

**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 JUNE 30, 2019

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)

(405) 608-6007

(Registrant's telephone number, including area code)

73134

(Zip Code)

Title of each class of securities

Common Stock, par value \$0.01 per share

Name of each exchange on which registered

The Nasdaq Global Select Market

Ticker Symbol

TUSK

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

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

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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 July 31, 2019, there were 45,004,795 shares of common stock, \$0.01 par value, outstanding.

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GLOSSARY OF OIL AND NATURAL GAS AND ELECTRICAL INFRASTRUCTURE TERMS

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

Acidizing	To pump acid into a wellbore to improve a well's productivity or injectivity.
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 6,996 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 and drill bits, 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 and the day rates for drilling rigs.
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.
Flowback	The process of allowing fluids to flow from the well following a treatment, either in preparation for a subsequent phase of treatment or in preparation for cleanup and returning the well to production.
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.

Mesh size	The size of the proppant that is determined by sieving the proppant through screens with uniform openings corresponding to the desired size of the proppant. Each type of proppant comes in various sizes, categorized as mesh sizes, and the various mesh sizes are used in different applications in the oil and natural gas industry. The mesh number system is a measure of the number of equally sized openings per square inch of screen through which the proppant is sieved.
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.
Pounds per square inch	A unit of pressure. It is the pressure resulting from a one pound force applied to an area of one square inch.
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 drill pipe, drill collars, pup joints, casing, production tubing and pipeline.
Unconventional resource	A term for the different manner by which resources are exploited as compared to the extraction of conventional resources. In unconventional drilling, the wellbore is generally drilled to specific objectives within narrow parameters, often across long, lateral intervals within narrow horizontal formations offering greater contact area with the producing formation. Typically, the well is then hydraulically fractured at multiple stages to optimize production.
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.

The following is a glossary of certain electrical infrastructure industry terms used in this report:

Distribution	The distribution of electricity from the transmission system to individual customers.
Substation	A part of an electrical transmission and distribution system that transforms voltage from high to low, or the reverse.
Transmission	The movement of electrical energy from a generating site, such as a power plant, to an electric substation.

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, 2018 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;
- outcome of a government investigation relating to the contracts awarded to one of our subsidiaries by the Puerto Rico Electric Power Authority and any resulting litigation;
- 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 quarterly report, are forward-looking statements. These forward-looking statements may be found in the "Business," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and other sections of this quarterly report. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "could," "should," "would," "expect," "plan," "project," "budget," "intend," "anticipate," "believe," "estimate," "predict," "potential," "pursue," "target," "seek," "objective," "continue," "will be," "will benefit," or "will 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, which are difficult to predict and many of which are beyond our control. 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 due to many factors including those described in Part II, Item 1A. Risk Factors in this report and our Annual Report on Form 10-K for the year ended December 31, 2018 and Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this report. All forward-looking statements speak only as of the date of this report. We do not intend to publicly update or revise any forward-looking statements as a result of new information, future events or otherwise. These cautionary statements qualify all forward-looking statements attributable to us or persons acting on our behalf.

MAMMOTH ENERGY SERVICES, INC.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

ASSETS	June 30, 2019	December 31, 2018
	(in thousands)	
CURRENT ASSETS		
Cash and cash equivalents	\$ 7,245	\$ 67,625
Accounts receivable, net	385,626	337,460
Receivables from related parties	37,400	11,164
Inventories	22,114	21,302
Prepaid expenses	10,196	11,317
Other current assets	699	688
Total current assets	463,280	449,556
Property, plant and equipment, net	408,408	436,699
Sand reserves	69,762	71,708
Operating lease right-of-use assets	52,184	—
Intangible assets, net - customer relationships	1,563	1,711
Intangible assets, net - trade names	5,625	6,045
Goodwill	101,245	101,245
Other non-current assets	6,843	6,127
Total assets	\$ 1,108,910	\$ 1,073,091
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 72,671	\$ 68,843
Payables to related parties	1,020	370
Accrued expenses and other current liabilities	42,658	59,652
Current operating lease liability	17,338	—
Income taxes payable	30,780	104,958
Total current liabilities	164,467	233,823
Long-term debt	82,036	—
Deferred income tax liabilities	56,580	79,309
Long-term operating lease liability	34,807	—
Asset retirement obligation	3,534	3,164
Other liabilities	4,270	2,743
Total liabilities	345,694	319,039
COMMITMENTS AND CONTINGENCIES (Note 19)		
EQUITY		
Equity:		
Common stock, \$0.01 par value, 200,000,000 shares authorized, 45,004,795 and 44,876,649 issued and outstanding at June 30, 2019 and December 31, 2018	450	449
Additional paid in capital	533,151	530,919
Retained earnings	232,990	226,765
Accumulated other comprehensive loss	(3,375)	(4,081)
Total equity	763,216	754,052
Total liabilities and equity	\$ 1,108,910	\$ 1,073,091

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

MAMMOTH ENERGY SERVICES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
(in thousands, except per share amounts)				
REVENUE				
Services revenue	\$ 115,760	\$ 455,545	\$ 308,861	\$ 864,204
Services revenue - related parties	36,837	40,611	80,910	89,699
Product revenue	18,362	27,708	30,671	52,748
Product revenue - related parties	10,861	9,730	23,516	21,192
Total revenue	181,820	533,594	443,958	1,027,843
COST AND EXPENSES				
Services cost of revenue (exclusive of depreciation, depletion, amortization and accretion of \$25,597, \$51,280, \$26,898 and \$51,473, respectively, for the three and six months ended June 30, 2019 and three and six months ended June 30, 2018)	132,688	302,283	290,794	593,262
Services cost of revenue - related parties (exclusive of depreciation, depletion, amortization and accretion of \$0, \$0, \$0 and \$0, respectively, for the three and six months ended June 30, 2019 and three and six months ended June 30, 2018)	2,650	2,428	3,363	4,220
Product cost of revenue (exclusive of depreciation, depletion, amortization and accretion of \$4,525, \$7,395, \$3,879 and \$6,193, respectively, for the three and six months ended June 30, 2019 and three and six months ended June 30, 2018)	32,677	35,117	62,928	68,447
Selling, general and administrative (Note 12)	8,796	64,595	25,698	102,677
Selling, general and administrative - related parties (Note 12)	659	532	1,093	961
Depreciation, depletion, amortization and accretion	30,145	30,795	58,721	57,703
Impairment of long-lived assets	—	187	—	187
Total cost and expenses	207,615	435,937	442,597	827,457
Operating (loss) income	(25,795)	97,657	1,361	200,386
OTHER INCOME (EXPENSE)				
Interest expense, net	(1,551)	(959)	(2,074)	(2,196)
Other, net	4,019	(486)	28,576	(514)
Total other income (expense)	2,468	(1,445)	26,502	(2,710)
(Loss) income before income taxes	(23,327)	96,212	27,863	197,676
(Benefit) provision for income taxes	(12,438)	53,512	10,419	99,430
Net (loss) income	\$ (10,889)	\$ 42,700	\$ 17,444	\$ 98,246
OTHER COMPREHENSIVE (LOSS) INCOME				
Foreign currency translation adjustment, net of tax of \$92, \$182, \$86 and \$272, respectively, for the three and six months ended June 30, 2019 and three and six months ended June 30, 2018	350	(325)	706	(786)
Comprehensive (loss) income	\$ (10,539)	\$ 42,375	\$ 18,150	\$ 97,460
Net (loss) income per share (basic) (Note 15)	\$ (0.24)	\$ 0.95	\$ 0.39	\$ 2.20
Net (loss) income per share (diluted) (Note 15)	\$ (0.24)	\$ 0.95	\$ 0.39	\$ 2.18
Weighted average number of shares outstanding (basic) (Note 15)	45,003	44,737	44,966	44,700
Weighted average number of shares outstanding (diluted) (Note 15)	45,003	45,059	45,060	44,977
Dividends declared per share	\$ 0.125	—	\$ 0.25	—

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)

Three Months Ended June 30, 2019						
	Common Stock		Retained Earnings	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Total
	Shares	Amount				
(in thousands)						
Balance at March 31, 2019	44,877	\$ 449	\$ 249,488	\$ 532,208	\$ (3,725)	\$ 778,420
Stock based compensation	128	1	—	943	—	944
Net loss	—	—	(10,889)	—	—	(10,889)
Cash dividends paid (\$0.125 per share)	—	—	(5,609)	—	—	(5,609)
Other comprehensive income	—	—	—	—	350	350
Balance at June 30, 2019	45,005	\$ 450	\$ 232,990	\$ 533,151	\$ (3,375)	\$ 763,216

Three Months Ended June 30, 2018						
	Common Stock		Retained Earnings	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Total
	Shares	Amount				
(in thousands)						
Balance at March 31, 2018	44,714	\$ 447	\$ 57,547	\$ 509,265	\$ (3,122)	\$ 564,137
Equity based compensation	—	—	—	17,487	—	17,487
Stock based compensation	39	1	—	1,669	—	1,670
Net income	—	—	42,700	—	—	42,700
Other comprehensive loss	—	—	—	—	(325)	(325)
Balance at June 30, 2018	44,753	\$ 448	\$ 100,247	\$ 528,421	\$ (3,447)	\$ 625,669

Six Months Ended June 30, 2019						
	Common Stock		Retained Earnings	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Total
	Shares	Amount				
(in thousands)						
Balance at December 31, 2018	44,877	\$ 449	\$ 226,765	\$ 530,919	\$ (4,081)	\$ 754,052
Stock based compensation	128	1	—	2,232	—	2,233
Net income	—	—	17,444	—	—	17,444
Cash dividends paid (\$0.25 per share)	—	—	(11,219)	—	—	(11,219)
Other comprehensive income	—	—	—	—	706	706
Balance at June 30, 2019	45,005	\$ 450	\$ 232,990	\$ 533,151	\$ (3,375)	\$ 763,216

Six Months Ended June 30, 2018						
	Common Stock		Retained Earnings	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Total
	Shares	Amount				
(in thousands)						
Balance at December 31, 2017	44,589	\$ 446	\$ 2,001	\$ 508,010	\$ (2,661)	\$ 507,796
Equity based compensation	—	—	—	17,487	—	17,487
Stock based compensation	164	2	—	2,924	—	2,926
Net income	—	—	98,246	—	—	98,246
Other comprehensive loss	—	—	—	—	(786)	(786)
Balance at June 30, 2018	44,753	\$ 448	\$ 100,247	\$ 528,421	\$ (3,447)	\$ 625,669

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

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

	Six Months Ended June 30,	
	2019	2018
	(in thousands)	
Cash flows from operating activities:		
Net income	\$ 17,444	\$ 98,246
Adjustments to reconcile net income to cash (used in) provided by operating activities:		
Equity based compensation (Note 16)	—	17,487
Stock based compensation	2,233	2,916
Depreciation, depletion, accretion and amortization	58,721	57,703
Amortization of coil tubing strings	1,003	1,120
Amortization of debt origination costs	163	199
Bad debt expense	266	53,790
Loss (gain) on disposal of property and equipment	176	(128)
Impairment of long-lived assets	—	187
Deferred income taxes	(22,911)	(27,906)
Other	(199)	—
Changes in assets and liabilities, net of acquisitions of businesses:		
Accounts receivable, net	(48,530)	(122,908)
Receivables from related parties	(26,236)	3,114
Inventories	(1,815)	4,156
Prepaid expenses and other assets	1,115	(1,195)
Accounts payable	7,366	34,186
Payables to related parties	650	538
Accrued expenses and other liabilities	(17,129)	10,193
Income taxes payable	(74,172)	94,753
Net cash (used in) provided by operating activities	<u>(101,855)</u>	<u>226,451</u>
Cash flows from investing activities:		
Purchases of property and equipment	(30,085)	(105,349)
Purchases of property and equipment from related parties	(135)	(3,436)
Business acquisitions	—	(13,356)
Contributions to equity investee	(680)	—
Proceeds from disposal of property and equipment	2,465	898
Net cash used in investing activities	<u>(28,435)</u>	<u>(121,243)</u>
Cash flows from financing activities:		
Borrowings from lines of credit	108,000	52,000
Repayments of lines of credit	(25,964)	(151,900)
Principal payments on financing leases and equipment financing notes	(992)	(145)
Dividends paid	(11,219)	—
Net cash provided by (used in) financing activities	<u>69,825</u>	<u>(100,045)</u>
Effect of foreign exchange rate on cash	85	(98)
Net change in cash and cash equivalents	(60,380)	5,065
Cash and cash equivalents at beginning of period	67,625	5,637
Cash and cash equivalents at end of period	<u>\$ 7,245</u>	<u>\$ 10,702</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 1,830	\$ 2,543
Cash paid for income taxes	\$ 116,442	\$ 32,584
Supplemental disclosure of non-cash transactions:		
Purchases of property and equipment included in accounts payable and accrued expenses	\$ 2,339	\$ 20,897

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 Nature of Business

Mammoth Energy Services, Inc. ("Mammoth Inc." or the "Company"), together with its subsidiaries, is an integrated, growth-oriented company serving both the oil and gas and the electric utility industries in North America and US territories. Mammoth Inc.'s infrastructure division provides construction, upgrade, maintenance and repair services to various public and private owned utilities. Its oilfield services division provides a diversified set of services to the exploration and production industry including pressure pumping and natural sand and proppant services as well as contract land and directional drilling, coil tubing, flowback, cementing, acidizing, equipment rental, crude oil hauling and remote accommodation services.

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 Energy Services Inc. and was converted to a Delaware limited partnership in August 2014. On November 24, 2014, Mammoth Energy Holdings LLC ("Mammoth Holdings," an entity controlled by Wexford), Gulfport Energy Corporation ("Gulfport") and Rhino Resource Partners LP ("Rhino") 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.

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.

On June 29, 2018, Gulfport and MEH Sub LLC ("MEH Sub"), an entity controlled by Wexford, (collectively, the "Selling Stockholders") completed an underwritten secondary public offering of 4,000,000 shares of the Company's common stock at a purchase price to the Selling Stockholders of \$38.01 per share. The Selling Stockholders granted the underwriters an option to purchase up to an aggregate of 600,000 additional shares of the Company's common stock at the same purchase price. This option was exercised, in part, and on July 30, 2018, the underwriters purchased an additional 385,000 shares of common stock from the Selling Stockholders at the same price per share. The Selling Stockholders received all proceeds from this offering.

At June 30, 2019 and December 31, 2018, Wexford, Gulfport and Rhino beneficially owned the following shares of outstanding common stock of Mammoth Inc.:

	At June 30, 2019		At December 31, 2018	
	Share Count	% Ownership	Share Count	% Ownership
Wexford	21,992,677	48.9%	21,988,473	49.0%
Gulfport	9,829,548	21.8%	9,826,893	21.9%
Rhino	—	—%	104,100	0.2%
Outstanding shares owned by related parties	31,822,225	70.7%	31,919,466	71.1%
Total outstanding	45,004,795	100.0%	44,876,649	100.0%

Operations

The Company's infrastructure services include electric utility contracting services focused on the construction, upgrade, maintenance and repair of transmission and distribution networks. The Company's infrastructure services also provide storm repair and restoration services in response to natural disasters including hurricanes and ice or other storm-related damage. The Company's pressure pumping services include equipment and personnel used in connection with the

MAMMOTH ENERGY SERVICES, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

completion and early production of oil and natural gas wells as well as water transfer services. The Company's 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 also provides other services, including contract land and directional drilling, coil tubing, flowback, cementing, acidizing, equipment rentals, crude oil hauling and remote accommodations.

All of the Company's operations are in North America. During the periods presented in this report, the Company provided its infrastructure services primarily in the northeast, southwest and midwest portions of the United States and in Puerto Rico. The Company's infrastructure business depends on infrastructure spending on maintenance, upgrade, expansion and repair and restoration. Any prolonged decrease in spending by electric utility companies or delays or reductions in government appropriations could have a material adverse effect on the Company's results of operations and financial condition. During the periods presented, the Company has operated its oil and natural gas businesses in the Permian Basin, the Utica Shale, the Eagle Ford Shale, the Marcellus Shale, the Granite Wash, the SCOOP, the STACK, the Cana-Woodford Shale, the Cleveland Sand and the oil sands located in Northern Alberta, Canada. The Company's oil and natural gas 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 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. Basis of Presentation and Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated interim financial statements include the accounts of the Company and its subsidiaries and the variable interest entities ("VIE") for which the Company is the primary beneficiary. All material intercompany accounts and transactions have been eliminated.

This report has been prepared in accordance with the rules and regulations of the Securities and Exchange Commission, and reflects 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. Certain information, accounting policies and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles ("GAAP") have been omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading. These unaudited condensed consolidated 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 Company's most recent annual report on Form 10-K.

Accounts Receivable

Accounts receivable include amounts due from customers for services performed or goods sold. 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. Delinquency fees are recognized in other income when chargeable and collectability is reasonably assured.

During the periods presented, the Company provided infrastructure services in Puerto Rico under master services agreements entered into by Cobra Acquisitions LLC ("Cobra"), one of the Company's subsidiaries, with the Puerto Rico Electric Power Authority ("PREPA") to perform repairs to PREPA's electrical grid as a result of Hurricane Maria. During the three and six months ended June 30, 2019, the Company charged interest on delinquent accounts receivable pursuant to the terms of its agreements with PREPA totaling \$3.2 million and \$29.0 million, respectively. These amounts are included in other, net on the unaudited condensed consolidated statement of comprehensive income.

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 condition of customers changes, 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.

MAMMOTH ENERGY SERVICES, INC.
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If it is determined that previously reserved amounts are collectible, the Company would decrease the allowance through a credit to income in the period in which that determination is made. Uncollectible accounts receivable are periodically charged against the allowance for doubtful accounts once a final determination is made regarding their uncollectability.

Following is a roll forward of the allowance for doubtful accounts for the year ended December 31, 2018 and the six months ended June 30, 2019 (in thousands):

Balance, January 1, 2018	\$	21,737
Additions (reductions) charged to bad debt expense		(14,589)
Deductions for uncollectible receivables written off		(1,950)
Balance, December 31, 2018		5,198
Additions charged to bad debt expense		266
Deductions for uncollectible receivables written off		(155)
Balance, June 30, 2019	\$	5,309

At December 31, 2017, the Company reviewed receivables due from PREPA and made specific reserves consistent with Company policy which resulted in additions to the allowance for doubtful accounts totaling \$16.0 million. During 2018, the Company received payment from PREPA for the amount reserved at December 31, 2017. As a result, the Company reversed the 2017 additions to the allowance for doubtful accounts from PREPA during the year ended December 31, 2018.

Additionally, the Company has made specific reserves consistent with Company policy which resulted in additions to allowance for doubtful accounts totaling \$0.3 million and \$1.4 million, respectively, for the six months ended June 30, 2019 and year ended December 31, 2018. The Company will continue to pursue collection until such time as final determination is made consistent with Company policy.

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. Following is a summary of our significant customers based on percentages of total accounts receivable balances at June 30, 2019 and December 31, 2018 and percentages of total revenues derived for the three and six months ended June 30, 2019 and 2018:

	REVENUES				ACCOUNTS RECEIVABLE	
	Three Months Ended June 30,		Six Months Ended June 30,		At June 30,	At December 31,
	2019	2018	2019	2018	2019	2018
Customer A ^(a)	6%	65%	22%	65%	61%	65%
Customer B ^(b)	26%	9%	23%	11%	9%	3%
Customer C ^(c)	5%	—%	10%	—%	1%	2%

- a. Customer A is a third-party customer. Revenues and the related accounts receivable balances earned from Customer A were derived from the Company's infrastructure services segment. Accounts receivable for Customer A also includes receivables due for interest charged on delinquent accounts receivable.
- b. Customer B is a related party customer. Revenues and the related accounts receivable balances earned from Customer B were derived from the Company's pressure pumping services segment, natural sand proppant services segment and other businesses.
- c. Customer C is a third-party customer. Revenues and the related accounts receivable balances earned from Customer C were derived from the Company's pressure pumping services segment and equipment rental business.

Fair Value of Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, trade receivables, trade payables, amounts receivable or payable to related parties and long-term debt. The carrying amount of cash and cash equivalents, trade receivables, receivables from related parties and trade payables 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.

New Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02 "Leases (Topic 842)" amending the current accounting for leases. Under the new provisions, all lessees will report a right of use asset and lease liability on the balance sheet for all leases with a term longer than one year, while maintaining substantially similar classifications for financing and operating leases. Lessor accounting remains substantially unchanged with the exception that no leases entered into after the effective date will be classified as leveraged leases. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, and interim periods within that fiscal year. The Company adopted this ASU effective January 1, 2019 utilizing the transition method permitted by ASU No. 2018-11 "Leases (Topic 842): Targeted Improvements", issued in August 2018, which permits an entity to recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption with no adjustment made to the comparative periods presented in the consolidated financial statements. See Note 14 for the impact the adoption of this standard had on the Company's financial statements.

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments," which amends current guidance on reporting credit losses on financial instruments. This ASU requires entities to reflect its current estimate of all expected credit losses. The guidance affects most financial assets, including trade accounts receivable. This ASU is effective for fiscal years beginning after December 31, 2019, with early adoption permitted. The Company is currently evaluating the impact this standard may have on its financial statements and related disclosures.

In June 2018, the FASB issued ASU No. 2018-07, "Compensation - Stock Compensation (Topic 718): Improvements to Non-employee Share-Based Accounting," which simplifies the accounting for share-based payments granted to non-employees by aligning the accounting with requirements for employee share-based compensation. Upon transition, this ASU requires non-employee awards to be measured at fair value as of the adoption date. This ASU is effective for fiscal years beginning after December 15, 2018, and interim periods within that fiscal year. The Company adopted this ASU effective January 1, 2019 and estimates the fair value of its non-employee awards (see Note 16) was approximately \$18.9 million as of this date.

3. Revenues

The Company's primary revenue streams include infrastructure services, pressure pumping services, natural sand proppant services and other services, which includes contract land and directional drilling, coil tubing, pressure control, flowback, cementing, acidizing, equipment rentals, crude oil hauling and remote accommodations services. See Note 20 for the Company's revenue disaggregated by type.

Infrastructure Services

Infrastructure services are typically 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). Generally, the Company accounts for infrastructure services as a single performance obligation satisfied over time. In certain circumstances, the Company supplies materials that are utilized during the jobs as part of the agreement with the customer. The Company accounts for these infrastructure agreements as multiple performance obligations satisfied over time. Revenue is recognized over time as work progresses based on the days completed or as the contract is completed. Under certain customer contracts in our infrastructure services segment, the Company warrants equipment and labor performed for a specified period following substantial completion of the work.

Pressure Pumping Services

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. Generally, the Company accounts for pressure pumping services as a single performance obligation satisfied over time. In certain circumstances, the Company supplies proppant that is utilized for pressure pumping as part of the agreement with the customer. The Company accounts for these pressure pumping agreements as multiple performance obligations satisfied over time. Jobs for these services are typically short-term in nature and range from a few hours to multiple days. Generally, revenue is recognized over time upon the completion of each segment of work based upon a completed field ticket, which includes the charges for the services performed, mobilization of the equipment to the location, consumable supplies and personnel.

Pursuant to a contract with one of its customers, the Company has agreed to provide that customer with use of up to two pressure pumping fleets for the period covered by the contract. Under this agreement, performance obligations are

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satisfied as services are rendered based on the passage of time rather than the completion of each segment of work. The Company has the right to receive consideration from this customer even if circumstances prevent us from performing work. All consideration owed to the Company for services performed during the contractual period is fixed and the right to receive it is unconditional.

Additional revenue is generated through labor charges and the sale of consumable supplies that are incidental to the service being performed. Such amounts are recognized ratably over the period during which the corresponding goods and services are consumed.

Natural Sand Proppant Services

The Company sells natural sand proppant through sand supply agreements with its customers. Under these agreements, sand is typically sold at a flat rate per ton or a flat rate per ton with an index-based adjustment. The Company recognizes revenue at the point in time when the customer obtains legal title to the product, which may occur at the production facility, rail origin or at the destination terminal.

Certain of the Company's sand supply agreements contain a minimum volume commitment related to sand purchases whereby the Company charges a shortfall payment if the customer fails to meet the required minimum volume commitment. These agreements may also contain make-up provisions whereby shortfall payments can be applied in future periods against purchased volumes exceeding the minimum volume commitment. If a make-up right exists, the Company has future performance obligations to deliver excess volumes of product in subsequent months. In accordance with ASC 606, if the customer fails to meet the minimum volume commitment, the Company will assess whether it expects the customer to fulfill its unmet commitment during the contractually specified make-up period based on discussions with the customer and management's knowledge of the business. If the Company expects the customer will make-up deficient volumes in future periods, revenue related to shortfall payments will be deferred and recognized on the earlier of the date on which the customer utilizes make-up volumes or the likelihood that the customer will exercise its right to make-up deficient volumes becomes remote. As of June 30, 2019, the Company had deferred revenue totaling \$1.1 million related to shortfall payments. This amount is included in accrued expenses and other current liabilities on the unaudited condensed consolidated balance sheet. If the Company does not expect the customer will make-up deficient volumes in future periods, the breakage model will be applied and revenue related to shortfall payments will be recognized when the model indicates the customer's inability to take delivery of excess volumes. During the six months ended June 30, 2019 and 2018, the Company recognized revenue totaling \$1.0 million and \$0.3 million, respectively, related to shortfall payments.

In certain of the Company's sand supply agreements, the customer obtains control of the product when it is loaded into rail cars and the customer reimburses the Company for all freight charges incurred. The Company has elected to account for shipping and handling as activities to fulfill the promise to transfer the sand. If revenue is recognized for the related product before the shipping and handling activities occur, the Company accrues the related costs of those shipping and handling activities.

Other Services

The Company also provides contract land and directional drilling, coil tubing, pressure control, flowback, cementing, equipment rentals, crude oil hauling and remote accommodations services, which are reported under other services. These 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. Performance obligations for these services are satisfied over time and revenue is recognized as the work progresses based on the measure of output. Jobs for these services are typically short-term in nature and range from a few hours to multiple days.

Practical Expedients

The Company does not disclose the value of unsatisfied performance obligations for (i) contracts with an original expected length of one year or less and (ii) contracts in which variable consideration is allocated entirely to a wholly unsatisfied performance obligation or to a wholly unsatisfied distinct good or service that forms part of a single performance obligation.

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Contract Balances

Following is a rollforward of the Company's contract liabilities (in thousands):

Balance, January 1, 2018	\$	15,000
Deduction for recognition of revenue		(15,000)
Increase for deferral of shortfall payments		4,246
Increase for deferral of customer prepayments		58
Balance, December 31, 2018		4,304
Deduction for recognition of revenue		(2,054)
Increase for deferral of shortfall payments		153
Increase for deferral of customer prepayments		243
Deduction of shortfall payments due to contract renegotiations		(1,350)
Balance, June 30, 2019	\$	1,296

The Company did not have any contract assets as of June 30, 2019 or December 31, 2018.

Performance Obligations

Revenue recognized in the current period from performance obligations satisfied in previous periods was a nominal amount for the three and six months ended June 30, 2019 and 2018. As of June 30, 2019, the Company had unsatisfied performance obligations totaling \$114.8 million, which will be recognized over the next 2.4 years.

4. Acquisitions

Acquisition of Air Rescue Systems and Brim Equipment Assets

On December 21, 2018, Cobra Aviation Services LLC ("Cobra Aviation"), a variable interest entity of the Company, completed a series of transactions that provided for an expansion of its aviation service business. These transactions include (i) the acquisition of all outstanding equity interests in Air Rescue Systems Corporation ("ARS"), (ii) the purchase of two commercial helicopters, spare parts, support equipment and aircraft documents from Brim Equipment Leasing, Inc. ("Brim Equipment") (the "Brim Equipment Assets") and (iii) the formation of a joint venture between Cobra Aviation and Wexford Partners Investment Co. LLC ("Wexford Investment"), a related party, under the name of Brim Acquisitions LLC ("Brim Acquisitions"), which acquired all outstanding equity interest in Brim Equipment. Cobra Aviation owns a 49% economic interest and Wexford Investment owns a 51% economic interest in Brim Acquisitions, and each member contributed its pro rata portion of Brim Acquisitions' initial capital of \$2.0 million.

The acquisition of ARS qualifies under FASB ASC 805, *Business Combinations*, as a business combination. The purchase of the Brim Equipment Assets was negotiated and funded as part of the acquisition. Therefore, the purchase of the Brim Equipment Assets also qualifies as a business combination under ASC 805. Cobra Aviation is able to exercise significant influence over certain aspects of Brim Acquisitions' activities, but is a minority owner and does not have controlling financial interest. As a result, Cobra Aviation's investment in Brim Acquisitions is accounted for as an equity method investment under FASB ASC 323, *Investments-Equity Method and Joint Ventures*. See Note 8 for additional information on our investment in Brim Acquisitions.

Total consideration paid for ARS was \$2.4 million in cash to the sellers plus \$0.3 million in consideration to be paid upon completion of certain contractual obligations. Total consideration paid for the Brim Equipment Assets was \$4.2 million. The Company used cash on hand to fund the acquisitions.

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The following table summarizes the fair value of ARS and the Brim Equipment Assets as of December 21, 2018 (in thousands):

	ARS	Brim Equipment Assets
Accounts receivable	\$ 146	\$ —
Property, plant and equipment	1,702	1,990
Identifiable intangible assets - trade name ^(a)	120	—
Goodwill ^(b)	694	2,243
Other non-current assets	5	—
Total assets acquired	\$ 2,667	\$ 4,233

- a. Trade name was valued using a "Relief-from-Royalty" method and will be amortized over 20 years.
- b. 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 the acquisition date through December 31, 2018 and for the six months ended June 30, 2019, ARS and the Brim Equipment Assets provided the following activity (in thousands):

	2019		2018	
	ARS	Brim Equipment Assets	ARS	Brim Equipment Assets
Revenues	\$ 906	\$ 1,912	\$ —	\$ —
Net loss ^(a)	(238)	(885)	(25)	—

- a. Includes depreciation expense of \$0.1 million and \$0.02 million, respectively, for ARS for the 2019 and 2018 and \$0.2 million for the Brim Equipment Assets for 2019.

The following table presents unaudited pro forma information as if the ARS and the Brim Equipment Assets acquisitions had occurred as of January 1, 2018 (in thousands):

	Six Months Ended June 30, 2018	
	ARS	Brim Equipment Assets
Revenues	\$ 1,473	\$ 1,971
Net income	141	1,059

The Company recognized \$0.3 million of transaction related costs during the year ended December 31, 2018 related to these acquisitions.

Acquisition of WTL Oil LLC

On May 31, 2018, the Company completed its acquisition of WTL Oil LLC ("WTL") for total consideration of \$6.1 million. The Company used cash on hand and borrowings under its credit facility to fund the acquisition. The acquisition of WTL expanded the Company's service offerings into the crude oil hauling business.

The following table summarizes the fair value of WTL as of May 31, 2018 (in thousands):

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	WTL	
Property, plant and equipment	\$	2,960
Identifiable intangible assets - customer relationships ^(a)		930
Identifiable intangible assets - trade name ^(a)		650
Goodwill ^(b)		1,567
Total assets acquired	\$	6,107

- a. 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 10-20 years.
- b. 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 the assembled workforce and future profitability expected to arise from the acquired entity.

From the acquisition date through December 31, 2018 and for the six months ended June 30, 2019, WTL provided the following activity (in thousands):

	2019		2018	
Revenues	\$	6,210	\$	7,511
Net loss ^(a)		(808)		(149)

- a. Includes depreciation and amortization expense of \$1.1 million and \$1.0 million, respectively, for the 2019 and 2018 periods.

The following table presents unaudited pro forma information as if the acquisition of WTL had occurred as of January 1, 2018 (in thousands):

	Six Months Ended June 30, 2018	
Revenues	\$	3,354
Net income		90

The Company recognized \$0.1 million of transaction related costs during the year ended December 31, 2018 related to this acquisition.

Acquisition of RTS Energy Services LLC

On June 15, 2018, the Company completed its acquisition of RTS Energy Services LLC ("RTS") for total consideration of \$8.1 million. The Company used cash on hand and borrowings under its credit facility to fund the acquisition. The acquisition of RTS expanded Mammoth's cementing services into the Permian Basin and added acidizing to the Company's service offerings.

The following table summarizes the fair value of RTS as of June 15, 2018 (in thousands):

	RTS	
Inventory	\$	180
Property, plant and equipment		7,787
Goodwill ^(a)		133
Total assets acquired	\$	8,100

- a. 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 the assembled workforce and future profitability expected to arise from the acquired entity.

From the acquisition date through December 31, 2018 and for the six months ended June 30, 2019, RTS provided the following activity (in thousands):

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	2019	2018
Revenues	\$ 2,286	\$ 6,682
Net loss ^(a)	(4,134)	(3,210)

a. Includes depreciation expense of \$1.1 million and \$0.9 million, respectively, for the 2019 and 2018 periods.

The following table presents unaudited pro forma information as if the acquisition of RTS had occurred as of January 1, 2018 (in thousands):

	Six Months Ended June 30, 2018
Revenues	\$ 10,160
Net loss	(848)

The Company recognized \$0.1 million of transaction related costs during the year ended December 31, 2018 related to this acquisition.

5. Inventories

Inventories consist 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. A summary of the Company's inventories is shown below (in thousands):

	June 30, 2019	December 31, 2018
Supplies	\$ 16,912	\$ 12,571
Raw materials	344	199
Work in process	2,338	3,273
Finished goods	2,520	5,259
Total inventories	<u>\$ 22,114</u>	<u>\$ 21,302</u>

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6. Property, Plant and Equipment

Property, plant and equipment include the following (in thousands):

	Useful Life	June 30, 2019	December 31, 2018
Assets held and used:			
Pressure pumping equipment	3-5 years	\$ 214,588	\$ 208,968
Drilling rigs and related equipment	3-15 years	122,998	122,198
Machinery and equipment	7-20 years	196,691	173,867
Buildings	15-39 years	16,887	16,887
Vehicles, trucks and trailers	5-10 years	134,952	132,337
Coil tubing equipment	4-10 years	29,846	29,128
Land	N/A	13,687	14,235
Land improvements	15 years or life of lease	10,056	9,614
Rail improvements	10-20 years	13,806	13,806
Other property and equipment	3-12 years	14,065	13,614
		<u>767,576</u>	<u>734,654</u>
Deposits on equipment and equipment in process of assembly ^(a)		8,860	16,865
		<u>776,436</u>	<u>751,519</u>
Less: accumulated depreciation		390,168	337,514
Total assets held and used, net		<u>386,268</u>	<u>414,005</u>
Assets subject to operating leases:			
Buildings	15-30 years	30,725	29,493
Helicopters	6 years	4,937	4,937
		<u>35,662</u>	<u>34,430</u>
Less: accumulated depreciation		13,522	11,736
Total assets subject to operating leases, net		<u>22,140</u>	<u>22,694</u>
		<u>408,408</u>	<u>436,699</u>
Total property, plant and equipment, net		<u>\$ 408,408</u>	<u>\$ 436,699</u>

- a. 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.

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 six months ended June 30, 2019 and 2018, proceeds from the sale of equipment damaged or lost down-hole were a nominal amount and \$0.6 million, respectively, and gains on sales of equipment damaged or lost down-hole were a nominal amount and \$0.5 million, respectively.

A summary of depreciation, depletion, amortization and accretion expense is below (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Depreciation expense	\$ 28,099	\$ 27,058	\$ 56,165	\$ 51,456
Depletion expense	1,734	1,340	1,946	1,427
Amortization expense	284	2,382	568	4,790
Accretion expense	28	15	42	30
Depreciation, depletion, amortization and accretion	<u>\$ 30,145</u>	<u>\$ 30,795</u>	<u>\$ 58,721</u>	<u>\$ 57,703</u>

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7. Intangible Assets and Goodwill

The Company had the following definite lived intangible assets recorded (in thousands):

	June 30, 2019	December 31, 2018
Customer relationships	\$ 2,255	\$ 2,255
Trade names	9,063	9,063
Less: accumulated amortization - customer relationships	(692)	(544)
Less: accumulated amortization - trade names	(3,438)	(3,018)
Intangible assets, net	<u>\$ 7,188</u>	<u>\$ 7,756</u>

Amortization expense for intangible assets was \$0.6 million and \$4.8 million, respectively, for the six months ended June 30, 2019 and 2018. The original life of customer relationships ranges from 6 to 10 years with a remaining average useful life of 6.5 years. The original life of trade names ranges from 10 to 20 years with a remaining average useful life of 8.6 years.

Aggregated expected amortization expense for the future periods is expected to be as follows (in thousands):

	Amount
Remainder of 2019	\$ 567
2020	1,135
2021	1,129
2022	1,108
2023	991
Thereafter	2,258
	<u>\$ 7,188</u>

Goodwill was \$101.2 million at both June 30, 2019 and December 31, 2018. Changes in the goodwill for the year ended December 31, 2018 and the six months ended June 30, 2019 are set forth below (in thousands):

Balance, January 1, 2018	\$ 99,811
Additions:	
WTL	1,567
RTS	133
ARS	694
Brim Equipment Assets	2,243
Impairment	(3,203)
Balance, December 31, 2018	101,245
Additions	—
Balance, June 30, 2019	<u>\$ 101,245</u>

During the year ended December 31, 2018, the Company moved Cementing's equipment from the Utica shale to the Permian basin. As a result, the Company recognized impairment on Cementing's intangible assets, including goodwill, non-contractual customer relationships and trade name of \$3.2 million, \$1.0 million and \$0.2 million, respectively.

Cementing's goodwill was measured using an income approach, which provides an estimated fair value based on anticipated cash flows that are discounted using a weighted average cost of capital rate.

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8. Equity Method Investment

On December 21, 2018, Cobra Aviation and Wexford Investment, a related party, formed a joint venture under the name of Brim Acquisitions to acquire all outstanding equity interest in Brim Equipment for a total purchase price of approximately \$1.4 million in cash to the sellers plus \$0.6 million in consideration to be paid upon completion of certain contractual obligations. Cobra Aviation owns a 49% economic interest and Wexford Investment owns a 51% economic interest in Brim Acquisitions, and each member contributed its pro rata portion of Brim Acquisitions' initial capital of \$2.0 million. Brim Acquisitions, through Brim Equipment, owns one commercial helicopter and leases five commercial helicopters for operations, which it uses to provide a variety of services, including short haul, aerial ignition, hoist operations, aerial photography, fire suppression, construction services, animal/capture/survey, search and rescue, airborne law enforcement, power line construction, precision long line operations, pipeline construction and survey, mineral and seismic exploration, and aerial seeding and fertilization.

The Company uses the equity method of accounting to account for its investment in Brim Acquisitions, which had a carrying value of approximately \$1.8 million at June 30, 2019. The investment is included in other non-current assets on the unaudited condensed consolidated balance sheets. The Company recorded an equity method adjustment to its investment of \$0.2 million for its share of Brim Acquisitions' income for the six months ended June 30, 2019, which is included in other, net on the unaudited condensed consolidated statements of comprehensive income. The Company made additional investments totaling \$0.7 million during the six months ended June 30, 2019.

9. Accrued Expenses and Other Current Liabilities

Accrued expense and other current liabilities included the following (in thousands):

	June 30, 2019	December 31, 2018
Accrued compensation, benefits and related taxes	\$ 9,957	\$ 20,898
State and local taxes payable	17,057	18,687
Insurance reserves	4,413	4,678
Deferred revenue	1,296	4,304
Financed insurance premiums	4,565	6,761
Other	5,370	4,324
Total	\$ 42,658	\$ 59,652

Financed insurance premiums are due in monthly installments, are unsecured and mature within the twelve month period following the close of the year. As of June 30, 2019 and December 31, 2018, the applicable interest rate associated with financed insurance premiums was 3.45%.

10. Debt

On October 19, 2018, Mammoth Inc. and certain of its direct and indirect subsidiaries, as borrowers, entered into an amended and restated revolving credit and security agreement with the lenders party thereto and PNC Bank, National Association, as a lender and as administrative agent for the lenders, which amended and restated the Company's prior revolving credit and security agreement dated as of November 25, 2014, as amended prior to October 19, 2018. The facility matures on October 19, 2023. Borrowings under this facility are secured by the assets of Mammoth Inc., inclusive of certain of the subsidiary companies. The maximum availability of the facility is subject to a borrowing base calculation prepared monthly.

Outstanding borrowings under this facility bear interest at a per annum rate elected by Mammoth Inc. that is equal to an alternate base rate or LIBOR, in each case plus the applicable margin. The applicable margin ranges from 1.00% to 1.50% per annum in the case of the alternate base rate, and from 2.00% to 2.50% per annum in the case of LIBOR. The applicable margin depends on the amount of excess availability under this facility.

At June 30, 2019, there were outstanding borrowings under the amended and restated revolving credit facility of \$82.0 million and \$93.5 million of available borrowing capacity, after giving effect to \$8.7 million of outstanding letters of credit. At December 31, 2018, there were no outstanding borrowings under the amended and restated revolving credit

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facility and \$175.8 million of borrowing capacity under the facility, after giving effect to \$8.4 million of outstanding letters of credit.

The Mammoth Inc. 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 June 30, 2019 and December 31, 2018, the Company was in compliance with the financial covenants under the facility.

11. Variable Interest Entities

Dire Wolf Energy Services LLC ("Dire Wolf") and Predator Aviation LLC ("Predator Aviation"), wholly owned subsidiaries of the Company, are party to Voting Trust Agreements with TVPX Aircraft Solutions Inc. (the "Voting Trustee"). Under the Voting Trust Agreements, Dire Wolf transferred 100% of its membership interest in Cobra Aviation and Predator Aviation transferred 100% of its membership interest in Leopard Aviation LLC ("Leopard") to the respective Voting Trustees in exchange for Voting Trust Certificates. Dire Wolf and Predator Aviation retained the obligation to absorb all expected returns or losses of Cobra Aviation and Leopard. Prior to the transfer of the membership interest to the Voting Trustee, Cobra Aviation was a wholly owned subsidiary of Dire Wolf and Leopard was a wholly owned subsidiary of Predator Aviation. Cobra Aviation owns three helicopters and support equipment, 100% of the equity interest in ARS and 49% of the equity interest in Brim Acquisitions. Leopard owns one helicopter. Dire Wolf and Predator Aviation entered into the Voting Trust Agreements in order to meet certain registration requirements.

Dire Wolf's and Predator Aviation's voting rights are not proportional to their respective obligations to absorb expected returns or losses of Cobra Aviation and Leopard, respectively, and all of Cobra Aviation's and Leopard's activities are conducted on behalf of Dire Wolf and Predator Aviation, which have disproportionately fewer voting rights; therefore, Cobra Aviation and Leopard meet the criteria of a VIE. Cobra Aviation and Leopard's operational activities are directed by Dire Wolf's and Predator Aviation's officers and Dire Wolf and Predator Aviation have the option to terminate the Voting Trust Agreements at any time. Therefore, the Company, through Dire Wolf and Predator Aviation, is considered the primary beneficiary of the VIEs and consolidates Cobra Aviation and Leopard at June 30, 2019.

12. Selling, General and Administrative Expense

Selling, general and administrative ("SG&A") expense includes of the following (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Cash expenses:				
Compensation and benefits	\$ 2,154	\$ 10,978	\$ 11,384	\$ 18,677
Professional services	2,934	2,981	6,723	5,568
Other ^(a)	3,381	3,935	6,626	5,542
Total cash SG&A expense	8,469	17,894	24,733	29,787
Non-cash expenses:				
Bad debt provision ^(b)	262	28,263	266	53,790
Equity based compensation ^(c)	—	17,487	—	17,487
Stock based compensation	724	1,483	1,792	2,574
Total non-cash SG&A expense	986	47,233	2,058	73,851
Total SG&A expense	\$ 9,455	\$ 65,127	\$ 26,791	\$ 103,638

a. Includes travel-related costs, IT expenses, rent, utilities and other general and administrative-related costs.

b. \$28.3 million and \$53.6 million of the bad debt expense recognized during the three and six months ended June 30, 2018 was subsequently reversed during the third quarter of 2018.

c. Represents compensation expense for non-employee awards, which were issued and are payable by certain affiliates of Wexford (the sponsor level). See Note 16 for additional detail.

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13. Income Taxes

The Company's effective tax rate was 37% and 50% for the six months ended June 30, 2019 and 2018, respectively. The effective tax rates for the six months ended June 30, 2019 and 2018 differ from the statutory rate of 21% primarily due to the mix of earnings between the United States and Puerto Rico. During the six months ended June 30, 2019, the Company recorded a benefit related to return to provision adjustments, which was partially offset by changes in the valuation allowance. The majority of the Company's earnings for the periods were derived from Puerto Rico, which has a higher statutory rate compared to the United States. The Company recorded income tax expense of \$10.4 million and \$99.4 million for the six months ended June 30, 2019 and 2018, respectively.

14. Leases

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* which supersedes the requirements set forth in ASC 840, *Leases*. The Company adopted this standard effective January 1, 2019 utilizing the transition method which permits an entity to recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption with no adjustment made to the comparative periods presented in the consolidated financial statements. Accordingly, the comparative information as of December 31, 2018 and for the three and six months ended June 30, 2018 has not been adjusted and continues to be reported under the previous lease standard. The new guidance requires lessees to report a right of use asset and lease liability on the balance sheet for all leases with a term longer than one year, while maintaining substantially similar classifications for financing and operating leases. Lessor accounting remains substantially unchanged with the exception that no leases entered into after the effective date will be classified as leveraged leases.

The Company elected the transition practical expedient package whereby an entity was not required to reassess (i) whether any expired or existing contracts are or contained leases, (ii) the lease classification for any expired or existing leases and (iii) initial direct costs for any existing leases. The adoption of ASC 842 resulted in the recognition of approximately \$60.0 million of operating lease right-of-use assets and operating lease liabilities on our consolidated balance sheet as of January 1, 2019 and did not materially impact our consolidated statement of comprehensive income for the three and six months ended June 30, 2019.

Lessee Accounting

Beginning January 1, 2019, for all leases with a term in excess of 12 months, the Company recognized a lease liability equal to the present value of the lease payments and a right-of-use asset representing its right to use the underlying asset for the lease term. For operating leases, lease expense for lease payments is recognized on a straight-line basis over the lease term, while finance leases include both an operating expense and an interest expense component. For all leases with a term of 12 months or less, the Company elected the practical expedient to not recognize lease assets and liabilities and recognizes lease expense for these short-term leases on a straight-line basis over the lease term.

The Company's operating leases are primarily for rail cars, real estate, equipment and vehicles and its finance leases are primarily for machinery and equipment. Generally, the Company does not include renewal or termination options in its assessment of the leases unless extension or termination for certain assets is deemed to be reasonably certain. The accounting for some of the Company's leases may require significant judgment, which includes determining whether a contract contains a lease, determining the incremental borrowing rates to utilize in the net present value calculation of lease payments for lease agreements which do not provide an implicit rate and assessing the likelihood of renewal or termination options. Lease agreements that contain a lease and non-lease component are generally accounted for as a single lease component.

Lease expense consisted of the following for the three and six months ended June 30, 2019 (in thousands):

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	Three Months Ended June 30, 2019	Six Months Ended June 30, 2019
Operating lease expense	\$ 5,405	\$ 11,420
Short-term lease expense	148	362
Finance lease expense:		
Amortization of right-of-use assets	288	486
Interest on lease liabilities	41	80
Total lease expense	<u>\$ 5,882</u>	<u>\$ 12,348</u>

Supplemental balance sheet information related to leases as of June 30, 2019 is as follows:

	June 30, 2019
Operating leases:	
Operating lease right-of-use assets	\$ 52,184
Current operating lease liability	17,338
Long-term operating lease liability	34,807
Finance leases:	
Property and equipment, net	\$ 5,005
Accrued expenses and other current liabilities	1,856
Other liabilities	2,846

Other supplemental information related to leases for the three and six months ended June 30, 2019 is as follows (in thousands):

	Three Months Ended June 30, 2019	Six Months Ended June 30, 2019
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 5,285	\$ 11,246
Operating cash flows from finance leases	394	80
Financing cash flows from finance leases	45	723
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	\$ 981	\$ 1,936
Finance leases	1,592	1,592

	June 30, 2019
Weighted-average remaining lease term:	
Operating leases	3.7 years
Finance leases	3.4 years
Weighted-average discount rate:	
Operating leases	4.5%
Finance leases	4.5%

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Maturities of lease liabilities as of June 30, 2019 are as follows (in thousands):

	Operating Leases	Finance Leases
Remainder of 2019	\$ 9,961	\$ 1,536
2020	17,556	1,091
2021	13,005	782
2022	9,093	748
2023	4,344	742
Thereafter	2,588	166
Total lease payments	56,547	5,065
Less: Present value discount	4,402	363
Present value of lease payments	\$ 52,145	\$ 4,702

As of December 31, 2018, future minimum payments under noncancellable operating leases were \$66.2 million in the aggregate, which consisted of the following: \$20.2 million in 2019, \$16.6 million in 2020, \$12.6 million in 2021, \$9.3 million in 2022, \$5.0 million in 2023 and \$2.5 million thereafter.

As of June 30, 2019, the Company was party to one additional operating lease for rail cars that had not yet commenced. This agreement provides for fixed lease payments of \$5.4 million to be paid over the five year lease term.

Lessor Accounting

The Company's agreements with its customers for contract land drilling services, aviation services and remote accommodation services contain an operating lease component under ASC 842 because (i) there are identified assets, (ii) the customer obtains substantially all of the economic benefits of the identified assets throughout the period of use and (iii) the customer directs the use of the identified assets throughout the period of use. The Company has elected to apply the practical expedient provided to lessors to combine the lease and non-lease components of a contract where the revenue recognition pattern is the same and where the lease component, when accounted for separately, would be considered an operating lease. The practical expedient also allows a lessor to account for the combined lease and non-lease components under ASC 606, *Revenue from Contracts with Customers*, when the non-lease component is the predominant element of the combined component. The Company's agreement for its contract land drilling services contain a service component in addition to a lease component. The Company has determined the service component is greater than the lease component and therefore, reports revenue for its contract land drilling services under ASC 606.

The Company's lease agreements are generally short-term in nature and lease revenue is recognized over time based on a monthly, daily or hourly rate basis. The Company does not provide an option for the lessee to purchase the rented assets at the end of the lease and the lessees do not provide residual value guarantees on the rented assets. The Company recognized lease revenue of \$1.1 million and \$4.2 million, respectively, during the three and six months ended June 30, 2019, which is included in service revenue on the unaudited condensed consolidated statement of comprehensive income.

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15. Earnings (Loss) Per Share

Reconciliations of the components of basic and diluted net income (loss) per common share are presented in the table below (in thousands, except per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Basic earnings (loss) per share:				
Allocation of earnings (loss):				
Net (loss) income	\$ (10,889)	\$ 42,700	\$ 17,444	\$ 98,246
Weighted average common shares outstanding	45,003	44,737	44,966	44,700
Basic (loss) earnings per share	\$ (0.24)	\$ 0.95	\$ 0.39	\$ 2.20
Diluted earnings (loss) per share:				
Allocation of earnings (loss):				
Net (loss) income	\$ (10,889)	\$ 42,700	\$ 17,444	\$ 98,246
Weighted average common shares, including dilutive effect ^(a)	45,003	45,059	45,060	44,977
Diluted (loss) earnings per share	\$ (0.24)	\$ 0.95	\$ 0.39	\$ 2.18

a. No incremental shares of potentially dilutive restricted stock awards were included for the three months ended June 30, 2019 as their effect was antidilutive under the treasury stock method.

16. Equity Based Compensation

Upon formation of certain operating entities by Wexford, Gulfport and Rhino, specified members of management (the "Specified Members") and certain non-employee members (the "Non-Employee Members") were granted the right to receive distributions from the operating entities after the contribution member's unreturned capital balance was recovered (referred to as "Payout" provision).

On November 24, 2014, the awards were modified in conjunction with the contribution of the operating entities to Mammoth. These awards were not granted in limited or general partner units. The awards are for interests in the distributable earnings of the members of MEH Sub, Mammoth's majority equity holder.

On the IPO closing date, the unreturned capital balance of Mammoth's majority equity holder 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.

On June 29, 2018, as part of an underwritten secondary public offering, MEH Sub sold 2,764,400 shares of the Company's common stock at a purchase price to MEH Sub of \$38.01 per share. Additionally, the selling stockholders granted the underwriters an option to purchase additional shares of the Company's common stock at the same purchase price. On July 30, 2018, in connection with the partial exercise of this option, MEH Sub sold an additional 266,026 shares of common stock to the underwriters. MEH Sub received the proceeds from this offering. As a result of the June 29, 2018 offering, a portion of the Non-Employee Member awards reached Payout. During the three months ended June 30, 2018, the Company recognized equity compensation expense totaling \$17.5 million related to these non-employee awards. These awards are at the sponsor level and this transaction had no dilutive impact or cash impact to the Company.

Payout for the remaining awards is expected to occur as the contribution member's unreturned capital balance is recovered from additional sales by MEH Sub of its shares of the Company's common stock or from dividend distributions, which is not considered probable until the event occurs. 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 \$5.6 million.

The Company adopted ASU 2018-07 as of January 1, 2019. This ASU aligns the accounting for non-employee share-based compensation with the requirements for employee share-based compensation. The standard required non-employee awards to be measured at fair value as of the date of adoption. For the Company's Non-Employee Member awards, the unrecognized amount, which represents the fair value of the awards as of the date of adoption of ASU 2018-07 was \$18.9 million.

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17. 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.

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, 2019	434,119	\$ 22.78
Granted	64,507	9.87
Vested	(141,479)	24.88
Forfeited	(70,002)	19.16
Unvested shares as of June 30, 2019	287,145	\$ 23.58

As of June 30, 2019, there was \$3.3 million 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 1.0 year.

Included in cost of revenue and selling, general and administrative expenses is stock based compensation expense of \$0.9 million and \$1.7 million for the three months ended June 30, 2019 and 2018, respectively, and \$2.2 million and \$2.9 million for the six months ended June 30, 2019 and 2018, respectively.

18. Related Party Transactions

Transactions between the subsidiaries of the Company, including Stingray Pressure Pumping LLC ("Pressure Pumping"), Muskie Proppant LLC ("Muskie"), Stingray Energy Services LLC ("SR Energy"), Stingray Cementing LLC ("Cementing"), Aquahawk Energy LLC ("Aquahawk"), Panther Drilling Systems LLC ("Panther Drilling"), Cobra Aviation, ARS, Cobra and Higher Power Electrical LLC ("Higher Power") and the following companies are included in Related Party Transactions: Gulfport; Grizzly Oil Sands ULC ("Grizzly"); El Toro Resources LLC ("El Toro"); Everest Operations Management LLC ("Everest"); Elk City Yard LLC ("Elk City Yard"); Double Barrel Downhole Technologies LLC ("DBDHT"); Caliber Investment Group LLC ("Caliber"); Predator Drilling LLC ("Predator"); T&E Flow Services LLC ("T&E"); and Brim Equipment.

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Following is a summary of related party transactions (in thousands):

	REVENUES				ACCOUNTS RECEIVABLE	
	Three Months Ended June 30,		Six Months Ended June 30,		At June 30,	At December 31,
	2019	2018	2019	2018	2019	2018
Pressure Pumping and Gulfport (a)	\$ 33,419	\$ 33,831	\$ 70,829	\$ 72,377	\$ 26,906	\$ 8,175
Muskie and Gulfport (b)	10,861	9,730	23,516	21,192	6,024	1,193
SR Energy and Gulfport (c)	2,733	4,626	8,040	11,579	3,722	1,658
Cementing and Gulfport (d)	—	2,048	—	4,876	—	—
Aquahawk and Gulfport (e)	98	—	822	—	133	—
Panther Drilling and El Toro (f)	124	—	493	345	124	64
Cobra Aviation/ARS/Leopard and Brim Equipment (g)	448	—	711	—	441	—
Other Relationships	15	106	15	522	50	74
	<u>\$ 47,698</u>	<u>\$ 50,341</u>	<u>\$ 104,426</u>	<u>\$ 110,891</u>	<u>\$ 37,400</u>	<u>\$ 11,164</u>

- 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. SR Energy provides rental services to Gulfport.
- d. Cementing performed well cementing services for Gulfport.
- e. Aquahawk provides water transfer services for Gulfport pursuant to a master service agreement.
- f. Panther provides directional drilling services for El Toro, an entity controlled by Wexford, pursuant to a master service agreement.
- g. Cobra Aviation, ARS and Leopard lease helicopters to Brim Equipment pursuant to aircraft lease and management agreements.

	Three Months Ended June 30,		Six Months Ended June 30,		At June 30,	At December 31,
	2019	2018	2019	2018	2019	2018
	COST OF REVENUE		COST OF REVENUE		ACCOUNTS PAYABLE	
Cobra Aviation/ ARS/Leopard and Brim Equipment (a)	\$ 2,650	\$ —	\$ 3,363	\$ —	\$ 788	\$ —
Cobra and T&E (b)	—	1,486	—	2,762	—	—
Higher Power and T&E (b)	—	950	—	1,458	—	—
Other	—	(8)	—	—	—	240
	<u>\$ 2,650</u>	<u>\$ 2,428</u>	<u>\$ 3,363</u>	<u>\$ 4,220</u>	<u>\$ 788</u>	<u>\$ 240</u>
	SELLING, GENERAL AND ADMINISTRATIVE COSTS		SELLING, GENERAL AND ADMINISTRATIVE COSTS			
The Company and Wexford (c)	\$ 206	\$ 290	\$ 442	\$ 473	\$ 42	\$ 100
The Company and Caliber (d)	258	145	388	346	64	3
Cobra Aviation/ ARS/Leopard and Brim Equipment (a)	149	—	166	—	—	—
Other	46	97	97	142	44	27
	<u>\$ 659</u>	<u>\$ 532</u>	<u>\$ 1,093</u>	<u>\$ 961</u>	<u>\$ 150</u>	<u>\$ 130</u>
	CAPITAL EXPENDITURES		CAPITAL EXPENDITURES			
Leopard and Brim Equipment (a)	\$ 217	\$ —	\$ 217	\$ —	\$ 82	\$ —
Cobra and T&E (b)	—	757	—	1,131	—	—
Higher Power and T&E (b)	—	1,575	—	2,773	—	—
	<u>\$ 217</u>	<u>\$ 2,332</u>	<u>\$ 217</u>	<u>\$ 3,904</u>	<u>\$ 82</u>	<u>\$ —</u>
					<u>\$ 1,020</u>	<u>\$ 370</u>

- a. Cobra Aviation, ARS and Leopard lease helicopters to Brim Equipment pursuant to aircraft lease and management agreements.
- b. Cobra and Higher Power purchased materials and services from T&E, an entity in which a member of management's family owned a minority interest. T&E ceased to be a related party as of September 30, 2018.
- c. 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.
- d. Caliber leases office space to Mammoth.

On December 21, 2018, Cobra Aviation acquired all outstanding equity interest in ARS and purchased two commercial helicopters, spare parts, support equipment and aircraft documents from Brim Equipment. Following these transactions,

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and also on December 21, 2018, Cobra Aviation formed a joint venture with Wexford Investments named Brim Acquisitions to acquire all outstanding equity interests in Brim Equipment. Cobra Aviation owns a 49% economic interest and Wexford Investment owns a 51% economic interest in Brim Acquisitions, and each member contributed its pro rata portion of Brim Acquisitions' initial capital of \$2.0 million. Cobra Aviation made additional investments in Brim Acquisitions totaling \$0.7 million during the six months ended June 30, 2019. Wexford Investments is an entity controlled by Wexford, which owns approximately 49% of the Company's outstanding common stock.

19. Commitments and Contingencies

Minimum Purchase Commitments

The Company has entered into agreements with suppliers that contain minimum purchase obligations. Failure to purchase the minimum amounts may require the Company to pay shortfall fees. However, the minimum quantities set forth in the agreements are not in excess of 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 June 30, 2019 are as follows (in thousands):

Year ended December 31:	Capital Spend Commitments	Minimum Purchase Commitments^(a)
Remainder of 2019	\$ 1,479	\$ 16,510
2020	—	19,894
2021	—	720
2022	—	80
2023	—	8
Thereafter	—	—
	<u>\$ 1,479</u>	<u>\$ 37,212</u>

a. Included in these amounts are sand purchase commitments of \$29.5 million. Pricing for certain sand purchase agreements is variable and, therefore, the total sand purchase commitments could be as much as \$33.6 million. The minimum amount due in the form of shortfall fees under certain sand purchase agreements was \$2.3 million as of June 30, 2019.

The Company has various letters of credit that were issued under the Company's revolving credit agreement which is collateralized by substantially all of the assets of the Company. The letters of credit are categorized below (in thousands):

	June 30, 2019	December 31, 2018
Insurance programs	\$ 4,105	\$ 4,105
Environmental remediation	4,182	3,877
Rail car commitments	455	455
Total letters of credit	<u>\$ 8,742</u>	<u>\$ 8,437</u>

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 June 30, 2019 and December 31, 2018, the policies require a deductible per occurrence of up to \$0.1 million. The Company establishes liabilities for the unpaid deductible portion of claims incurred relating to physical loss to its assets, employer's liability, automobile liability, commercial general liability and workers' compensation based on estimates. As of June 30, 2019 and December 31, 2018, the policies contained an aggregate stop loss of \$5.4 million. As of June 30, 2019 and December 31, 2018, accrued claims were \$4.4 million and \$4.7 million, respectively.

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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 \$0.2 million per participant and an aggregate stop-loss of \$5.8 million for the calendar year ending December 31, 2019. These estimates may change in the near term as actual claims continue to develop. As of June 30, 2019 and December 31, 2018, accrued claims were \$3.4 million and \$3.2 million, respectively.

Pursuant to certain customer contracts in our infrastructure services segment, the Company warrants equipment and labor performed under the contracts for a specified period following substantial completion of the work. Generally, the warranty is for one year or less. No liabilities were accrued as of June 30, 2019 and December 31, 2018 and no expense was recognized during the three months ended June 30, 2019 or 2018 related to warranty claims. However, if warranty claims occur, the Company could be required to repair or replace warranted items, which in most cases are covered by warranties extended from the manufacturer of the equipment. In the event the manufacturer of equipment failed to perform on a warranty obligation or denied a warranty claim made by the Company, the Company could be required to pay for the cost of the repair or replacement.

In the ordinary course of business, the Company is required to provide bid bonds to certain customers in the infrastructure services segment as part of the bidding process. These bonds provide a guarantee to the customer that the Company, if awarded the project, will perform under the terms of the contract. Bid bonds are typically provided for a percentage of the total contract value. Additionally, the Company may be required to provide performance and payment bonds for contractual commitments related to projects in process. These bonds provide a guarantee to the customer that the Company will perform under the terms of a contract and that the Company will pay subcontractors and vendors. If the Company fails to perform under a contract or to pay subcontractors and vendors, the customer may demand that the surety make payments or provide services under the bond. The Company must reimburse the surety for expenses or outlays it incurs. As of June 30, 2019 and December 31, 2018, outstanding bid bonds totaled \$6.7 million and \$3.6 million, respectively, and outstanding performance and payment bonds totaled \$34.8 million and \$22.3 million, respectively. The estimated cost to complete projects secured by the performance and payment bonds totaled \$17.2 million as of June 30, 2019.

The Company is routinely involved in state and local tax audits. During 2015, the State of Ohio assessed taxes on the purchase of equipment the Company believes is exempt under state law. The Company appealed the assessment and a hearing was held in 2017. As a result of the hearing, the Company received a decision from the State of Ohio. The Company is appealing the decision and while it is not able to predict the outcome of the appeal, this matter is not expected to have a material adverse effect on the Company's financial position, results of operations or cash flows.

The Company has become aware of an ongoing investigation by the U.S. Attorney's Office for the District of Puerto Rico and the Department of Homeland Security Office of Inspector General relating to the contracts awarded to Cobra by PREPA. The Company has been informed that the investigation is focused on the interactions between a FEMA official and the former President of Cobra. The Company has been cooperating with this investigation. Given the uncertainty inherent with respect to such investigations and any resulting litigation, it is not possible to determine the potential outcome at this time. If it is determined that the Company or its employees engaged in improper activities, however, the Company may be subject to civil and criminal penalties, and contractual, civil and criminal damages that may include the repayment of all or part of amounts paid to Cobra by PREPA and/or forgoing any of the amounts currently owed to Cobra. The Company continues to evaluate this situation and at this time is not able to predict the outcome of the investigation or whether it will have a material impact on the Company's financial position, results of operations or cash flows.

On June 27, 2018, the Company's registered agent notified the Company that it had been served with a putative class action lawsuit titled *Wendco of Puerto Rico Inc.; Multisystem Restaurant Inc.; Restaurant Operators Inc.; Apple Caribe, Inc.*; on their own behalf and in representation of all businesses that conduct business in the Commonwealth of Puerto Rico vs. *Mammoth Energy Services Inc.; Cobra Acquisitions, LLC; D. Grimm Puerto Rico, LLC; Aseguradoras A, B & C; John Doe; Richard Doe*, in the Commonwealth of Puerto Rico Superior Court of San Juan. The plaintiffs allege negligent acts by the defendants caused an electrical failure in Puerto Rico resulting in damages of at least \$300 million. The Company believes this claim is without merit and will vigorously defend the action. However, the Company continues to evaluate 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.

In late 2018 and early 2019, Cobra was served with four lawsuits from municipalities in Puerto Rico alleging failure to pay municipal license and construction excise taxes. The Government of Puerto Rico's Central Recovery and Reconstruction Office ("COR3") has noted the unique nature of work executed by entities such as Cobra in Puerto Rico and that taxes, such as those in these matters, may be eligible for reimbursement by the government. Further, COR3

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indicated that it is working to develop a solution that will result in payment of taxes owed to the municipalities without placing an undue burden on entities such as Cobra. The Company continues to work with COR3 to resolve these matters. However, the Company continues to evaluate the facts and circumstances 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 April 16, 2019, a putative class and collective action lawsuit alleging that the Company failed to pay a class of workers overtime in compliance with the Fair Labor Standards Act and Puerto Rico law was filed titled Christopher Williams, individually and on behalf of all others similarly situated vs. Higher Power Electrical, LLC, Cobra Acquisitions LLC, and Cobra Energy, LLC in the U.S. District Court for the District of Puerto Rico. On June 24, 2019, the complaint was amended to replace Mr. Williams with Matthew Zeisset, another former Higher Power employee, as the named plaintiff. The defendants have moved to dismiss Mr. Zeisset's claims and compel them to arbitration on an individual basis. 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.

In June 2019, the Company was served with two class action lawsuits filed in the Western District of Oklahoma alleging that several of the Company's filings with the SEC contained material misrepresentations and omissions in violation of federal securities laws. The Company believes these claims are without merit and will vigorously defend the actions. However, the Company continues to evaluate the background facts and at this time is not able to predict the outcome of these lawsuits or whether they 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 3% of an employee's compensation and may make additional discretionary contributions for eligible employees. For these six months ended June 30, 2019 and 2018, the Company paid \$1.9 million and \$3.4 million, respectively, in contributions to the plan.

20. Reporting Segments

The Company principally provides electric infrastructure services to government-funded utilities, private utilities, public investor-owned utilities and co-operative utilities and services in connection with on-shore drilling of oil and natural gas wells for small to large domestic independent oil and natural gas producers. As of June 30, 2019, the Company's revenues, income before income taxes and identifiable assets are primarily attributable to three reportable segments including infrastructure services ("Infrastructure"), pressure pumping services ("Pressure Pumping") and natural sand proppant services ("Sand").

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 evaluation is determined on a quantitative basis based on a function of operating income (loss), as well as a qualitative basis, such as nature of the product and service offerings and types of customers.

Prior to the year ended December 31, 2018, the Company had four reportable segments, including infrastructure services, pressure pumping services, natural sand proppant services and contract land and directional drilling services. Based on its assessment of FASB ASC 280, *Segment Reporting*, guidance at December 31, 2018, the Company changed its reportable segment presentation in 2018, as it determined based upon both a quantitative and qualitative basis that the contract land and directional drilling services segment is not of continuing significance for accounting reporting purposes. The Company now includes the results of the entities previously included in the contract land and directional drilling services segment in the reconciling column titled "All Other" in the tables below. The results below for the three and six months ended June 30, 2018 have been retroactively adjusted to reflect this change.

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During the periods presented, the infrastructure services segment provided electric utility infrastructure services to government-funded utilities, private utilities, public investor-owned utilities and co-operative utilities in Puerto Rico and the northeast, southwest and midwest portions of the United States. The pressure pumping services segment provides hydraulic fracturing and water transfer services primarily in the Utica Shale of Eastern Ohio, Marcellus Shale in Pennsylvania, Eagle Ford and Permian Basins in Texas and the mid-continent region. The sand segment mines, processes and sells sand for use in hydraulic fracturing. The sand segment primarily services the Utica Shale, Permian Basin, SCOOP, STACK and Montney Shale in British Columbia and Alberta, Canada.

During the periods presented, the Company also provided contract land and directional drilling services, coil tubing services, flowback services, cementing services, acidizing services, equipment rental services, crude oil hauling services and remote accommodation services. The businesses that provide these services are distinct operating segments, which the CODM reviews independently when making key operating and resource utilization decisions. None of these operating segments meet the quantitative thresholds of a reporting segment and do not meet the aggregation criteria set forth in ASC 280 *Segment Reporting*. Therefore, results for these operating segments are included in the column labeled "All Other" in the tables below. Additionally, assets for corporate activities, which primarily include cash and cash equivalents, inter-segment accounts receivable, prepaid insurance and certain property and equipment, are included in the All Other column. Although Mammoth LLC, which holds these corporate assets, meets one of the quantitative thresholds of a reporting segment, it does not engage in business activities from which it may earn revenues and its results are not regularly reviewed by the Company's CODM when making key operating and resource utilization decisions. Therefore, the Company does not include it as a reportable segment.

Sales from one segment to another are generally priced at estimated equivalent commercial selling prices. Total revenue and Total cost of revenue amounts included in the Eliminations column in the following tables include inter-segment transactions conducted between segments. Receivables due for sales from one segment to another and for corporate allocations to each segment are included in the Eliminations column for Total assets in the following tables. All transactions conducted between segments are eliminated in consolidation. Transactions conducted by companies within the same reporting segment are eliminated within each reporting segment. The following tables set forth certain financial information with respect to the Company's reportable segments (in thousands):

Three months ended June 30, 2019	Infrastructure	Pressure Pumping	Sand	All Other	Eliminations	Total
Revenue from external customers	\$ 41,821	\$ 82,973	\$ 29,223	\$ 27,803	\$ —	\$ 181,820
Intersegment revenues	—	1,668	11,170	584	(13,422)	—
Total revenue	41,821	84,641	40,393	28,387	(13,422)	181,820
Cost of revenue, exclusive of depreciation, depletion, amortization and accretion	44,864	59,835	32,676	30,640	—	168,015
Intersegment cost of revenues	—	11,797	1,141	562	(13,500)	—
Total cost of revenue	44,864	71,632	33,817	31,202	(13,500)	168,015
Selling, general and administrative	3,035	2,664	1,380	2,376	—	9,455
Depreciation, depletion, amortization and accretion	7,818	10,174	4,528	7,625	—	30,145
Operating (loss) income	(13,896)	171	668	(12,816)	78	(25,795)
Interest expense, net	386	452	72	641	—	1,551
Other (income) expense, net	(4,045)	9	(32)	49	—	(4,019)
(Loss) income before income taxes	\$ (10,237)	\$ (290)	\$ 628	\$ (13,506)	\$ 78	\$ (23,327)

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Three months ended June 30, 2018	Infrastructure	Pressure Pumping	Sand	All Other	Eliminations	Total
Revenue from external customers	\$ 360,250	\$ 100,333	\$ 37,439	\$ 35,572	\$ —	\$ 533,594
Intersegment revenues	—	1,073	15,406	1,776	(18,255)	—
Total revenue	360,250	101,406	52,845	37,348	(18,255)	533,594
Cost of revenue, exclusive of depreciation, depletion, amortization and accretion	210,189	61,593	35,117	32,929	—	339,828
Intersegment cost of revenues	754	16,174	1,019	60	(18,007)	—
Total cost of revenue	210,943	77,767	36,136	32,989	(18,007)	339,828
Selling, general and administrative	39,786	20,822	1,787	2,732	—	65,127
Depreciation, depletion, amortization and accretion	4,094	13,829	3,881	8,991	—	30,795
Impairment of long-lived assets	—	—	—	187	—	187
Operating income (loss)	105,427	(11,012)	11,041	(7,551)	(248)	97,657
Interest expense, net	106	341	76	436	—	959
Other expense, net	330	80	36	40	—	486
Income (loss) before income taxes	\$ 104,991	\$ (11,433)	\$ 10,929	\$ (8,027)	\$ (248)	\$ 96,212

Six months ended June 30, 2019	Infrastructure	Pressure Pumping	Sand	All Other	Eliminations	Total
Revenue from external customers	\$ 150,542	\$ 173,568	\$ 54,187	\$ 65,661	\$ —	\$ 443,958
Intersegment revenues	—	3,212	24,067	1,243	(28,522)	—
Total revenue	150,542	176,780	78,254	66,904	(28,522)	443,958
Cost of revenue, exclusive of depreciation, depletion, amortization and accretion	103,828	124,047	62,928	66,282	—	357,085
Intersegment cost of revenues	—	25,334	2,188	1,060	(28,582)	—
Total cost of revenue	103,828	149,381	65,116	67,342	(28,582)	357,085
Selling, general and administrative	12,553	5,876	2,899	5,463	—	26,791
Depreciation, depletion, amortization and accretion	15,537	20,068	7,401	15,715	—	58,721
Operating income (loss)	18,624	1,455	2,838	(21,616)	60	1,361
Interest expense, net	425	649	102	898	—	2,074
Other (income) expense, net	(28,869)	8	(32)	317	—	(28,576)
Income (loss) before income taxes	\$ 47,068	\$ 798	\$ 2,768	\$ (22,831)	\$ 60	\$ 27,863

Six months ended June 30, 2018	Infrastructure	Pressure Pumping	Sand	All Other	Eliminations	Total
Revenue from external customers	\$ 685,709	\$ 196,912	\$ 73,942	\$ 71,280	\$ —	\$ 1,027,843
Intersegment revenues	—	5,632	29,918	4,193	(39,743)	—
Total revenue	685,709	202,544	103,860	75,473	(39,743)	1,027,843
Cost of revenue, exclusive of depreciation, depletion, amortization and accretion	404,265	128,205	68,447	65,012	—	665,929
Intersegment cost of revenues	2,545	31,576	5,305	327	(39,753)	—
Total cost of revenue	406,810	159,781	73,752	65,339	(39,753)	665,929
Selling, general and administrative	71,637	23,485	3,431	5,085	—	103,638
Depreciation, depletion, amortization and accretion	6,501	27,815	6,197	17,190	—	57,703
Impairment of long-lived assets	—	—	—	187	—	187
Operating income (loss)	200,761	(8,537)	20,480	(12,328)	10	200,386
Interest expense, net	182	845	156	1,013	—	2,196
Other expense, net	332	92	23	67	—	514
Income (loss) before income taxes	\$ 200,247	\$ (9,474)	\$ 20,301	\$ (13,408)	\$ 10	\$ 197,676

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	Infrastructure	Pressure Pumping	Sand	All Other	Eliminations	Total
As of June 30, 2019:						
Total assets	\$ 419,368	\$ 265,244	\$ 216,857	\$ 147,611	\$ 59,830	\$ 1,108,910
Goodwill	\$ 3,828	\$ 86,043	\$ 2,684	\$ 8,690	\$ —	\$ 101,245
As of December 31, 2018:						
Total assets	\$ 366,457	\$ 254,278	\$ 177,870	\$ 122,442	\$ 152,044	\$ 1,073,091
Goodwill	\$ 3,828	\$ 86,043	\$ 2,684	\$ 8,690	\$ —	\$ 101,245

21. Subsequent Events

Subsequent to June 30, 2019, the Company borrowed an additional \$3.5 million under its credit facility. At July 31, 2019, outstanding borrowings under the Company's revolving credit facility totaled \$85.5 million, leaving an aggregate of \$90.0 million of available borrowing capacity under the facility, which is net of letters of credit of \$8.7 million.

As a result of market conditions, subsequent to June 30, 2019, the Company temporarily shut down its cementing and acidizing operations as well as its flowback operations. The Company is currently evaluating the impact this event will have on its consolidated financial statements. An estimate of such impact cannot be made at this time.

As a result of oilfield market conditions, the Company's Board of Directors has suspended the quarterly cash dividend.

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. This discussion contains forward-looking statements reflecting our current expectations, estimates and assumptions concerning events and financial trends that may affect our future operating results or financial position. Actual results and the timing of events may differ materially from those contained in these forward-looking statements due to a number of factors, including those discussed in Item 1A. "Risk Factors" in this Quarterly Report and in our Form 10-K for the year ended December 31, 2018, filed with the Securities and Exchange Commission, or the SEC, on March 18, 2019 and the section entitled "Forward-Looking Statements" appearing elsewhere in this Quarterly Report.

Overview

We are an integrated, growth-oriented company serving both the electric utility and oil and gas industries in North America. Our primary business objective is to grow our operations and create value for stockholders through organic growth opportunities and accretive acquisitions. Our suite of services includes infrastructure services, pressure pumping services, natural sand proppant services and other energy services, including contract land and directional drilling, coil tubing, flowback, cementing, acidizing, equipment rental, crude oil hauling and remote accommodations. Our infrastructure services division provides construction, upgrade, maintenance and repair services to the electrical infrastructure industry. Our pressure pumping services division provides hydraulic fracturing and water transfer services. Our natural sand proppant services division mines, processes and sells proppant used for hydraulic fracturing. In addition to these service divisions, we also provide contract land and directional drilling services, coil tubing services, pressure control services, flowback services, cementing services, acidizing services, equipment rentals, full service transportation, crude oil hauling services and remote accommodations. We believe that the services we offer play a critical role in maintaining and improving electrical infrastructure as well as in increasing the ultimate recovery and present value of production streams from unconventional resources. Our complementary suite of services provides us with the opportunity to cross-sell our services and expand our customer base and geographic positioning. We are exploring several opportunities to expand our business lines to include telecommunications and general industrial manufacturing, among others, as we shift to a broader industrial focus.

Second Quarter 2019 Highlights and Recent Developments

- Net loss of \$10.9 million, or \$0.24 per diluted share, for the three months ended June 30, 2019.
- Adjusted EBITDA of \$8.6 million for the three months ended June 30, 2019. See "Non-GAAP Financial Measures" below for a reconciliation of net income to adjusted EBITDA.
- Suspended quarterly cash dividend beginning with the second quarter of 2019 in response to oilfield market conditions.
- Reduced our 2019 capital expenditure budget 49% from \$80 million to \$41 million.

Industry Overview

Energy Infrastructure Industry

In 2017, we expanded into the electric infrastructure business, offering both commercial and storm restoration services to government-funded utilities, private utilities, public investor owned utilities and cooperatives. Since we commenced operations in this line of business, substantially all of our infrastructure revenues has been generated from storm restoration work, primarily from PREPA due to damage caused by Hurricane Maria. On October 19, 2017, Cobra and PREPA entered into an emergency master services agreement for repairs to PREPA's electrical grid. The one-year contract, as amended, provided for payments of up to \$945 million. On May 26, 2018, Cobra and PREPA entered into a new one-year, \$900 million master services agreement to provide additional repair services and begin the initial phase of reconstruction of the electrical power system in Puerto Rico. Our work under each of the contracts with PREPA has now ended and only a small contingent of non-billable personnel remain on the island to facilitate the demobilization of our remaining equipment.

As of June 30, 2019, PREPA owed us approximately \$227.4 million for services performed excluding \$29.0 million of interest charged on these delinquent balances as of June 30, 2019. See Note 2. Basis of Presentation and Significant Accounting Policies-Accounts Receivable of our unaudited condensed consolidated financial statements. 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 contracts is largely dependent upon funding from the Federal Emergency Management Agency or other sources. In the event PREPA (i) does not have or does not obtain the funds necessary to satisfy its obligations to Cobra under the contracts, (ii) obtains the necessary funds but refuses to pay the amounts owed to us or (iii) otherwise fails to pay amounts owed to us for services performed, our financial condition, results of operations and cash flows would be materially and adversely affected. In addition, government contracts are subject to various uncertainties, restrictions and regulations, including oversight audits and compliance reviews by government agencies and representatives. In this regard, we have become aware of an ongoing investigation by the U.S. Attorney's Office for the District of Puerto Rico and the Department of Homeland Security Office of Inspector General relating to the contracts awarded to Cobra by PREPA. We have been informed that the investigation is focused on the interactions between a FEMA official and the former President of Cobra. We have been cooperating with this investigation. Given the uncertainty inherent with respect to such investigations and any resulting litigation, it is not possible to determine the potential outcome at this time. If it is determined that we or our employees engaged in improper activities, however, we may be subject to civil and criminal penalties, and contractual, civil and criminal damages that may include the repayment of all or part of amounts paid to us by PREPA and/or forgoing any of the amounts currently owed to us. Further, as noted above, our contracts with PREPA have concluded and there can be no assurance that we will be able to obtain one or more contracts with PREPA or other customers to replace the level of services that we provided to PREPA under our previous contracts.

We completed our work in Puerto Rico on March 31, 2019 and, during the second quarter of 2019, we demobilized our remaining crews and approximately 1,000 pieces of equipment back to the U.S. mainland. We have begun to right size our infrastructure operations and perform required maintenance on our equipment which had been subjected to harsh working conditions. We expect this process, with its associated costs, to be completed in the coming months.

While we have completed our work in Puerto Rico, the demand for our infrastructure services in the continental United States has continued to increase. We have grown our crew count to a total of approximately 156 crews as of June 30, 2019, an increase of 51 from approximately 105 at December 31, 2018 and an increase of 106 from approximately 50 at December 31, 2017. Each distribution crew generally consists of five employees. These distribution crews, which now include many of the employees previously located in Puerto Rico, are working for multiple utilities primarily across the northeastern, midwestern and southwestern portions of the United States. We believe we will be able to continue to grow our customer base and increase our revenues in the continental United States over the coming years. We also believe that the skill sets and experience of our crews will afford us enhanced bidding opportunities in both the U.S. and overseas.

As of June 30, 2019, our infrastructure services backlog was approximately \$595 million, all of which is attributable to operations in the continental United States. Estimated backlog for our infrastructure services represents the amount of revenue we expect to realize over the next 36 months from future work on uncompleted construction projects, including new contracts under which work has not begun. Our estimated backlog also includes amounts payable to us under master service and other service agreements. Estimated infrastructure services backlog for work under master service and other service agreements is determined based on historical trends, experience from similar projects and estimates of customer demand based on communications with our customers.

Approximately \$576 million of our infrastructure services backlog as of June 30, 2019 is attributable to amounts under master service or other service agreements pursuant to which our customers are not contractually committed to purchase a minimum amount of services. Most of these agreements can be canceled on short or no advance notice. Timing of revenue for our infrastructure services backlog can be subject to change as a result of our delays, customer delays, regulatory delays or other factors. These changes could cause estimated revenue to be realized in periods later than originally expected, or not at all. We occasionally experience postponements, cancellations and reductions in expected future work from master service agreements or other service agreements due to changes in our customers' spending plans, market volatility, governmental funding and regulatory factors. There can be no assurance as to our customers' requirements or the accuracy of our estimates. As a result, our backlog as of any particular date is an uncertain indicator of future revenue and earnings.

Backlog is not a term recognized under accounting principles generally accepted in the United States; however, it is a common measurement used in the infrastructure industry. As such, our methodology for determining backlog is not comparable to the methodologies used by others.

Oil and Natural Gas Industry

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 oil and natural gas products and services depends substantially on the level of expenditures by companies in the oil and natural gas industry. The levels of capital expenditures of our customers are predominantly driven by oil and natural gas prices. Over the past several years, commodity prices, particularly oil, has seen significant volatility with pricing ranging from a high of \$110.53 per barrel on September 6, 2013 to a low of \$26.19 per barrel on February 11, 2016. During early 2017, oil prices stabilized around the \$50 per barrel level and started a gradual upward trend which continued into the fourth quarter of 2018, when oil prices peaked at \$76.41 on October 3, 2018. Due to certain factors related to world politics and major oil producers, the price of oil experienced a sharp decline during the fourth quarter of 2018, with prices falling to a low of \$42.53 on December 24, 2018. Oil prices stabilized in early 2019 and started an upward trend reaching a high of \$66.30 per barrel on April 23, 2019. Throughout the second quarter of 2019, oil prices averaged \$59.86 per barrel, an increase of approximately 9% over the average price per barrel during the first quarter of 2019 of \$54.87.

We anticipate demand for our oil and natural gas services and products will continue to be dependent on the level of expenditures by companies in the oil and natural gas industry and, ultimately, commodity prices. We experienced a weakening in demand for our oilfield services beginning in the third quarter of 2018 which accelerated in the fourth quarter of 2018 as a result of softening of oil prices and budget exhaustion by our customers. With the rebound in commodity prices in early 2019 and the resetting of budgets for the new year, we saw demand for our pressure pumping services increase in the first quarter of 2019. However, utilization rates for our pressure pumping services declined in the second quarter of 2019 and pricing remained challenging. We expect these utilization and pricing trends to continue during the second half of 2019. If commodity prices stabilize at current levels or continue to increase, the capital expenditures of our customers have the potential to increase from current levels as additional cash flows are realized. If this were to occur, we would expect an increase in demand for our services and products, particularly in our completion and production, natural sand proppant and contract land and directional drilling businesses. Increase in demand, however, may not result in an increase in pricing as many of the oilfield services we provide are oversupplied. Decreases in commodity prices, however, would be expected to result in a reduction in the capital expenditures of our customers and reduce the demand and pricing for our drilling, completion and other products and services.

During the first six months of 2019, we experienced lower utilization rates and pricing for our oil and natural gas services, including our pressure pumping, contract drilling, coil tubing and directional drilling equipment and services, as compared to the first six months of 2018. Further, in response to market conditions, subsequent to June 30, 2019, we have temporarily shut down our cementing and acidizing operations as well as our flowback operations. Based on current feedback from our exploration and production customers, we expect them to take a cautious approach to activity levels in the second half of 2019 given the recent volatility in oil prices and investor sentiment calling for activities to remain within or below cash flows. Accordingly, we do not anticipate material increases in the overall pricing for our products and services in the near term. We intend to closely monitor our cost structure in response to market conditions. Further, a significant portion of our revenue from our pressure pumping business is derived from Gulfport pursuant to a contract that expires in December 2021. The termination of our relationship with Gulfport, or nonrenewal of our contract with Gulfport, or one or more of our other customers, if not replaced with comparable levels of service from other customers, could result in lower utilization rates for our pressure pumping equipment and, as a result, would have a material adverse effect on our business, financial condition, results of operation and cash flow.

Natural Sand Proppant Industry

In the natural sand proppant industry, demand growth for frac sand and other proppants is primarily driven by advancements in oil and natural gas drilling and well completion technology and techniques, such as horizontal drilling and hydraulic fracturing, as well as overall industry activity growth. Demand for proppant declined in 2015 and throughout most of 2016 and again in late 2018 due to reduced well completion activity; however, we believe that demand for proppant will continue to grow over the long-term, as it did throughout 2017 and the first half of 2018.

Over the past 24 months, several new suppliers entered the market and existing suppliers completed planned capacity additions of frac sand supply, particularly in the Permian Basin. The industry expansion caused the frac sand market to become oversupplied, particularly in finer grades. As a result, pricing for certain grades have fallen significantly from the peaks experienced during the first half of 2018. This price degradation has resulted in the temporary closure of several Northern White plants. We believe that the coarseness, conductivity, sphericity, acid-solubility and crush-resistant properties of our Northern White sand reserves and our transportation infrastructure afford us an advantage over many of our competitors and

make us one of a select group of Northern White sand producers capable of delivering high volumes of frac sand that is optimal for oil and natural gas production to all major unconventional resource basins currently producing throughout North America.

During the first half of 2018, constraints in the rail system adversely impacted frac sand deliveries from our Taylor sand facility in Jackson County, Wisconsin. As a result, we estimate production at our Taylor facility was 23% lower during the first half of 2018 than it would have been in the absence of these constraints. These rail system constraints were largely alleviated by the end of 2018. Production at our Piranha facility was not impacted by these rail constraints, however, another railroad instituted a policy during the fourth quarter of 2018 that shifted from utilizing unit trains (100 car dedicated trains specifically set up to move sand in large quantities) to manifest shipments (smaller number of sand cars coupled with other types of loads to make up a full train shipment). This shift to manifest shipments has not had an impact on the movement of sand from our Piranha facility to date, but may in the future.

Further, as a result of adverse market conditions, production at our Muskie sand facility in Pierce County, Wisconsin has been temporarily idled since September 2018. Our Piranha sand facility in New Auburn, Wisconsin and Taylor sand facility in Taylor, Wisconsin are currently running at 60% to 70% capacity. Our contracted capacity has provided a strong baseline of business, which has kept our Taylor and Piranha plants operating and our costs low. Our blended production costs have declined 31% from approximately \$17.12 during the first half of 2018 to approximately \$11.82 during the first half of 2019.

Results of Operations

Three Months Ended June 30, 2019 Compared to Three Months Ended June 30, 2018

	Three Months Ended	
	June 30, 2019	June 30, 2018
(in thousands)		
Revenue:		
Infrastructure services	\$ 41,821	\$ 360,250
Pressure pumping services	84,641	101,406
Natural sand proppant services	40,393	52,845
Other services	28,387	37,348
Eliminations	(13,422)	(18,255)
Total revenue	181,820	533,594
Cost of revenue:		
Infrastructure services (exclusive of depreciation and amortization of \$7,812 and \$4,088, respectively, for the three months ended June 30, 2019 and 2018)	44,864	210,943
Pressure pumping services (exclusive of depreciation and amortization of \$10,163 and \$13,841, respectively, for the three months ended June 30, 2019 and 2018)	71,632	77,767
Natural sand proppant services (exclusive of depreciation, depletion and accretion of \$4,525 and \$3,879, respectively, for the three months ended June 30, 2019 and 2018)	33,817	36,136
Other services (exclusive of depreciation and amortization of \$7,622 and \$8,969, respectively, for the three months ended June 30, 2019 and 2018)	31,202	32,989
Eliminations	(13,500)	(18,007)
Total cost of revenue	168,015	339,828
Selling, general and administrative expenses	9,455	65,127
Depreciation, depletion, amortization and accretion	30,145	30,795
Impairment of long-lived assets	—	187
Operating (loss) income	(25,795)	97,657
Interest expense, net	(1,551)	(959)
Other income (expense), net	4,019	(486)
(Loss) income before income taxes	(23,327)	96,212
(Benefit) provision for income taxes	(12,438)	53,512
Net (loss) income	\$ (10,889)	\$ 42,700

Revenue. Revenue for the three months ended June 30, 2019 decreased \$352 million, or 66%, to \$182 million from \$534 million for the three months ended June 30, 2018. The decrease in total revenue is primarily attributable to a \$318 million decrease in infrastructure services revenue during the three months ended June 30, 2019.

Revenue derived from related parties was \$48 million, or 26% of our total revenues, for the three months ended June 30, 2019 and \$50 million, or 9% of our total revenue, for the three months ended June 30, 2018. Substantially all of our related party revenue is derived from Gulfport under pressure pumping and sand contracts. Revenue by operating division was as follows:

Infrastructure Services. Infrastructure services division revenue decreased \$318 million, or 88%, to \$42 million for the three months ended June 30, 2019 from \$360 million for the three months ended June 30, 2018 primarily due to a decline in the work we performed under our contracts with PREPA for repairs to Puerto Rico's electrical grid as a result of Hurricane Maria. Operations in Puerto Rico under these contracts concluded on March 31, 2019. For the three months ended June 30, 2019, we generated 26% of total infrastructure services revenue from our

contracts with PREPA compared to 96% for the three months ended June 30, 2018. For additional information regarding our contracts with PREPA and our infrastructure services, see "Industry Overview - Electrical Infrastructure Industry" above.

Pressure Pumping Services. Pressure pumping services division revenue decreased \$16 million, or 16%, to \$85 million for the three months ended June 30, 2019 from \$101 million for the three months ended June 30, 2018. Revenue derived from related parties was \$34 million, or 40% of total pressure pumping revenue, for the three months ended June 30, 2019 compared to \$34 million, or 33% of total pressure pumping revenue, for the three months ended June 30, 2018. All of our related party revenue is derived from Gulfport. Inter-segment revenue, consisting primarily of revenue derived from our sand segment, totaled \$2 million and \$1 million, respectively, for the three months ended June 30, 2019 and 2018.

The decrease in our pressure pumping services revenue was primarily driven by a decline in pricing as a result of market conditions as well as a decline in utilization. The number of stages completed declined 5% from 1,815 for the three months ended June 30, 2018 to 1,717 for the three months ended June 30, 2019. An average of 2.7 of our six fleets were active for the three months ended June 30, 2019 as compared to an average of 4.3 fleets for the three months ended June 30, 2018.

Natural Sand Proppant Services. Natural sand proppant services division revenue decreased \$13 million, or 24%, to \$40 million for the three months ended June 30, 2019, from \$53 million for the three months ended June 30, 2018. Revenue derived from related parties was \$11 million, or 28% of total sand revenue, for the three months ended June 30, 2019 and \$10 million, or 18% of total sand revenue, for the three months ended June 30, 2018. Inter-segment revenue, consisting primarily of revenue derived from our pressure pumping segment, totaled \$11 million, or 28% of total sand revenue, for the three months ended June 30, 2019 and \$15 million, or 29% of total sand revenue, for the three months ended June 30, 2018.

The decrease in our natural sand proppant services revenue was primarily attributable to a 30% decline in average price per ton of sand sold from \$43.09 per ton during the three months ended June 30, 2018 to \$30.09 per ton during the three months ended June 30, 2019, which was partially offset by a 4% increase in tons of sand sold from approximately 777,850 tons for the three months ended June 30, 2018 to 812,611 tons for the three months ended June 30, 2019.

Other Services. Other revenue, consisting of revenue derived from our contract land and directional drilling, coil tubing, pressure control, flowback, cementing, acidizing, equipment rental, full service transportation, crude oil hauling and remote accommodation businesses, decreased \$9 million, or 24%, to \$28 million for the three months ended June 30, 2019 from \$37 million for the three months ended June 30, 2018. Revenue derived from related parties, consisting primarily of equipment rental revenue from Gulfport, was \$3 million, or 11% of total other revenue, for the three months ended June 30, 2019 and \$7 million, or 19% of total other revenue, for the three months ended June 30, 2018. Inter-segment revenue, consisting primarily of revenue derived from our pressure pumping and infrastructure segments, totaled \$1 million and \$2 million, respectively, for the three months ended June 30, 2019 and 2018.

The decrease in our other services revenue was primarily due to declines in utilization for our contract land drilling, coil tubing and directional drilling businesses, which was partially offset by an increase in activity for our equipment rental business and increased crude oil hauling revenues due to the acquisition of WTL in the second quarter of 2018. An average of 601 pieces of equipment were rented during the three months ended June 30, 2019, an increase of 77% from an average of 339 pieces of equipment rented during the three months ended June 30, 2018.

Cost of Revenue (exclusive of depreciation, depletion, amortization and accretion expense) Cost of revenue, exclusive of depreciation, depletion, amortization and accretion expense, decreased \$172 million from \$340 million, or 64% of total revenue, for the three months ended June 30, 2018 to \$168 million, or 92% of total revenue, for the three months ended June 30, 2019. The decrease was primarily due to a decline in activity for our infrastructure services business, which represented a \$166 million decrease in cost of revenue. Cost of revenue by operating division was as follows:

Infrastructure Services. Infrastructure services division cost of revenue, exclusive of depreciation and amortization expense, decreased \$166 million, or 79%, to \$45 million for the three months ended June 30, 2019 from \$211 million for the three months ended June 30, 2018. The decrease is due to a decline in the work we performed under our contracts with PREPA for repairs to Puerto Rico's electrical grid as a result of Hurricane Maria. Operations in Puerto Rico under these contracts concluded on March 31, 2019. As a percentage of revenue, cost of revenue,

exclusive of depreciation and amortization expense of \$8 million and \$4 million for the three months ended June 30, 2019 and 2018, respectively, was 107% and 59% for the three months ended June 30, 2019 and 2018, respectively. The increase is primarily due to increased labor costs as a percentage of revenue. Additionally, expenses were incurred during the three months ended June 30, 2019 to transport and perform necessary maintenance on equipment returning to the U.S. mainland from Puerto Rico.

Pressure Pumping Services. Pressure pumping services division cost of revenue, exclusive of depreciation and amortization expense, decreased \$6 million, or 8%, to \$72 million for the three months ended June 30, 2019 from \$78 million for the three months ended June 30, 2018 primarily due to a decline in repairs and maintenance expense. As a percentage of revenue, our pressure pumping services division cost of revenue, exclusive of depreciation and amortization expense of \$10 million and \$14 million for the three months ended June 30, 2019 and 2018, respectively, was 85% and 77% for the three months ended June 30, 2019 and 2018, respectively. The increase is primarily due to a decline in utilization.

Natural Sand Proppant Services. Natural sand proppant services division cost of revenue, exclusive of depreciation, depletion and accretion expense, decreased \$2 million, or 6%, to \$34 million for the three months ended June 30, 2019 from \$36 million for the three months ended June 30, 2018, primarily due to a decline in cost of goods sold. As a percentage of revenue, cost of revenue, exclusive of depreciation, depletion and accretion expense of \$5 million and \$4 million for the three months ended June 30, 2019 and 2018, respectively, was 84% and 68% for the three months ended June 30, 2019 and 2018, respectively. The increase is primarily due to a decline in average price per ton of sand sold.

Other Services. Other services division cost of revenue, exclusive of depreciation and amortization expense, decreased \$2 million, or 6%, to \$31 million for the three months ended June 30, 2019 from \$33 million for the three months ended June 30, 2018, primarily due to declines in cost of revenue for our contract land drilling, directional drilling and coil tubing businesses as a result of reduced activity. These declines were partially offset by an increase in costs for our equipment rental business and the acquisition of WTL in the second quarter of 2018. As a percentage of revenue, cost of revenue, exclusive of depreciation and amortization expense of \$8 million and \$9 million for the three months ended June 30, 2019 and 2018, respectively, was 110% and 88% for the three months ended June 30, 2019 and 2018, respectively. The increase is primarily the result declines in utilization for our contract land drilling, directional drilling and coil tubing businesses.

Selling, General and Administrative Expenses. Selling, general and administrative expenses, or SG&A, represent the costs associated with managing and supporting our operations. The table below presents a breakdown of SG&A expenses for the periods indicated (in thousands):

	Three Months Ended	
	June 30, 2019	June 30, 2018
Cash expenses:		
Compensation and benefits	\$ 2,154	\$ 10,978
Professional services	2,934	2,981
Other ^(a)	3,381	3,935
Total cash SG&A expense	8,469	17,894
Non-cash expenses:		
Bad debt provision ^(b)	262	28,263
Equity based compensation ^(c)	—	17,487
Stock based compensation	724	1,483
Total non-cash SG&A expense	986	47,233
Total SG&A expense	\$ 9,455	\$ 65,127

a. Includes travel-related costs, IT expenses, rent, utilities and other general and administrative-related costs.

b. \$28.3 million of the bad debt expense recognized during the three months ended June 30, 2018 was subsequently reversed during the third quarter of 2018.

c. Represents compensation expense for non-employee awards, which were issued and are payable by certain affiliates of Wexford (the sponsor level).

Depreciation, Depletion, Amortization and Accretion. Depreciation, depletion, amortization and accretion decreased \$1 million, or 3%, to \$30 million for the three months ended June 30, 2019 from \$31 million for the three months ended June 30, 2018. The decrease is primarily attributable to a decline in intangible asset amortization expense, which was partially offset by an increase in depreciation expense as a result of additional property and equipment purchases in the second half 2018 and first half of 2019.

Operating Income. Operating income decreased \$124 million to an operating loss of \$26 million for the three months ended June 30, 2019 from operating income of \$98 million for the three months ended June 30, 2018. The decrease was primarily due to a \$119 million decline in operating income for our infrastructure services division due to a decline in activity.

Interest Expense, Net. Interest expense, net increased \$1 million during the three months ended June 30, 2019 compared to the three months ended June 30, 2018 primarily due to an increase in average borrowings outstanding.

Other Income, Net. Other income, net increased \$5 million during the three months ended June 30, 2019 compared to the three months ended June 30, 2018 primarily due to the recognition of interest on trade account receivable totaling \$3 million pursuant to the terms of our contracts with PREPA.

Income Taxes. We recorded an income tax benefit of \$12 million on pre-tax loss of \$23 million for the three months ended June 30, 2019 compared to income tax expense of \$54 million on pre-tax income of \$96 million for the three months ended June 30, 2018. Our effective tax rate was 53% and 56%, respectively, for the three months ended June 30, 2019 and 2018.

Six Months Ended June 30, 2019 Compared to Six Months Ended June 30, 2018

	Six Months Ended	
	June 30, 2019	June 30, 2018
(in thousands)		
Revenue:		
Infrastructure services	\$ 150,542	\$ 685,709
Pressure pumping services	176,780	202,544
Natural sand proppant services	78,254	103,860
Other services	66,904	75,473
Eliminations	(28,522)	(39,743)
Total revenue	443,958	1,027,843
Cost of revenue:		
Infrastructure services (exclusive of depreciation and amortization of \$15,524 and \$6,489, respectively, for the six months ended June 30, 2019 and 2018)	103,828	406,810
Pressure pumping services (exclusive of depreciation and amortization of \$20,047 and \$27,818, respectively, for the six months ended June 30, 2019 and 2018)	149,381	159,781
Natural sand proppant services (exclusive of depreciation, depletion and accretion of \$7,395 and \$6,193, respectively, for the six months ended June 30, 2019 and 2018)	65,116	73,752
Other services (exclusive of depreciation and amortization of \$15,709 and \$17,166, respectively, for the six months ended June 30, 2019 and 2018)	67,342	65,339
Eliminations	(28,582)	(39,753)
Total cost of revenue	357,085	665,929
Selling, general and administrative expenses	26,791	103,638
Depreciation, depletion, amortization and accretion	58,721	57,703
Impairment of long-lived assets	—	187
Operating income	1,361	200,386
Interest expense, net	(2,074)	(2,196)
Other income (expense), net	28,576	(514)
Income before income taxes	27,863	197,676
Provision for income taxes	10,419	99,430
Net income	\$ 17,444	\$ 98,246

Revenue. Revenue for the six months ended June 30, 2019 decreased \$584 million, or 57%, to \$444 million from \$1 billion for the six months ended June 30, 2018. The decrease in total revenue is primarily attributable to a \$535 million decline in infrastructure services revenue as well as a \$26 million decline in pressure pumping services revenue.

Revenue derived from related parties was \$104 million, or 24% of our total revenue, for the six months ended June 30, 2019 and \$111 million, or 11% of our total revenue, for the six months ended June 30, 2018. Substantially all of our related party revenue is derived from Gulfport under pressure pumping and sand contracts. Revenue by operating division was as follows:

Infrastructure Services. Infrastructure services division revenue decreased \$535 million, or 78%, to \$151 million for the six months ended June 30, 2019 from \$686 million for the six months ended June 30, 2018 primarily due to a decline in the work we performed under our contracts with PREPA for repairs to Puerto Rico's electrical grid as a result of Hurricane Maria. Operations in Puerto Rico under these contracts concluded on March 31, 2019. For the six months ended June 30, 2019, we generated 65% of total infrastructure services revenue from our contracts with

PREPA compared to 97% for the six months ended June 30, 2018. For additional information regarding our contracts with PREPA and our infrastructure services, see "Industry Overview - Electrical Infrastructure Industry" above.

Pressure Pumping Services. Pressure pumping services division revenue decreased \$26 million, or 13%, to \$177 million for the six months ended June 30, 2019 from \$203 million for the six months ended June 30, 2018. Revenue derived from related parties was \$72 million, or 41% of total pressure pumping revenue, for the six months ended June 30, 2019 compared to \$72 million, or 36% of total pressure pumping revenue, for the six months ended June 30, 2018. Substantially all of our related party revenue is derived from Gulfport. Inter-segment revenues, consisting primarily of revenue derived from our sand segment, totaled \$3 million and \$6 million, respectively, for the six months ended June 30, 2019 and 2018.

The decrease in our pressure pumping services revenue was primarily driven by a decline in pricing as a result of market conditions. Additionally, during the six months ended June 30, 2019, more of our customers sourced their own consumables, contributing to a decline in revenue for the period. The number of stages completed increased to 3,606 for the six months ended June 30, 2019 from 3,487 for the six months ended June 30, 2018. An average of 3.5 of our six fleets were active for the six months ended June 30, 2019 as compared to an average of 4.0 fleets for the six months ended June 30, 2018.

Natural Sand Proppant Services. Natural sand proppant services division revenue decreased \$26 million, or 25%, to \$78 million for the six months ended June 30, 2019, from \$104 million for the six months ended June 30, 2018. Revenue derived from related parties was \$24 million, or 31% of total sand revenue, for the six months ended June 30, 2019 and \$21 million, or 20% of total sand revenue, for the six months ended June 30, 2018. Inter-segment revenue, consisting primarily of revenue derived from our pressure pumping segment, totaled \$24 million, or 31% of total sand revenue, for the six months ended June 30, 2019 and \$30 million, or 29% of total sand revenue, for the six months ended June 30, 2018.

The decrease in our natural sand proppant services revenue was primarily attributable to a 29% decline in average sales price per ton of sand sold from \$43.74 per ton during the six months ended June 30, 2018 to \$31.08 per ton during the six months ended June 30, 2019. This was partially offset by a 2% increase in tons of sand sold from approximately 1,513,434 tons for the six months ended June 30, 2018 to 1,478,420 tons for the six months ended June 30, 2019.

Other Services. Other revenue, consisting of revenue derived from our contract land and directional drilling, coil tubing, pressure control, flowback, cementing, acidizing, equipment rental, full service transportation, crude oil hauling and remote accommodation businesses, decreased \$8 million, or 11%, to \$67 million for the six months ended June 30, 2019 from \$75 million for the six months ended June 30, 2018. Revenue derived from related parties, consisting primarily of equipment rental and cementing revenue from Gulfport, was \$9 million, or 13% of total other revenue, for the six months ended June 30, 2019 and \$17 million, or 23% of total other revenue, for the six months ended June 30, 2018. Inter-segment revenue, consisting primarily of revenue derived from our infrastructure and pressure pumping segments, totaled \$1 million and \$4 million, respectively, for the six months ended June 30, 2019 and 2018.

The decrease in our other services revenue was primarily due to declines in utilization for our contract land drilling, coil tubing and directional drilling businesses, which was partially offset by an increase in activity for our equipment rental business and increased crude oil hauling revenues due to the acquisition of WTL in the second quarter of 2018. An average of 611 pieces of equipment were rented during the six months ended June 30, 2019, an increase of 76% from an average of 348 pieces of equipment rented during the six months ended June 30, 2018.

Cost of Revenue (exclusive of depreciation, depletion, amortization and accretion expense). Cost of revenue, exclusive of depreciation, depletion, amortization and accretion expense, decreased \$309 million from \$666 million, or 65% of total revenue, for the six months ended June 30, 2018 to \$357 million, or 80% of total revenue, for the six months ended June 30, 2019. The decrease was primarily due to a decline in activity for our infrastructure services business, which represented a \$303 million decrease in cost of revenue. Cost of revenue by operating division was as follows:

Infrastructure Services. Infrastructure services division cost of revenue, exclusive of depreciation and amortization expense, decreased \$303 million, or 74%, to \$104 million for the six months ended June 30, 2019 from \$407 million for the six months ended June 30, 2018. The decrease is primarily due to a decline in the work we performed under our contracts with PREPA for repairs to Puerto Rico's electrical grid as a result of Hurricane Maria. Operations in Puerto Rico under these contracts concluded on March 31, 2019. As a percentage of revenue, cost of

revenue, exclusive of depreciation and amortization expense of \$16 million and \$6 million for the six months ended June 30, 2019 and 2018, respectively, was 69% and 59% for the six months ended June 30, 2019 and 2018, respectively.

Pressure Pumping Services. Pressure pumping services division cost of revenue, exclusive of depreciation and amortization expense, decreased \$11 million, or 7%, to \$149 million for the six months ended June 30, 2019 from \$160 million for the six months ended June 30, 2018. The decrease was primarily due to declines in cost of goods sold and fuel expense as more of our customers sourced their own consumables during the six months ended June 30, 2019 as compared to the six months ended June 30, 2018. As a percentage of revenue, our pressure pumping services division cost of revenue, exclusive of depreciation and amortization expense of \$20 million and \$28 million for the six months ended June 30, 2019 and 2018, respectively, was 85% and 79% for the six months ended June 30, 2019 and 2018, respectively.

Natural Sand Proppant Services. Natural sand proppant services division cost of revenue, exclusive of depreciation, depletion and accretion expense, decreased \$9 million, or 12%, from \$74 million for the six months ended June 30, 2018 to \$65 million for the six months ended June 30, 2019, primarily due to a decline in cost of goods sold. As a percentage of revenue, cost of revenue, exclusive of depreciation, depletion and accretion expense of \$7 million and \$6 million for the six months ended June 30, 2019 and 2018, respectively, was 83% and 71% for the six months ended June 30, 2019 and 2018, respectively. The increase is primarily due to a decline in average price per ton of sand sold.

Other Services. Other services division cost of revenue, exclusive of depreciation and amortization expense, increased \$2 million, or 3%, from \$65 million for the six months ended June 30, 2018 to \$67 million for the six months ended June 30, 2019, primarily due to the acquisitions of RTS and WTL in the second quarter of 2018. This was partially offset by a decline in costs for our contract land drilling, coil tubing and directional drilling businesses as a result of reduced activity. As a percentage of revenue, cost of revenue, exclusive of depreciation and amortization expense of \$16 million and \$17 million for the six months ended June 30, 2019 and 2018, respectively, was 101% and 87% for the six months ended June 30, 2019 and 2018, respectively. The increase is primarily the result of a decline in utilization in our contract land drilling, coil tubing, cementing and directional drilling businesses.

Selling, General and Administrative Expenses. Selling, general and administrative expenses represent the costs associated with managing and supporting our operations. The table below presents a breakdown of SG&A expenses for the periods indicated (in thousands):

	Six Months Ended	
	June 30, 2019	June 30, 2018
Cash expenses:		
Compensation and benefits	\$ 11,384	\$ 18,677
Professional services	6,723	5,568
Other ^(a)	6,626	5,542
Total cash SG&A expense	24,733	29,787
Non-cash expenses:		
Bad debt provision ^(b)	266	53,790
Equity based compensation ^(c)	—	17,487
Stock based compensation	1,792	2,574
Total non-cash SG&A expense	2,058	73,851
Total SG&A expense	\$ 26,791	\$ 103,638

a. Includes travel-related costs, IT expenses, rent, utilities and other general and administrative-related costs.

b. \$53.6 million of the bad debt expense recognized during the six months ended June 30, 2018 was subsequently reversed during the third quarter of 2018.

c. Represents compensation expense for non-employee awards, which were issued and are payable by certain affiliates of Wexford (the sponsor level).

Depreciation, Depletion, Amortization and Accretion. Depreciation, depletion, amortization and accretion increased \$1 million, or 2%, to \$59 million for the six months ended June 30, 2019 from \$58 million for the six months ended June 30,

2018. The increase is primarily attributable to an increase in depreciation expense as a result of additional property and equipment purchases in the second half 2018, which was partially offset by a decline in intangible asset amortization expense.

Operating Income (Loss). Operating income decreased \$199 million to \$1 million for the six months ended June 30, 2019 from \$200 million for the six months ended June 30, 2018. The decrease was primarily due to a \$182 million decline in operating income for our infrastructure services division due to a decline in activity as well as a \$18 million decline in operating income for our natural sand proppant services division due to a decrease in pricing.

Interest Expense, Net. Interest expense, net was \$2 million for each of the six months ended June 30, 2019 and 2018. Average outstanding borrowings remained relatively flat for the six months ended June 30, 2019 compared to the six months ended June 30, 2018.

Other Expense, Net. Other income, net increased \$29 million during the six months ended June 30, 2019 compared to the six months ended June 30, 2018 primarily due to the recognition of interest on trade account receivable totaling \$29 million pursuant to the terms of our contracts with PREPA.

Income Taxes. We recorded income tax expense of \$10 million on pre-tax income of \$28 million for the six months ended June 30, 2019 compared to \$99 million on pre-tax income of \$198 million for the six months ended June 30, 2018. Our effective tax rate was 37% for the six months ended June 30, 2019 compared to 50% for the six months ended June 30, 2018. The decrease in effective tax rate is primarily the result of discrete items related to return to provision adjustments recorded during the six months ended June 30, 2019, which was partially offset by changes in the valuation allowance.

Non-GAAP Financial Measures

Adjusted EBITDA

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, public offering costs, equity based compensation, stock based compensation, interest expense, net, other (income) expense, net (which is comprised of the (gain) or loss on disposal of long-lived assets and interest on trade accounts receivable) and provision (benefit) for income taxes, further adjusted to add back interest on trade accounts receivable. 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 industries 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 measures 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 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 (in thousands).

Consolidated

Reconciliation of Adjusted EBITDA to net income (loss):	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2019	2018	2019	2018
Net (loss) income	\$ (10,889)	\$ 42,700	\$ 17,444	\$ 98,246
Depreciation, depletion, accretion and amortization expense	30,145	30,795	58,721	57,703
Impairment of long-lived assets	—	187	—	187
Acquisition related costs	45	77	45	31
Public offering costs	—	731	—	731
Equity based compensation	—	17,487	—	17,487
Stock based compensation	944	1,660	2,233	2,916
Interest expense, net	1,551	959	2,074	2,196
Other (income) expense, net	(4,019)	486	(28,576)	514
Interest on trade accounts receivable	3,234	—	28,969	—
(Benefit) provision for income taxes	(12,438)	53,512	10,419	99,430
Adjusted EBITDA	\$ 8,573	\$ 148,594	\$ 91,329	\$ 279,441

Infrastructure Services

Reconciliation of Adjusted EBITDA to net income:	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2019	2018	2019	2018
Net income	\$ 6,210	\$ 52,359	\$ 41,875	\$ 99,658
Depreciation and amortization expense	7,818	4,094	15,537	6,501
Acquisition related costs	12	4	12	(4)
Public offering costs	—	360	—	360
Stock based compensation	9	606	471	1,063
Interest expense	386	106	425	182
Other (income) expense, net	(4,045)	330	(28,869)	332
Interest on trade accounts receivable	3,234	—	28,969	—
Provision for income taxes	(16,447)	52,632	5,193	100,589
Adjusted EBITDA	\$ (2,823)	\$ 110,491	\$ 63,613	\$ 208,681

Pressure Pumping Services

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2019	2018	2019	2018
Reconciliation of Adjusted EBITDA to net income (loss):				
Net (loss) income	\$ (290)	\$ (11,433)	\$ 798	\$ (9,474)
Depreciation and amortization expense	10,174	13,829	20,068	27,815
Acquisition related costs	18	33	18	33
Public offering costs	—	202	—	202
Equity based compensation	—	17,487	—	17,487
Stock based compensation	489	453	899	871
Interest expense	452	341	649	845
Other expense, net	9	80	8	92
Adjusted EBITDA	\$ 10,852	\$ 20,992	\$ 22,440	\$ 37,871

Natural Sand Proppant Services

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2019	2018	2019	2018
Reconciliation of Adjusted EBITDA to net income:				
Net income	\$ 628	\$ 10,929	\$ 2,768	\$ 20,301
Depreciation, depletion, accretion and amortization expense	4,528	3,881	7,401	6,197
Acquisition related costs	8	—	8	(38)
Public offering costs	—	95	—	95
Stock based compensation	236	205	439	391
Interest expense	72	76	102	156
Other (income) expense, net	(32)	36	(32)	23
Adjusted EBITDA	\$ 5,440	\$ 15,222	\$ 10,686	\$ 27,125

Other Services^(a)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2019	2018	2019	2018
Reconciliation of Adjusted EBITDA to net loss:				
Net loss	\$ (17,515)	\$ (8,907)	\$ (28,057)	\$ (12,250)
Depreciation and amortization expense	7,625	8,991	15,715	17,190
Impairment of long-lived assets	—	187	—	187
Acquisition related costs	7	40	7	40
Public offering costs	—	74	—	74
Stock based compensation	210	396	424	592
Interest expense, net	641	436	898	1,013
Other expense, net	49	40	317	67
Provision (benefit) for income taxes	4,009	880	5,226	(1,158)
Adjusted EBITDA	\$ (4,974)	\$ 2,137	\$ (5,470)	\$ 5,755

a. Includes results for our contract land and directional drilling, coil tubing, pressure control, flowback, cementing, acidizing, equipment rentals, crude oil hauling and remote accommodations services and corporate related activities. Our corporate related activities do not generate revenue.

Adjusted Net Income (Loss) and Adjusted Earnings (Loss) per Share

Adjusted net income (loss) and adjusted earnings (loss) per share are supplemental non-GAAP financial measures that are used by management to evaluate our operating and financial performance. Management believes these measures provide meaningful information about the Company's performance by excluding certain non-cash charges that may not be indicative of the Company's ongoing operating results. Adjusted net income (loss) and adjusted earnings (loss) per share should not be considered in isolation or as a substitute for net income (loss) and earnings (loss) per share prepared in accordance with GAAP and may not be comparable to other similarly titled measures of other companies. The following tables provide a reconciliation of adjusted net income (loss) and adjusted earnings (loss) per share to the GAAP financial measures of net income (loss) and earnings (loss) per share for the periods specified.

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2019	2018	2019	2018
	(in thousands, except per share amounts)			
Net (loss) income, as reported	\$ (10,889)	\$ 42,700	\$ 17,444	\$ 98,246
Equity based compensation	—	17,487	—	17,487
Adjusted net (loss) income	\$ (10,889)	\$ 60,187	\$ 17,444	\$ 115,733
Basic (loss) earnings per share, as reported	\$ (0.24)	\$ 0.95	\$ 0.39	\$ 2.20
Equity based compensation	—	0.40	—	0.40
Adjusted basic (loss) earnings per share	\$ (0.24)	\$ 1.35	\$ 0.39	\$ 2.60
Diluted (loss) earnings per share, as reported	\$ (0.24)	\$ 0.95	\$ 0.39	\$ 2.18
Equity based compensation	—	0.39	—	0.39
Adjusted diluted (loss) earnings per share	\$ (0.24)	\$ 1.34	\$ 0.39	\$ 2.57

Liquidity and Capital Resources

We require capital to fund ongoing operations, including maintenance expenditures on our existing fleet of equipment, organic growth initiatives, investments and acquisitions. Since October 2016, our primary sources of liquidity have been cash on hand, borrowings under our revolving credit facility, cash flows from operations and proceeds from our initial public offering. Our primary uses of capital have been for investing in property and equipment used to provide our services, to acquire complementary businesses and to pay dividends to our stockholders. In July 2019, as a result of oilfield market conditions, our Board of Directors suspended the quarterly cash dividend. Future declaration of cash dividends are subject to approval by our Board of Directors and may be adjusted at its discretion based on market conditions and capital availability.

As of June 30, 2019, we had outstanding borrowings under our revolving credit facility of \$82 million and \$93 million of available borrowing capacity under this facility, after giving effect to \$9 million of outstanding letters of credit.

The following table summarizes our liquidity for the periods indicated (in thousands):

	June 30, 2019	December 31, 2018
Cash and cash equivalents	\$ 7,245	\$ 67,625
Revolving credit facility availability	184,233	184,233
Less long-term debt	(82,036)	—
Less letter of credit facilities (environmental remediation)	(4,182)	(3,877)
Less letter of credit facilities (insurance programs)	(4,105)	(4,105)
Less letter of credit facilities (rail car commitments)	(455)	(455)
Net working capital (less cash) ^(a)	291,568	148,108
Total	<u>\$ 392,268</u>	<u>\$ 391,529</u>

a. Net working capital (less cash) is a non-GAAP measure and is calculated by subtracting total current liabilities of \$164 million and cash and cash equivalents of \$7 million from total current assets of \$463 million as of June 30, 2019. As of December 31, 2018, net working capital (less cash) is calculated by subtracting total current liabilities of \$234 million and cash and cash equivalents of \$68 million from total current assets of \$450 million.

At July 31, 2019, we had cash on hand totaling \$12 million and outstanding borrowings under our revolving credit facility of \$86 million, leaving an aggregate of \$90 million of available borrowing capacity under this facility, which is net of letters of credit of \$9 million.

Liquidity and Cash Flows

The following table sets forth our cash flows at the dates indicated (in thousands):

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2019	2018	2019	2018
Net cash provided by (used in) operating activities	\$ 1,139	\$ 125,128	\$ (101,855)	\$ 226,451
Net cash used in investing activities	(9,182)	(85,755)	(28,435)	(121,243)
Net cash (used in) provided by financing activities	(6,108)	(39,073)	69,825	(100,045)
Effect of foreign exchange rate on cash	53	(45)	85	(98)
Net change in cash	<u>\$ (14,098)</u>	<u>\$ 255</u>	<u>\$ (60,380)</u>	<u>\$ 5,065</u>

Operating Activities

Net cash used in operating activities was \$102 million for the six months ended June 30, 2019, compared to net cash provided by operating activities of \$226 million for the six months ended June 30, 2018. Net cash provided by operating activities was \$1 million for the three months ended June 30, 2019, compared to net cash provided by operating activities of \$125 million for the three months ended June 30, 2018. The decrease in operating cash flows was primarily attributable to a decline in activity for our infrastructure services segment as well as a timing difference between cash outflows for income tax payments and cash inflows for accounts receivable.

Investing Activities

Net cash used in investing activities was \$28 million for the six months ended June 30, 2019, compared to \$121 million for the six months ended June 30, 2018. Net cash used in investing activities was \$9 million for the three months ended June 30, 2019, compared to \$86 million for the three months ended June 30, 2018. Cash used in investing activities was primarily 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 (in thousands):

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2019	2018	2019	2018
Infrastructure services ^(a)	\$ 2,177	\$ 40,778	\$ 5,431	\$ 56,556
Pressure pumping services ^(b)	4,013	8,233	11,342	16,099
Natural sand proppant services ^(c)	990	6,958	1,975	12,658
Other ^(d)	2,767	17,042	11,472	23,472
Total capital expenditures	\$ 9,947	\$ 73,011	\$ 30,220	\$ 108,785

- Capital expenditures primarily for truck, tooling and other equipment for the six months ended June 30, 2019 and 2018.
- Capital expenditures primarily for pressure pumping and water transfer equipment for the six months ended June 30, 2019 and 2018.
- Capital expenditures primarily for maintenance for the six months ended June 30, 2019 and plant upgrades for the six months ended June 30, 2018.
- Capital expenditures primarily for equipment for our rental business and upgrades to our rig fleet for the six months ended June 30, 2019 and 2018.

Financing Activities

Net cash provided by financing activities was \$70 million for the six months ended June 30, 2019, compared to net cash used in financing activities of \$100 million for the six months ended June 30, 2018. Net cash used in financing activities was \$6 million for the three months ended June 30, 2019, compared to \$39 million for the three months ended June 30, 2018. Net cash provided by financing activities for the six months ended June 30, 2019 was primarily attributable to net borrowings under our revolving credit facility of \$82 million, partially offset by \$11 million in dividends paid. Net cash used in financing activities six months ended June 30, 2018 was primarily attributable to net repayments under our revolving credit facility of \$100 million.

Effect of Foreign Exchange Rate on Cash

The effect of foreign exchange rate on cash was \$0.1 million and (\$0.1) million, respectively, for the six months ended June 30, 2019 and 2018. The change 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 \$299 million and \$216 million, respectively, at June 30, 2019 and December 31, 2018. Our cash balances were \$7 million and \$68 million, respectively, at June 30, 2019 and December 31, 2018.

Our Revolving Credit Facility

On October 19, 2018, we and certain of our direct and indirect subsidiaries, as borrowers, entered into an amended and restated revolving credit and security agreement with the lenders party thereto and PNC Bank, National Association, as a lender and as administrative agent for the lenders, which amends and restates our prior revolving credit and security agreement dated as of July 9, 2018, as amended prior to October 19, 2018, to, among other things, (i) extend the maturity date to October 19, 2023, (ii) increase the maximum revolving advance amount to \$185 million, with the ability to further increase the maximum revolving advance amount to \$350 million under certain circumstances, (iii) increase the letter of credit sublimit to 20% of the maximum revolving advance amount and (iv) decrease the interest rates applicable to loans.

Outstanding borrowings under this amended and restated revolving credit facility bear interest at a per annum rate elected by us that is equal to an alternate base rate or LIBOR, in each case plus the applicable margin. The applicable margin ranges from 1.00% to 1.50% per annum in the case of the alternate base rate, and from 2.00% to 2.50% per annum in the case of LIBOR. The applicable margin depends on the amount of excess availability under this amended and restated revolving credit facility.

At June 30, 2019, we had outstanding borrowings under our credit facility of \$82 million. At July 31, 2019, we had outstanding borrowings under our credit facility of \$86 million, leaving an aggregate of \$90 million of available borrowing capacity under this facility, which is net of letters of credit of \$9 million.

Our amended and restated 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 June 30, 2019 and December 31, 2018, we were in compliance with the financial covenants under our then existing revolving credit facility.

Capital Requirements and Sources of Liquidity

Earlier this year, we had established a capital expenditure budget of approximately \$80 million. In response to current market conditions, we are taking a disciplined approach to our spending and have reduced our 2019 capital expenditure budget to \$41 million. These capital expenditures include \$6 million in our infrastructure segment for assets for additional crews, \$17 million in our pressure pumping segment for the expansion of our water transfer operations and maintenance to our existing pressure pumping fleet, \$4 million for our natural sand proppant segment for upgrades and maintenance and \$14 million for our other services, primarily for the expansion of our trucking fleet and rental services and upgrades to our drilling rigs. During the six months ended June 30, 2019, our capital expenditures totaled \$30 million.

We believe that our cash on hand, operating cash flow and available borrowings under our 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 (including receipt of payments from PREPA), and significant additional capital expenditures could be required to conduct our operations. There can be no assurance that operations and other capital resources, including potential sales of assets or businesses, will provide cash in sufficient amounts to maintain planned or future levels of capital expenditures. Further, while we regularly evaluate acquisition opportunities, we do not have a specific acquisition budget for 2019 since the timing and size of acquisitions cannot be accurately forecasted. We continue to evaluate acquisition opportunities, including transactions involving entities controlled by Wexford and Gulfport. 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 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

Minimum Purchase Commitments

We have entered into agreements with suppliers that contain minimum purchase obligations. Our failure to purchase the minimum amounts may 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

We have entered into agreements with suppliers to acquire capital equipment.

Aggregate future minimum lease payments under these agreements in effect at June 30, 2019 are as follows (in thousands):

Year ended December 31:	Capital Spend Commitments	Minimum Purchase Commitments^(a)
Remainder of 2019	\$ 1,479	\$ 16,510
2020	—	19,894
2021	—	720
2022	—	80
2023	—	8
Thereafter	—	—
	<u>\$ 1,479</u>	<u>\$ 37,212</u>

- a. Included in these amounts are sand purchase commitments of \$30 million. Pricing for certain sand purchase agreements is variable and, therefore, the total sand purchase commitments could be as much as \$34 million. The minimum amount due in the form of shortfall fees under certain sand purchase agreements was \$2 million as of June 30, 2019.

New Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board, or FASB, issued Accounting Standards Update, or ASU, No. 2016-02 "Leases (Topic 842)" amending the current accounting for leases. Under the new provisions, all lessees will report a right of use asset and lease liability on the balance sheet for all leases with a term longer than one year, while maintaining substantially similar classifications for financing and operating leases. Lessor accounting remains substantially unchanged with the exception that no leases entered into after the effective date will be classified as leveraged leases. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, and interim periods within that fiscal year. We adopted this ASU effective January 1, 2019 utilizing the transition method permitted by ASU No. 2018-11 "Leases (Topic 842): Targeted Improvements", issued in August 2018, which permits an entity to recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption with no adjustment made to the comparative periods presented in the consolidated financial statements. See Note 14 to the unaudited condensed consolidated financial statements included elsewhere in this report for the impact the adoption of this standard had on our financial statements.

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments," which amends current guidance on reporting credit losses on financial instruments. This ASU requires entities to reflect its current estimate of all expected credit losses. The guidance affects most financial assets, including trade accounts receivable. This ASU is effective for fiscal years beginning after December 31, 2019, with early adoption permitted. We are currently evaluating the impact this standard may have on our financial statements and related disclosures.

In June 2018, the FASB issued ASU No. 2018-07, "Compensation - Stock Compensation (Topic 718): Improvements to Non-employee Share-Based Accounting," which simplifies the accounting for share-based payments granted to non-employees by aligning the accounting with requirements for employee share-based compensation. Upon transition, this ASU requires non-employee awards to be measured at fair value as of the adoption date. This ASU is effective for fiscal years beginning after December 15, 2018, and interim periods within that fiscal year. We adopted this ASU effective January 1, 2019 and estimate the fair value of our non-employee equity awards was approximately \$18.9 million as of this date.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The demand, pricing and terms for our products and services are largely dependent upon the level of activity for the U.S. oil and natural gas industry, energy infrastructure industry and natural sand proppant 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 services, energy infrastructure services and natural sand proppant; demand for repair and construction of transmission lines, substations and distribution networks in the energy infrastructure industry and the level of expenditures of utility companies; the level of prices of, and expectations about future prices for, oil and natural gas and natural sand proppant, as well as energy infrastructure services; 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 and frac sand reserves meeting industry specifications and consisting of the mesh size in demand; access to pipeline, transloading and other transportation facilities and their 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 and other users of our services to raise equity capital and debt financing; and merger and divestiture activity in industries in which we operate.

The level of activity in the U.S. oil and natural gas exploration and production, energy infrastructure and natural sand proppant industries is volatile. Expected trends may not continue and demand for our products and services may not reflect the level of activity in these industries. Any prolonged substantial reduction in pricing environment would likely affect demand for our services. A material decline in pricing levels or U.S. activity levels could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Interest Rate Risk

We had a cash and cash equivalents balance of \$7 million at June 30, 2019. 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.

Interest under our credit facility is payable at a base rate plus an applicable margin. Additionally, at our request, outstanding balances are permitted to be converted to LIBOR rate plus applicable margin tranches. 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 June 30, 2019, we had outstanding borrowings under our revolving credit facility of \$82 million with a weighted average interest rate of 4.5%. A 1% increase or decrease in the interest rate at that time would have increased or decreased our interest expense by approximately \$1 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 services division, 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 June 30, 2019, we had \$4 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 \$0.01 million as of June 30, 2019. 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 as well as contract land and drilling services primarily in the Utica, Permian Basin, Eagle Ford, Marcellus, Granite Wash, Cana Woodford and Cleveland sand resource plays located in the continental U.S. We provide infrastructure services primarily in the northeast, southwest and midwest portions of the United States. We 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 our customers in Ohio, Texas, Oklahoma, Wisconsin, Minnesota, Kentucky and Alberta, Canada. A portion of our revenues are generated in Ohio, Wisconsin, Minnesota, North Dakota, 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 June 30, 2019, 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 June 30, 2019, 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 June 30, 2019 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

Due to the nature of our business, we are, from time to time, involved in litigation or subject to disputes or claims related to our business activities, including breaches of contractual obligations, workers' compensation claims and employment related disputes. In the opinion of our management, none of the pending litigation, disputes or claims against us is expected to have a material adverse effect on our financial condition, cash flows or results of operations, except as disclosed in Note 19 "Commitments and Contingencies," of the Notes to Unaudited Condensed Consolidated Financial Statements.

Item 1A. Risk Factors

Security holders and potential investors in our securities should carefully consider the risk factors in our Annual Report on Form 10-K (Commission File No. 001-37917) filed with the SEC on March 18, 2019.

Except as described in Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations, 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, 2018.

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

Not applicable.

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.		
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		
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.						

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: August 2, 2019 By: **MAMMOTH ENERGY SERVICES, INC.**
/s/ Arty Straehla
Arty Straehla
Chief Executive Officer

Date: August 2, 2019 By: /s/ Mark Layton
Mark Layton
Chief Financial Officer

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)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

MAMMOTH ENERGY SERVICES, INC.

By:

/s/ Arty Strachla

Arty Strachla

Chief Executive Officer

August 2, 2019

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)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

MAMMOTH ENERGY SERVICES, INC.

By: /s/ Mark Layton

Mark Layton

Chief Financial Officer

August 2, 2019

**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 June 30, 2019 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

August 2, 2019

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 June 30, 2019 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

August 2, 2019

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.

The following table details the violations, citations and orders issued to us by MSHA during the quarter ended June 30, 2019:

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 ^(b) (\$, amounts in dollars)	Mining Related Fatalities (#)
Taylor, WI	1	—	—	—	—	\$ 832	—
Menomonie, WI	—	—	—	—	—	\$ —	—
New Auburn, WI	2	—	—	—	—	\$ —	—

- 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.
- 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 June 30, 2019.

Pattern or Potential Pattern of Violations. During the quarter ended June 30, 2019, 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 June 30, 2019. 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.