countries; environmental regulations; technical advances affecting energy consumption; the price and availability of alternative fuels; the ability of oil and natural gas producers to raise equity capital and debt financing; and merger and divestiture activity among oil and natural gas producers.

The level of activity in the U.S. oil and natural gas exploration and production industry is volatile. Expected trends in oil and natural gas production activities may not continue and demand for our services may not reflect the level of activity in the industry. Any prolonged substantial reduction in oil and natural gas prices would likely affect oil and natural gas production levels and therefore affect demand for our services. A material decline in oil and natural gas prices or U.S. activity levels could have a material adverse effect on our business, financial condition, results of operations and cash flows. Recently, demand for our services has been strong and we are continuing our past practice of committing our equipment on a short-term or day-to-day basis.

Interest Rate Risk

We had a cash and cash equivalents balance of \$14.3 million at September 30, 2017. We do not enter into investments for trading or speculative purposes. We do not believe that we have any material exposure to changes in the fair value of these investments as a result of changes in interest rates. Declines in interest rates, however, will reduce future income.

At September 30, 2017, we had \$94.0 million outstanding under this facility with weighted average interest rate of 3.99%. A 1% increase or decrease in the interest rate at that time would have increased or decreased our interest expense by approximately \$0.9 million per year. We do not currently hedge our interest rate exposure.

Foreign Currency Risk

Our remote accommodation business, which is included in our other energy services segment, generates revenue and incurs expenses that are denominated in the Canadian dollar. These transactions could be materially affected by currency fluctuations. Changes in currency exchange rates could adversely affect our consolidated results of operations or financial position. We also maintain cash balances denominated in the Canadian dollar. At September 30, 2017, we had \$3.0 million of cash, in Canadian dollars, in Canadian accounts. A 10% increase in the strength of the Canadian dollar versus the U.S. dollar would have resulted in an increase in pre-tax income of approximately \$0.2 million as of September 30, 2017. Conversely, a corresponding decrease in the strength of the Canadian dollar would have resulted in a comparable decrease in pre-tax income. We have not hedged our exposure to changes in foreign currency exchange rates and, as a result, could incur unanticipated translation gains and losses.

Seasonality

We provide completion and production services primarily in the Utica, Permian Basin, Eagle Ford, Marcellus, SCOOP, STACK, Granite Wash, Cana Woodford and Cleveland sand resource plays located in the continental U.S. We also provide remote accommodation services in the oil sands in Alberta, Canada. We serve these markets through our facilities and service centers that are strategically located to serve resource plays in Ohio, Oklahoma, Wisconsin, Minnesota, and Alberta, Canada. For the nine months ended September 30, 2017 and 2016, we generated approximately 81% and 85%, respectively, of our revenue from our operations in Ohio, Wisconsin, Minnesota, Pennsylvania, West Virginia and Canada where weather conditions may be severe. As a result, our operations may be limited or disrupted, particularly during winter and spring months, in these geographic regions, which would have a material adverse effect on our financial condition and results of operations. Our operations in Oklahoma and Texas are generally not affected by seasonal weather conditions.

Item 4. Controls and Procedures

Evaluation of Disclosure Control and Procedures

Under the direction of our Chief Executive Officer and Chief Financial Officer, we have established disclosure controls and procedures, as defined in Rule 13a-15(e) and d under the Exchange Act, that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. The disclosure controls and procedures are also intended to ensure that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

As of September 30, 2017, an evaluation was performed under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15(b) under the Exchange Act. Based upon our evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that as of September 30, 2017, our disclosure controls and procedures are effective.

Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting (as defined in Rules 13a-15(d) and 15d-15(d) under the Exchange Act) that occurred during the quarter ended September 30, 2017 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We are routinely involved in state and local tax audits. During 2015, the State of Ohio assessed taxes on the purchase of equipment we believe is exempt under state law. We have appealed the assessment and a hearing was scheduled for November 30, 2016. In November 2016, the State of Ohio deferred the hearing until April 2017. While we are not able to predict the outcome of the appeal, this matter is not expected to have a material adverse effect on our financial position or results of operations.

Due to the nature of our business, we are, from time to time, involved in other routine litigation or subject to disputes or claims related to 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, if decided adversely, will have a material adverse effect on our financial condition, cash flows or results of operations.

See Part I, Item 1. Note 13 of this Report.

Item 1A. Risk Factors

Security holders and potential investors in our securities should carefully consider the risk factors set forth below and in our Annual Report on Form 10-K (Commission File No. 001-37917) filed with the SEC on February 24, 2017, together with the information set forth in our subsequent Quarterly Reports on Form 10-Q, current reports on Form 8-K and other materials we file with the SEC.

Other than set forth below, there have been no material changes to the Risk Factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2016 or our subsequent quarterly reports on Form 10-Q.

One of our energy services subsidiaries recently entered into a contract with the Puerto Rico Electric Power Authority, or PREPA, which provides for payments to us of up to \$200.0 million. PREPA is currently subject to pending bankruptcy proceeding. In the event that PREPA does not have or does not obtain the funds necessary to satisfy its payment obligations to our subsidiary under the contract or terminates the contract prior to the end of the contract term, our financial condition, results of operations and cash flows could be materially and adversely affected.

On October 19, 2017, our energy services subsidiary Cobra Acquisitions LLC, or Cobra, and PREPA entered into an energy master services agreement for repairs to PREPA's electrical grid as a result of Hurricane Maria. The one-year contract provides for payments of up to \$200.0 million, including an initial payment of \$15.0 million. As of November 7, 2017, Cobra had entered into \$32.7 million of commitments related to this contract and made prepayments and deposits of \$12.6 million with respect to these commitments. PREPA is currently subject to bankruptcy proceedings pending in the U.S. District Court for the District of Puerto Rico. As a result, PREPA's ability to meet its payment obligations under the contract will be largely dependent upon funding from the Federal Emergency Management Agency, or FEMA, or other sources. PREPA's contracting practices in connection with restoration and repair of PREPA's electrical grid in Puerto Rico, and the terms of certain of those contracts, have been subject to critical comment and are the subject of review and hearings by U.S. federal and Puerto Rican governmental entities. Recently, a contract for restoration and repair services entered into by PREPA with an unrelated third party was terminated by PREPA. In the event that PREPA does not have or does not obtain the funds necessary to satisfy its obligations to Cobra under the contract or terminates the contract prior to the end of the contract term, our financial condition, results of operations and cash flows could be materially and adversely affected.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On June 5, 2017, we issued an aggregate of 7.0 million shares of our common stock to the contributors under the Contribution Agreements as consideration for all outstanding membership interests in Sturgeon, Stingray Energy and Stingray Cementing acquired. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Second Quarter 2017 Highlights." These shares of our common stock were issued in reliance upon the exemption from the registration requirements of the Securities Act provided by Section 4(2) of the Securities Act as sales by an issuer not involving any public offering.

Item 4. Mine Safety Disclosures

Our operations are subject to the Federal Mine Safety and Health Act of 1977, as amended by the Mine Improvement and New Emergency Response Act of 2006, which imposes stringent health and safety standards on numerous aspects of mineral extraction and processing operations, including the training of personnel, operating procedures, operating equipment and other matters. Our failure to comply with such standards, or changes in such standards or the interpretation or enforcement thereof, could have a material adverse effect on our business and financial condition or otherwise impose significant restrictions on our ability to conduct mineral extraction and processing operations. Following passage of The Mine Improvement and New Emergency Response Act of 2006, MSHA significantly increased the numbers of citations and orders charged against mining operations. The dollar penalties assessed for citations issued has also increased in recent years. Information concerning mine safety violations or other regulatory matters required by Section 1503(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 104 of Regulation S-K (17 CFR 229.104) is included in Exhibit 95.1 to this Report.

Item 5. Other Information

Not applicable.

MAMMOTH ENERGY SERVICES, INC.

Item 6. Exhibits

The following exhibits are filed as a part of this report:

Exhibit Number	Exhibit Description	Incorporated By Reference				Filed Herewith	Furnished Herewith
		Form	Commission File No.	Filing Date	Exhibit No.		
2.1#	Amended and Restated Contribution Agreement by and among MEH Sub LLC, Gulfport Energy Corporation, Rhino Exploration LLC, Mammoth Energy Partners LLC and Mammoth Energy Services, Inc. dated as of May 12, 2017	DEF 14C	001-37917	5/15/2017	A-1		
2.2#	Amended and Restated Contribution Agreement by and among MEH Sub LLC, Gulfport Energy Corporation, Mammoth Energy Partners LLC and Mammoth Energy Services, Inc. dated as of May 12, 2017	DEF 14C	001-37917	5/15/2017	A-2		
2.3#	Amended and Restated Contribution Agreement by and among MEH Sub LLC, Gulfport Energy Corporation, Mammoth Energy Partners LLC and Mammoth Energy Services, Inc. dated as of May 12, 2017	DEF 14C	001-37917	5/15/2017	A-3		
3.1	Amended and Restated Certificate of Incorporation of the Company	8-K	001-37917	11/15/2016	3.1		
3.2	Amended and Restated Bylaws of the Company	8-K	001-37917	11/15/2016	3.2		
4.1	Specimen Certificate for shares of common stock, par value \$0.01 per share, of the Company	S-1/A	333-213504	10/3/2016	4.1		
4.2	Registration Rights Agreement, dated October 12, 2016, by and between the Company and Mammoth Energy Holdings, LLC	8-K	001-37917	11/15/2016	4.1		
4.3	Investor Rights Agreement, dated October 12, 2016, by and between the Company and Gulfport Energy Corporation	8-K	001-37917	11/15/2016	4.2		
4.4	Registration Rights Agreement, dated October 12, 2016, by and between the Company and Rhino Exploration LLC	8-K	001-37917	11/15/2016	4.3		
10.1	Second Amendment to Revolving Credit and Security Agreement, dated as of July 12, 2017 among Mammoth Energy Services, Inc. and its subsidiaries.					X	
10.2	Emergency Master Service Agreement for PREPA's Electrical Grid Repairs-Hurricane Maria, executed on October 19, 2017, by the Puerto Rico Electric Power Authority (PREPA) and Cobra Acquisitions LLC.					X	
10.3	Amendment No. 1 to Emergency Master Service Agreement for PREPA's Electrical Grid Repairs-Hurricane Maria, executed on November 1, 2017, by the Puerto Rico Electric Power Authority (PREPA) and Cobra Acquisitions LLC.					X	
31.1	Certification of Chief Executive Officer pursuant to Rule 13(a)-14 and 15(d)-14 under the Securities Exchange Act of 1934.					X	
31.2	Certification of Chief Financial Officer pursuant to Rule 13(a)-14 and 15(d)-14 under the Securities Exchange Act of 1934.					X	
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X	
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X	
95.1	Mine Safety Disclosure Exhibit					X	
101.1	Interactive data files pursuant to Rule 405 of Regulation S-T.						

The schedules (or similar attachments) referenced in this agreement have been omitted in accordance with Item 601(b)(2) of Regulation S-K. A copy of any omitted schedule (or similar attachment) will be furnished supplementally to the Securities and Exchange Commission.

MAMMOTH ENERGY SERVICES, INC.

Signatures

Pursuant to the requirements 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.

Date: November 13, 2017 By: **MAMMOTH ENERGY SERVICES, INC.**
/s/ Arty Straehla

Arty Straehla
Chief Executive Officer

Date: November 13, 2017 By: /s/ Mark Layton

Mark Layton
Chief Financial Officer

GOVERNMENT OF PUERTO RICO
PUERTO RICO ELECTRIC POWER AUTHORITY

EMERGENCY MASTER SERVICE AGREEMENT FOR PREPA'S ELECTRICAL GRID REPAIRS - HURRICANE MARIA

APPEAR

AS FIRST PARTY: The Puerto Rico Electric Power Authority (PREPA), a public corporation and government instrumentality of the Commonwealth of Puerto Rico, created by Act 83 of May 2, 1941, as amended, represented in this act by its Executive Director, Ricardo Luis Ramos Rodríguez, of legal age, married, engineer and resident of Caguas, Puerto Rico.

AS SECOND PARTY: Cobra Acquisitions LLC, a limited liability company organized and existing under the laws of the State of Delaware with a place of business at 14201 Caliber Drive, Suite 300, Oklahoma City, Oklahoma 73134, herein represented by Arty Straehla, of legal age, married, and a resident of Oklahoma City, Oklahoma, hereinafter referred to collectively as "the Contractor") whose authority of representation is evidenced by corporate resolution.

WITNESSETH

In consideration of the mutual covenants hereinafter stated, the Parties agree themselves, their personal representatives, and successors as follows:

TERMS AND CONDITIONS

ARTICLE 1: Scope of Contract

The Contractor shall provide labor, supervision, tools, equipment and materials necessary to perform the storm restoration services at various locations in PREPA's service areas, all in strict accordance with the provisions of this contract and contractor's proposal attached hereto as Exhibit A. PREPA will sign one Contract Release for each line, feeder or segment project. The terms and conditions stated in this Contract will govern on any Contract Release all in accordance and compliance with FEMA guidelines and regulations.

ARTICLE 2: Definitions

Whenever the words defined in this article or pronouns used instead are mentioned in this Contract, they shall have the meanings here given:

- 1) Engineer - shall mean the Transmission and Distribution Director of PREPA, acting directly or through his properly authorized representatives.
- 2) Contracting Officer - shall mean the Chief of Supply Chain Division and Contracting Officer of PREPA, acting directly or through his properly authorized representatives.
- 3) Contract - shall mean collectively, all the covenants, terms, and stipulations in these articles of agreement, which constitute an amendment and supersedes to that contract entered into by the parties on September 26, 2017, and in all supplementary documents hereto attached which constitute essential parts of the Contract and are hereby made part thereof, to wit:
 - Contract
 - Contractor's Proposal (attached hereto as Exhibit A)
 - Contractor's Rate Structure (attached hereto as Exhibit B)
 - Contractor's Standard Equipment and Tooling Schedule (attached hereto as Exhibit C)
- 4) Change order - A written agreement between the parties that sets out changes in price, time, or scope of work to the Contract, which has been approved by the appropriate official pursuant to the general authorization for approval.
- 5) Contract Release – A purchase order created with reference to this contract, the contract release documentation (order date, quantity, value, number of the contract release order, account number, among others) is included as part of each release.

ARTICLE 3: Consideration

In accordance with the terms and conditions contained herein, PREPA agrees to pay and the Contractor accepts that PREPA will make payment for the work performed on a Time and Materials basis at the rates, and subject to the terms, set forth in Exhibit B and Exhibit C, as supplemented from time to time by additional subcontractors. As compensation for services rendered under this Contract, PREPA and the Contractor agree that the total amount to be paid under this Contract shall not exceed \$200,000,000 (the Contract Amount). All payments shall be made after the approval of the Contract Release.

PREPA will only pay for Services already rendered before the submitted invoice date. PREPA will not be required to make advance payments for any future service to be rendered by Contractor under the Contract, except for those services related to the initial mobilization and final demobilization. Contractor shall submit invoices two times each week (on Monday and Thursday) which will include a description of the services rendered as per established in Contractor's Proposal, Contractor's Rate Structure and Contractor's Standard Equipment and Tooling

Schedule. Each invoice shall be itemized and must be duly certified by an authorized representative of the Contractor.

PREPA will approve invoices within seven (7) calendar days, from time of receipt from contractors' initial submission. PREPA will review the invoices and if they are in compliance with the requirements set forth in the Contract, PREPA will proceed with payment within three (3) calendar days of the approval of invoice. Payment is due upon approval of a valid invoice. In any event, payment terms to contractor shall not exceed Net 10 Days from date of submission of invoice by contractor to PREPA. A finance charge of 1% per month shall be due on payments received after the date due pursuant to the schedule described above.

All invoices submitted by the Contractor shall include the following Certification in order to proceed with its payment.

- No Interest Certification:

Under penalty of absolute nullity, I hereby certify that no employee, official or director of PREPA is a party or has been granted any interest or payment by Consultant in the profits or benefits to be obtained under this Contract by Consultant or if any employee, official or director of PREPA has any interest in the profits or benefits under this Contract a waiver has been previously obtained. I, also certify that the only consideration to provide the services under this Contract to Consultant is the payment agreed with PREPA's authorized representative. The total amount of this invoice is fair and correct. The services were provided and no payment has been received for said concept.

Contractor's Signature"

This is an essential requirement and those invoices without this Certification will not be processed for payment. In order to comply with the certification requirements set forth above, Contractor shall require that subcontractors providing Services also make the certification set forth above in any invoices submitted in connection with the Services.

All invoices have to be sent to the following address:
Puerto Rico Electric Power Authority,
Accounts Payable Section,
PO Box 70253,
San Juan, Puerto Rico 00936-0253

ARTICLE 4: Commencement and Completion of Work

4.1 Inspection and Delivery

Unless mutually agreed, all works shall be completed as per schedule of proposed progress from the commencement date as established per Contract Release for all work to be performed. The commencement date will be the beginning date stated on the letter of mobilization.

4.2 Schedule of Proposed Progress

Contractor will use commercially reasonable efforts to perform the work in such a manner to meet PREPA's scheduling expectations, but PREPA waives any claim against Contractor related to delayed completion of the work.

4.3 Contract Term

This Contract shall be in effect for a period of twelve months beginning on the date on which parties sign the Contract and the Contractor receives the Deposit specified on Exhibit B (the "Original Term"). PREPA may extend the Original Term for additional periods on a month-to-month basis up to twelve (12) months by written amendment between the parties; provided, however, to the extent work performed concludes prior to a full month period, payment will be made for actual days worked.

ARTICLE 5: Suspension of Work

- 5.1 PREPA may, at any time, suspend the whole or any portion of the work under this Service Contract Order, by providing Contractor with a written notice stating the reasons for suspension at least five (5) days in advance of the day the suspension shall take effect. The right of PREPA to suspend the work shall not be construed as denying the Contractor all actual, reasonable and necessary costs and expenses due to the delays caused by such suspension.
- 5.2 Either Party may suspend the whole or any portion of the work under this Order by reason of the occurrence of a Force Majeure event as described in Article 10 herein.
- 5.3 In case of suspension of the work by PREPA for any reason, or in case the work is suspended in whole or in part due to the occurrence of a Force Majeure event, Contractor's obligations shall be extended for a period of time reasonably necessary to overcome the effects of any such suspension. Contractor will also have the right to claim lost revenue standing time of manpower and equipment, and overhead costs.
- 5.4 If the suspension extends for more than fifteen (15) days, the Contractor shall have the right to an equitable adjustment to the amounts payable to Contractor and the Contract shall be modified in writing accordingly. If a suspension extends beyond thirty (30) days, Contractor has the right to terminate this contract.

ARTICLE 6: Methods and Data

PREPA reserves the right to review and approve all methods and data, which the Contractor develops hereunder. Such review or approval shall in no way relieve the Contractor from its responsibilities, obligations or liabilities under this Contract. The Contractor shall obtain such reviews or approval in writing from PREPA. The Contractor shall keep at the working area a copy of the Contract and its supplementary documents at all times, give the Engineer access thereto.

ARTICLE 7: Changes and/or Extra Work

PREPA may, at any time, by written order, make changes in the Services or work to be performed within the general scope of this Contract. These works assignment shall be agreed between Contractor and PREPA. The approval of this extra work is subject to PREPA's Project Manager. The Contractor shall work with PREPA to supply Emergency Crews for this purpose. Those Crews shall be independent of the Circuit Crews assigned to the scheduled circuit. All contractual specifications shall apply. If such changes cause an increase or decrease in Contractor's cost of, or time required for, performance of any services under this Contract, an equitable adjustment shall be made and this Contract shall be modified in writing accordingly. Provided, however, that no changes shall be made to the scope of the Services that would render the costs incurred in the performance of this Contract unallowable or not allocable under, or outside the scope or not reasonable for the completion of, Federal grant awards from the Federal Emergency Management Agency ("FEMA") or any other U.S. Federal agency.

ARTICLE 7A: Payment

Payment shall be Time and Materials at the rates set forth in the attached schedule of rates. Payment for work performed under the Contract shall not exceed the ceiling price specified in the attached schedule of rates. PREPA shall have no obligation to pay the Contractor any amounts in excess of the Contract ceiling price. The Contractor shall not be obligated to continue performance if to do so would exceed the ceiling price specified in the attached schedule of rates, unless and until PREPA notifies the Contractor in writing that the ceiling price has been increased and specifies in the notice a revised ceiling that shall constitute the ceiling price for performance under this Contract. When and to the extent that the ceiling price set forth in the attached schedule of rates has been increased, any hours expended and material costs incurred by Contractor in excess of the ceiling price before the increase shall be allowable to the same extent as if the hours expended and material costs had been incurred after the increase in the ceiling price.

ARTICLE 8: Inspection

During the progress of work, the Engineer or its authorized representatives shall make daily inspections to evaluate all assigned works as established and accepted by PREPA to ensure Contractor compliance with the power line specifications. All jobs shall be executed, performed and built in full compliance with PREPA's Electrical Codes and any other special requirement established previous the commencement of works. Job sites shall be marked with cones and signs visible from the nearest road to identify crew location.

All work performed by the Contractor is subject to inspection and approval by PREPA. PREPA to clearing identify and provide the required specification prior to commencement of work. Any work not meeting PREPA or generally accepted power line construction standards or turned in falsely will be redone at no cost to PREPA. If subsequent inspections are required alter the initial follow up the actual cost shall be billed to Contractor. The presence of PREPA personnel shall not in any way alter, modify, or lessen the obligation of the Contractor to comply with the requirements of this Contract. Any inspection by PREPA personnel shall not be considered as an acceptance of waiver of warranty or other rights of the work inspected.

The Contractor shall promptly correct all work reasonably deemed by PREPA as failing to conform to the power grid construction specifications provided by PREPA to the Contractor pursuant to the previous paragraph. The Contractor shall promptly remedy the lack of performance and execute the work in accordance with the specifications, without expense to PREPA. If the Contractor fails to correct work deemed by PREPA within a reasonable time after notice has been given to the Contractor, PREPA may correct such work at the expense of the Contractor. Such expense may be deducted by PREPA from any payments due or to become due to the Contractor or, if final payment has been made, the Contractor shall reimburse PREPA such amounts.

Contractor will not be subject to compliance with any performance specification during the duration of this reconstruction work.

ARTICLE 9: Access to Work

- 1) The Contractor shall permit all persons appointed or authorized by PREPA to visit and inspect the work or any part thereof at all times and places during the progress of same.
- 2) Subject to appropriate safety considerations, the Contractor agrees to provide the FEMA Administrator or his authorized representatives' access to work sites pertaining to the work being completed under the Contract.

ARTICLE 10: Force Majeure

Notwithstanding anything to the contrary herein contained, it is agreed that either party hereto will be relieved of its obligations hereunder in the event and to the extent that performance hereof is delayed or prevented by any cause beyond its control and not caused by the party hereto claiming relief hereunder, including, without limitation, acts of God, industrial disturbances, acts of the public enemy, war, blockages, boycotts, riots, insurrections, epidemics, earthquakes, storms, floods, civil disturbances, lockouts, fires, explosions, interruptions of services due to the acts or failure to act of any governmental authority, provided that these events, or any other claimed as a Force Majeure event, and/or its effects, are beyond the reasonable control and were not caused by the fault or negligence of the party claiming the Force Majeure event, and that such party, within ten (10) days after the occurrence of the alleged Force Majeure, gives the other party written notice describing the particulars of the occurrence and its estimated duration. The burden of proof as to whether a Force Majeure has occurred shall be on the party claiming the Force Majeure.

ARTICLE 11: Suspension of Payment

If Contractor fails in completing the work, or any separable part thereof, within the timeframe established in Article 4, Commencement and Completion of Work, PREPA may, as its option, retain that portion of the payment attributable to the non-conforming work until such service discrepancies have been corrected.

In case of delay, the Contractor shall within ten (10) days from the beginning of any such delay notify the Engineer in writing of the causes of delay, who shall ascertain the facts and the extent

of the delay and extend the time for completing the work when in his judgment the findings of facts justify such an extension, and his findings of facts thereon shall be final and conclusive on the parties hereto, subject only to appeal by the Contractor as provided in the ARTICLE 27, Disputes; provided that, no claim made by Contractor against PREPA, its agents, contractors, subcontractors, employees, successors, assignees, for any cause whatsoever, during the progress of any portion of the work embraced in the Contract shall relieve any of the parties from the performance of its obligations and of the work under this Contract, which shall not suffer any delay by reason of a claim being ascertained by either Party under this Contract.

ARTICLE 12: Insurance

The Contractor shall obtain and maintain in full force and effect during the life of this Contract and thereafter as provided herein, policies of insurance covering all operations engaged in by the Contract, which shall be formally agreed with insurance companies authorized to do business in Puerto Rico, and to that the effect it shall provide in original certificates of insurance and endorsements, as follows:

A. Workers Compensation
Insurance

The Contractor shall provide Workers Compensations Insurance as required by the Workmen's Compensation Act of the Commonwealth of Puerto Rico, or in case of emergency short term work, a policy from the contractor's state of operation shall be accepted. The Contractor shall be responsible for compliance with said Workmen's Compensation Act by all his subcontractors, agents, and invitees.

The Contractor shall furnish PREPA a certificate from the State Insurance Fund showing that all personnel employed in the work are covered by the Workmen's Compensation Insurance, in accordance with this Contract.

B. Employer's Liability
Insurance

The Contractor shall provide Employer's Liability Insurance with minimum bodily injury limits of \$1,000,000 for each employee and \$1,000,000 for each accident, covering against the liability imposed by Law upon the Contractor as a result of bodily injury, by accident or disease, including death arising out of and in the course of employment, outside of and in the course of employment, and outside of and distinct from any claim under the Workmen's Compensation Act of the Commonwealth of Puerto Rico.

C. Commercial General Liability
Insurance

The Contractor shall provide a Commercial General Liability Insurance with limits of \$1,000,000 per occurrence and \$1,000,000 aggregate. This Policy shall include a completed operations.

D. Automobile Liability
Insurance

The Contractor shall provide an Automobile Liability Insurance with limits of \$1,000,000 combined single limit covering all owned, non-owned and hired automobiles.

Requirements under the Policies:

The Commercial General Liability and Automobile Liability Insurance required under this Contract shall be endorsed to include:

a. As additional insured:

Puerto Rico Electric Power Authority
Risk Management Office
PO Box 364267
San Juan, PR 00936-4267

b. 30 day cancellation or nonrenewable notice to be sent to the above address.

c. An endorsement including this Contract under contractual liability coverage and identifying it in number, date and parties to the contract.

d. Waiver of Subrogation in favor of PREPA.

e. Breach of Warranties or Conditions: "The breach of any of the Warranties or Conditions in this policy by the Contractor shall not prejudice PREPA's rights under this policy."

ARTICLE 13: Independent Contractor

- 1) PREPA and the Contractor agree that Contractor's status hereunder and the status of any agents, employees and subcontractors engaged by the Contractor shall be that of an independent contractor only and not that of an employee, agent, director or officer of PREPA nor shall they be considered a public servant of neither PREPA nor the Commonwealth of Puerto Rico. The Contractor recognizes that its personnel shall not be entitled to employment benefits such as vacations, sick leave, retirement benefits and other benefits from PREPA because of its condition as an independent contractor. Neither the Contractor nor its personnel shall have any power or right to enter into contracts on behalf of PREPA. No provision of this Contract shall be deemed to create an employment relationship between Contractor or his employees and PREPA.
 - 2) The employees of Contractor engaged in performing services hereunder will be considered employees of Contractor for all purposes and will under no circumstances be deemed to be employees of PREPA. PREPA will have no supervisory power or control over any such Contractor's employees and any complaint or change in procedure will be communicated transmitted by PREPA to Contractor who will in turn promptly give any necessary instructions to its own personnel.
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- 3) Contractor will be responsible for the direct supervision of its employees through its designated representative and such representative will in turn, report to and confer with the designated agents of PREPA with respect to the services.
- 4) Except as expressly provided otherwise in this Master Services Agreement, Contractor agrees to assume full and complete responsibility for any and all liability to its employees on account of injury, disability, and death resulting from, or sustained by said employees in the performance of the services defined herein.
- 5) At PREPA's request, Contractor will immediately remove from service any employee whose acts or omissions will be a violation of applicable law or constitute a breach of this.
- 6) Both parties agree to accept full and exclusive liability for the payment of any and all taxes, contributions, and other payments for unemployment compensation and/or pension benefits, Worker's Compensation, employers liability insurance or annuities now or hereafter imposed upon employers as applicable to them with respect to its employees and each party will make such payments and will make and file any and all reports and returns and take all other actions do all other things necessary to comply with the laws imposing such taxes, contributions, or other payments.
- 7) Contractor represents and warrants that the employees used in the performance of the services hereunder will have the qualifications, skills and experience necessary to perform the services and will have the work records as represented to PREPA.
- 8) In the performance of the Contract, Contractor will comply with all applicable statutes, regulations, ordinances pertaining to nondiscrimination in employment and facilities.

Contractor agrees to hold PREPA harmless and to indemnify and defend PREPA in full for any and all damages, claims, assessments, penalties, liabilities, charges, attorney's fees or other losses incurred during or following the term of this Contract, which result from any assertion, claim, determination or adjudication that Contractor or any of its employees are employees of PREPA, including, but not limited to, any claim, determination or adjudication made pursuant to the Internal Revenue Code, any of Puerto Rico Unemployment laws and regulations, Compensation Law, or any other federal, state or local wage, employment, insurance, labor and other laws, statutes, regulations and ordinances.

ARTICLE 14: Termination

- 1) Notwithstanding anything to the contrary in this Contract regarding its term, PREPA may, at any moment, terminate, cancel or accelerate its expiration, after giving the Contractor not less than thirty (30) days prior notice, for any or no reason, when in PREPA's judgment such action responds to its best interest.
 - 2) PREPA may terminate this Contract (or any portion thereof) for any cause if Contractor (i) becomes insolvent, or (ii) in is material breach of the service obligation, which does not otherwise have a specified contractual remedy, and fails to cure the breach within thirty (30) days of notice from PREPA; or fails to commence to cure the material breach and diligently proceed with the cure if it is not possible to cure within thirty (30) days of such notice. If PREPA
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terminates the Contract, PREPA shall pay to the Contractor all portions of the work completed and for actual, reasonable, and necessary expenses caused by such termination, which shall apply in the case of Termination by either Party for any reason.

- 3) If this Contract is so terminated, the Contractor shall be compensated for actual, reasonable, and necessary expenses, including reasonable demobilization costs caused by such termination. The exercise of PREPA'S right to terminate, cancel or rescind the Contract shall not be understood as a waiver by PREPA to any other remedy it may have under this Contract or under the law for delays or breach incurred by the Contractor in the performance of its obligations under the Contract.
- 4) Breach By PREPA. Upon written notice to PREPA from Contractor stating that PREPA is in material breach of the Contract, PREPA will immediately remedy such material breach. Where PREPA fails to remedy such material breach within ten (10) days or to promptly initiate and continue in good faith to remedy a material breach that cannot be reasonably remedied in ten (10) days, Contractor will have the right to terminate the Contract upon five (5) days' notice to PREPA. PREPA further agrees that if it commits a substantially similar material breach more than twice in any one (1) month period, regardless of remedy, Contractor will have the right to terminate the Contract upon notice to PREPA.

ARTICLE 15: Termination Settlement

- 1) If the Contract is terminated for any reason, the Contractor shall stop work as specified in the termination notice provided by PREPA, and shall be prohibited from incurring additional obligations of Contract funds. PREPA may allow costs that the Contractor could not reasonably avoid during the termination process to the extent that said costs are determined to be necessary and reasonable.
 - 2) In the event of a termination, all work in process, finished or unfinished documents, data, studies, surveys, drawings, maps, models, photographs, reports, property and any other items or deliverables prepared by the Contractor that would be furnished to PREPA, the Commonwealth of Puerto Rico, or the Federal government if the Contract had been fully performed shall, unless otherwise stated in writing by PREPA, become PREPA's property.
 - 3) Following termination, the Contractor shall submit a final termination settlement proposal to PREPA in the form and with the certification prescribed by PREPA. The Contractor shall submit the final termination settlement proposal promptly, but no later than one year from the effective date of termination, unless extended in writing by PREPA upon written request of the Contractor within this one-year period. The Contractor and PREPA may agree upon the whole or any part of the amount to be paid or remaining to be paid because of the termination. The amount may include a reasonable allowance for profit on work done. However, the agreed amount may not exceed the total Contract price as reduced by (1) the amount of payments
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previously made and (2) the Contract price of work not terminated. The Contract shall be modified, and the Contractor paid the agreed amount.

ARTICLE 16: Permits and Licenses

The Contractor shall obtain and maintain all the licenses, permits, and authorizations required to perform all services, works, operations and tasks under this Contract, and shall send all notices, pay all fees and related costs, and will comply and will have its subcontractors and agents comply with all laws, ordinances, rules, and regulations applicable to the work.

ARTICLE 17: Minimum Wage Rates

Laborers and other employees engaged under this Contract shall be paid not less than the minimum wages rates prescribed by law. PREPA may withhold from any monies due to the Contractor any sum necessary to make up the full amount of wages due under this Contract and may distribute it directly to those entitled thereto hereunder.

ARTICLE 18: Contingent Fees

The Contractor guarantees that he has not employed any person to solicit or secure this Contract upon any agreement for a commission percentage, brokerage or contingent fee. Breach of this guarantee shall give PREPA the right to annul the Contract or, at its discretion to deduct from the Contract price or consideration the amount of such commission, percentage, brokerage or contingent fees. This guarantee shall not apply to commission's payable by contractors upon contract or sales secured or made through bona fide established commercial or selling agencies maintained by the Contractor for the purpose of securing business.

ARTICLE 19: Other Contracts

PREPA may award other contracts for additional work, and the Contractor shall fully cooperate with such other contractors of this Contract, and carefully fit his own work to that provided under other contracts as may be directed by the Contracting Officer. The Contractor shall not commit or permit any acts which interfere with the performance of work by any other Contractor.

ARTICLE 20: Official not to Benefit

No officer, employee or agent of PREPA, or of the Government of the Commonwealth of Puerto Rico or Municipal Governments, shall be admitted to any share or part of this Contract or to any benefit that may arise there from, but this provision shall not be construed to extend to this Contract if made with a corporation for its general benefit.

In addition to the restrictions and limitations established under the provisions of Act 1-2012, as amended, retired or former officers or employees of PREPA, whose work was in any way related to the award or management of contracts, shall in no way benefit from any contract with PREPA for a period of two (2) years after leaving employment with or ceasing services to PREPA.

ARTICLE 21: Conflict of Interest

The Contractor certifies that none of its representatives under this Contract receive payment or compensation of any nature, for services rendered regularly through an appointment to a governmental agency, body, public corporation or municipality of Puerto Rico. The Contractor also certifies that he may have consulting services contracts with other governmental agencies or bodies, but such condition does not constitute a conflict of interest for the Contractor.

The Contractor acknowledges that in executing the services pursuant to Contract it has a duty of complete loyalty towards PREPA which includes not having adverse interests to those of PREPA related to the services. Those adverse interests include representation of clients which have or may have opposed interests to those of PREPA in relation to the services. Also, the Contractor shall have the continuous obligation to disclose to PREPA all information and circumstances of its relations with clients and third persons and any interest which could reasonably influence PREPA when executing this Agreement or during its term.-

- 1) The Contractor represents conflicting interests when on behalf of a client he must contend for that which it is his duty to oppose to comply with its obligations with another previous, present or potential client. Also, the Contractor represents conflicting interests when his conduct is described as such in the canons of ethic applicable to the Contractor and his personnel or in the laws or regulations of the Commonwealth of Puerto Rico.
 - 2) In the event that any of the partners, directors or employees of the Contractor should incur in the conduct described herein, said conduct shall constitute a violation to the prohibitions provided herein. The Contractor shall avoid even the appearance of the existence of conflicting interests.
 - 3) The Contractor acknowledges that the PREPA's Chief of Supply Chain Division and Contracting Officer shall have the power to intervene the acts of the Contractor and/or its agents, employees, and subcontractors regarding the enforcement of the prohibitions contained herein. In the event that PREPA should discover the existence of adverse interests with the Contractor, the Chief of Supply Chain Division and Contracting Officer shall inform the Contractor, in writing, of PREPA's intention to terminate this Contract within a thirty (30) day period. During said period, the Contractor may request a meeting with the Chief of Supply Chain Division and Contracting Officer to present his arguments regarding the alleged conflict of interests, which meeting shall be granted by PREPA in every case of alleged conflict of interests. In the event that the Contractor does not request such a meeting during the specified thirty (30) day period or the controversy is not satisfactorily settled during the meeting, this Contract shall be cancelled.
 - 4) The Contractor certifies that, at the time of award of this Contract, it does not have any other contractual relation that can enter in a conflict of interest with this Contract. The Contractor also certifies that no public employee has any personal or economical interest in this Contract.
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ARTICLE 22: Claims for Labor and Materials

- 1) Conditions upon timely payment from PREPA pursuant to the terms of this Master Service Agreement, the Contractor shall, at his own expense, assume the defense of and save harmless PREPA from claims for labor and materials and not suffer any mechanics or other liens to remain outstanding against any of the property used in connection with the work; and shall, on request, furnish satisfactory evidence that all persons who have done work or furnished materials have been fully paid. If the Contractor fails to comply with his obligations in this respect, PREPA may take such liens or claims and may withhold from any monies due to the Contractor such amounts as may be necessary to satisfy and discharge any such claims and any cost and expenses incidental thereto.

ARTICLE 23: Unfair Labor Practice

- 1) In the event that the Contractor or any of his subcontractors or agents do not comply with an order issued by the Puerto Rico Labor Relations Board and/or the National Labor Relations Board upon their finding that the Contractor or any of his subcontractors or agents have committed an unfair labor practice, no further payments shall be made by PREPA to the Contractor after the date of said order. In addition, the Contract may be terminated by PREPA, in which case PREPA may take possession of the materials, tools, and appliances on the job site and finish the work by whatever method it may deem expedient.
- 2) Any declaration by the Puerto Rico Labor Relations Board and/or by the National Labor Relation Board that the contractors or agents have not complied with an order issued by the Board relating to any unfair labor practice, shall be binding, final and conclusive unless such order is reversed or set aside by a Court of competent jurisdiction.

ARTICLE 24: Novation

The Contractor and PREPA expressly agree that no amendment or change order which could be made to this Contract, during its term, shall be understood as a contractual novation, unless both parties agree to the contrary, specifically and in writing. This previous provision shall be equally applicable in such other cases where PREPA gives the Contractor a time extension for the compliance of any of its obligations under the Contract or where PREPA dispenses the claim or demand of any of its credits or rights under this Contract.

ARTICLE 25: Patents and Copyrights

The Contractor, at its own expense, shall defend any suit or action brought against PREPA based on a claim that any equipment or part thereof, copyright or un-copyrighted composition, secret process, patented or unpatented invention, article, or appliance manufactured or used in the performance of this Contract, including their use by PREPA, constitutes an infringement of any patents or copyrights of the United States, if notified promptly in writing by PREPA, and given the authority, information, and assistance for the defense of the same, and the Contractor shall pay all damages and costs awarded therein against PREPA. If, in such suit, the equipment or any

part thereof, or the composition, secret process, invention, article or appliance is held to constitute infringement and its use is enjoined, the Contractor, at its option and expense, shall either procure for PREPA the right to continue using the same. Also, can replace it with non-fringing equipment, composition, secret process, invention, article or appliance, modify it so it becomes non-infringing or remove it and refund the purchase price.

ARTICLE 26: Waiver

No waiver of any breach of this Contract shall be held to be a waiver of any other subsequent breach.

ARTICLE 27: Disputes

All disputes concerning questions of fact arising under this Contract shall be decided by PREPA's Transmission and Distribution Director within 10 days from the submission of the dispute by Contractor, subject to written appeal by Contractor to the Chief of Supply Chain Division and Contracting Officer within twenty (20) days. Within 10 days thereafter, the Chief of Supply Chain Division and Contracting Officer shall inform each party hereto of his decision regarding the dispute. Contractor, at its option, may elect to accept such decision or pursue remedies at law or equity. Contractor may pursue directly the remedies at law or equity for all disputes. Notwithstanding the terms above, each party has the right at any time, at its option and where legally available, to commence an action or proceeding in a court of competent jurisdiction.

ARTICLE 28: Payment to Contractor

Upon completion and acceptance of all work required hereunder, the amount due to the Contractor under this Contract will be paid upon the presentation of a properly executed and duly certified invoice therefore, after the Contractor shall have furnished PREPA with a release, if required, or all claims against PREPA arising under and by virtue of this Contract, other than such claims if any, as may be specifically excepted by the Contractor from the operation of the release in stated amounts to be set forth therein; provided that, the amount of such excepted claims is not included in the invoice for final payment.

All invoices submitted by the Contractor shall be subject to PREPA's approval before being paid, and its payment shall be done within three (3) days after the date of its approval by PREPA. All invoices submitted by the Contractor shall include the Certification established in Article 3, Consideration, in order to proceed with its payments.

ARTICLE 29: Compliance with Laws, Regulations, and Executive Orders

The Contractor acknowledges that starting on October 25, 2017, FEMA financial assistance will be used to fund this Contract. From and after this date, the Contractor shall comply with applicable Federal and Commonwealth of Puerto Rico laws, regulations, executive orders, policies, procedures, and directives, including but not limited to the Federal Cost Principles set forth in 2 C.F.R. Part 200 for Contractor's material costs, and applicable FEMA regulations in 44 C.F.R.

Chapter I. Any failure to secure approvals or funding from FEMA or some other source (except due to the Contractor's sole fault) shall not relieve PREPA from its obligations for payment under this Contract.

ARTICLE 30. Debarment, Suspension, and Ineligibility

- 1) The Contractor represents and warrants that the Contractor, its principals, and affiliates have not been debarred, suspended, or placed in ineligibility status under the provisions of 2 C.F.R. pt. 180 and 2 C.F.R. pt. 3000 (government debarment and suspension regulations). The Contractor represents and warrants that it will not enter into any contracts or subcontracts with any individual or entity which has been debarred, suspended or deemed ineligible under those provisions. During the term of this Contract, the Contractor will periodically review SAM.gov and local notices to verify the continued accuracy of this representation. The Contractor shall require all subcontractors at every tier to comply with this requirement.
- 2) This certification is a material representation of fact relied upon by PREPA. If it is later determined that the Contractor did not comply with 2 C.F.R. pt. 180 and 2 C.F.R. pt. 3000, in addition to remedies available to the Commonwealth of Puerto Rico and PREPA, the Federal Government may pursue available remedies, including but not limited to suspension and/or debarment.

ARTICLE 32. Records Retention.

The Contractor agrees to maintain all books, records, accounts and reports and all other records produced or collected in connection with this Contract for a period of not less than three (3) years after the date of final payment and close-out of all pending matters related to this Contract. If any litigation, claim, or audit is reasonably anticipated to arise or is started before the expiration of the 3-year period, the records must be retained until all litigation, claims, or audit findings involving the records have been resolved and final action taken.

ARTICLE 33. Clean Air Act and the Federal Water Pollution Control Act

The Contractor agrees to comply with all applicable standards, orders or regulations issued pursuant to the Clean Air Act, as amended, 42 U.S.C. § 7401 et seq., and the Federal Water Pollution Control Act, as amended, 33 U.S.C. 1251 et seq. The Contractor agrees to report each violation to PREPA and understands and agrees that PREPA will, in turn, report each violation as required to assure notification to the Commonwealth of Puerto Rico, Federal Emergency Management Agency, and the appropriate Environmental Protection Agency Regional Office. The Contractor agrees to include these requirements in each subcontract exceeding \$150,000 financed in whole or in part with Federal assistance.

ARTICLE 34. Change in Law

During the term of this Contract, if there is any change in law, including, but not limited to changes in applicable tax law, which causes an increase in Contractor's costs when supplying the products or services to be acquired by PREPA, Contractor and PREPA shall use commercially reasonable efforts to resolve the situation, including, but not limited to, revising the applicable rates.

ARTICLE 35: Choice of Law

This Contract shall be governed by and construed in accordance with the laws of the Commonwealth of Puerto Rico. Also, the contracting parties expressly agree that only the state courts of Puerto Rico will be the courts of competent and exclusive jurisdiction to decide over the judicial controversies that the appearing parties may have among them regarding the terms and conditions of this Contract.

ARTICLE 36: Separability

If a court of competent jurisdiction declares any of the Contract provisions as null or invalid, such holding will not affect the validity and effectiveness of the remaining provisions of the Contract and the parties agree to comply with their respective obligations under such provisions not included by the judicial declaration.

ARTICLE 37: Correlation of Documents

In case of discrepancy or in the event of any conflict among the different Contract documents such as: Contract, Scope of Services, Código Construcción Eléctrica, Appendixes, and Contractors Proposal per Contract Release, these shall take precedence in the order given. The terms and conditions contained in the Contract shall prevail over any conflictive terms and conditions contained in the Contractors Proposal and any other document expressly referenced in this Contract.

ARTICLE 38: Notice

- 1) PREPA agrees to give the Contractor immediate notice of any and all claims for which the Contractor may be liable, and the Contractor agrees to give PREPA immediate notice of any and all claims for which PREPA may be liable.
- 2) Any notice to be given hereunder shall be in writing and will be sufficiently served when delivered in person or properly mailed or emailed to the following addresses:

To PREPA: Puerto Rico Electric Power Authority
PO Box 364267
San Juan, Puerto Rico 00936-4267
Email: ramón.caldas@prepa.com

Attention: Eng. Edgardo L. Rivera
Alvarado

To Contractor: Cobra Acquisitions LLC

14201 Caliber Drive, Suite 300

ARTICLE 39: Puerto Rico Treasury Department Withholding

PREPA will deduct and withhold at the source to PREPA Net the equivalent of seven percent (7%) from payment for services rendered in Puerto Rico under this Agreement, in compliance with the New Puerto Rico Internal Revenue Code, Law 1-2011, Section 1062.03, as amended. Notwithstanding, the withholding to be done by PREPA as herein stated could be increased to: twenty percent (20%) in the event that PREPA Net is a non-resident individual, which is a U.S. citizen, as provided by the New Puerto Rico Internal Revenue Code, Section 1062.08; or twenty-nine percent (29%) in the event that PREPA Net is a non-resident and non U.S. citizen individual; or a foreign corporation or partnership which is not dedicated to industry or business in Puerto Rico, as provided by the New Puerto Rico Internal Revenue Code, Section 1062.08.

If a Release Letter has been issued to PREPA Net by the Treasury Department, PREPA Net shall be responsible to submit a copy of said Release Letter to PREPA for every calendar year; otherwise, payments under the Agreement shall remain subject to withholding at the source. All invoices shall be segregated by concepts (services, materials, equipment, etc.), to identify the amounts subject to withholding, and avoid undue deductions.

PREPA will deduct and withhold a Special Contribution to PREPA Net the equivalent of one point five percent (1.5%) from payment for services under this Agreement, in compliance with Article 1, Act 48-2013. PREPA shall forward such amounts to the Department of Treasury of Puerto Rico, and shall deliver evidence to PREPA Net of such payments. All amounts withheld pursuant to this clause shall be reimbursed by PREPA to Contractor. Contractor shall include any such reimbursement request as a separate miscellaneous line item on the applicable request for payment.

ARTICLE 40: Discrimination

The Contractor certifies that it is an equal opportunity employer, and does not discriminate by reason of race, color, gender, age, national or social origin, social status, political ideas or affiliation, religion; for being or perceived to be victim or domestic violence, sexual aggression or harassment; for physical or mental disability or veteran status.

ARTICLE 41: Other Taxes

All unemployment, retirement, and other Social Security contributions and taxes; all sales, use and excise, privilege, business and occupational taxes, and any other taxes or fees payable by the Contractor are and shall be included as part of his prices.

ARTICLE 42: Quality Assurance

The Contractor shall use commercially reasonable efforts to establish an adequate quality control program to satisfy all applicable regulation and requirements specified in the procurement documents. The program shall contain all those measures necessary to assure that all basic technical requisites are fulfilled.

PREPA reserves the right to conduct audits and inspections to the facilities, activities, and/or documents; limited to inspection and quality control documents that are strictly related to and relevant to the performance of Contractor's activities under this Contract; when estimated necessary in order to assure that the quality control program is adequate and is being properly implemented. The Contractor shall provide PREPA access to its facilities and documents; limited to inspection and quality control documents that are strictly related to and relevant to the performance of Contractor's activities under this Contract; so that PREPA, through audits and inspections can verify the quality of the purchased products or services.

ARTICLE 43: Code of Ethics

Contractor agrees to comply with the provisions of Act of June 18, 2002, No. 84, which establishes a Code of Ethics for the Contractors, Suppliers and Economic Incentive Applicants of the Executive Agencies of the Commonwealth of Puerto Rico.

ARTICLE 44: Complete Agreement

This document, together with all attachments referenced herein, constitutes the complete Agreement between the parties.

ARTICLE 45: Transfer of Funds

If Contractor decides to assign or transfer an amount, due or payable, to which he is entitled for services rendered or goods provided during the term of this Contract, Contractor shall notify PREPA of such transfer of funds, in accordance to the provisions of Act 21-2012. Said notice shall clearly indicate the rights granted, including a copy of the contract under which the assignment or transfer of funds is made, the exact amount of funds to be assigned or transferred, and specific identification information regarding the assignee (full name of the person or company), address and any other contact information.

Contractor acknowledges and agrees that PREPA may deduct any amount, due or payable under this Contract, that Contractor owes; PREPA may retain any said amount if Contractor fails to fulfill its obligations and responsibilities under this Contract, or a claim arises for warranty or defects regarding the services rendered or goods provided under this Contract. Contractor also acknowledges and agrees that PREPA's payment obligation under any assignment of funds will cease upon payment of the outstanding amounts under this Contract. PREPA shall not be required to make payments or transfer any funds for an amount that exceeds the payment to which Contractor is entitled to under this Contract.

Contractor shall include with its notice of assignment of funds a cashier's check or money order for two hundred dollars (\$200), payable to "Puerto Rico Electric Power Authority", to cover administrative costs in processing such assignment.

ARTICLE 46: Safety Provisions

The Contractor shall comply with all applicable parts of this Safety Provisions according to the scope of the project. The Contractor shall comply with all applicable federal, state, and local laws, regulations, orders, or decrees in effect during the period of performance. Almost all of the requirements of this Section are not applicable to the scope of Contractor's Work. Contractor will provide information responsive to any applicable portions.

- 1) The Program shall comply with the following minimum requirements of a health and safety program, according with the scope of the project including, but not limited to:
 - i. Occupational Exposure to Noise (29 CFR 1910.95)
 - ii. Hazardous Materials (29 CFR 1910 Subpart H)
 - iii. Personal Protective Equipment (29 CFR 1926 Subpart E)
 - iv. Hazard Communication (29 CFR 1910.1200)
 - v. Fire Protection (29 CFR 1910 Subpart L)
 - vi. Electrical work (29 CFR 1926 Subpart K)
 - vii. Tools, Hand and Powered (1926 Subpart I)
 - viii. Lockout/Tag out (29 CFR 1910.147)
 - ix. Portable Ladders
 - x. Electric Power Generation, Transmission and Distribution (29 CFR 1910.269)
 - 2) The Program shall be revised annually.
 - 3) It shall include an accident or incident investigation procedure. This procedure will always include the preparation of a report, which will be submitted within five days after accident to the Safety Division of PREPA.
 - 4) The Contractor shall include a Safety Officer.
 - 5) Safety inspections and work permit system shall be included.
 - 6) Before commencement of work, the Contractor shall take part in a coordination meeting with a Safety Officer and the project manager on PREPA's behalf. During this meeting the areas to be worked on will be toured, the site-specific work plan will be discussed and reviewed, and amendments to it could be required.
 - 7) The Contractor shall submit, prior to commencement of the work, for evaluation by the Safety Division the following:
 - a. A Site Specific Work Plan including: the scope of work, description of the activities to be done, special safety and health considerations to be addressed before commencement of the project, safety procedures to be applied and used during the
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project specially for excavations, work zone protection, scaffolding and crane operations. It shall also include any other regulation or guidelines related to safety and health that could be applicable to the scope of work, contingency procedures that include how to proceed in an emergency situation, such as fire or chemical spill, among others. Also, identify medical services in the municipality of work to maintain communication in case of any medical emergency.

- b. A list of all specialized personnel needed. Also, include copy of all training certificates, licenses or certifications required, according to the scope of work. For example: tree trimming, crane operator, pesticide applicator, electrician, spill responder, excavations competent person, DOT training for hazardous substances, etc. All these certificates and licenses shall be up to date.
 - c. Copy of the Safety Data Sheets (SDS) of all chemical products to be used during the project, for evaluation and approval by the Occupational Safety Division at PREPA (Hazard Communication Section).
 - d. Certification of compliance with medical surveillance requirements, according to scope of work.
 - e. Certification of compliance with Fit Test requirements for the use of negative pressure respirators if applicable.
 - f. Certification of training for the use of personal protective equipment.
- 8) Each Contractor/Subcontractor shall adhere to a 100% drug /alcohol free work zone.
- 9) The Contractor shall be responsible for maintaining good housekeeping in the work, rest, lunch and toilet areas and under reasonably sanitary conditions.
- 10) If the contracted services include demolition activities (as defined per ANSI A10.6 – 1990: Demolition – the dismantling, razing or wrecking of any fixed building or structure or any part thereof) that will be carried out in buildings or structures, that because of their construction date or prior use, are suspected to contain asbestos, lead based paint or other hazardous materials, the contractor will require a certification from the project manager or owner stating that the building or structure is free of such materials.
- 11) Services including activities inside buildings occupied by working personnel, that could create a hazard to their safety or health, will be offered after PREPA'S working hours. The exception will be if the contractor could take all the necessary precautions to protect PREPA's employees and the public from any possible hazard caused by the work. The Contractor will take all steps necessary to assure the area will be free of nuisance odors or vapors before PREPA's personnel is to reoccupy. All these will be done in coordination with the local supervisor of PREPA.
- 12) The Contractor shall assure that all wastes generated by Contractor as a part of the Work are removed and properly disposed of, in accordance with all applicable laws and regulations, at the end of every work shift and after the completion of the project.
- 13) All non-contained chemical products to be used shall be classified as Approved or Conditionally Approved by PREPA's Hazard Communication Section.
- 14) Welding operations will comply with the requirements of OSHA, ANSI and NFPA.
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- 15) If the project involves the handling of non-asbestos insulation or other dust generating materials, like gypsum board, steps shall be taken to prevent the release of the dust to adjacent areas.
 - 16) The Contractor shall take all reasonable precautions for the safety of, and shall provide all reasonable protection to prevent damage, injury or loss to all employees on the work site and all other persons who may be affected. This shall include property, material and equipment on or off the site, under the care, custody or control of the Contractor or any of the subcontractors.
 - 17) The Contractor shall comply with all applicable laws, ordinances, rules, regulations and lawful orders of any public authority having jurisdiction for the safety of persons or property or to protect them from damage, injury or loss. Shall erect and maintain, as required by existing conditions and progress of the work, all reasonable safeguards for safety and protection, including posting danger signs and other warnings against hazards, promulgating safety regulations and notifying owners and users of adjacent utilities.
 - 18) If near populated areas, any excavation made by the contractor shall be covered, protected or barricaded after work hours or if it will be left unattended.
 - 19) The contractor shall notify and coordinate any excavation with the "Centro de Coordinación de Excavaciones y Demoliciones" if applicable.
 - 20) The work zone near any public road shall be protected using, signs, cones, barricades, etc. in accordance with the MUTCD and DOT. In this conditions, any employee in or around the work zone shall use a reflective vest in accordance with MUTCD.
 - 21) Access to the work zone shall be prohibited to any person not related to the project by means of signs, barricades, fences or a combination of them.
 - 22) The Contractor shall designate an employee as their safety officer for the project. The duties of the safety officer could be in addition to his/her normal duties. The safety officer shall be in charge of the prevention of accidents and the implementation of the Safety and Health Program Plan and the Site-specific Plan in coordination with PREPA's Safety Officer, Project Manager and Resident Engineer. The contractor safety officer shall have a basic training of 30 hours in Occupational Safety and Health Standards for Construction Industry from an approved OSHA Training Center. Evidence of the training shall be submitted if requested by PREPA.
 - 23) Compliance with all safety provisions by subcontractors shall be the responsibility of the Contractor.
 - 24) Contractor agrees that it shall perform all work in compliance with federal, state and local occupational safety and health regulations, as described in the Site Specific Work Plan.
 - 25) Contractor will obtain and maintain, during the duration of the project, the proper permits from all federal, state and local regulatory authorities or other applicable government agency with
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respect to discharge, disposal, use, storage, handling and transportation of hazardous chemicals and substances as and when applicable law or regulation requires. For projects including the handling of asbestos, lead, or spilled hazardous substances, the notification to EPA or the EQB will be done by the Contractor, but in coordination with the Safety Officer and the Environmental Advisor or Officer.

26) Contractor will not cause or permit any hazardous chemical or product containing a hazardous chemical to be at, or in the vicinity of, any place where any employee, agent, or contractor of Puerto Rico Electric Power Authority, or any employee of any such agent or Contractor, may be at risk or exposed to hazard as a result thereof during normal use or any foreseeable emergency.

ARTICLE 47. Contract Validity

If one or more clauses of the contract are declared invalid, void, unenforceable or illegal, that shall not affect the validity of the remaining portions of the Contract, which shall remain in full force and effect.

ARTICLE 48. Save and Harmless Clause

PREPA and the Contractor shall jointly save and hold harmless and to indemnify, one another from and against any and all liabilities, claims, demands, suits, losses, damages, costs and expenses (including reasonable attorney fees and court costs) for bodily injury to or death of any third person, or damage to or destruction of any property of third party, caused by any negligent act or omission on the part of the indemnifying party its officers, employees, contractors or agents, except to the extent such liabilities, claims, suits, losses, damages, costs and expenses result from any negligent or willful act or omission on the part of the indemnified party, its officers, employees, contractors or agents in the performance or failure to perform its obligations under the Agreement.

ARTICLE 49. Warranty

Contractor warrants that it shall perform the Services in accordance with the applicable standards of care and diligence at the time of performance of the Services, and which are normally practiced and recognized in performing services of a similar nature (the "Standard"). Should any of the Services provided by Contractor not fulfill the above established Standard, Contractor shall take all necessary corrective measures to rectify such deficient Services, at its own and exclusive cost, whenever such course of action is possible or desirable. The rectification of deficient Services by Contractor shall not be understood as a waiver by PREPA to any other remedy it may have under this Contract or under the law or equity for any damages that Contractor's may have caused to it by rendering such deficient Services.

ARTICLE 50. Authority

PREPA represents and warrants to Contractor that it has authority to enter into this Contract with Contractor, including, but not limited to with respect to the Government Oversight Board and all other relevant authorities.

ARTICLE 51. Time and Materials

PREPA will pay Contractor upon the submission of invoices approved by PREPA as follows:

51.1 Labor: Payments for labor shall be computed by multiplying the minimum daily rate prescribed in the attached schedule of rates set forth on Exhibit B by the number of days. The daily rates shall include wages, indirect costs, general and administrative expense, and profit.

51.2 Materials: PREPA will reimburse Contractor for allowable cost of materials, including direct materials, subcontracts for supplies and incidental services for which there is not a labor category specified in the Contract, other direct costs (e.g., incidental services for which there is not a labor category specified in the contract, travel, computer usage charges, etc.), and applicable indirect costs in accordance with the terms set forth on Exhibit C.

ARTICLE 52. Waiver of Consequential Damages and Limitation of Liability

In no event shall either party be liable to the other, or their respective employees, subcontractors and/or agents, or any third party, for any indirect, incidental, special, consequential, punitive damages, or lost profits for any claim or demand of any nature of kind arising out of or in connection with this Master Service Agreement or the performance or breach thereof and regardless of whether any such claim arises out of breach of contract or warranty, tort, negligence, product liability, misrepresentation, indemnity, contribution, strict liability, equity, or any other legal theory, even in the parties are advised of the possibilities of such damages.

Notwithstanding anything to the contrary contained in this Contract, the total aggregate liability of Contractor with respect to all claims of any kind whether in contract, warranty, indemnity, tort (including negligence), or other contractual or extra contractual liability of any nature, strict liability, or otherwise, and under any system, theory or principle of law, arising out of the performance or breach of this Contract, or relating to the Services, shall in no event exceed the lesser of (a) \$20,000,000, and (b) aggregate amount of all payments made to the Contractor under this Contract.

ARTICLE 52: Modification of Exhibit B and Exhibit C

Contractor and PREPA may supplement or amend the rates set forth on Exhibit B and Exhibit C by written amendment between the parties.

ARTICLE 53: Provisions Required By Law Deemed Inserted

If, through mistake or otherwise, any provision required by FEMA is not contained herein, or is not correctly inserted, then upon the application of either party the Contract shall be amended to make such insertion or correction. If PREPA fails to specifically identify the legal provision to be incorporated into in this Agreement, Contractor shall not be deemed to be in default until such time as PREPA identifies said provision and allows Contractor reasonable time to comply with same, and if compliance results in additional costs to Contractor, an equitable adjustment shall be made to the amounts payable to Contractor.

ARTICLE 54: U.S. Department of Homeland Security Seal, Logo, and Flags

The Contractor shall not use the U.S. Department of Homeland Security seal(s), logos, crests, or reproductions of flags or likenesses of DHS agency officials without specific FEMA pre- approval.

ARTICLE 55: No Obligation by the Federal Government

The Federal Government is not a party to this Contract and is not subject to any obligations or liabilities to PREPA, Contractor, or any other party pertaining to any matter resulting from the Contract.

ARTICLE 56: Modifications and Amendments

No amendment to or modification or other alteration of the Contract shall be valid or binding upon the parties unless made in writing, signed by the parties and, if applicable, approved by the Commonwealth of Puerto Rico.

ARTICLE 57: Assignment

The Contractor shall not assign any interest in this Contract, and shall not transfer any interest in the same (whether by assignment or novation) without prior written approval of PREPA.

ARTICLE 58: Subcontracting

The Contractor may not subcontract any of the Services that it has committed to perform or provide pursuant to this Contract without the prior written approval of PREPA, which consent can be provided via email. Such approvals shall not be unreasonably withheld. Such consent to subcontract shall not relieve the Contractor of its full responsibilities under this Contract. Consent to the subcontracting of any part of the services shall not be construed to be an approval of said subcontract or of any of its terms, but shall operate only as an approval of the Contractor's request for the making of a subcontract between the Contractor and its chosen subcontractor. The Contractor shall be responsible for all services performed by the subcontractor and all such services shall conform to the provisions of this Contract.

ARTICLE 59: Access to Records

- 1) The Contractor agrees to provide PREPA, the Commonwealth of Puerto Rico, the FEMA Administrator, the Comptroller General of the United States, or any of their authorized representatives access to any books, documents, papers, and records of the Contractor which are directly pertinent to this Contract for the purposes of making audits, examinations, excerpts, and transcriptions, during Contractor's performance of the Contract and for up to three (3) years after Contractor's receipt of final payment under the Contract. In no event shall PREPA, the Commonwealth of Puerto Rico, the FEMA Administrator, the Comptroller General of the United States, or any of their authorized representatives have the right to audit or review the cost and profit elements of the labor rates specified herein.
- 2) The Contractor agrees to permit any of the foregoing parties to reproduce by any means whatsoever or to copy excerpts and transcriptions as reasonably needed.

ARTICLE 60: Program Fraud and False or Fraudulent Statements or Related Acts

The Contractor acknowledges that 31 U.S.C. Chap. 38 (Administrative Remedies for False Claims and Statements) applies to the Contractor's actions pertaining to this Contract.

ARTICLE 61: Procurement of Recovered Materials

In the performance of this Contract, the Contractor shall make maximum use of products containing recovered materials that are Environmental Protection Agency ("EPA")- designated items unless the product cannot be acquired—(i) Competitively within a timeframe providing for compliance with the Contract performance schedule; (ii) Meeting Contract performance requirements; or (iii) At a reasonable price. Information about this requirement, along with the list of EPA-designated items, is available at EPA's Comprehensive Procurement Guidelines web site, <https://www.epa.gov/smm/comprehensive-procurement-guideline-cpg-program>.

ARTICLE 62: Compliance with the Contract Work Hours and Safety Standards Act (40 U.S.C. §§ 3701-3708) as supplemented by Department of Labor regulations (29 CFR part 5)

- 1) **Overtime.** In accordance with and subject to the provisions of the Contract Work Hours and Safety Standards Act, all laborers (including watchmen and guards) and mechanics employed by the Contractor or subcontractors shall receive overtime compensation at a rate not less than one and one-half times the basic rate of pay for all hours worked in excess of forty hours in a workweek. The Contractor and subcontractors shall comply with all regulations issued pursuant to the Contract Work Hours and Safety Standards Act, and with other applicable Federal laws and regulations pertaining to labor standards.
- 2) **Violation; liability for unpaid wages; liquidated damages.** In the event of any violation of the clause set forth in paragraph (a) of this section the Contractor and any subcontractor responsible therefor shall be liable for the unpaid wages. In addition, such Contractor and subcontractor shall be liable to the United States and/or Commonwealth of Puerto Rico for liquidated damages of \$10 for each calendar day a laborer or mechanic worked more than the standard forty-hour workweek without receiving overtime pay. Such liquidated damages will be calculated separately for each laborer or mechanic that worked more than of forty hours in a week without receiving overtime wages as required under paragraph (a) of this section.
- 3) **Withholding for unpaid wages and liquidated damages.** The Commonwealth of Puerto Rico shall upon its own action or upon written request of an authorized representative of the United States Department of Labor withhold or cause to be withheld, from any moneys payable on account of work performed by the Contractor or subcontractor under any such contract or any other Federal contract with the same prime Contractor, or any other federally-assisted contract subject to the Contract Work Hours and Safety Standards Act, which is held by the same prime Contractor, such sums as may be determined to be necessary to satisfy any liabilities of such Contractor or subcontractor for unpaid wages and liquidated damages as provided in the clause set forth in paragraph (b) of this section.
- 4) **Subcontracts.** The Contractor or subcontractor shall insert in any subcontracts the clauses set forth in paragraph (a) through (d) of this section and also a clause requiring the subcontractors to include these clauses in any lower tier subcontracts. The prime Contractor shall be responsible for compliance by any subcontractor or lower tier subcontractor with the clauses set forth in paragraphs (a) through (d) of this section.

ARTICLE 63: Byrd Anti-Lobbying Amendment, 31 U.S.C. § 1352 (as amended)

Contractors who apply or bid for an award of \$100,000 or more shall file the required certification attached as Appendix A to this Contract. Each tier certifies to the tier above that it will not and

has not used Federal appropriated funds to pay any person or organization for influencing or attempting to influence an officer or employee of any agency, a member of Congress, officer or employee of Congress, or an employee of a member of Congress in connection with obtaining any Federal contract, grant, or any other award covered by 31 U.S.C. § 1352. Each tier shall also disclose any lobbying with non-Federal funds that takes place in connection with obtaining any Federal award. Such disclosures are forwarded from tier to tier up to PREPA and the Commonwealth of Puerto Rico.

ARTICLE 64: Reporting Requirements

The Contractor shall complete and submit all reports, in such form and according to such schedule, as may be required by PREPA.

ARTICLE 66: Equal Opportunity

During the performance of this contract, the Contractor agrees as follows:

- 1) The Contractor will not discriminate against any employee or applicant for employment because of race, color, religion, sex, sexual orientation, gender identity, or national origin. The Contractor will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, sex, sexual orientation, gender identity, or national origin. Such action shall include, but not be limited to the following: Employment, upgrading, demotion, or transfer, recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Contractor agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the contracting officer setting forth the provisions of this nondiscrimination clause.
 - 2) The Contractor will, in all solicitations or advertisements for employees placed by or on behalf of the Contractor, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex, sexual orientation, gender identity, or national origin.
 - 3) The Contractor will not discharge or in any other manner discriminate against any employee or applicant for employment because such employee or applicant has inquired about, discussed, or disclosed the compensation of the employee or applicant or another employee or applicant. This provision shall not apply to instances in which an employee who has access to the compensation information of other employees or applicants as a part of such employee's essential job functions discloses the compensation of such other employees or applicants to individuals who do not otherwise have access to such information, unless such disclosure is in response to a formal complaint or charge, in furtherance of an investigation, proceeding, hearing, or action, including an investigation conducted by the employer, or is consistent with the contractor's legal duty to furnish information.
 - 4) The Contractor will send to each labor union or representative of workers with which it has a collective bargaining agreement or other contract or understanding a notice advising the labor union or workers' representative of the Contractor's commitments under section 202
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of Executive Order 11246 of September 24, 1965, as amended, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

- 5) The Contractor will comply with all provisions of Executive Order 11246, and of the rules, regulations, and relevant orders of the Secretary of Labor.
- 6) The Contractor will furnish all information and reports required by Executive Order 11246, and by the rules, regulations, and orders of the Secretary of Labor, or pursuant thereto, and will permit access to his books, records, and accounts by [contracting agency or municipality], the Commonwealth of Puerto Rico, and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations, and orders.
- 7) In the event of the Contractor's non-compliance with the nondiscrimination clauses of this Contract or with any of such rules, regulations, or orders, this Contract may be canceled, terminated or suspended in whole or in part and the Contractor may be declared ineligible for further Government contracts in accordance with procedures authorized in Executive Order 11246, and such other sanctions may be imposed and remedies invoked as provided in Executive Order 11246, or by rule, regulation, or order of the Secretary of Labor, or as otherwise provided by law.
- 8) The Contractor will include the provisions of paragraphs (a) through (h) in every subcontract or purchase order unless exempted by rules, regulations, or orders of the Secretary of Labor issued pursuant to section 204 of Executive Order 11246, so that such provisions will be binding upon each subcontractor or vendor. The Contractor will take such action with respect to any subcontract or purchase order as may be directed by the Secretary of Labor as a means of enforcing such provisions including sanctions for noncompliance: Provided, however, that in the event the Contractor becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction, the Contractor may request the United States to enter into such litigation to protect the interests of the United States.

ARTICLE 67: FEMA Disaster Assistance Survivor/Registrant Data.

- 1) If the Contractor has access to Disaster Assistance Survivor/Registrant data, or any other personally identifiable information, the Contractor shall comply with the provisions of the Terms and Conditions for Sharing FEMA Disaster Assistance Survivor/Registrant Data with State Governments set forth in the FEMA-Commonwealth Agreement for FEMA-4339-DR-PR (attached as Exhibit B).
- 2) The Contractor shall indemnify, defend, and hold harmless PREPA and the Commonwealth of Puerto Rico for any and all costs associated with the defense of that litigation, including costs and attorneys' fees, settlements, or adverse judgments arising from the Contractor's failure to comply with the requirements of Exhibit B.

ARTICLE 68: Penalties, Fines, and Disallowed Costs.

By executing this Contract, PREPA hereby represents and warrants that FEMA has reviewed and approved of this Contract, and confirmed that this Contract is in an acceptable form to qualify for funding from FEMA or other U.S. Governmental agencies. If, as a result of any uncured violation of applicable law by Contractor, any U.S. Federal agency or the Commonwealth of Puerto Rico disallows or demands repayment for costs incurred in the performance of this Contract, or if any

penalty is imposed due to an act or omission by the Contractor, the Contractor shall be responsible for such penalty, disallowed costs, or repayment demand to the extent of its fault and/or responsibility, and shall reimburse PREPA in full within ten (10) days of determination of its appropriate share of such penalty, disallowance, or repayment demand. Any monies paid by the Contractor pursuant to this provision shall not relieve the Contractor of liability to PREPA for damages sustained by PREPA by virtue of any other provision of this Contract.

ARTICLE 69: Compliance with Commonwealth of Puerto Rico Contracting Requirements

The Contractor shall comply will applicable Commonwealth Law, Regulations or Executive Orders that regulate the contracting process and requirements of the Commonwealth of Puerto Rico. Particularly: Act No. 237-2004 as amended that establishes uniform contracting requirements for professional and consultant services for the agencies and governmental entities of the Commonwealth of Puerto Rico and the Puerto Rico Department of Treasury Circular Letter Number 1300- 16-16. Available at:<http://www.hacienda.pr.gov/publicaciones/carta-circular-num-1300-16-16>. Subject to the availability of the respective Government of Puerto Rico Department Offices, the Contractor shall provide the following certifications and sworn statement as applicable in a term of fifteen (15) days after the execution of this Contract:

- 1) An Income Tax Return Filing Certificate, issued by the Treasury Department of Puerto Rico, Area of Internal Revenues, assuring that Cobra Acquisitions LLC has filed his Income Tax Return for the last five (5) years.
 - 2) Certification issued by the Treasury Department of Puerto Rico which indicates that it does not owe taxes to the Commonwealth of Puerto Rico; or is paying such taxes by an installment plan in full compliance with its terms.
 - 3) Sales and Use Tax Filing Certificate, issued by the Treasury Department of Puerto Rico, Area of Internal Revenues.
 - 4) Certification issued by the Treasury Department of Puerto Rico which indicates that it does not owe Puerto Rico Sales and Use Taxes to the Commonwealth of Puerto Rico; or is paying such taxes by an installment plan in full compliance with its terms.
 - 5) Certification issued by the Municipal Revenues Collection Center (MRCC), assuring that Cobra Acquisitions LLC does not owe any tax to such governmental agency.
 - 6) Certification issued by Municipal Revenues Collection Center (MRCC) demonstrating that Cobra Acquisitions LLC has filed the Personal Property Tax Return to such governmental agency. Additionally, if Cobra Acquisitions LLC does not own personal property in the Commonwealth of Puerto Rico, Cobra Acquisitions LLC shall provide a sworn statement which states that:
 - a) Its income is derived and paid for professional services (explain the nature of such services);
 - b) During the last five years, Cobra Acquisitions LLC has not owned personal property in the Commonwealth of Puerto Rico;
 - c) For the reasons above stated, Cobra Acquisitions LLC is not required to file Personal Property Tax in the Commonwealth of Puerto Rico as established in Article 6.03 of Act 83 of august 1991 and therefore a Personal Property Tax file does not exist for Cobra Acquisitions LLC in the MRCC.
 - 7) Certification, issued by the Department of Labor and Human Resources of Puerto Rico, assuring that Cobra Acquisitions LLC has paid to the Department of Labor and Human Resources of Puerto Rico its employees' contribution, in accordance with the Puerto Rico
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- Employment Security Act (unemployment, temporary disability or sickness, or social security for chauffeurs); or is paying such contribution by an installment plan in full compliance with its terms.
- 8) Certification, issued by the Child Support Administration, assuring that the Cobra Acquisitions LLC is in compliance with the withholdings required by ASUME.
 - 9) Copy of the Merchant's Registration Certificate.
 - 10) A sworn statement to the effect that, as of the Effective Date, neither Cobra Acquisitions LLC nor its president, vice-president, directors, executive director, members of its board of directors or board of officers, nor any of its officials or persons performing equivalent functions for the Cobra Acquisitions LLC; nor its subsidiaries or alter egos have been convicted of, nor have they pled guilty, in Puerto Rico, in the federal jurisdiction, in any state or territory of the United States of America or in any country, to any crime as enumerated in Article 3 of Public Law 458 of December 29, 2000 of the Commonwealth of Puerto Rico, as amended. In accordance with Article 6 of Public Law 458 of December 29, 2000 of the Commonwealth of Puerto Rico, as amended, Cobra Acquisitions LLC acknowledges that its conviction or guilty plea for any of the crimes as enumerated in Article 3 of such Act shall entail, in addition to any other applicable penalty, the automatic rescission of this Contract. In addition, but only to the extent required by Public Law 458, PREPA shall have the right to demand the reimbursement of payments made pursuant to this Contract that directly result from the committed crime.
 - 11) Good Standing Certificate and Certificate of Authorization to do business in Puerto Rico, both issued by the Department of State of Puerto Rico (called "Certificado de Good Standing" in the website) or its equivalent.
 - 12) Compliance with Act No. 1 of Governmental Ethics: The Contractor will certify that it is in compliance with Act 1 of January 3, 2012, as amended, known as the Ethics Act of the Government of Puerto Rico, which, stipulates that, no employee or executive of the Contractor, nor any member of his/he immediate family (spouse, dependent children or other members of his/her household or any individual whose financial affairs are under the control of the employee) shall have any direct or indirect pecuniary interest in the services to be rendered under this Contract, except as may be expressly authorized by the Governor of Puerto Rico in consultation with the Secretary of Treasury and the Secretary of Justice of the Government. 3 L.P.R.A. § 8611 et seq.;
 - 13) Law 168-2000: Law for the Strengthening of the Family Support and Livelihood of Elderly People: The Contractor will certify that if there is any Judicial or Administrative Order demanding payment or any economic support regarding law number 168-2000 as amended the same is current and in all aspects in compliance. Act 168-2000 "Law for the Strengthening of the Family Support and Livelihood of Elderly People" in Spanish: "Ley para el Fortalecimiento del Apoyo Familiar y Sustento de Personas de Edad Avanzada", 3 L.P.R.A. §8611 et seq.
 - 14) Law Num. 127, May 31, 2004: Contract Registration in the Comptroller's Office of Puerto Rico Act: Payment for services object of this Contract will not be made until this Contract is properly registered in the Office of the Comptroller of the Government of Puerto Rico pursuant to Law Number 18 of October 30, 1975, as amended.
 - 15) Thirty-Days for Compliance. The Emergency Order provides that all Agencies or Municipalities of the Commonwealth of Puerto Rico will have 30 days after the state of emergency is finished to register the signed document to the Office of the Comptroller of the Government of Puerto Rico. Executive Order OE-2017-053.
 - 16) Law Num. 84 June, 2012 Code of Ethics for Contractors, Suppliers and Seekers of Economic Incentives of the Executive Agencies of the Commonwealth of Puerto Rico: No employee or
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officer of PREPA as well as any member of their families can have any interest in the earnings or benefits from this Contract, according with Law No. 84, June 18, 2002. The Contractor acknowledges that it must read the Ethics Code for Contractors, Suppliers, and Applicants of Economic Incentives from the Government of Puerto Rico Agencies known in Spanish as Código de Ética para Contratistas, Suplidores y Solicitantes de Incentivos Económicos de las Agencias Ejecutivas de Puerto Rico. Such law can be found at: <http://www.lexjuris.com/lexlex/leyes2002/lexl2002084.htm> . The Contractor certifies that it will read such law and that in the event it cannot access the online version it will notify the Agency of Municipality in order to obtain printed copy of the law. Failure to require printed copy of the law to the Agency of Municipality will be evidence that the Contractor was able to find it online and read it as required.

- 17) Consequences of Non-Compliance: The Contractor expressly agrees that the conditions outlined throughout Article 69 are essential requirements of this Contract; consequently, should any one of these representations, warrants, and certifications be incorrect, inaccurate or misleading, in whole or in part, and should such non-compliance not be cured within thirty (30) days, there shall be sufficient cause for PREPA to terminate this Contract.

ARTICLE 70. Entire Agreement

The terms and conditions contained herein constitute the entire agreement between PREPA and the Contractor with respect to the subject matter of this Contract, and supersede all communications, negotiations, and agreements of the parties, whether written or oral, other than these, made prior to the signing of this Contract.

IN WITNESS WHEREOF, the Parties hereto have executed this Contract this 19th day of October of 2017, in San Juan, Puerto Rico.

Puerto Rico Electric Power Authority Cobra Acquisitions LLC

/s/ Ricardo Luis Ramos Rodriguez

Ricardo Luis Ramos Rodríguez

Executive Director

Employer Social Security XXXXXXXXXX

/s/ Arty Straehla

Arty Straehla

Chief Executive Officer

Employer Social Security XXXXXXXXXX

EXHIBIT A

Contractor's Proposal

See Attached



Puerto Rico Restoration Efforts
Turnkey package - October 2017



Cobra Resources



- Utility Construction resources staged during restoration efforts for Harvey and Irma

- Resource available
 - Transmission
 - Distribution
 - Substation
 - Engineering

Restoration efforts during Harvey and Irma



Offering



- Construction Resources to provide the damage assessment
- Engineering to meet PREPA design requirements
- Construction resources to reconstruct the PREPA GRID
- Turnkey solution, Cobra shall provide all operational and life support required to operate within the disaster area without creating additional strain upon the local population.

Distribution Crews



Capabilities

- 34.5kv – 2.5kv
- Service Repair
- Re-conductor
- Complete capital construction efforts
- O&M

Restoration During Harvey



Transmission



Capabilities

- Transmission live line
- O&M
- Aviation assets
- Cranes
- Qualified journeyman linemen

Transmission Restoration





Substation

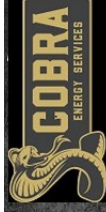
Capabilities

- Erection
- Substation Linemen
- Relay Technicians
- Commissioning

Restored Substation



Logistics



Capabilities

- Turnkey offering which includes 550 beds
- Full catering services
- Boat crews to maintain the units as well as water, sewer and electrical utilities
- Both craft have their own water makers on board, can process sewer and provide their own power via two 800KW generators per barge
- The proposal also includes a 180' fast supply boat to support the project for personnel, supplies or any equipment required
- The boat would commute from Miami to Port of San Juan 3 times per week
- Trash would be transported from Port of San Juan back to Miami for disposal
- The supply vessel has the ability to transport up to 72 persons per trip so could be utilized by Mammoth to provide transportation to/from Miami as required

180' Supply Boat

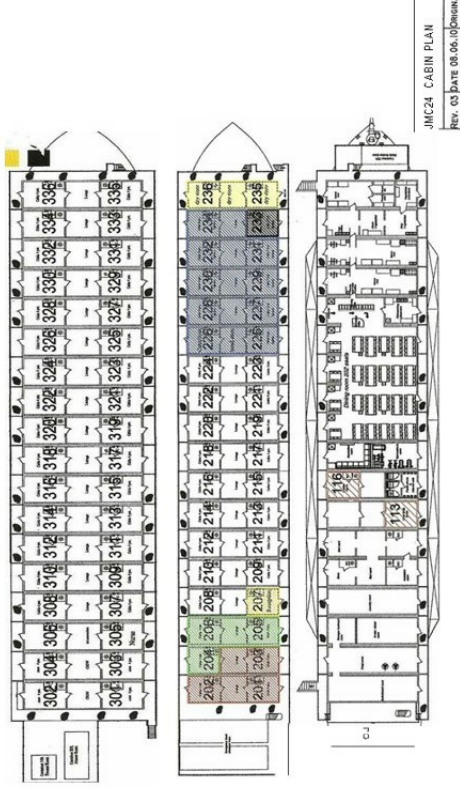


Berthing Layout



Each barge provides the following abilities

- Produce up to 900 gallons per hour of potable water
- Electricity provided by 2 x 800KW generators



Berthing Specs



JMC Deck Barge

Barge Name	JMC 24
Type	Living Quarters - 290 Man
Year Built	2009 - Refit
Flag/Port of Registry	Vanuatu / Port Vila, Vanuatu
Official Number	440124
Class/Classification	RMRS Hostel
GRT	3490
Length Overall	76.16 meters (250 feet)
Breadth	17.76 meters (58 feet)
Depth	4.57 meters (15 feet)
Max Draft	3.00 meters (9.84 feet) Approximate
Deadweight	1341 Metric Tons (1319 LT) Approximate

Equipment	Two (2) 800 KW CAT generators Two (2) R.O. Watermakers One (1) Atlas Incinerator One (1) KenBay Trash Compactor, One (1) 5 Ton Tech Hydraulic Crane, One (1) Headhunter Waste Treatment System
Tank Capacities	Fresh Water: 170m ³ (44,909 gallons) Fuel Oil: 80m ³ (21,133 gallons) Sewage Waste: 580m ³ (153,219 gallons) Waste Oil: 2.2m ³ (581 gallons)
Main Deck:	Galley, Dry Food Storage, Three (3) Walk-In Freezers, 150 Person Dining Area, Control Room, Infirmary, Laundry Facility



On Island Logistics team

Security Team

- Project Manager (PM) 1
- Deputy PM 1
- Operations Support Specialist 2
- Quick Reaction Force (SWAT/SOF) 10
- Federal/State former LEO HR218 65
- Medic/EMT 5
- Guards LVL 2/3 20
- Mobilization airfares (HOR to MIA) 102
- VHF Radios (60)
- Security vehicles 20
- -2-crew cab 4x4, 8-SUV 4x4, 10- Reg Cab 4x4
- SAT Phones
- SAT service

Transportation Team

- 7 equipment and material barges with tugs
- 2 fast supply ships
- 20 haul trucks on island with flatbed or pole trailers
- 1 DC-9 Aircraft
- 3 Rotary Airframes

Rate Structure



Cobra Energy Rate Structure

Line Item	QTY	Billable Daily Rate	Extended Daily billable rate	120 day minimum
Blended rate, skilled linemen and standard equipment for Transmission/Distribution/Substation	250 \$	4,000.00	\$ 1,000,000.00	\$ 120,000,000.00
550 Man Camp, All inclusive/ lodging, power, water, meals, laundry	1 \$	155,000.00	\$ 155,000.00	\$ 18,600,000.00
Security Team	104 \$	2,000.00	\$ 208,000.00	\$ 24,960,000.00
Logistics team (Island)	50 \$	2,500.00	\$ 125,000.00	\$ 15,000,000.00
Management Team, Operations & Safety	30 \$	2,500.00	\$ 75,000.00	\$ 9,000,000.00
Total of Minimum requirements	430			\$ 187,560,000.00
Mobilization/Demobilization shall be reimbursed				
All reimbursables shall be reimbursed at cost				

Turnkey Rate Structure



Company Headquarters
Mammoth Energy Services Corporate Office
14201 Caliber Drive Suite 300
Oklahoma City, OK 73134
www.mammothenergy.com

EXHIBIT B

Contractor's Rate Schedule

Line Item	QTY	Billable Daily Rate	Extended Daily billable rate	120 day minimum
Blended rate, skilled linemen and equipment, Transmission/Distribution/Substation	250	\$ 4,000	\$ 1,000,000	\$ 120,000,000
550 Man Camp, All-inclusive/lodging, power, water, meals, laundry	1	\$ 155,000	\$ 155,000	\$ 18,600,000
Security Team	104	\$ 2,000	\$ 208,000	\$ 24,960,000
Logistics team (Island)	50	\$ 2,500	\$ 125,000	\$ 15,000,000
Management Team, Operations & Safety	30	\$ 2,500	\$ 75,000	\$ 9,000,000
Total of Minimum Daily Requirements	434			\$ 187,560,000
Mobilization/Demobilization and other reimbursable items shall be paid on a cost reimbursement basis consistent with the Cost Principles in 2 C.F.R. Part 200, Subpart E. The daily minimum amount due hereunder shall be \$1,563,000				

Contemporaneously with the execution of this Contract, PREPA will pay to Contractor a lump sum payment in the amount of \$15,000,000 (the "Deposit"), to be applied to the final invoices.

All amounts due to the Contractor under this Contract will be paid by wire transfer in U.S. Dollars in immediately available funds to the account provided to PREPA in writing unless and until PREPA receives written notice in accordance with the terms of this Contract of a change in such account instructions.

Any expenses of Contractor that are not specifically listed in this Exhibit B shall be subject to a specific work order to be provided to PREPA by Contractor for approval before such expenses are incurred by Contractor.

In the event that any amounts to be paid to Contractor under this Contract are subject to any taxes (including withholding) imposed by any governmental authority of Puerto Rico in excess of 8.5% and Contractor has not obtained an exemption from such taxes, the amount to be paid to Contractor shall be increased by an amount that, after the payment of such taxes, leaves Contractor with the amount that Contractor would have received if Contractor had been exempt from all such taxes.

EXHIBIT C

Contractor's Standard Equipment and Tooling Schedule

Contractor's composite day rate for labor and standard equipment has been developed based on supplying the following types of equipment listed below.

Any equipment or specialized tooling not indicated below and used on a one-time basis shall be considered a reimbursable item and shall be reimbursed at cost. Any equipment or specialized tooling not indicated below and used on a long-term basis shall be considered a reimbursable item and shall be reimbursed based on actual rental.

Reimbursable items shall also be defined to include but not be limited to, any items and costs associated with mobilization and demobilization. Reimbursable items such as fuel surcharges, Contractor-furnished permanent materials and equipment costs will be reimbursed at cost.

Any expenses of Contractor that are not specifically listed in this Exhibit C shall be subject to a specific work order to be provided to PREPA by Contractor for approval before such expenses are incurred by Contractor.

Equipment Type	QTY
55'-60' 4x2/tracked	80
100-105 6x6/tracked	6
47' 4x4 4047/tracked	40
80' 6x6 General / tracked	3
Truck Cranes	
50 ton Manitex	2
Pressure Diggers	
Pressure Diggers	5
Pullers	
3500-4000# four drum	10
Tensioners	
72" bullwheel	10
Pick Up Trucks	
Pick Up Trucks	60
Specality Trucks	
reel trailer small	20
Flat bed hual truck	4
Standard Haul Truck	12
Heavy Hual Truck wet kit	2
132K# Load King Low boy	2
80k Stretch	6
60k drop deck	6
Rotary Aircraft	
MD 500	5
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APPENDIX A

Form of Certification

Certification Regarding Compliance With
The Byrd Anti-Lobbying Amendment, 31 U.S.C. § 1352

The Contractor hereby certifies to the best of its knowledge and belief that:

(1) No Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress on his or her behalf in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment or modification of any Federal contract, grant, loan, or cooperative agreement;

(2) If any funds other than Federal appropriated funds (including profit or fee received under a covered Federal transaction) have been paid, or will be paid, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress on his or her behalf in connection with this solicitation, the offeror shall complete and submit, with its offer, OMB standard form LLL, Disclosure of Lobbying Activities, to the Contracting Officer;

(3) He or she will include the language of this certification in all subcontract awards at any tier and require that all recipients of subcontract awards in excess of \$150,000 shall certify and disclose accordingly; and

(4) This certification is a material representation of fact upon which reliance is placed when this transaction was made or entered into. Submission of this certification and disclosure is a prerequisite for making or entering into this contract imposed by section 1352, title 31, United States Code. Any person making an expenditure prohibited under this provision or who fails to file or amend the disclosure form to be filed or amended by this provision, shall be subject to a civil penalty of not less than \$10,000, and not more than \$100,000, for each such failure.

SIGNATURE:

COMPANY NAME:

DATE: _____

GOVERNMENT OF PUERTO RICO
PUERTO RICO ELECTRIC POWER AUTHORITY

AMENDMENT NO. 1 TO EMERGENCY MASTER SERVICE AGREEMENT FOR PREPA'S ELECTRICAL GRID REPAIRS -
HURRICANE MARIA

APPEAR

AS FIRST PARTY: The Puerto Rico Electric Power Authority (PREPA), a public corporation and government instrumentality of the Commonwealth of Puerto Rico, created by Act 83 of May 2, 1941, as amended, represented in this act by its Executive Director, Ricardo Luis Ramos Rodríguez, of legal age, married, engineer and resident of Caguas, Puerto Rico.

AS SECOND PARTY: Cobra Acquisitions LLC, a limited liability company organized and existing under the laws of the State of Delaware with a place of business at 14201 Caliber Drive, Suite 300, Oklahoma City, Oklahoma 73134, herein represented by Arty Straehla, of legal age, married, and a resident of Oklahoma City, Oklahoma, hereinafter referred to collectively as the "Contractor") whose authority of representation is evidenced by corporate resolution.

WHEREAS: On October 19, 2017, PREPA and the Contractor entered into an Emergency Master Service Agreement for PREPA's Electrical Grid Repairs – Hurricane Maria (the "Original Contract").

WHEREAS: PREPA and the Contractor agree that Article 59(1) and Article 68 of the Original Contract need to be amended.

WITNESSETH

In consideration of the mutual covenants hereinafter stated, the Parties agree as follows:

TERMS AND CONDITIONS

1. PREPA and Contractor agree that clause (1) of Article 59 of the Original Contract is hereby deleted in its entirety and replaced with the following:

ARTICLE 59: Access to Records

- 1) The Contractor agrees to provide PREPA, the Commonwealth of Puerto Rico, the FEMA Administrator, the Comptroller General of the United States, or any of their authorized representatives access to any books, documents, papers, and records of the Contractor which are directly pertinent to this Contract for the purposes of making audits, examinations, excerpts, and transcriptions, during Contractor's performance of the Contract and for up to three (3) years after Contractor's receipt of final payment under the Contract.

2. PREPA and Contractor agree that Article 68 of the Original Contract is hereby deleted in its entirety and replaced with the following:

ARTICLE 68: Penalties, Fines, and Disallowed Costs.

If, as a result of any uncured violation of applicable law by Contractor, any U.S. Federal agency or the Commonwealth of Puerto Rico disallows or demands repayment for costs incurred in the performance of this Contract, or if any penalty is imposed due to an act or omission by the Contractor, the Contractor shall be solely responsible for such penalty, disallowed costs, or repayment demand, to the extent of its fault and/or responsibility, and shall reimburse PREPA in full within ten (10) days of receiving notice from PREPA of such penalty, disallowance, or repayment demand. Any monies paid by the Contractor pursuant to this provision shall not relieve the Contractor of liability to PREPA for damages sustained by PREPA by virtue of any other provision of this Contract.

3. Except as set forth herein, the Original Contract remains in full force and effect in accordance with its terms.
-

IN WITNESS WHEREOF, the Parties hereto have executed this Amendment on this first day of November, 2017.

Puerto Rico Electric Power Authority Cobra Acquisitions LLC

/s/ Ricardo Luis Ramos Rodriguez

Ricardo Luis Ramos Rodríguez

Executive Director

Employer Social Security XXXXXXXXXX

/s/ Arty Straehla

Arty Straehla

Chief Executive Officer

Employer Social Security XXXXXXXXXX

CERTIFICATIONS

I, Arty Strachla, Chief Executive Officer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Mammoth Energy Services, Inc. (the "registrant");
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)) 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. Intentionally omitted;
 - 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.

MAMMOTH ENERGY SERVICES, INC.

By:

/s/ Arty Strachla

Arty Strachla

Chief Executive Officer

11/13/2017

CERTIFICATIONS

I, Mark Layton, Chief Financial Officer, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Mammoth Energy Services, Inc. (the "registrant");
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)) 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. Intentionally omitted;
 - 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.

MAMMOTH ENERGY SERVICES, INC.

By:

/s/ Mark Layton

Mark Layton

Chief Financial Officer

11/13/2017

**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Mammoth Energy Services, Inc. (the "Company") for the quarterly period ended September 30, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Arty Strachla, as Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act");
and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

MAMMOTH ENERGY SERVICES, INC.

By:

/s/ Arty Strachla

Arty Strachla

Chief Executive Officer

11/13/2017

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability under that section. This certification shall not be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Mammoth Energy Services, Inc. (the "Company") for the quarterly period ended September 30, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Mark Layton, as Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act");
and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

MAMMOTH ENERGY SERVICES, INC.

By:

/s/ Mark Layton

Mark Layton

Chief Financial Officer

11/13/2017

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability under that section. This certification shall not be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.

Mine Safety Disclosure

The following disclosures are provided pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Act”) and Item 104 of Regulation S-K, which requires certain disclosures by companies required to file periodic reports under the Securities Exchange Act of 1934, as amended, that operate mines regulated under the Federal Mine Safety and Health Act of 1977 (the “Mine Act”).

Mine Safety Information. Whenever the Federal Mine Safety and Health Administration (“MSHA”) believes a violation of the Mine Act, any health or safety standard or any regulation has occurred, it may issue a citation which describes the alleged violation and fixes a time within which the U.S. mining operator must abate the alleged violation. In some situations, such as when MSHA believes that conditions pose a hazard to miners, MSHA may issue an order removing miners from the area of the mine affected by the condition until the alleged hazards are corrected. When MSHA issues a citation or order, it generally proposes a civil penalty, or fine, as a result of the alleged violation, that the operator is ordered to pay. Citations and orders can be contested and appealed, and as part of that process, are often reduced in severity and amount, and are sometimes dismissed. The number of citations, orders and proposed assessments vary depending on the size and type (underground or surface) of the mine as well as by the MSHA inspector(s) assigned.

Mine Safety Data. The following provides additional information about references used in the table below to describe the categories of violations, orders or citations issued by MSHA under the Mine Act:

- Section 104 S&S Citations: Citations received from MSHA under section 104 of the Mine Act for violations of mandatory health or safety standards that could significantly and substantially contribute to the cause and effect of a mine safety or health hazard.
 - Section 104(b) Orders: Orders issued by MSHA under section 104(b) of the Mine Act, which represents a failure to abate a citation under section 104(a) within the period of time prescribed by MSHA. This results in an order of immediate withdrawal from the area of the mine affected by the condition until MSHA determines that the violation has been abated.
 - Section 104(d) Citations and Orders: Citations and orders issued by MSHA under section 104(d) of the Mine Act for unwarrantable failure to comply with mandatory health or safety standards.
 - Section 110(b)(2) Violations: Flagrant violations issued by MSHA under section 110(b)(2) of the Mine Act.
 - Section 107(a) Orders: Orders issued by MSHA under section 107(a) of the Mine Act for situations in which MSHA determined an “imminent danger” (as defined by MSHA) existed.
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The following table details the violations, citations and orders issued to us by MSHA during the quarter ended September 30, 2017:

Mine (a)	Section 104 S&S Citations(#)	Section 104(b) Orders (#)	Section 104(d) Citations and Orders(#)	Section 110(b)(2) Violations(#)	Section 107(a) Orders (#)	Proposed Assessments (2)(\$, amounts in dollars)	Mining Related Fatalities (#)
Taylor, WI	—	—	—	—	—	—	—
Menomonie, WI	—	—	—	—	—	—	—
New Auburn, WI	—	—	—	—	—	—	—

- a. The definition of mine under section 3 of the Mine Act includes the mine, as well as other items used in, or to be used in, or resulting from, the work of extracting minerals, such as land, structures, facilities, equipment, machines, tools and minerals preparation facilities. Unless otherwise indicated, any of these other items associated with a single mine have been aggregated in the totals for that mine. MSHA assigns an identification number to each mine and may or may not assign separate identification numbers to related facilities such as preparation facilities. We are providing the information in the table by mine rather than MSHA identification number because that is how we manage and operate our mining business and we believe this presentation will be more useful to investors than providing information based on MSHA identification numbers.
- b. Represents the total dollar value of proposed assessments from MSHA under the Mine Act relating to any type of citation or order issued during the quarter ended September 30, 2017.

Pattern or Potential Pattern of Violations. During the quarter ended September 30, 2017, none of the mines operated by us received written notice from MSHA of (a) a pattern of violations of mandatory health or safety standards that are of such nature as could have significantly and substantially contributed to the cause and effect of mine health or safety hazards under section 104(e) of the Mine Act or (b) the potential to have such a pattern.

Pending Legal Actions. There were no legal actions pending before the Federal Mine Safety and Health Review Commission (the Commission) as of September 30, 2017. The Commission is an independent adjudicative agency established by the Mine Act that provides administrative trial and appellate review of legal disputes arising under the Mine Act.