

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

Form 10-Q

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

For the quarterly period ended September 30, 2022

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)

Securities registered pursuant to Section 12(b) of The Act:

Title of each class
Common Stock

Trading Symbol(s)
TUSK

Name of each exchange on which registered
The Nasdaq Stock Market LLC
NASDAQ Global Select Market

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 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 October 26, 2022, there were 47,312,270 shares of common stock, \$0.01 par value, outstanding.

TABLE OF CONTENTS

	<u>Page</u>
<u>Glossary of Oil and Natural Gas and Electrical Infrastructure Terms</u>	<u>i</u>
<u>Cautionary Note Regarding Forward-Looking Statements</u>	<u>iv</u>
<u>PART I. FINANCIAL INFORMATION</u>	<u>1</u>
Item 1. <u>Condensed Consolidated Financial Statements (Unaudited)</u>	<u>1</u>
<u>Condensed Consolidated Balance Sheets</u>	<u>1</u>
<u>Condensed Consolidated Statements of Comprehensive Income (Loss)</u>	<u>2</u>
<u>Condensed Consolidated Statements of Changes in Equity</u>	<u>3</u>
<u>Condensed Consolidated Statements of Cash Flows</u>	<u>4</u>
<u>Notes to Unaudited Condensed Consolidated Financial Statements</u>	<u>5</u>
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>32</u>
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>52</u>
Item 4. <u>Controls and Procedures</u>	<u>53</u>
<u>PART II. OTHER INFORMATION</u>	<u>55</u>
Item 1. <u>Legal Proceedings</u>	<u>55</u>
Item 1A. <u>Risk Factors</u>	<u>55</u>
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>55</u>
Item 4. <u>Mine Safety Disclosures</u>	<u>55</u>
Item 5. <u>Other Information</u>	<u>55</u>
Item 6. <u>Exhibits</u>	<u>57</u>
<u>SIGNATURES</u>	<u>58</u>

GLOSSARY OF OIL AND NATURAL GAS AND ELECTRICAL INFRASTRUCTURE TERMS

The following is a glossary of certain oil and natural gas and natural sand proppant industry terms used in this Quarterly Report on Form 10-Q (this “report” or “Quarterly 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 6,096 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/unconventional well	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, our Annual Report on Form 10-K for the year ended December 31, 2021 and our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2022 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:

- the levels of capital expenditures by our customers and the impact of reduced drilling and completions activity on utilization and pricing for our oilfield services;
- the volatility of oil and natural gas prices and actions by OPEC members and other oil exporting nations, or OPEC+, affecting commodity price and production levels;
- any continuing impacts of the COVID-19 pandemic on Mammoth's results of operations, financial condition or demand for Mammoth's services;
- operational challenges relating to continuing efforts to prevent or mitigate the spread of COVID-19, including logistical challenges, remote work arrangements and protecting the health, safety and well-being of Mammoth's employees;
- employee retention and increasingly competitive labor market;
- the performance of contracts and supply chain disruptions during or following the COVID-19 pandemic;
- general economic, business or industry conditions and concerns over a potential economic slowdown or recession;
- conditions in the capital, financial and credit markets;
- conditions of U.S. oil and natural gas industry and the effect of U.S. energy, monetary and trade policies;
- U.S. and global economic conditions and political and economic developments, including the energy and environmental policies;
- inflationary pressure on the cost of services, equipment and other goods in our industries and other sectors;
- our ability to obtain capital or financing needed for our operations on favorable terms or at all;
- our ability to (i) continue to comply with or, if applicable, obtain a waiver of forecasted or actual non-compliance with certain financial covenants from our lenders and comply with other terms and conditions under our amended revolving credit facility, as amended, (ii) extend, repay or refinance our revolving credit facility at or prior to maturity on the terms acceptable to us or at all and (iii) meet our financial projections associated with reducing our debt;
- our ability to execute our business and financial strategies;
- our ability to continue to grow our infrastructure services segment or recommence certain of our suspended oilfield services;
- any loss of one or more of our significant customers and its impact on our revenue, financial condition and results of operations;
- asset impairments;
- our ability to identify, complete and integrate acquisitions of assets or businesses;
- our ability to receive, or delays in receiving, permits and governmental approvals and/or payments, and to comply with applicable governmental laws and regulations;
- the outcome of a government investigation relating to the contracts awarded to our subsidiary Cobra Acquisitions LLC, or Cobra, by the Puerto Rico Electric Power Authority, or PREPA, and any resulting litigation;
- the outcome of our ongoing efforts to collect the outstanding amounts owed to us by PREPA for electric grid restoration services performed by Cobra in Puerto Rico;
- the outcome or settlement of our litigation matters discussed in this report, including the adverse impact of the settlement with MasTec Renewables Puerto Rico, LLC ("MasTec"), on our financial condition and cash flows;
- any future litigation, indemnity or other claims;
- regional supply and demand factors, delays or interruptions of production, and any governmental order, rule or regulation that may impose production limits on our customers;
- the availability of transportation, pipeline and storage facilities and any increase in related costs;
- extreme weather conditions in areas where we provide well completion, drilling and infrastructure services;
- access to and restrictions on use of sourced or produced water;
- technology;
- civil unrest, war, military conflicts or terrorist attacks;

- cybersecurity issues as digital technologies may become more vulnerable and experience a higher rate of cyberattacks due to increased use of remote connectivity in the workplace;
- competition within the energy services industry;
- availability of equipment, materials or skilled personnel or other labor resources;
- payment of any future dividends;
- future operating results; and
- capital expenditures and other 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 our Annual Report on Form 10-K for the year ended December 31, 2021, and our Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2022 and June 30, 2022, respectively, 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	September 30, 2022	December 31, 2021
(in thousands)		
CURRENT ASSETS		
Cash and cash equivalents	\$ 10,617	\$ 9,899
Short-term investment	—	1,762
Accounts receivable, net	462,995	407,550
Receivables from related parties, net	386	88
Inventories	8,331	8,366
Prepaid expenses	4,862	12,381
Other current assets	647	737
Total current assets	487,838	440,783
Property, plant and equipment, net	135,222	176,586
Sand reserves	62,559	64,641
Operating lease right-of-use assets	10,187	12,168
Intangible assets, net	1,977	2,561
Goodwill	11,717	11,717
Deferred income tax asset	—	8,094
Other non-current assets	3,838	4,342
Total assets	\$ 713,338	\$ 720,892
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 49,262	\$ 37,560
Accrued expenses and other current liabilities	42,582	62,516
Current operating lease liability	5,107	5,942
Current portion of long-term debt	—	1,468
Income taxes payable	45,516	42,748
Total current liabilities	142,467	150,234
Long-term debt, net of current portion	92,776	85,240
Deferred income tax liabilities	1,113	865
Long-term operating lease liability	4,949	5,918
Asset retirement obligations	3,936	3,720
Other long-term liabilities	10,432	11,693
Total liabilities	255,673	257,670
COMMITMENTS AND CONTINGENCIES (Note 18)		
EQUITY		
Equity:		
Common stock, \$0.01 par value, 200,000,000 shares authorized, 47,312,270 and 46,684,065 issued and outstanding at September 30, 2022 and December 31, 2021	473	467
Additional paid in capital	538,897	538,221
Accumulated deficit	(77,923)	(72,535)
Accumulated other comprehensive loss	(3,782)	(2,931)
Total equity	457,665	463,222
Total liabilities and equity	\$ 713,338	\$ 720,892

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 September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
(in thousands, except per share amounts)				
REVENUE				
Services revenue	\$ 93,879	\$ 52,417	\$ 223,005	\$ 135,975
Services revenue - related parties	355	601	1,024	15,678
Product revenue	12,968	4,467	35,149	17,932
Product revenue - related parties	—	—	—	2,145
Total revenue	107,202	57,485	259,178	171,730
COST AND EXPENSES				
Services cost of revenue (exclusive of depreciation, depletion, amortization and accretion of \$12,968, \$43,727, \$35,587 and \$53,448, respectively, for the three and nine months ended September 30, 2022 and three and nine months ended September 30, 2021)	68,821	43,538	173,821	128,703
Services cost of revenue - related parties (exclusive of depreciation, depletion, amortization and accretion of \$0, \$0, \$0 and \$0, respectively, for the three and nine months ended September 30, 2022 and three and nine months ended September 30, 2021)	142	181	405	397
Product cost of revenue (exclusive of depreciation, depletion, amortization and accretion of \$2,863, \$6,711, \$4,667 and \$7,051, respectively, for the three and nine months ended September 30, 2022 and three and nine months ended September 30, 2021)	9,493	9,865	27,496	22,939
Selling, general and administrative (Note 11)	9,685	41,429	26,560	68,928
Selling, general and administrative - related parties (Note 11)	—	—	—	385
Depreciation, depletion, amortization and accretion	15,842	19,148	50,485	60,559
Gains on disposal of assets, net	(599)	(3,033)	(3,738)	(4,632)
Impairment of other long-lived assets	—	547	—	547
Total cost and expenses	103,384	111,675	275,029	277,826
Operating income (loss)	3,818	(54,190)	(15,851)	(106,096)
OTHER INCOME (EXPENSE)				
Interest expense, net	(3,262)	(1,484)	(8,270)	(3,878)
Other income (expense), net	10,989	7,586	30,175	(4,012)
Other expense, net - related parties	—	—	—	(515)
Total other income (expense)	7,727	6,102	21,905	(8,405)
Income (loss) before income taxes	11,545	(48,088)	6,054	(114,501)
Provision (benefit) for income taxes	3,819	(7,187)	11,442	(26,370)
Net income (loss)	\$ 7,726	\$ (40,901)	\$ (5,388)	\$ (88,131)
OTHER COMPREHENSIVE INCOME (LOSS)				
Foreign currency translation adjustment, net of tax of (\$215), (\$215), (\$69) and (\$749), respectively, for the three and nine months ended September 30, 2022 and three and nine months ended September 30, 2021	(601)	(289)	(851)	118
Comprehensive income (loss)	\$ 7,125	\$ (41,190)	\$ (6,239)	\$ (88,013)
Net income (loss) per share (basic) (Note 14)	\$ 0.16	\$ (0.88)	\$ (0.11)	\$ (1.90)
Net income (loss) per share (diluted) (Note 14)	\$ 0.16	\$ (0.88)	\$ (0.11)	\$ (1.90)
Weighted average number of shares outstanding (basic) (Note 14)	47,312	46,683	47,129	46,342
Weighted average number of shares outstanding (diluted) (Note 14)	47,843	46,683	47,129	46,342

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 September 30, 2022						
	Common Stock		Accumulated Deficit	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Total
	Shares	Amount				
	(in thousands)					
Balance at June 30, 2022	47,312	\$ 473	\$(85,649)	\$ 538,656	\$(3,181)	450,299
Stock based compensation	—	—	—	241	—	241
Net income	—	—	7,726	—	—	7,726
Other comprehensive loss	—	—	—	—	(601)	(601)
Balance at September 30, 2022	47,312	\$ 473	\$(77,923)	\$ 538,897	\$(3,782)	457,665
Three Months Ended September 30, 2021						
	Common Stock		Accumulated Deficit	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Total
	Shares	Amount				
	(in thousands)					
Balance at June 30, 2021	46,681	\$ 467	\$(18,335)	\$ 537,728	\$(2,658)	517,202
Stock based compensation	3	—	—	252	—	252
Net loss	—	—	(40,901)	—	—	(40,901)
Other comprehensive loss	—	—	—	—	(289)	(289)
Balance at September 30, 2021	46,684	\$ 467	\$(59,236)	\$ 537,980	\$(2,947)	476,264
Nine Months Ended September 30, 2022						
	Common Stock		Accumulated Deficit	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Total
	Shares	Amount				
	(in thousands)					
Balance at December 31, 2021	46,684	\$ 467	\$(72,535)	\$ 538,221	\$(2,931)	463,222
Stock based compensation	628	6	—	676	—	682
Net loss	—	—	(5,388)	—	—	(5,388)
Other comprehensive loss	—	—	—	—	(851)	(851)
Balance at September 30, 2022	47,312	\$ 473	\$(77,923)	\$ 538,897	\$(3,782)	457,665
Nine Months Ended September 30, 2021						
	Common Stock		Retained Earnings (Accumulated Deficit)	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Total
	Shares	Amount				
	(in thousands)					
Balance at December 31, 2020	45,769	\$ 458	\$ 28,895	\$ 537,039	\$(3,065)	563,327
Stock based compensation	915	9	—	941	—	950
Net loss	—	—	(88,131)	—	—	(88,131)
Other comprehensive income	—	—	—	—	118	118
Balance at September 30, 2021	46,684	\$ 467	\$(59,236)	\$ 537,980	\$(2,947)	476,264

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

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

	Nine Months Ended September 30,	
	2022	2021
	(in thousands)	
Cash flows from operating activities:		
Net loss	\$ (5,388)	\$ (88,131)
Adjustments to reconcile net loss to cash used in operating activities:		
Stock based compensation	682	950
Depreciation, depletion, accretion and amortization	50,485	60,559
Amortization of debt origination costs	588	469
Bad debt (recoveries) expense	(112)	41,650
Gains on disposal of assets	(3,738)	(4,632)
Gains from sales of equipment damaged or lost down-hole	(607)	—
Impairment of other long-lived assets	—	547
Deferred income taxes	8,557	(32,183)
Other	104	502
Changes in assets and liabilities:		
Accounts receivable, net	(55,472)	(50,666)
Receivables from related parties, net	(298)	28,224
Inventories	35	2,582
Prepaid expenses and other assets	7,613	9,947
Accounts payable	9,472	2,599
Accrued expenses and other liabilities	(20,777)	6,627
Income taxes payable	2,790	5,192
Net cash used in operating activities	<u>(6,066)</u>	<u>(15,764)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(9,099)	(4,474)
Proceeds from disposal of property and equipment	8,659	9,581
Net cash (used in) provided by investing activities	<u>(440)</u>	<u>5,107</u>
Cash flows from financing activities:		
Borrowings on long-term debt	142,475	31,700
Repayments of long-term debt	(134,674)	(33,571)
Proceeds from sale leaseback transaction	4,589	9,473
Payments on sale leaseback transaction	(3,249)	(2,106)
Principal payments on financing leases and equipment financing notes	(1,753)	(1,716)
Net cash provided by financing activities	<u>7,388</u>	<u>3,780</u>
Effect of foreign exchange rate on cash	(164)	8
Net change in cash and cash equivalents	718	(6,869)
Cash and cash equivalents at beginning of period	9,899	14,822
Cash and cash equivalents at end of period	<u>\$ 10,617</u>	<u>\$ 7,953</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 6,316	\$ 3,236
Cash paid for income taxes, net of refunds received	\$ 97	\$ 978
Supplemental disclosure of non-cash transactions:		
Purchases of property and equipment included in accounts payable and accrued expenses	\$ 3,837	\$ 2,028

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

1. Organization and Nature of Business

Mammoth Energy Services, Inc. (“Mammoth Inc.,” “Mammoth” 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. Mammoth’s infrastructure division provides engineering, design, 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 well completion, natural sand and proppant and drilling services. Additionally, the Company provides aviation services, equipment rentals, remote accommodation services and equipment manufacturing. The Company was incorporated in Delaware in June 2016.

Operations

The Company’s infrastructure services include engineering, design, construction, upgrade, maintenance and repair services to the electrical infrastructure industry as well as repair and restoration services in response to storms and other disasters. The Company’s well completion services include equipment and personnel used in connection with the completion and early production of oil and natural gas wells. 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’s drilling services provide drilling rigs and directional tools for both vertical and horizontal drilling of oil and natural gas wells. The Company also provides other services, including aviation, equipment rentals, remote accommodations and equipment manufacturing.

The Company’s operations are concentrated in North America. During the periods presented in this report, the Company provided its infrastructure services primarily in the northeastern, southwestern, midwestern and western portions of the United States. 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, delays or reductions in government appropriations or the failure of customers to pay their receivables 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. Continuation of or further decreases in the commodity prices for oil and natural gas would have a material adverse 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. All such adjustments are of a normal, recurring nature. 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.

Reclassifications

Certain reclassifications have been made to prior period amounts to conform to the current period financial statement presentation. Previously, the Company included gains and losses on disposal of assets within Other income (expense), net

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

on the unaudited condensed consolidated statement of comprehensive income (loss). The Company now presents gains and losses on disposal of assets as a separate line titled "Gains on disposal of assets, net".

Additionally, the Company adopted a new accounting policy related to the classification of certain legal expenses. For matters related to ongoing operations, the Company continues to present legal expense as selling, general and administrative. For matters determined to be unrelated to ongoing operations, the Company classifies the legal expenses according to the nature of the underlying matter. The Company believes that this new accounting policy will more accurately present legal expenses on its consolidated statement of comprehensive income (loss). The adoption of this policy resulted in the reclassification of approximately \$0.4 million and \$5.4 million, respectively, of legal expenses related to a certain legal settlement from Selling, general and administrative into Other, net on the unaudited condensed consolidated statement of comprehensive income (loss) for the three and nine months ended September 30, 2021. See Note 18 for additional information related to the Company's legal matters.

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. Prior to granting credit to customers, the Company analyzes the potential customer's risk profile by utilizing a credit report, analyzing macroeconomic factors and using its knowledge of the industry, among other factors. Most areas in the continental United States 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. Interest on delinquent accounts receivable is recognized in other income when chargeable and collectability is reasonably assured.

During the period October 2017 through March 2019, 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 nine months ended September 30, 2022 and the three and nine months ended September 30, 2021, the Company charged interest on delinquent accounts receivable pursuant to the terms of its agreements with PREPA totaling \$10.5 million and \$30.5 million, respectively, and \$9.3 million and \$27.0 million, respectively. These amounts are included in "other income (expense), net" on the unaudited condensed consolidated statement of comprehensive income (loss). Included in "accounts receivable, net" on the unaudited condensed consolidated balance sheets as of September 30, 2022 and December 31, 2021 were interest charges of \$141.3 million and \$110.8 million, respectively.

The Company regularly reviews receivables and provides for expected 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 expects 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. 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 collectability.

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

Following is a roll forward of the allowance for doubtful accounts for the year ended December 31, 2021 and the nine months ended September 30, 2022 (in thousands):

Balance, January 1, 2021	\$	30,139
Additions charged to bad debt expense		41,873
Additions charged to revenue		27,071
Additions charged to other selling, general and administrative expense		273
Additions charged to other income (expense), net - related parties		515
Additions charged to other income (expense), net		1,474
Recoveries of receivables previously charged to bad debt expense		(211)
Deductions for uncollectible receivables written off		(83,049)
Balance, December 31, 2021		<u>18,085</u>
Additions charged to bad debt expense		37
Recoveries of receivables previously charged to bad debt expense		(149)
Deductions for uncollectible receivables written off		(14,330)
Balance, September 30, 2022	\$	<u><u>3,643</u></u>

The Company has made specific reserves consistent with Company policy which resulted in additions to allowance for doubtful accounts totaling an nominal amount and \$0.7 million for the nine months ended September 30, 2022 and year ended December 31, 2021, respectively. These additions were charged to bad debt expense based on the factors described above. Also, during the year ended December 31, 2021, the Company recorded additions to allowance for doubtful accounts of \$0.3 million related to insurance claim receivables for its directors and officers liability policy. The Company will continue to pursue collection until such time as final determination is made consistent with Company policy.

Gulfport

The Company's subsidiaries Stingray Pressure Pumping LLC ("Stingray Pressure Pumping") and Muskie Proppant LLC ("Muskie") were party to a pressure pumping contract and a sand supply contract, respectively, with Gulfport Energy Corporation ("Gulfport"). On November 13, 2020, Gulfport filed petitions for voluntary relief under chapter 11 of the Bankruptcy Code. See Notes 3 and 18 for additional information. Following is a roll forward of the allowance for doubtful accounts specifically related to Gulfport (in thousands):

Balance, January 1, 2021		22,581
Additions charged to bad debt expense		41,196
Additions charged to revenue		27,070
Additions charged to other income (expense), net - related parties		1,842
Deductions for uncollectible receivables written off		(80,975)
Balance, December 31, 2021	\$	<u>11,714</u>
Recoveries of receivables previously charged to bad debt expense		(147)
Deductions for uncollectible receivables written off		(11,567)
Balance, September 30, 2022	\$	<u><u>—</u></u>

PREPA

As of September 30, 2022, PREPA owed Cobra approximately \$227.0 million for services performed, excluding \$141.3 million of interest charged on these delinquent balances as of September 30, 2022. PREPA is currently subject to bankruptcy proceedings, which were filed in July 2017 and are currently pending in the U.S. District Court for the District of Puerto Rico. As a result, PREPA's ability to meet its payment obligations is largely dependent upon funding from the Federal Emergency Management Agency ("FEMA") or other sources. On September 30, 2019, Cobra filed a motion with the U.S. District Court for the District of Puerto Rico seeking recovery of the amounts owed to Cobra by PREPA, which motion was stayed by the Court. On March 25, 2020, Cobra filed an urgent motion to modify the stay order and allow the recovery of approximately \$61.7 million in claims related to a tax gross-up provision contained in the emergency master

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

service agreement, as amended, that was entered into with PREPA on October 19, 2017. This emergency motion was denied on June 3, 2020 and the Court extended the stay of our motion. On December 9, 2020, the Court again extended the stay of our motion and directed PREPA to file a status report by June 7, 2021. On April 6, 2021, Cobra filed a motion to lift the stay order. Following this filing, PREPA initiated discussion with Cobra, which resulted in PREPA and Cobra filing a joint motion to adjourn all deadlines relative to the April 6, 2021 motion until the June 16, 2021 omnibus hearing as a result of PREPA's understanding that FEMA would be releasing a report in the near future relating to the emergency master service agreement between PREPA and Cobra that was executed on October 19, 2017. The joint motion was granted by the Court on April 14, 2021. On May 26, 2021, FEMA issued a Determination Memorandum related to the first contract between Cobra and PREPA in which, among other things, FEMA raised two contract compliance issues and, as a result, concluded that approximately \$47 million in costs were not authorized costs under the contract. On June 14, 2021, the Court issued an order adjourning Cobra's motion to lift the stay order to a hearing on August 4, 2021 and directing Cobra and PREPA to meet and confer in good faith concerning, among other things, (i) the May 26, 2021 Determination Memorandum issued by FEMA and (ii) whether and when a second determination memorandum is expected. The parties were further directed to file an additional status report, which was filed on July 20, 2021. On July 23, 2021, with the aid of Mammoth, PREPA filed an appeal of the entire \$47 million that FEMA de-obligated in the May 26, 2021 Determination Memorandum. FEMA approved the appeal in part and denied the appeal in part. FEMA found that staffing costs of \$24.4 million are eligible for funding. On August 4, 2021, the Court denied Cobra's April 6, 2021 motion to lift the stay order, extended the stay of our motion seeking recovery of amounts owed to Cobra and directed the parties to file an additional joint status report, which was filed on January 22, 2022. On January 26, 2022, the Court extended the stay and directed the parties to file a further status report by July 25, 2022. On June 7, 2022, Cobra filed a motion to lift the stay order. On June 29, 2022 the Court denied Cobra's motion and extended the stay to January 2023.

The Company believes all amounts charged to PREPA, including interest charged on delinquent accounts receivable, were in accordance with the terms of the contracts. Further, there have been multiple reviews prepared by or on behalf of FEMA that have concluded that the amounts Cobra charged PREPA were reasonable, that PREPA adhered to Puerto Rican legal statutes regarding emergency situations, and that PREPA engaged in a reasonable procurement process. As noted above, in May 2021 FEMA raised two contract compliance issues and concluded that \$47 million in costs were not eligible under the contract. PREPA, however, has filed an appeal of the entire \$47 million. FEMA approved the appeal in part and denied the appeal in part. FEMA found that staffing costs of \$4.4 million are eligible for funding. The Company believes these receivables are collectible and no allowance was deemed necessary at September 30, 2022 or December 31, 2021. However, 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 the Company or (iii) otherwise does not pay amounts owed to the Company for services performed, the receivable may not be collectible.

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 September 30, 2022 and December 31, 2021 and percentages of total revenues derived for the three and nine months ended September 30, 2022 and 2021:

	REVENUES						ACCOUNTS RECEIVABLE			
	Three Months Ended September 30,			Nine Months Ended September 30,			At September 30,		At December 31,	
	2022	2021	— %	2022	2021	— %	2022	2021	2022	2021
Customer A ^(a)	— %	— %	— %	— %	— %	— %	79 %	83 %	— %	— %
Customer B ^(b)	9 %	24 %	— %	12 %	8 %	— %	2 %	— %	— %	— %
Customer C ^(c)	— %	— %	— %	— %	10 %	— %	— %	— %	— %	— %

- 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 third-party customer. Revenues and the related accounts receivable balances earned from Customer B were derived from the Company's well completion services segment.
- c. Customer C was a related-party customer until June 29, 2021. Revenues earned from this customer prior to June 29, 2021 are included in services revenue - related parties and product revenue - related parties on the unaudited condensed consolidated statements of comprehensive income (loss).

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

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

of the instruments. The fair value of long-term debt approximates its carrying value because the cost of borrowing fluctuates based upon market conditions.

3. Revenue

The Company's primary revenue streams include infrastructure services, well completion services, natural sand proppant services, drilling services and other services, which includes aviation, equipment rentals, crude oil hauling, remote accommodations and equipment manufacturing. See Note 19 for the Company's revenue disaggregated by type.

Certain of the Company's customer contracts include provisions entitling the Company to a termination penalty when the customer invokes its contractual right to terminate prior to the contract's nominal end date. The termination penalties in the customer contracts vary, but are generally considered substantive for accounting purposes and create enforceable rights and obligations throughout the stated duration of the contract. The Company accounts for a contract cancellation as a contract modification in the period in which the customer invokes the termination provision. The determination of the contract termination penalty is based on the terms stated in the related customer agreement. As of the modification date, the Company updates its estimate of the transaction price using the expected value method, subject to constraints, and recognizes the amount over the remaining performance period.

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.

Well Completion Services

Well completion 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 well completion 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.

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 are consumed and services are performed.

Pursuant to a contract with Gulfport, Stingray Pressure Pumping agreed to provide Gulfport with use of up to two pressure pumping fleets for the period covered by the contract. Under this agreement, performance obligations were satisfied as services were rendered based on the passage of time rather than the completion of each segment of work. Stingray Pressure Pumping had the right to receive consideration from this customer even if circumstances prevent us from performing work. All consideration owed to Stingray Pressure Pumping for services performed during the contractual period was fixed and the right to receive it was unconditional. On December 28, 2019, Gulfport filed a legal action in Delaware state court seeking the termination of this contract and monetary damages. Further, on November 13, 2020, Gulfport filed petitions for voluntary relief under chapter 11 of the Bankruptcy Code. On March 22, 2021, Gulfport listed the Stingray Pressure Pumping contract on its master rejection schedule filed with the bankruptcy court. The Company determined that these factors changed the scope of the contract, accelerated the duration of, and otherwise changed the rights and obligations of each party to the contract. As a result, the Company accounted for this as a contract modification during the three months ended March 31, 2021. Stingray Pressure Pumping used the expected value method to estimate unliquidated damages totaling \$37.9 million, which resulted in the recognition of net revenue totaling \$14.8 million and bad debt expense of \$2.9 million on previously recognized revenue during the three months ended March 31, 2021. On September 21, 2021, the Company and Gulfport reached a settlement under which all litigation relating to the Stingray

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

Pressure Pumping contract was terminated. Stingray Pressure Pumping released all claims against Gulfport and its subsidiaries with respect to Gulfport's bankruptcy proceedings and each of the parties released all claims they had against the others with respect to the litigation matters discussed in Note 18. As a result of this settlement agreement, for the three months ended September 30, 2021, the Company wrote off its remaining receivable related to the Stingray Pressure Pumping claim resulting in bad debt expense and other expense of \$31.0 million and \$1.3 million, respectively. Gulfport was a related party until June 29, 2021. On June 29, 2021, pursuant to the terms of its plan of reorganization, all of the Company's shares that Gulfport owned were transferred to a trust for the benefit of certain of Gulfport's creditors. The revenue recognized related to this agreement is included in "services revenue - related parties" in the accompanying unaudited condensed consolidated statement of comprehensive income (loss). See Notes 11 and 18 below.

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. 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. The Company recognized revenue totaling \$0.5 million and \$3.1 million during the three and nine months ended September 30, 2022, respectively, and \$6.0 million during the nine months ended September 30, 2021 related to shortfall programs. The Company did not recognize any shortfall revenue during the three months ended September 30, 2021.

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.

Pursuant to its contract with Gulfport, Muskie agreed to sell and deliver specified amounts of sand to Gulfport. In September 2020, Muskie filed a lawsuit against Gulfport to recover delinquent payments due under this agreement. On November 13, 2020, Gulfport filed petitions for voluntary relief under chapter 11 of the Bankruptcy Code. On March 22, 2021, Gulfport listed the Muskie contract on its master rejection schedule filed with the bankruptcy court. The Company determined that these factors changed the scope of the contract, accelerated the duration of, and otherwise changed the rights and obligations of each party to the contract. As a result, the Company accounted for this as a contract modification during the three months ended March 31, 2021. Muskie used the expected value method to estimate unliquidated damages totaling \$8.5 million, which resulted in the recognition of net revenue totaling \$2.1 million and bad debt expense of \$1.0 million on previously recognized revenue during the three months ended March 31, 2021. On September 21, 2021, the Company and Gulfport reached a settlement under which all litigation relating to the Muskie contract was terminated, each of the parties released all claims they had against the others with respect to the litigation matters discussed in Note 18 and Muskie's contract claim against Gulfport would be allowed under Gulfport's plan of reorganization in the amount of \$3.1 million. As a result of this settlement agreement, Muskie recognized bad debt expense of \$0.2 million during the third quarter of 2021. Gulfport was a related party until June 29, 2021. The revenue recognized related to this agreement is included in "product revenue - related parties" in the accompanying unaudited condensed consolidated statement of comprehensive income (loss) and the related accounts receivable is included in "accounts receivable, net" in the unaudited condensed consolidated balance sheets as of December 31, 2021. See Notes 11 and 18 below.

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

Drilling Services

Contract drilling services were provided under daywork contracts. Directional drilling services, including motor rentals, are provided on a day rate or hourly basis, and revenue is recognized as work progresses. Performance obligations are satisfied over time as the work progresses based on the measure of output. Mobilization revenue and costs were recognized over the days of actual drilling. As a result of market conditions, the Company temporarily shut down its contract land drilling operations beginning in December 2019 and rig hauling operations beginning in April 2020.

Other Services

During the periods presented, the Company also provided aviation, equipment rentals, crude oil hauling, remote accommodations and equipment manufacturing, which are reported under other services. As a result of market conditions, the Company temporarily shut down its cementing and acidizing operations as well as its flowback operations beginning in July 2019, its coil tubing, pressure control and full service transportation operations beginning in July 2020 and its crude oil hauling operations beginning in July 2021. The Company's other 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.

Contract Balances

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

Balance, December 31, 2020	\$	8,281
Deduction for recognition of revenue		(12,329)
Increase for deferral of shortfall payments		7,023
Increase for deferral of customer prepayments		275
Balance, December 31, 2021		3,250
Deduction for recognition of revenue		(3,207)
Deduction for rebate credit recognized		(140)
Increase for deferral of customer prepayments		685
Balance, September 30, 2022	\$	588

The Company did not have any contract assets as of September 30, 2022, December 31, 2021 or December 31, 2020.

Performance Obligations

Revenue recognized in the current period from performance obligations satisfied in previous periods was a nominal amount for the three and nine months ended September 30, 2022 and 2021. As of September 30, 2022, the Company did not have any unsatisfied performance obligations.

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

4. 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 net realizable value on an average cost basis. The Company assesses the valuation of its inventories based upon specific usage, future utility, obsolescence and other factors. A summary of the Company's inventories is shown below (in thousands):

	September 30, 2022	December 31, 2021
Supplies	\$ 4,872	\$ 4,557
Raw materials	838	701
Work in process	2,135	2,435
Finished goods	486	673
Total inventories	\$ 8,331	\$ 8,366

5. Property, Plant and Equipment

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

	Useful Life	September 30, 2022	December 31, 2021
Pressure pumping equipment	3-5 years	\$ 228,505	\$ 220,414
Drilling rigs and related equipment	3-15 years	111,279	111,478
Machinery and equipment	7-20 years	162,265	166,873
Buildings ^(a)	15-39 years	41,572	46,006
Vehicles, trucks and trailers	5-10 years	102,325	103,982
Coil tubing equipment	4-10 years	6,753	7,592
Land	N/A	12,717	13,417
Land improvements	15 years or life of lease	10,133	10,133
Rail improvements	10-20 years	13,793	13,793
Other property and equipment ^(b)	3-12 years	18,306	18,235
		707,648	711,923
Deposits on equipment and equipment in process of assembly ^(c)		4,045	3,300
		711,693	715,223
Less: accumulated depreciation ^(d)		576,471	538,637
Total property, plant and equipment, net		\$ 135,222	\$ 176,586

a. Included in Buildings at each of September 30, 2022 and December 31, 2021 are costs of \$ 7.6 million related to assets under operating leases.

b. Included in Other property and equipment at each of September 30, 2022 and December 31, 2021 are costs of \$ 6.0 million related to assets under operating leases.

c. 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.

d. Includes accumulated depreciation of \$7.7 million and \$6.6 million at September 30, 2022 and December 31, 2021, respectively, related to assets under operating leases.

Disposals

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 unaudited condensed consolidated statement of cash flows. For the three and nine months ended September 30, 2022, proceeds from the sale of equipment damaged or lost down-hole were a nominal amount and \$0.6 million, respectively, and gains from the sale of equipment damaged or lost down-hole were \$0.1 million and \$0.6 million, respectively. The Company did not have any proceeds or gains from the sale of equipment damaged or lost down-hole during the three and nine months ended September 30, 2021.

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

Proceeds from assets sold or disposed of as well as the carrying value of the related equipment are reflected in “gains on disposal of assets, net” on the unaudited condensed consolidated statement of comprehensive income (loss). For the three and nine months ended September 30, 2022 and 2021, proceeds from the sale of equipment were \$0.8 million, \$8.0 million, \$4.9 million and \$9.5 million, respectively, and gains from the sale or disposal of equipment were \$0.6 million, \$3.7 million, \$3.0 million and \$4.6 million, respectively.

Depreciation, depletion, amortization and accretion

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Depreciation expense	\$ 14,031	\$ 18,179	\$ 47,716	\$ 58,625
Amortization expense	195	249	584	756
Accretion and depletion expense	1,616	720	2,185	1,178
Depreciation, depletion, amortization and accretion	<u>\$ 15,842</u>	<u>\$ 19,148</u>	<u>\$ 50,485</u>	<u>\$ 60,559</u>

6. Goodwill and Intangible Assets

Goodwill

Changes in the net carrying amount of goodwill by reporting segment (see Note 19) for the nine months ended September 30, 2022 and year ended December 31, 2021 are presented below (in thousands):

	Infrastructure	Well Completion	Sand	Other	Total
Balance as of January 1, 2021					
Goodwill	\$ 891	\$ 86,043	\$ 2,684	\$ 14,830	\$ 104,448
Accumulated impairment losses	—	(76,829)	(2,684)	(12,327)	(91,840)
	<u>891</u>	<u>9,214</u>	<u>—</u>	<u>2,503</u>	<u>12,608</u>
Acquisitions	—	—	—	—	—
Impairment losses	(891)	—	—	—	(891)
Balance as of December 31, 2021					
Goodwill	891	86,043	2,684	14,830	104,448
Accumulated impairment losses	(891)	(76,829)	(2,684)	(12,327)	(92,731)
	<u>—</u>	<u>9,214</u>	<u>—</u>	<u>2,503</u>	<u>11,717</u>
Acquisitions	—	—	—	—	—
Impairment losses	—	—	—	—	—
Balance as of September 30, 2022					
Goodwill	891	86,043	2,684	14,830	104,448
Accumulated impairment losses	(891)	(76,829)	(2,684)	(12,327)	(92,731)
	<u>\$ —</u>	<u>\$ 9,214</u>	<u>\$ —</u>	<u>\$ 2,503</u>	<u>\$ 11,717</u>

The Company performed the qualitative assessment described above during the fourth quarter of 2021. Based on this assessment, the Company concluded that it was more likely than not that the fair value of the Stingray Pressure Pumping, Silverback and Aviation reporting units was greater than their carrying value. Accordingly, no further testing was required on these units. Additionally, the Company concluded that the carrying value for its infrastructure reporting unit was greater than its fair value. To determine fair value of the infrastructure reporting unit at December 31, 2021, the Company used the income approach. The income approach estimates the fair value based on anticipated cash flows that are discounted using a weighted average cost of capital. As a result, the Company impaired goodwill associated with 5 Star and Higher Power, resulting in a \$0.9 million impairment charge for 2021. The Company did not recognize any goodwill impairment during the three and nine months ended September 30, 2022.

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

Intangible Assets

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

	September 30, 2022	December 31, 2021
Trade names	7,850	7,850
Less: accumulated amortization - trade names	(5,873)	(5,289)
Intangible assets, net	<u>\$ 1,977</u>	<u>\$ 2,561</u>

Amortization expense for intangible assets was \$0.2 million, and \$0.6 million for the three and nine months ended September 30, 2022, respectively, and \$0.2 million and \$0.8 million for the three and nine months ended September 30, 2021, respectively. The original life of trade names ranges from 0 to 20 years as of September 30, 2022 with a remaining average useful life of 3.4 years.

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

Remainder of 2022	\$	195
2023		779
2024		711
2025		91
2026		91
Thereafter		110
	<u>\$</u>	<u>1,977</u>

7. Equity Method Investment

On December 21, 2018, Cobra Aviation Services LLC (“Cobra Aviation”) and Wexford Partners Investment Co. LLC (“Wexford Investment”), a related party, formed a joint venture under the name of Brim Acquisitions LLC (“Brim Acquisitions”) to acquire all outstanding equity interest in Brim Equipment Leasing, Inc. (“Brim Equipment”) for a total purchase price of approximately \$2.0 million. 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 four commercial helicopters 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 \$3.3 million and \$3.4 million at September 30, 2022 and December 31, 2021, respectively. The investment is included in “other non-current assets” on the unaudited condensed consolidated balance sheets. The Company recorded equity method adjustments to its investment of \$0.3 million and (\$0.1) million for the three and nine months ended September 30, 2022, respectively, and a nominal amount and (\$0.5) million for the three and nine ended September 30, 2021, respectively, which is included in “other income (expense), net” on the unaudited condensed consolidated statements of comprehensive income (loss).

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

8. Accrued Expenses and Other Current Liabilities and Other Long-Term Liabilities

Accrued expenses and other current liabilities and other long-term liabilities included the following (in thousands):

	September 30, 2022	December 31, 2021
Accrued legal settlement ^(a)	\$ 10,201	\$ 18,966
State and local taxes payable	13,422	13,772
Accrued compensation and benefits	4,886	5,133
Financed insurance premiums ^(b)	876	9,852
Sale-leaseback liability ^(c)	4,644	3,340
Payroll tax liability	2,052	2,810
Financing leases	2,209	1,834
Insurance reserves	1,367	1,413
Deferred revenue	588	3,250
Other	2,337	2,146
Total accrued expenses and other current liabilities	\$ 42,582	\$ 62,516

Other Long-Term Liabilities

Financing leases	\$ 2,628	\$ 4,375
Sale-leaseback liability ^(c)	7,804	7,318
Total other long-term liabilities	\$ 10,432	\$ 11,693

- a. On August 2, 2021, the Company reached an agreement to settle a certain legal matter. See Note 18 for additional detail.
- b. 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 September 30, 2022 and December 31, 2021, the applicable interest rate associated with financed insurance premiums ranged from 1.95% to 2.45%.
- c. On December 30, 2020, the Company entered into an agreement with First National Capital, LLC ("FNC") whereby the Company agreed to sell certain assets from its infrastructure segment to FNC for aggregate proceeds of \$5.0 million. Concurrent with the sale of assets, the Company entered into a 36 month lease agreement whereby the Company agreed to lease back the assets at a monthly rental rate of \$0.1 million. On June 1, 2021, the Company entered into another agreement with FNC whereby the Company sold additional assets from its infrastructure segment to FNC for aggregate proceeds of \$9.5 million and entered into a 42-month lease agreement whereby the Company agreed to lease back the assets at a monthly rental rate of \$0.2 million. On June 1, 2022, the Company entered into another agreement with FNC whereby the Company sold additional assets from its infrastructure segment to FNC for aggregate proceeds of \$4.6 million and entered into a 42-month lease agreement whereby the Company agreed to lease back the assets at a monthly rental rate of \$0.1 million. Under the agreements, the Company has the option to purchase the assets at the end of the lease terms. The Company recorded liabilities for the proceeds received and will continue to depreciate the assets. The Company has imputed an interest rate so that the carrying amount of the financial liabilities will be the expected repurchase price at the end of the initial lease terms.

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

9. Debt

Long-term debt included the following (in thousands):

	September 30, 2022	December 31, 2021
Revolving credit facility	\$ 92,776	\$ 83,370
Aviation note	—	3,371
Unamortized debt issuance costs	—	(33)
Total debt	92,776	86,708
Less: current portion	—	1,468
Total long-term debt	\$ 92,776	\$ 85,240

Mammoth Credit Facility

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, as amended and restated (the “revolving credit facility”). The revolving credit facility matures on October 19, 2023. Borrowings under the revolving credit facility are secured by the assets of Mammoth Inc., inclusive of the subsidiary companies, and are subject to a borrowing base calculation prepared monthly. The revolving credit facility also contains various customary affirmative and restrictive covenants.

At September 30, 2022, there were outstanding borrowings under the revolving credit facility of \$92.8 million and \$6.9 million of available borrowing capacity under the facility, after giving effect to \$7.1 million of outstanding letters of credit and the requirement to maintain a \$10.0 million reserve out of the available borrowing capacity. At December 31, 2021, there were outstanding borrowings under the revolving credit facility of \$83.4 million and \$16.5 million of borrowing capacity under the facility, after giving effect to \$9.0 million of outstanding letters of credit and the requirement to maintain a \$10.0 million reserve out of the available borrowing capacity.

As a result of the lack of payment from PREPA, the Company projected that it would likely breach the leverage ratio covenant contained in its revolving credit facility for the fiscal quarter ended September 30, 2021. On November 3, 2021, the Company entered into a third amendment to its revolving credit facility (the “Third Amendment”) to, among other things, (i) suspend the leverage ratio and fixed charges coverage ratio covenants for the quarters ending September 30, 2021 and December 31, 2021, (ii) permanently reduce the maximum revolving advance amount from \$130 million to \$120 million, (iii) add a minimum adjusted EBITDA financial covenant of \$6.0 million for the quarter ending December 31, 2021, (iv) set the applicable margin on all loans at 3.50% during the limited covenant waiver period, (v) add a requirement to maintain revolver availability of not less than \$10.0 million at all times during the limited covenant waiver period, (vi) permanently reduce the maximum revolving advance amount in an amount equal to fifty percent (50%) of any mandatory prepayments made with non-recurring proceeds that are received during the limited covenant waiver period, and (vii) eliminate the declaration of unrestricted subsidiaries during the limited covenant waiver period. The limited covenant waiver period commenced on the effective date of the Third Amendment and ended on February 28, 2022, as discussed below.

On February 28, 2022, the Company entered into a fourth amendment to the revolving credit facility (the “Fourth Amendment”) to, among other things, (i) amend the financial covenants as outlined below, (ii) provide for a conditional increase of the applicable interest margin, (iii) permit certain sale-leaseback transactions, (iv) provide for a reduction in the maximum revolving advance amount in an amount equal to 50% of the PREPA claims proceeds, subject to a floor equal to the sum of eligible billed and unbilled accounts receivables, and (v) classifies the payments pursuant to the Company’s settlement agreement with MasTec Renewables Puerto Rico, LLC (“MasTec”) as restricted payments and requires \$20.0 million of availability both before and after making such payments.

The financial covenants under our revolving credit facility were amended as follows:

- the leverage ratio was eliminated;
- the fixed charge coverage ratio was reduced to .85 to 1.0 for the six months ended June 30, 2022 and increases to 1.1 to 1.0 for the periods thereafter;

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

- a minimum adjusted EBITDA covenant of \$4.7 million, excluding interest on accounts receivable from PREPA, for the five months ending May 31, 2022 was added; and
- the minimum excess availability covenant was reduced to \$7.5 million through March 31, 2022, after which the minimum excess availability covenant increased to \$10.0 million.

The Fourth Amendment also permanently waived compliance by the borrowers with the leverage ratio and fixed charge coverage ratio covenants in the revolving credit facility for the fiscal quarters ended September 30, 2021 and December 31, 2021, respectively, ending the limited covenant waiver period under the Third Amendment. The Company was in compliance with the applicable financial covenants under the revolving credit facility as of September 30, 2022.

As of October 26, 2022, there were outstanding borrowings under the revolving credit facility of \$89.7 million and \$13.0 million of available borrowing capacity, after giving effect to \$7.1 million of outstanding letters of credit and the requirement to maintain a \$10.0 million reserve out of the available borrowing capacity.

If an event of default occurs under the revolving credit facility and remains uncured, it could have a material adverse effect on the Company's business, financial condition, liquidity and results of operations. The lenders (i) would not be required to lend any additional amounts to the Company, (ii) could elect to increase the interest rate by 200 basis points, (iii) could elect to declare all outstanding borrowings, together with accrued and unpaid interest and fees, to be due and payable, (iv) may have the ability to require the Company to apply all of its available cash to repay outstanding borrowings, and (v) may foreclose on substantially all of the Company's assets. In addition, the Company's revolving credit facility is currently scheduled to mature on October 19, 2023. Although the Company continues to explore various strategic alternatives to extend, refinance or repay its revolving credit facility at or before the scheduled maturity date, there is no guarantee that such extension, refinancing or repayment will be secured. Additionally, any such extended or new credit facility could have terms that are less favorable to the Company than the terms of its existing revolving credit facility, which may significantly increase the Company's cost of capital and may have a material adverse effect on the Company's liquidity and financial condition.

Aviation Note

On November 6, 2020, Leopard Aviation LLC ("Leopard") and Cobra Aviation entered into a 39-month promissory note agreement with Bank7 (the "Aviation Note") in an aggregate principal amount of \$4.6 million and received net proceeds of \$4.5 million. The Aviation Note bore interest at a rate based on the Wall Street Journal Prime Rate plus a margin of 1%. The Aviation Note was paid off on September 30, 2022.

10. 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 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 two helicopters and support equipment, 100% of the equity interest in Air Rescue Systems Corporation ("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 September 30, 2022.

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

11. Selling, General and Administrative Expense

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Cash expenses:				
Compensation and benefits	\$ 3,676	3,355	9,796	11,379
Professional services ^(a)	3,706	4,134	10,067	8,399
Other ^(b)	2,059	2,252	6,127	7,058
Total cash SG&A expense	9,441	9,739	25,990	26,836
Non-cash expenses:				
Bad debt provision ^(c)	3	31,449	(112)	41,650
Stock based compensation	241	241	682	827
Total non-cash SG&A expense	244	31,690	570	42,477
Total SG&A expense	\$ 9,685	41,429	26,560	69,313

- a. Certain legal expenses totaling \$ 0.4 million and \$5.4 million were reclassified to Other, net for the three and nine months ended September 30, 2021, respectively. The increase in professional fees is primarily due to an increase in legal expenses for matters related to ongoing operations.
- b. Includes travel-related costs, information technology expenses, rent, utilities and other general and administrative-related costs.
- c. The bad debt provision for the three and nine months ended September 30, 2021 includes \$ 31.2 million and \$ 41.2 million related to the Stingray Pressure Pumping and Muskie contracts with Gulfport. See Notes 2 and 18.

12. Income Taxes

The Company recorded income tax expense of \$11.4 million for the nine months ended September 30, 2022 compared to income tax benefit of \$6.4 million for the nine months ended September 30, 2021. The Company’s effective tax rates were 189% and 23% for the nine months ended September 30, 2022 and 2021, respectively.

The effective tax rates for the nine months ended September 30, 2022 and 2021 differed from the statutory rate of 21% primarily due to the mix of earnings between the United States and Puerto Rico as well as changes in the valuation allowance.

13. Leases

Lessee Accounting

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 all leases with a term in excess of 12 months. 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 has 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, and equipment 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.

The rate implicit in the Company’s leases is not readily determinable. Therefore, the Company uses its incremental borrowing rate based on information available at the commencement date of its leases in determining the present value of lease payments. The Company’s incremental borrowing rate reflects the estimated rate of interest that it would pay to

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

borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment.

Lease expense consisted of the following for the three and nine months ended September 30, 2022 and 2021 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Operating lease expense	\$ 1,668	\$ 2,210	\$ 5,189	\$ 7,082
Short-term lease expense	14	113	72	477
Finance lease expense:				
Amortization of right-of-use assets	447	412	1,252	1,179
Interest on lease liabilities	44	51	138	149
Total lease expense	\$ 2,173	\$ 2,786	\$ 6,651	\$ 8,887

Supplemental balance sheet information related to leases as of September 30, 2022 and December 31, 2021 is as follows (in thousands):

	September 30,	
	2022	2021
Operating leases:		
Operating lease right-of-use assets	\$ 10,187	\$ 12,168
Current operating lease liability	5,107	5,942
Long-term operating lease liability	4,949	5,918
Finance leases:		
Property, plant and equipment, net	\$ 4,778	\$ 6,065
Accrued expenses and other current liabilities	2,209	1,834
Other liabilities	2,628	4,375

Other supplemental information related to leases for the three and nine months ended September 30, 2022 and 2021 and as of September 30, 2022 and December 31, 2021 is as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows from operating leases	\$ 1,416	\$ 2,159	\$ 5,011	\$ 7,079
Operating cash flows from finance leases	44	51	138	149
Financing cash flows from finance leases	456	426	1,365	1,229
Right-of-use assets obtained in exchange for lease obligations:				
Operating leases	\$ 339	\$ 697	\$ 3,158	\$ 879
Finance leases	—	1,822	—	1,822

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

	September 30, 2022	December 31, 2021
Weighted-average remaining lease term:		
Operating leases	3.1 years	3.1 years
Finance leases	2.7 years	3.3 years
Weighted-average discount rate:		
Operating leases	3.3 %	3.3 %
Finance leases	3.3 %	3.3 %

Maturities of lease liabilities as of September 30, 2022 are as follows (in thousands):

	Operating Leases	Finance Leases
Remainder of 2022	\$ 1,739	\$ 500
2023	4,657	2,262
2024	2,674	965
2025	998	524
2026	146	795
Thereafter	407	—
Total lease payments	10,621	5,046
Less: Present value discount	565	209
Present value of lease payments	\$ 10,056	\$ 4,837

Lessor Accounting

Certain of the Company's agreements with its customers for 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 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 \$0.7 million and \$0.6 million during the three months ended September 30, 2022 and 2021, respectively, and \$2.4 million and \$1.7 million during the nine months ended September 30, 2022 and 2021, respectively, which is included in "services revenue" and "services revenue - related parties" on the unaudited condensed consolidated statement of comprehensive income (loss).

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

14. Earnings (Loss) Per Share

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Basic earnings (loss) per share:				
Allocation of earnings (loss):				
Net income (loss)	\$ 7,726	(40,908)	(5,388)	(88,131)
Weighted average common shares outstanding	47,312	46,683	47,129	46,342
Basic earnings (loss) per share	\$ 0.16	(0.88)	(0.14)	(1.90)
Diluted earnings (loss) per share:				
Allocation of earnings (loss):				
Net income (loss)	\$ 7,726	(40,908)	(5,388)	(88,131)
Weighted average common shares, including dilutive effect ^(a)	47,843	46,683	47,129	46,342
Diluted earnings (loss) per share	\$ 0.16	(0.88)	(0.14)	(1.90)

a. No incremental shares of potentially dilutive restricted stock awards were included for the nine months ended September 30, 2022 and three and nine months ended September 30, 2021 as their effect was antidilutive under the treasury stock method.

15. Equity Based Compensation

Upon formation of certain operating entities by Wexford and Gulfport, 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 closing date of Mammoth Inc.'s initial public offering ("IPO"), 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.

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.

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.

16. 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.

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

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, 2021	1,914,782	\$ 1.21
Granted	128,205	3.90
Vested	(914,782)	1.52
Forfeited	—	—
Unvested shares as of December 31, 2021	1,128,205	1.27
Granted	228,310	2.19
Vested	(628,205)	1.54
Forfeited	—	—
Unvested shares as of September 30, 2022	<u>728,310</u>	<u>\$ 1.32</u>

As of September 30, 2022, there was \$0.6 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 0.6 years.

Included in cost of revenue and selling, general and administrative expenses is stock-based compensation expense of \$0.2 million and \$0.7 million for the three and nine months ended September 30, 2022, respectively, and \$0.3 million and \$1.0 million for the three and nine months ended September 30, 2021, respectively.

17. Related Party Transactions

Transactions between the subsidiaries of the Company, including Stingray Pressure Pumping, Muskie, Stingray Energy Services LLC (“SR Energy”), Panther Drilling Systems LLC (“Panther Drilling”), Anaconda Manufacturing LLC (“Anaconda”), Cobra Aviation, ARS and Leopard and the following companies are included in Related Party Transactions: Gulfport, Wexford, Grizzly Oil Sands ULC (“Grizzly”), El Toro Resources LLC (“El Toro”), Elk City Yard LLC (“Elk City Yard”), Double Barrel Downhole Technologies LLC (“DBDHT”), Caliber Investment Group LLC (“Caliber”) and Brim Equipment.

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

	Three Months Ended September 30,		Nine Months Ended September 30,		At September 30,	At December 31,
	2022	2021	2022	2021	2022	2021
	REVENUES				ACCOUNTS RECEIVABLE	
Stingray Pressure Pumping and Gulfport (a)	\$ —	\$ —	\$ —	\$ 14,812	\$ —	\$ —
Muskie and Gulfport (b)	—	—	—	2,145	—	—
Cobra Aviation/ARS/Leopard and Brim Equipment (c)	81	133	234	267	192	85
Panther and El Toro (d)	274	468	790	599	189	—
Other Relationships	—	—	—	—	5	3
	<u>\$ 355</u>	<u>\$ 601</u>	<u>\$ 1,024</u>	<u>\$ 17,823</u>	<u>\$ 386</u>	<u>\$ 88</u>
	OTHER				ACCOUNTS RECEIVABLE	
Stingray Pressure Pumping and Gulfport (a)	\$ —	\$ —	\$ —	\$ (514)	\$ —	\$ —
Muskie and Gulfport (b)	—	—	—	(1)	—	—
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (515)</u>	<u>\$ 386</u>	<u>\$ 88</u>

- a. Stingray Pressure Pumping provided pressure pumping, stimulation and related completion services to Gulfport. Other amount represents interest charged on delinquent accounts receivable related to these services. On June 29, 2021, Gulfport ceased to be a related party. See Note 3.

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

- b. Muskie 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. Other amount represents interest charged on delinquent accounts receivable related to this agreement. On June 29, 2021, Gulfport ceased to be a related party. See Note 3.
- c. Cobra Aviation, ARS and Leopard lease helicopters to Brim Equipment pursuant to aircraft lease and management agreements.
- d. Panther provides directional drilling services for El Toro, an entity controlled by Wexford, pursuant to a master service agreement.

	Three Months Ended September 30,		Nine Months Ended September 30,		At September 30,	At December 31,
	2022	2021	2022	2021	2022	2021
	COST OF REVENUE				ACCOUNTS PAYABLE	
Cobra Aviation/ARS/Leopard and Brim Equipment (a)	\$ 17	\$ 18	\$ 57	\$ 53	\$ 25	\$ 5
The Company and Caliber (b)	89	136	268	263	—	—
Other Relationships	36	27	80	81	—	—
	<u>\$ 142</u>	<u>\$ 181</u>	<u>\$ 405</u>	<u>\$ 397</u>	<u>\$ 25</u>	<u>\$ 5</u>
	SELLING, GENERAL AND ADMINISTRATIVE COSTS					
The Company and Caliber (b)	\$ —	\$ —	\$ —	\$ 374	\$ —	\$ —
Other	—	—	—	11	—	—
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 385</u>	<u>\$ —</u>	<u>\$ —</u>

- a. Cobra Aviation, ARS and Leopard lease helicopters to Brim Equipment pursuant to aircraft lease and management agreements.
- b. Caliber, an entity controlled by Wexford, leases office space to the Company.

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, 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. Wexford Investments is an entity controlled by Wexford, which owns approximately 48% of the Company's outstanding common stock. ARS leases a helicopter to Brim Equipment and Cobra Aviation leases the two helicopters purchased as part of these transactions to Brim Equipment under the terms of aircraft lease and management agreements. See Note 7 for further discussion.

18. Commitments and Contingencies

Commitments

The Company has entered into agreements with suppliers that contain minimum purchase obligations and agreements to purchase capital equipment. Aggregate future minimum payments under purchase obligations in effect at September 30, 2022 were approximately \$0.2 million, which are expected to be paid over the next 12 months. Aggregate future payments to purchase capital equipment at September 30, 2022 were approximately \$22.7 million, which primarily relate to our pressure pumping business. These payments are expected to be made over the next six months. Subsequent to September 30, 2022, the Company ordered additional equipment with aggregate commitments of \$0.4 million, primarily for its well completion and infrastructure segments.

Letters of Credit

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):

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

	September 30, 2022	December 31, 2021
Environmental remediation	\$ 3,694	\$ 3,694
Insurance programs	3,389	3,890
Rail car commitments	—	455
Bonding program	—	1,000
Total letters of credit	\$ 7,083	\$ 9,039

Insurance

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. At each of September 30, 2022 and December 31, 2021, the workers' compensation and automobile liability policies require a deductible per occurrence of up to \$0.3 million and \$0.1 million, respectively. As of September 30, 2022 and December 31, 2021, the workers' compensation and auto liability policies contained an aggregate stop loss of \$5.4 million. The Company establishes liabilities for the unpaid deductible portion of claims incurred based on estimates. At each of September 30, 2022 and December 31, 2021, accrued claims were \$1.4 million.

The Company also has insurance coverage for directors and officers liability. As of September 30, 2022 and December 31, 2021, the directors and officers liability policy had a deductible per occurrence of \$1.0 million and an aggregate deductible of \$10.0 million. As of September 30, 2022 and December 31, 2021, the Company did not have any accrued claims for directors and officers liability.

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, 2021. As of September 30, 2022 and December 31, 2021, accrued claims were \$1.3 million and \$1.6 million, respectively. These estimates may change in the near term as actual claims continue to develop.

Warranty Guarantees

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 September 30, 2022 and December 31, 2021 and no expense was recognized during the nine months ended September 30, 2022 or 2021 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.

Bonds

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 September 30, 2022 and December 31, 2021, outstanding bid bonds totaled \$0.1 million and \$0.6 million, respectively. As of September 30, 2022 and December 31, 2021, outstanding performance and payment bonds totaled \$11.7 million and \$20.3 million, respectively. The estimated cost to complete projects secured by the performance and payment bonds totaled \$2.8 million as of September 30, 2022.

Litigation

As of September 30, 2022, PREPA owed the Company approximately \$27.0 million for services performed, excluding \$141.3 million of interest charged on these delinquent balances as of September 30, 2022. The Company believes these

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

receivables are collectible. PREPA, however, is currently subject to bankruptcy proceedings, which were filed in July 2017 and are currently pending in the U.S. District Court for the District of Puerto Rico. As a result, PREPA's ability to meet its payment obligations is largely dependent upon funding from FEMA or other sources. On September 30, 2019, Cobra filed a motion with the U.S. District Court for the District of Puerto Rico seeking recovery of the amounts owed to Cobra by PREPA, which motion was stayed by the Court. On March 25, 2020, Cobra filed an urgent motion to modify the stay order and allow the recovery of approximately \$61.7 million in claims related to a tax gross-up provision contained in the emergency master service agreement, as amended, that was entered into with PREPA on October 19, 2017. This emergency motion was denied on June 3, 2020 and the Court extended the stay of our motion. On December 9, 2020, the Court again extended the stay of our motion and directed PREPA to file a status motion by June 7, 2021. On April 6, 2021, Cobra filed a motion to lift the stay order. Following this filing, PREPA initiated discussion, which resulted in PREPA and Cobra filing a joint motion to adjourn all deadlines relative to the April 6, 2021 motion until the June 16, 2021 omnibus hearing as a result of PREPA's understanding that FEMA would release a report in the near future relating to the emergency master service agreement between PREPA and Cobra that was executed on October 19, 2017. The joint motion was granted by the Court on April 14, 2021. On May 26, 2021, FEMA issued a Determination Memorandum related to the first contract between Cobra and PREPA in which, among other things, FEMA raised two contract compliance issues and, as a result, concluded that approximately \$47 million in costs were not authorized costs under the contract. On June 14, 2021, the Court issued an order adjourning Cobra's motion to lift the stay order to a hearing on August 4, 2021 and directing Cobra and PREPA to meet and confer in good faith concerning, among other things, (i) the May 26, 2021 Determination Memorandum issued by FEMA and (ii) whether and when a second determination memorandum is expected. The parties were further directed to file an additional status report, which was filed on July 20, 2021. On July 23, 2021, with the aid of Mammoth, PREPA filed an appeal of the entire \$47 million that FEMA de-obligated in the May 26, 2021 Determination Memorandum. FEMA approved the appeal in part and denied the appeal in part. FEMA found that staffing costs of \$24.4 million are eligible for funding. On August 4, 2021, the Court extended the stay and directed that an additional status report be filed, which was done on January 22, 2022. On January 26, 2022, the Court extended the stay and directed the parties to file a further status report by July 25, 2022. On June 7, 2022, Cobra filed a motion to lift the stay order. On June 29, 2022 the Court denied Cobra's motion and extended the stay to January 2023. 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 the Company or (iii) otherwise does not pay amounts owed to the Company for services performed, the receivable may not be collectible.

On December 28, 2019, Gulfport filed a lawsuit against Stingray Pressure Pumping in the Superior Court of the State of Delaware. Pursuant to the complaint, Gulfport seeks to terminate the October 1, 2014, Amended and Restated Master Services Agreement for Pressure Pumping Services between Gulfport and Stingray Pressure Pumping ("MSA"). In addition, Gulfport alleged breach of contract and sought damages for alleged overpayments and audit costs under the MSA and other fees and expenses associated with this lawsuit. On March 26, 2020, Stingray Pressure Pumping filed a counterclaim against Gulfport seeking to recover unpaid fees and expenses due to Stingray Pressure Pumping under the MSA. In September 2020, Muskie filed a lawsuit against Gulfport to recover delinquent payments due under a natural sand proppant supply contract. These matters were automatically stayed as a result of Gulfport's bankruptcy filing. On November 13, 2020, Gulfport filed petitions for voluntary relief under chapter 11 of the Bankruptcy Code. Gulfport emerged from bankruptcy on May 17, 2021. As of November 13, 2020, Gulfport owed the Company approximately \$46.9 million, which included interest charges of \$3.3 million and \$1.8 million in attorneys' fees. FASB ASC 326 *Financial Instruments-Credit Losses*, requires companies to reflect its current estimate of all expected credit losses. As a result, the Company recorded reserves on its pre-petition receivables due from Gulfport for products and services, interest and attorneys' fees of \$19.4 million, \$1.4 million and \$1.8 million, respectively, during the year ended December 31, 2020. On March 22, 2021, Gulfport listed the Stingray Pressure Pumping and Muskie contracts on its master rejection schedule filed with the bankruptcy court. During the first quarter of 2021, the Company recognized unliquidated damages of approximately \$46.4 million and recorded reserves on these unliquidated damages as a reduction to revenue of \$27.1 million and to bad debt expense of \$3.8 million. Also during the first quarter of 2021, the Company recorded additional reserves on its pre-petition products and services and interest receivables of \$6.1 million and \$0.5 million, respectively. On September 21, 2021, the Company and Gulfport reached a settlement under which all litigation relating to the Stingray Pressure Pumping contract and the Muskie contract was terminated, Stingray Pressure Pumping released all claims against Gulfport and its subsidiaries with respect to Gulfport's bankruptcy proceedings, each of the parties released all claims they had against the others with respect to the litigation matters discussed above and Muskie will have an allowed general unsecured claim against Gulfport of \$3.1 million. As a result, during the three months ended September 31, 2021, the Company wrote off its remaining receivable related to the Stingray Pressure Pumping claim resulting in bad debt expense and other expense of \$31.0 million and \$1.3 million, respectively, and recorded additional bad debt expense related to the Muskie claim totaling \$0.2 million. During the three months ended March 31, 2022, Muskie received \$0.3 million from the Gulfport Distribution Trust. See Note 3.

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

On January 21, 2020, MasTec Renewables Puerto Rico, LLC (“MasTec”) filed a lawsuit against Mammoth Inc. and Cobra, in the United States District Court for the Southern District of Florida. Pursuant to its complaint, MasTec asserts claims against the Company and Cobra for violations of the federal Racketeer Influenced and Corrupt Organizations Act (“RICO”), tortious interference and violations of Puerto Rico law. MasTec alleged that it sustained injuries to its business and property in an unspecified amount because it lost the opportunity to perform work in connection with restoring the energy infrastructure in Puerto Rico after Hurricane Maria, under a services contract with a maximum value of \$500 million due to the Company’s and Cobra’s alleged wrongful interference by means of inducements to a FEMA official. On April 1, 2020, the defendants filed motions to dismiss the complaint. On October 14, 2020, the court dismissed the RICO claims, and on November 18, 2020, dismissed the claims arising under the Puerto Rico statute and the cause of action for tortious interference with MasTec’s contract (but not its business relations), and dismissed Mammoth Inc. from the litigation. On August 2, 2021, in order to avoid the risks of further litigation, and with no admission of wrongdoing whatsoever, the Company reached an agreement to settle this matter. Under the terms of the agreement, Cobra paid \$6.5 million to MasTec on August 2, 2021 and the Company guaranteed payment, by Cobra, of \$9.25 million on both August 1, 2022 and December 1, 2022. Under the agreement, any unpaid amounts of principal were charged interest at rates between 6% and 12%, and the agreement includes an acceleration clause that requires Cobra to pay within ten days all unpaid amounts if Cobra collects \$100 million or more of specified receivables. Cobra made the second installment payment, including accrued interest, to MasTec on August 23, 2022 and the final installment principal payment on October 24, 2022. Cobra anticipates it will make the final installment interest payment of approximately \$1.0 million on or before December 1, 2022. If Cobra or Mammoth Inc. is unable to make the final installment interest payment on or before December 1, 2022, MasTec will have the right to enforce the confessed judgment against Cobra and Mammoth Inc. with respect to this amount on or after December 2, 2022. As of September 30, 2022, \$10.2 million was included in “accrued expenses and other current liabilities” in the accompanying unaudited condensed consolidated balance sheet related to the settlement.

On May 13, 2021, Foreman Electric Services, Inc. (“Foreman”) filed a petition against Mammoth Inc. and Cobra in the Oklahoma County District Court (Oklahoma State Court). The petition asserted claims against the Company and Cobra under federal RICO statutes and certain state-law causes of action. Foreman alleged that it sustained injuries to its business and property in the amount of \$250 million due to the Company’s and Cobra’s alleged wrongful interference by means of inducements to a FEMA official. On May 18, 2021, the Company removed this action to the United States District Court for the Western District of Oklahoma and filed a motion to dismiss on July 8, 2021. On July 29, 2021, Foreman voluntarily dismissed the action without prejudice. On December 14, 2021, Foreman re-filed its petition against Mammoth Inc. and Cobra in the Oklahoma County District Court (Oklahoma State Court). On December 16, 2021, the Company again removed this action to the United States District Court for the Western District of Oklahoma. Foreman filed a motion to remand this action back to Oklahoma County District Court, which was granted on May 5, 2022. The case will now proceed according to a schedule that will be set by the Oklahoma County District Court. In a related matter, on January 12, 2022, a Derivative Complaint on behalf of nominal defendant Machine Learning Integration, LLC (“MLI”), which alleges it would have served as a sub-contractor to Foreman in Puerto Rico, was filed against the Company and Cobra in the U.S. District Court for the District of Puerto Rico alleging essentially the same facts as Foreman’s action and asserting violations of federal RICO statutes and certain non-federal claims. MLI alleges it sustained injuries to its business and property in an unspecified amount because the Company’s and Cobra’s wrongful interference by means of inducements to a FEMA official prevented Foreman from obtaining work, and thereby prevented MLI, as Foreman’s subcontractor, from obtaining work. These matters are still in the early stages and at this time, the Company is not able to predict the outcome of these claims or whether they will have a material impact on the Company’s business, financial condition, results of operations or cash flows.

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, which the Company appealed. On February 25, 2022, the Company received an unfavorable decision on the appeal. The Company appealed 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 business, financial condition, results of operations or cash flows.

Cobra has been served with ten lawsuits from municipalities in Puerto Rico alleging failure to pay construction excise and volume of business taxes. These matters are in various stages in the Court. At this time, the Company is not able to predict the outcome of these matters or whether they will have a material impact on the Company’s business, financial condition, results of operations or cash flows.

MAMMOTH ENERGY SERVICES, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

On April 16, 2019, Christopher Williams, a former employee of Higher Power Electrical, LLC, filed a putative class and collective action complaint titled Christopher Williams, individually and on behalf of all others similarly situated v. 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 as the named plaintiff. The plaintiff alleges the defendant failed to pay overtime wages to a class of workers in compliance with the Fair Labor Standards Act and Puerto Rico law. On August 21, 2019, upon request of the parties, the Court stayed proceedings in the lawsuit and administratively closed the case pending completion of individual arbitration proceedings initiated by Mr. Zeisset and opt-in plaintiffs. The arbitrations remain pending. Other claimants have subsequently initiated additional individual arbitration proceedings asserting similar claims. All complainants and the respondents have paid the filing fees necessary to initiate the arbitrations. The parties are currently engaged in discovery. The Company believes these claims are without merit and is vigorously defending the arbitrations. However, at this time, the Company is not able to predict the outcomes of these proceedings or whether they will have a material impact on the Company's business, financial condition, results of operations or cash flows.

On September 10, 2019, the U.S. District Court for the District of Puerto Rico unsealed an indictment that charged the former president of Cobra Acquisitions LLC with conspiracy, wire fraud, false statements and disaster fraud. Two other individuals were also charged in the indictment. The indictment is focused on the interactions between a former FEMA official and the former president of Cobra. Neither the Company nor any of its subsidiaries were charged in the indictment. On April 11, 2022, counsel for the former FEMA official and the former president of Cobra notified the Court that they had reached in principle a plea agreement pursuant to Federal of Criminal Procedures 11(c)(1)(C). On April 19, 2022, the two remaining defendants notified the court that a plea agreement had been finalized, although no details of the terms of the plea agreement were provided to the court. On April 29, 2022, the federal judge overseeing the case recused himself from any further consideration of the matter and the case was assigned to a new judge. The federal judge did not provide an explanation for his recusal. The plea hearing was held on May 18, 2022 where both defendants pled guilty to gratuities. The sentencing hearing is scheduled for November 28, 2022. Given the uncertainty inherent in the criminal litigation, it is not possible at this time to determine the potential impacts that the plea agreements could have on the Company. PREPA has stated in Court filings that it may contend the alleged criminal activity affects Cobra's entitlement to payment under its contracts with PREPA. It is unclear what PREPA's position will be after the terms of the plea agreements become public. Subsequent to the indictment, Cobra received a civil investigative demand ("CID") from the United States Department of Justice ("DOJ"), which requests certain documents and answers to specific interrogatories relevant to an ongoing investigation it is conducting. The aforementioned DOJ investigation is in connection with the issues raised in the criminal matter. Cobra is cooperating with the DOJ and is not able to predict the outcome of this investigation or if it will have a material impact on Cobra's or the Company's business, financial condition, results of operations or cash flows. With regard to the previously disclosed SEC investigation, on July 6, 2022, the SEC sent a letter saying that it had concluded its investigation as to the Company and that based on information the SEC has as of this date, it does not intend to recommend an enforcement action against the Company.

On September 12, 2019, AL Global Services, LLC ("Alpha Lobo") filed a second amended third-party petition against the Company in an action styled Jim Jorrie v. Craig Charles, Julian Calderas, Jr., and AL Global Services, LLC v. Jim Jorrie v. Cobra Acquisitions LLC v. ESPADA Logistics & Security Group, LLC, ESPADA Caribbean LLC, Arty Strachla, Ken Kinsey, Jennifer Jorrie, and Mammoth Energy Services, Inc., in the 57th Judicial District in Bexar County, Texas. The petition alleges that the Company should be held vicariously liable under alter ego, agency and respondeat superior theories for Alpha Lobo's alleged claims against Cobra and Arty Strachla for aiding and abetting, knowing participation in and conspiracy to breach fiduciary duty in connection with Cobra's execution of an agreement with ESPADA Caribbean, LLC for security services related to Cobra's work in Puerto Rico. The trial court granted Cobra, Mammoth and Strachla's motion to compel Alpha Lobo's claims against them to arbitration. However, Alpha Lobo has not yet brought its claims in arbitration. Instead, on March 22, 2022, Alpha Lobo filed a Petition for Writ of Mandamus in the Fourth Court of Appeals, San Antonio, Texas, seeking to overturn the order compelling arbitration. The appellate court denied the Mandamus on May 4, 2022, without requesting a response. On June 28, 2022, Alpha Lobo filed a Petition for Writ of Mandamus in the Texas Supreme Court, seeking to overturn the order compelling arbitration. The Texas Supreme Court denied the Mandamus on August 5, 2022, without requesting a response. The Company believes these claims are without merit and will vigorously defend the action. However, at this time, the Company is not able to predict the outcome of this lawsuit or whether it will have a material impact on the Company's business, financial condition, results of operations or cash flows. Additionally, there was a parallel arbitration proceeding in which certain Defendants were seeking a declaratory judgment regarding Cobra's rights to terminate the Alpha Lobo contract and enter into a new contract with a third-party. On June 24, 2021, the arbitration panel ruled in favor of Cobra.

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

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

possibility that the ultimate resolution of these matters could have a material impact 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 the nine months ended September 30, 2022 and 2021, the Company paid \$1.4 million and \$1.3 million, respectively, in contributions to the plan.

19. Reporting Segments

As of September 30, 2022, the Company's revenues, income before income taxes and identifiable assets are primarily attributable to four reportable segments. The Company principally provides electric infrastructure services to 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.

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 loss less impairment expense, as well as a qualitative basis, such as nature of the product and service offerings and types of customers.

As of September 30, 2022, the Company's four reportable segments include infrastructure services ("Infrastructure"), well completion services ("Well Completion"), natural sand proppant services ("Sand") and drilling services ("Drilling"). Prior to the year ended December 31, 2021, the Company included Aquawolf in its "All Other" reconciling column. Based on its assessment of FASB ASC 280, *Segment Reporting*, guidance at December 31, 2021, the Company changed its presentation in 2021 to move Aquawolf to the Infrastructure segment. The results for the three and nine months ended September 30, 2021 have been retroactively adjusted to reflect this change.

The Infrastructure segment provides electric utility infrastructure services to government-funded utilities, private utilities, public investor-owned utilities and co-operative utilities in the northeastern, southwestern, midwestern and western portions of the United States. The Well Completion segment provides hydraulic fracturing and water transfer services primarily in the Utica Shale of Eastern Ohio, Marcellus Shale in Pennsylvania 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. The Drilling segment provides directional drilling services primarily in the Permian Basin and mid-continent region.

During certain of the periods presented, the Company also provided aviation services, equipment rental services, crude oil hauling services, remote accommodation and equipment manufacturing. 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 titled "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 Energy Partners 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):

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

Three months ended September 30, 2022	Infrastructure	Well Completion	Sand	Drilling	All Other	Eliminations	Total
Revenue from external customers	\$ 33,296	\$ 51,378	\$ 12,910	\$ 3,118	\$ 6,500	\$ —	\$ 107,202
Intersegment revenues	—	154	—	—	468	(622)	—
Total revenue	33,296	51,532	12,910	3,118	6,968	(622)	107,202
Cost of revenue, exclusive of depreciation, depletion, amortization and accretion	26,495	35,414	9,206	2,695	4,646	—	78,456
Intersegment cost of revenues	17	403	—	109	93	(622)	—
Total cost of revenue	26,512	35,817	9,206	2,804	4,739	(622)	78,456
Selling, general and administrative	4,968	2,390	1,076	305	946	—	9,685
Depreciation, depletion, amortization and accretion	3,969	4,772	2,865	1,598	2,638	—	15,842
Loss (gain) on disposal of assets	73	(339)	—	(286)	(47)	—	(599)
Operating (loss) income	(2,226)	8,892	(237)	(1,303)	(1,308)	—	3,818
Interest expense, net	2,047	531	212	154	318	—	3,262
Other (income), net	(10,304)	(345)	(3)	—	(337)	—	(10,989)
Income (loss) before income taxes	\$ 6,031	\$ 8,706	\$ (446)	\$ (1,457)	\$ (1,289)	\$ —	\$ 11,545

Three months ended September 30, 2021	Infrastructure	Well Completion	Sand	Drilling	All Other	Eliminations	Total
Revenue from external customers	\$ 25,070	\$ 22,702	\$ 4,439	\$ 1,184	\$ 4,090	\$ —	\$ 57,485
Intersegment revenues	—	30	3,980	23	482	(4,515)	—
Total revenue	25,070	22,732	8,419	1,207	4,572	(4,515)	57,485
Cost of revenue, exclusive of depreciation, depletion, amortization and accretion	21,827	16,941	9,368	1,566	3,882	—	53,584
Intersegment cost of revenues	71	4,388	—	—	56	(4,515)	—
Total cost of revenue	21,898	21,329	9,368	1,566	3,938	(4,515)	53,584
Selling, general and administrative	4,542	34,606	1,068	288	925	—	41,429
Depreciation, depletion, amortization and accretion	4,933	6,538	2,533	1,942	3,202	—	19,148
Loss (gain) on disposal of assets	33	(573)	(21)	(66)	(2,406)	—	(3,033)
Impairment of other long-lived assets	—	—	—	—	547	—	547
Operating loss	(6,336)	(39,168)	(4,529)	(2,523)	(1,634)	—	(54,190)
Interest expense, net	979	215	107	56	127	—	1,484
Other expense (income), net	(8,852)	1,328	(25)	—	(37)	—	(7,586)
Income (loss) before income taxes	\$ 1,537	\$ (40,711)	\$ (4,611)	\$ (2,579)	\$ (1,724)	\$ —	\$ (48,088)

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

Nine months ended September 30, 2022	Infrastructure	Well Completion	Sand	Drilling	All Other	Eliminations	Total
Revenue from external customers	\$ 81,892	\$ 118,580	\$ 35,098	\$ 7,922	\$ 15,686	\$ —	\$ 259,178
Intersegment revenues	—	643	2,450	22	1,044	(4,159)	—
Total revenue	81,892	119,223	37,548	7,944	16,730	(4,159)	259,178
Cost of revenue, exclusive of depreciation, depletion, amortization and accretion	67,190	88,740	26,701	7,100	11,991	—	201,722
Intersegment cost of revenues	49	3,419	—	430	265	(4,163)	—
Total cost of revenue	67,239	92,159	26,701	7,530	12,256	(4,163)	201,722
Selling, general and administrative	14,056	6,314	2,774	874	2,542	—	26,560
Depreciation, depletion, amortization and accretion	12,495	17,963	6,717	4,929	8,381	—	50,485
Gain on disposal of assets	(795)	(547)	(90)	(286)	(2,020)	—	(3,738)
Operating income (loss)	(11,103)	3,334	1,446	(5,103)	(4,429)	4	(15,851)
Interest expense, net	5,345	1,324	552	379	670	—	8,270
Other (income) expense, net	(29,948)	(345)	(10)	—	128	—	(30,175)
Income (loss) before income taxes	\$ 13,500	\$ 2,355	\$ 904	\$ (5,482)	\$ (5,227)	\$ 4	\$ 6,054

Nine months ended September 30, 2021	Infrastructure	Well Completion	Sand	Drilling	All Other	Eliminations	Total
Revenue from external customers	\$ 73,690	\$ 62,939	\$ 20,031	\$ 3,234	\$ 11,836	\$ —	\$ 171,730
Intersegment revenues	—	120	3,980	54	1,804	(5,958)	—
Total revenue	73,690	63,059	24,011	3,288	13,640	(5,958)	171,730
Cost of revenue, exclusive of depreciation, depletion, amortization and accretion	70,267	42,339	22,631	4,739	12,063	—	152,039
Intersegment cost of revenues	165	5,449	—	—	344	(5,958)	—
Total cost of revenue	70,432	47,788	22,631	4,739	12,407	(5,958)	152,039
Selling, general and administrative	13,900	47,111	4,108	1,105	3,089	—	69,313
Depreciation, depletion, amortization and accretion	17,501	19,668	7,059	6,185	10,146	—	60,559
Gain on disposal of assets	(255)	(648)	(41)	(192)	(3,496)	—	(4,632)
Impairment of other long-lived assets	—	—	—	—	547	—	547
Operating loss	(27,888)	(50,860)	(9,746)	(8,549)	(9,053)	—	(106,096)
Interest expense, net	2,312	688	291	177	410	—	3,878
Other (income) expense, net	2,983	1,844	(851)	(9)	560	—	4,527
Loss before income taxes	\$ (33,183)	\$ (53,392)	\$ (9,186)	\$ (8,717)	\$ (10,023)	\$ —	\$ (114,501)

	Infrastructure	Well Completion	Sand	Drilling	All Other	Eliminations	Total
As of September 30, 2022:							
Total assets	\$ 445,143	\$ 67,239	\$ 145,567	\$ 24,299	\$ 120,025	\$ (88,935)	\$ 713,338
As of December 31, 2021:							
Total assets	\$ 427,626	\$ 56,036	\$ 156,519	\$ 27,457	\$ 129,202	\$ (75,948)	\$ 720,892

20. Subsequent Events

Subsequent to September 30, 2022, the Company entered into an agreement to accept \$0.1 million in settlement of approximately \$13.6 million of outstanding receivables with one of its sand customers. The \$3.5 million impact was not recorded in the current period as the conditions precedent to the agreement were not present as of September 30, 2022.

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 our Form 10-K for the year ended December 31, 2021, our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2022 and the section entitled “Forward-Looking Statements” appearing elsewhere in this Quarterly Report.

Overview

We are an integrated, growth-oriented energy services company focused on the construction and repair of the electric grid for private utilities, public investor-owned utilities and co-operative utilities through our infrastructure services businesses. We also provide products and services to enable the exploration and development of North American onshore unconventional oil and natural gas reserves. 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, well completion services, natural sand proppant services, drilling services and other services. Our infrastructure services division provides engineering, design, construction, upgrade, maintenance and repair services to the electrical infrastructure industry. Our well completion services division provides hydraulic fracturing, sand hauling and water transfer services. Our natural sand proppant services division mines, processes and sells natural sand proppant used for hydraulic fracturing. Our drilling services division currently provides rental equipment, such as mud motors and operational tools, for both vertical and horizontal drilling. In addition to these service divisions, we also provide aviation services, equipment rentals, remote accommodations and equipment manufacturing. 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.

Our transformation towards an industrial based company is ongoing. We offer infrastructure engineering services focused on the transmission and distribution industry and also have equipment manufacturing operations and offer fiber optic services. Our equipment manufacturing operations provide us with the ability to repair much of our existing equipment in-house, as well as the option to manufacture certain new equipment we may need in the future. The equipment manufacturing operations have initially served the internal needs for our pressure pumping, water transfer, equipment rental and infrastructure businesses, but we expect to expand into third party sales in the future. Our fiber optic services include the installation of both aerial and buried fiber. We are continuing to explore other opportunities to expand our business lines as we shift to a broader industrial focus.

Overview of Our Services and Industry Conditions

Infrastructure Services

Our infrastructure services business provides engineering, design, construction, upgrade, maintenance and repair services to the electrical infrastructure industry. We offer a broad range of services on electric transmission and distribution, or T&D, networks and substation facilities, which include engineering, design, construction, upgrade, maintenance and repair of high voltage transmission lines, substations and lower voltage overhead and underground distribution systems. Our commercial services include the installation, maintenance and repair of commercial wiring. We also provide storm repair and restoration services in response to storms and other disasters. We provide infrastructure services primarily in the northeast, southwest, midwest and western portions of the United States. We currently have agreements in place with private utilities, public IOUs and Co-Ops.

Although the COVID-19 pandemic and resulting economic conditions have not had a material impact on demand or pricing for our infrastructure services, revenues from our infrastructure services declined in 2021 as a result of certain management changes, which resulted in crew departures, as well as a decline in storm restoration activities. Revenue from our infrastructure services have continuously improved throughout 2022, as compared to the fourth quarter of 2021. Our infrastructure services business has also been adversely impacted by the outstanding amounts owed to us by the Puerto Rico Electric Power Authority, or PREPA, for services performed by our subsidiary, Cobra Acquisitions LLC, or Cobra, in Puerto

Rico to restore PREPA's electrical grid damaged by Hurricane Maria. As of September 30, 2022, PREPA, which is currently subject to bankruptcy proceedings, owed us approximately \$227.0 million for services performed excluding approximately \$141.3 million of interest charged on these delinquent balances as of September 30, 2022. See Note 2. Basis of Presentation and Significant Accounting Policies—Accounts Receivable of our unaudited condensed consolidated financial statements. We continue to vigorously pursue numerous avenues to collect our receivable from PREPA for work performed by Cobra. 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 Cobra or (iii) otherwise does not pay amounts owed to Cobra for services performed, the receivable may not be collectible, which may adversely impact our liquidity, results of operations and financial condition. 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, on September 10, 2019, the U.S. District Court for the District of Puerto Rico unsealed an indictment that charged the former president of Cobra with conspiracy, wire fraud, false statements and disaster fraud. Two other individuals were also charged in the indictment. The indictment is focused on the interactions between a former FEMA official and the former President of Cobra. Neither we nor any of our subsidiaries were charged in the indictment. On May 18, 2022, the former FEMA official and the former president of Cobra pled guilty to gratuities. The sentencing hearing is scheduled for November 28, 2022. Given the uncertainty inherent in the criminal litigation, it is not possible at this time to determine the potential impacts that the plea agreements could have on us. PREPA has stated in Court filings that it may contend the alleged criminal activity affects Cobra's entitlement to payment under its contracts with PREPA. It is unclear what PREPA's position will be after the terms of the plea agreements become public. Subsequent to the indictment, Cobra received a civil investigative demand ("CID") from the United States Department of Justice ("DOJ"), which requests certain documents and answers to specific interrogatories relevant to an ongoing investigation it is conducting. The aforementioned DOJ investigation is in connection with the issues raised in the criminal matter. Cobra is cooperating with the DOJ and is not able to predict the outcome of this investigation or if it will have a material impact on Cobra's or our business, financial condition, results of operations or cash flows. With regard to the previously disclosed SEC investigation, on July 6, 2022, the SEC sent a letter saying that it had concluded its investigation as to the Company and that based on information the SEC has as of this date, it does not intend to recommend an enforcement action by the SEC against us. See Note 18. Commitments and Contingencies to our unaudited condensed consolidated financial statements included elsewhere in this report for additional information regarding these proceedings. Further, our contracts with PREPA have concluded and we have not obtained, and there can be no assurance that we will be able to obtain, one or more contracts with other customers to replace the level of services that we provided to PREPA.

During the third quarter of 2021, we made leadership changes in our infrastructure group and have focused on cutting costs, improving margins and enhancing accountability across the division. During the third quarter of 2022, operational improvements combined with increased crew count drove enhanced results. Our crew count increased from approximately 82 crews as of December 31, 2021 to approximately 96 crews as of September 30, 2022, and we continue to add crew capacity for a sector that has a healthy bidding environment. Funding for projects in the infrastructure space remains strong with added opportunities expected from the Infrastructure Investment and Jobs Act, which was signed into law on November 15, 2021. We anticipate the federal spending to begin fueling this sector in 2023. We continue to focus on operational execution and pursue opportunities within this sector as we strategically structure our service offerings for growth, intending to increase our infrastructure services activity and expand both our geographic footprint and depth of projects, especially in fiber maintenance and installation projects. In late 2021, we were awarded a fiber installation contract as well as an electric vehicle charging station engineering contract. Both of these projects are currently in process.

We work for multiple utilities primarily across the northeastern, southwestern, midwestern and western portions of the United States. We believe that we are well-positioned to compete for new projects due to the experience of our infrastructure management team, combined with our vertically integrated service offerings. We are seeking to leverage this experience and our service offerings to grow our customer base and increase our revenues in the continental United States over the coming years.

Well Completion and Drilling Services

In March and April 2020, concurrent with the COVID-19 pandemic and quarantine orders in the U.S. and worldwide, oil prices dropped sharply to below zero dollars per barrel for the first time in history due to factors including significantly reduced demand and a shortage of storage facilities. In 2021, U.S. oil production stabilized as commodity prices increased and demand for crude oil rebounded, many exploration and production companies set their operating budgets based on the prevailing prices for oil and natural gas at the time. We have seen improvements in the oilfield services industry and in both pricing and utilization of our well completion and drilling services during the first nine months of 2022 and we expect both pricing and utilization to continue to improve in the fourth quarter of 2022 and into 2023 as a result of an increase in budgets

for publicly traded exploration and production companies and elevated activity levels, driven by improved energy demand and strong commodity prices. The ongoing Russian/Ukrainian war and related humanitarian crisis in Ukraine, however, could have an adverse impact on the global energy markets and volatility of commodity prices.

In response to market conditions, we have temporarily shut down our cementing and acidizing operations and flowback operations beginning in July 2019, our contract drilling operations beginning in December 2019, our rig hauling operations beginning in April 2020, our coil tubing, pressure control and full service transportation operations beginning in July 2020 and our crude oil hauling operations beginning in July 2021. We continue to monitor the market to determine if and when we can recommence these services.

During the third quarter of 2022, our well completion services division exhibited strong performance, fueled by the robust demand in the pressure pumping industry. We are currently operating four of our six pressure pumping fleets. We expect to add one additional pressure pumping fleet into operation during the fourth quarter of 2022. Looking to 2023, we plan to activate our sixth fleet in the first half of 2023, and subject to liquidity requirements, we have plans to upgrade one of our existing spreads to Tier 4, dual fuel. This would give us a total of three dual fuel fleets. We are analyzing whether there might be greater returns for converting and upgrading an existing spread compared to adding a seventh spread.

We continue to closely monitor our cost structure in response to market conditions and intend to pursue additional cost savings where possible. Further, a significant portion of our revenue from our pressure pumping business had historically been derived from Gulfport. On December 28, 2019, Gulfport filed a lawsuit alleging our breach of our pressure pumping contract with Gulfport and seeking to terminate the contract and recover damages for alleged overpayments, audit costs and legal fees. Gulfport did not make the payments owed to us under this contract for any periods subsequent to its alleged December 28, 2019 termination date. Further, on November 13, 2020, Gulfport filed petitions for voluntary relief under chapter 11 of the Bankruptcy Code. On September 21, 2021, we reached a settlement with Gulfport under which all litigation relating to the Stingray Pressure Pumping contract was terminated, Stingray Pressure Pumping released all claims against Gulfport and its subsidiaries with respect to Gulfport's bankruptcy proceedings and each of the parties released all claims they had against the others with respect to the litigation matters discussed above. We have not been able to obtain long-term contracts with other customers to replace our contract with Gulfport. See Note 18. Commitments and Contingencies to our unaudited condensed consolidated financial statements included elsewhere in this report for additional information.

Natural Sand Proppant Services

In our natural sand proppant services business, we experienced a significant decline in demand of our sand proppant in the second half of 2019 and throughout 2020 as a result of completion activity falling due to lower oil demand and pricing, increased capital discipline by our customers, budget exhaustion and the COVID-19 pandemic. Activity rebounded modestly in 2021 and has continued to increase during the first nine months of 2022, as we saw an increase in the volume of sand sold. The increase in activity in 2022 resulted in an increase in demand and pricing for our sand and we expect that prices will continue to increase in the fourth quarter of 2022 and into 2023.

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 contracted capacity has provided a baseline of business, which has kept our Taylor and Piranha plants operating and our costs low.

A portion of our revenue from our natural sand proppant business historically had been derived from Gulfport pursuant to a long-term contract. Gulfport did not make the payments owed to us under this contract for any periods subsequent to May 2020. In September 2020, we filed a lawsuit seeking to recover delinquent payments owed to us under this contract. On November 13, 2020, Gulfport filed petitions for voluntary relief under chapter 11 of the Bankruptcy Code. On September 21, 2021, the Company and Gulfport reached a settlement under which all litigation relating to the Muskie contract was terminated and a portion of Muskie's contract claim against Gulfport was allowed under Gulfport's plan of reorganization. See Note 18. Commitments and Contingencies to our unaudited condensed consolidated financial statements included elsewhere in this report for additional information.

As the oilfield services and natural sand proppant industries continue to rebound from the significant economic impacts of 2020 and 2021, we expect momentum to continue in terms of activity, pricing, scheduling and new bidding inquiries in the fourth quarter of 2022 and into 2023. We believe our diverse portfolio of services and ability to adapt quickly to changing environments positions us well in these segments.

Our Response to COVID-19 and Related Market Conditions

We have taken, and continue to take, responsible steps to protect the health and safety of our employees during the COVID-19 pandemic. We are also continuing to monitor the industry and market conditions resulting from the COVID-19 pandemic and have taken mitigating steps in an effort to preserve liquidity, reduce costs and lower capital expenditures. These actions have included reducing headcount, adjusting pay and limiting spending. We will continue to take further actions that we deem to be in the best interest of the Company and our stockholders if the adverse conditions recur. Given the dynamic nature of these events, we are unable to predict the ultimate impact of the COVID-19 pandemic, the volatility in commodity markets, any changes in the near-term or long-term outlook for our industries or overall macroeconomic conditions on our business, financial condition, results of operations, cash flows and stock price or the pace or extent of any subsequent recovery.

Although demand across our three largest segments has improved during the nine months ended September 30, 2022 and remained strong in the third quarter of 2022, we continue to mitigate the myriad of external challenges in today's economic environment as we remain disciplined with our spending to continue to improve Mammoth's cost structure and focus on enhancing value for our stockholders.

Third Quarter 2022 Financial Overview

- Net income for the third quarter of 2022 was \$7.7 million, or \$0.16 per diluted share, as compared to net loss of \$40.9 million, or \$0.88 loss per diluted share, for the third quarter of 2021.
- Adjusted EBITDA (as defined and reconciled below) increased to \$29.8 million for the third quarter of 2022, as compared to (\$29.3) million for the third quarter of 2021 and \$23.0 million for the second quarter of 2022. See "Non-GAAP Financial Measures" below for a reconciliation of net income to Adjusted EBITDA.
- Total revenue for the third quarter of 2022 increased \$49.7 million, or 86%, to \$107.2 million from \$57.5 million for the third quarter of 2021. The increase in total revenue is due to an increase in revenue across all of our operating divisions during the third quarter of 2022, driven primarily by increased utilization and pricing.

Results of Operations

Three Months Ended September 30, 2022 Compared to Three Months Ended September 30, 2021

	Three Months Ended	
	September 30, 2022	September 30, 2021
(in thousands)		
Revenue:		
Infrastructure services	\$ 33,296	\$ 25,070
Well completion services	51,532	22,732
Natural sand proppant services	12,910	8,419
Drilling services	3,118	1,207
Other services	6,968	4,572
Eliminations	(622)	(4,515)
Total revenue	107,202	57,485
Cost of revenue:		
Infrastructure services (exclusive of depreciation and amortization of \$3,966 and \$4,933, respectively, for the three months ended September 30, 2022 and 2021)	26,512	21,898
Well completion services (exclusive of depreciation and amortization of \$4,767 and \$6,538, respectively, for the three months ended September 30, 2022 and 2021)	35,817	21,329
Natural sand proppant services (exclusive of depreciation, depletion and accretion of \$2,863 and \$2,533, respectively, for the three months ended September 30, 2022 and 2021)	9,206	9,368
Drilling services (exclusive of depreciation and amortization of \$1,597 and \$1,942, respectively, for the three months ended September 30, 2022 and 2021)	2,804	1,566
Other services (exclusive of depreciation and amortization of \$2,638 and \$3,202, respectively, for the three months ended September 30, 2022 and 2021)	4,739	3,938
Eliminations	(622)	(4,515)
Total cost of revenue	78,456	53,584
Selling, general and administrative expenses	9,685	41,429
Depreciation, depletion, amortization and accretion	15,842	19,148
Gains on disposal of assets, net	(599)	(3,033)
Impairment of other long-lived assets	—	547
Operating income (loss)	3,818	(54,190)
Interest expense, net	(3,262)	(1,484)
Other income, net	10,989	7,586
Income (loss) before income taxes	11,545	(48,088)
Provision (benefit) for income taxes	3,819	(7,187)
Net income (loss)	\$ 7,726	\$ (40,901)

Revenue. Revenue for the three months ended September 30, 2022 increased \$49.7 million, or 86%, to \$107.2 million from \$57.5 million for the three months ended September 30, 2021. The increase in total revenue is attributable to an increase in revenue across all operating divisions during the three months ended September 30, 2022 primarily due to increased utilization and pricing. Revenue derived from related parties was \$0.4 million for the three months ended September 30, 2022 and \$0.6 million for the three months ended September 30, 2021. Revenue by operating division was as follows:

Infrastructure Services. Infrastructure services division revenue increased \$8.2 million, or 33%, to \$33.3 million for the three months ended September 30, 2022 from \$25.1 million for the three months ended September 30, 2021 primarily due to improved operational execution, coupled with an increase in crew count and improved pricing.

Average crew count grew to 96 crews for the three months ended September 30, 2022, as compared to 77 crews for the three months ended September 30, 2021.

Well Completion Services. Well completion services division revenue increased \$28.8 million, or 127%, to \$51.5 million for the three months ended September 30, 2022 from \$22.7 million for the three months ended September 30, 2021. The increase in our well completion services revenue was primarily driven by a 176% increase in the number of stages completed from 688 for the three months ended September 30, 2021 to 1,897 for the three months ended September 30, 2022 as well as an increase in both pricing and sand and chemical materials revenue. An average of 3.5 of our fleets were active for the three months ended September 30, 2022 as compared to an average of 1.2 fleets for the three months ended September 30, 2021.

Natural Sand Proppant Services. Natural sand proppant services division revenue increased \$4.5 million, or 54%, to \$12.9 million for the three months ended September 30, 2022, from \$8.4 million for the three months ended September 30, 2021 primarily due to an 81% increase in the average price per ton of sand sold from \$16.58 per ton during the three months ended September 30, 2021 to \$29.95 per ton during the three months ended September 30, 2022, and an 8% increase in tons of sand sold from 315,066 tons for the three months ended September 30, 2021 to 341,272 tons for the three months ended September 30, 2022. Additionally, we recognized shortfall revenue of \$0.5 million during the three months ended September 30, 2022.

Drilling Services. Drilling services division revenue increased \$1.9 million, or 158%, to \$3.1 million for the three months ended September 30, 2022 as compared to \$1.2 million for the three months ended September 30, 2021. The increase is primarily due to increased utilization for our directional drilling business from 23% for the three months ended September 30, 2021 to 46% for the three months ended September 30, 2022.

Other Services. Other services revenue, consisting of revenue derived from our aviation, equipment rental, crude oil hauling, remote accommodation and equipment manufacturing businesses, increased approximately \$2.4 million, or 52%, to \$7.0 million for the three months ended September 30, 2022, from \$4.6 million for the three months ended September 30, 2021. Inter-segment revenue, consisting primarily of revenue derived from our well completion segment, was \$0.5 million for each of the three months ended September 30, 2022 and 2021, respectively.

An average of 255 pieces of equipment were rented to customers during the three months ended September 30, 2022, an increase of 57% from an average of 162 pieces of equipment rented to customers during the three months ended September 30, 2021, resulting in an increase to revenue of \$0.9 million. Additionally, revenue from our accommodations business increased \$1.6 million primarily due to an increase in rooms rented during the three months ended September 30, 2022 compared to the three months ended September 30, 2021.

Cost of Revenue (exclusive of depreciation, depletion, amortization and accretion expense). Cost of revenue, exclusive of depreciation, depletion, amortization and accretion expense, increased \$24.9 million from \$53.6 million, or 93% of total revenue, for the three months ended September 30, 2021 to \$78.5 million, or 73% of total revenue, for the three months ended September 30, 2022. The increase is primarily due to an increase in activity across all operating divisions. Cost of revenue by operating division was as follows:

Infrastructure Services. Infrastructure services division cost of revenue, exclusive of depreciation and amortization expense, increased \$4.6 million, or 21%, to \$26.5 million for the three months ended September 30, 2022 from \$21.9 million for the three months ended September 30, 2021, primarily due to an increase in activity. As a percentage of revenue, cost of revenue, exclusive of depreciation and amortization expense of \$4.0 million and \$4.9 million for the three months ended September 30, 2022 and 2021, respectively, was 80% and 87% for the three months ended September 30, 2022 and 2021, respectively. The decline as a percentage of revenue is primarily due to improved pricing as well as a decline in labor related costs as a result of improved efficiency of our crews.

Well Completion Services. Well completion services division cost of revenue, exclusive of depreciation and amortization expense, increased \$14.5 million, or 68%, to \$35.8 million for the three months ended September 30, 2022 from \$21.3 million for the three months ended September 30, 2021, primarily due to an increase in both the cost of consumables and activity. As a percentage of revenue, our well completion services division cost of revenue, exclusive of depreciation and amortization expense of \$4.8 million and \$6.5 million for the three months ended September 30, 2022 and 2021, respectively, was 70% and 94% for the three months ended September 30, 2022 and 2021, respectively. The decrease as a percentage of revenue is primarily due to an increase in utilization as well as improved pricing.

Natural Sand Proppant Services. Natural sand proppant services division cost of revenue, exclusive of depreciation, depletion and accretion expense, decreased \$0.2 million, or 2%, to \$9.2 million for the three months ended September 30, 2022 from \$9.4 million for the three months ended September 30, 2021. As a percentage of revenue, cost of revenue, exclusive of depreciation, depletion and accretion expense of \$2.9 million and \$2.5 million for the three months ended September 30, 2022 and 2021, respectively, was 71% and 112% for the three months ended September 30, 2022 and 2021, respectively. The decrease as a percentage of revenue is primarily due to an 81% increase in price per ton of sand sold.

Drilling Services. Drilling services division cost of revenue, exclusive of depreciation and amortization expense, increased \$1.2 million, or 75%, to \$2.8 million for the three months ended September 30, 2022 from \$1.6 million for the three months ended September 30, 2021. As a percentage of revenue, our drilling services division cost of revenue, exclusive of depreciation and amortization expense of \$1.6 million and \$1.9 million for the three months ended September 30, 2022 and 2021, respectively, was 90% and 130% for the three months ended September 30, 2022 and 2021, respectively. The decline is primarily due to an increase in utilization.

Other Services. Other services division cost of revenue, exclusive of depreciation and amortization expense, increased \$0.8 million, or 20%, to \$4.7 million for the three months ended September 30, 2022 from \$3.9 million for the three months ended September 30, 2021. As a percentage of revenue, cost of revenue, exclusive of depreciation and amortization expense of \$2.6 million and \$3.2 million for the three months ended September 30, 2022 and 2021, respectively, was 68% and 85% for the three months ended September 30, 2022 and 2021, respectively. The decrease is primarily due to a decline in labor costs as a percentage of revenue and an increase in utilization.

Selling, General and Administrative Expenses. Selling, general and administrative, or SG&A, 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):

	Three Months Ended	
	September 30, 2022	September 30, 2021
Cash expenses:		
Compensation and benefits	\$ 3,676	\$ 3,353
Professional services ^(a)	3,706	4,134
Other ^(b)	2,059	2,252
Total cash SG&A expense	9,441	9,739
Non-cash expenses:		
Bad debt provision ^(c)	3	31,449
Stock based compensation	241	241
Total non-cash SG&A expense	244	31,690
Total SG&A expense	<u>\$ 9,685</u>	<u>\$ 41,429</u>

a. Certain legal expenses totaling \$0.4 million were reclassified to Other, net for the three months ended September 30, 2021.

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

c. The bad debt provision for the three months ended September 30, 2021 includes \$31.2 million related to the Stingray Pressure Pumping and Muskie contracts with Gulfport.

Depreciation, Depletion, Amortization and Accretion. Depreciation, depletion, amortization and accretion decreased \$3.3 million, or 17%, to \$15.8 million for the three months ended September 30, 2022 from \$19.1 million for the three months ended September 30, 2021. The decrease is primarily attributable to a decline in property and equipment depreciation expense as a result of lower capital expenditures and existing assets being fully depreciated.

Gains on Disposal of Assets, Net. Gains on the disposal of assets is primarily related to the sale of trucking assets during the three months ended September 30, 2022 and 2021.

Impairment of Long-Lived Assets. During the three months ended September 30, 2021, we began the temporary shut down of our crude oil hauling operations, resulting in impairment of trade names of \$0.5 million.

Operating Income (Loss). We reported operating income of \$3.8 million for the three months ended September 30, 2022 compared to an operating loss of \$54.2 million for the three months ended September 30, 2021. The decrease in operating loss is primarily due to an increase in activity and utilization across all operating divisions.

Interest Expense, Net. Interest expense, net increased \$1.8 million, or 120%, to \$3.3 million for the three months ended September 30, 2022 from \$1.5 million for the three months ended September 30, 2021. The increase is primarily due to an increase in the interest rate and average borrowings outstanding under our revolving credit facility.

Other Income (Expense), Net. Other income increased \$3.4 million during the three months ended September 30, 2022 compared to the three months ended September 30, 2021 primarily due to an increase in interest on trade accounts receivable from \$8.0 million for the three months ended September 30, 2021 to \$10.5 million for the three months ended September 30, 2022, as well as a decline in legal fees unrelated to ongoing operations.

Income Taxes. We recorded income tax expense of \$3.8 million on pre-tax income of \$11.5 million for the three months ended September 30, 2022 compared to an income tax benefit of \$7.2 million on pre-tax losses of \$48.1 million for the three months ended September 30, 2021. Our effective tax rates were 33% and 15% for the three months ended September 30, 2022 and 2021, respectively. The effective tax rates for the three months ended September 30, 2022 and 2021 differed from the statutory rate of 21% primarily due to the mix of earnings between the United States and Puerto Rico as well as changes in the valuation allowance.

Nine Months Ended September 30, 2022 Compared to Nine Months Ended September 30, 2021

	Nine Months Ended	
	September 30, 2022	September 30, 2021
	(in thousands)	
Revenue:		
Infrastructure services	\$ 81,892	\$ 73,690
Well completion services	119,223	63,059
Natural sand proppant services	37,548	24,011
Drilling services	7,944	3,288
Other services	16,730	13,640
Eliminations	(4,159)	(5,958)
Total revenue	259,178	171,730
Cost of revenue:		
Infrastructure services (exclusive of depreciation and amortization of \$12,477 and \$17,499, respectively, for the nine months ended September 30, 2022 and 2021)	67,239	70,432
Well completion services (exclusive of depreciation and amortization of \$17,944 and \$19,668, respectively, for the nine months ended September 30, 2022 and 2021)	92,159	47,788
Natural sand proppant services (exclusive of depreciation, depletion and accretion of \$6,711 and \$7,059, respectively, for the nine months ended September 30, 2022 and 2021)	26,701	22,631
Drilling services (exclusive of depreciation of \$4,928 and \$6,185, respectively, for the nine months ended September 30, 2022 and 2021)	7,530	4,739
Other services (exclusive of depreciation and amortization of \$8,378 and \$10,148, respectively, for the nine months ended September 30, 2022 and 2021)	12,256	12,407
Eliminations	(4,163)	(5,958)
Total cost of revenue	201,722	152,039
Selling, general and administrative expenses	26,560	69,313
Depreciation, depletion, amortization and accretion	50,485	60,559
Gains on disposal of assets, net	(3,738)	(4,632)
Impairment of long-lived assets	—	547
Operating loss	(15,851)	(106,096)
Interest expense, net	(8,270)	(3,878)
Other income (expense), net	30,175	(4,527)
Income (loss) before income taxes	6,054	(114,501)
Provision (benefit) for income taxes	11,442	(26,370)
Net loss	\$ (5,388)	\$ (88,131)

Revenue. Revenue for the nine months ended September 30, 2022 increased \$87.5 million, or 51%, to \$259.2 million from \$171.7 million for the nine months ended September 30, 2021. The increase in total revenue is primarily attributable to increases in revenue across all operating divisions. Revenue derived from related parties was \$1.0 million, or 0.4% of our total revenue, for the nine months ended September 30, 2022 and \$17.8 million, or 10% of our total revenue, for the nine months ended September 30, 2021. Substantially all of our related party revenue was derived from Gulfport under pressure pumping and sand contracts. For additional information regarding the status of these contracts and the pending litigation related to the pressure pumping contract, see “Industry Overview – Oil and Natural Gas Industry,” “Industry Overview – Natural Sand Proppant Industry” and Note 18. Commitments and Contingencies to our unaudited condensed consolidated financial statements included elsewhere in this report. Revenue by operating division was as follows:

Infrastructure Services. Infrastructure services division revenue increased \$8.2 million, or 11%, to \$81.9 million for the nine months ended September 30, 2022 from \$73.7 million for the nine months ended September 30, 2021. There was less storm activity during the nine months ended September 30, 2022 compared to the nine months ended September 30, 2021, resulting in a \$13.3 million decrease in storm restoration revenue. This was offset by increases in overhead distribution as a result of an increase in our crew count, improved efficiency of our crews, improved pricing for our services as well as an increase in engineering services revenue.

Well Completion Services. Well completion services division revenue increased \$56.1 million, or 89%, to \$119.2 million for the nine months ended September 30, 2022 from \$63.1 million for the nine months ended September 30, 2021. We did not recognize any revenue derived from related parties for the nine months ended September 30, 2022 compared to \$14.8 million, or 23% of total well completion revenue, for the nine months ended September 30, 2021. All of our well completion related party revenue was derived from Gulfport under a pressure pumping contract. On November 13, 2020, Gulfport filed petitions for voluntary relief under chapter 11 of the Bankruptcy Code. During the nine months ended September 30, 2021, we recognized revenue totaling \$14.8 million related to the modification of our pressure pumping contract with Gulfport. For additional information regarding the status of this contract and the pending litigation related to this contract, see “Industry Overview – Oil and Natural Gas Industry” above and notes 2 and 3 to our unaudited condensed consolidated financial statements included elsewhere in this report. Inter-segment revenues, consisting primarily of revenue derived from our sand segment, was \$0.6 million and \$0.1 million for the nine months ended September 30, 2022 and 2021, respectively.

The increase in our well completion services revenue was primarily driven by an increase in pressure pumping services utilization and pricing. The number of stages completed increased 161% to 4,312 for the nine months ended September 30, 2022 from 1,653 for the nine months ended September 30, 2021. An average of 2.9 of our six fleets were active for the nine months ended September 30, 2022 as compared to an average of 1.0 fleets for the nine months ended September 30, 2021.

Natural Sand Proppant Services. Natural sand proppant services division revenue increased \$13.5 million, or 56%, to \$37.5 million for the nine months ended September 30, 2022, from \$24.0 million for the nine months ended September 30, 2021. We did not recognize any related party revenue for the nine months ended September 30, 2022. Revenue derived from related parties was \$2.1 million, or 9% of total sand revenue, for the nine months ended September 30, 2021. All of our related party revenue was derived from Gulfport under a sand supply contract. On November 13, 2020, Gulfport filed petitions for voluntary relief under chapter 11 of the Bankruptcy Code. During the three months ended March 31, 2021, we recognized revenue totaling \$2.1 million related to the modification of our sand supply contract with Gulfport. For additional information regarding the status of this contract and the pending litigation related to this contract, see “Industry Overview – Natural Sand Proppant Industry” above and notes 2 and 3 to our unaudited condensed consolidated financial statements included elsewhere in this report. Inter-segment revenue, consisting primarily of revenue derived from our pressure pumping segment, was \$2.4 million, or 7% of total sand revenue, for the nine months ended September 30, 2022 and \$4.0 million, or 17% of total sand revenue, for the nine months ended September 30, 2021.

The increase in our natural sand proppant services revenue was primarily due to a 60% increase in the average sales price per ton of sand sold from \$16.37 per ton during the nine months ended September 30, 2021 to \$26.15 per ton during the nine months ended September 30, 2022 and a 38% increase in tons of sand sold from approximately 741,458 tons for the nine months ended September 30, 2021 to approximately 1,019,740 tons for the nine months ended September 30, 2022. These increases were partially offset by a \$3.3 million decline in shortfall revenue for the nine months ended September 30, 2022 as compared to the nine months ended September 30, 2021.

Drilling Services. Drilling services division revenue increased \$4.6 million, or 139%, to \$7.9 million for the nine months ended September 30, 2022 from \$3.3 million for the nine months ended September 30, 2021. The increase in our drilling services revenue was primarily attributable to increased utilization for our directional drilling business from 20% during the nine months ended September 30, 2021 to 43% nine months ended September 30, 2022 as well as increased pricing.

Other Services. Other services revenue, consisting of revenue derived from our aviation, equipment rental, crude oil hauling, remote accommodation and equipment manufacturing businesses, increased \$3.1 million, or 23%, to \$16.7 million for the nine months ended September 30, 2022 from \$13.6 million for the nine months ended September 30, 2021. Inter-segment revenue, consisting primarily of revenue derived from our infrastructure and well completion segments, totaled \$1.0 million and \$1.8 million for the nine months ended September 30, 2022 and 2021, respectively.

The increase in our other services revenue was primarily due to an increase in utilization for our equipment rental business. An average of 240 pieces of equipment was rented to customers during the nine months ended September 30, 2022, an increase of 105% from an average of 117 pieces of equipment rented to customers during the nine months ended September 30, 2021. Additionally, utilization for remote accommodations business increased. Due to market conditions, we have temporarily shut down our crude oil hauling business beginning in July 2021, resulting in a decline in revenue of approximately \$1.3 million.

Cost of Revenue (exclusive of depreciation, depletion, amortization and accretion expense). Cost of revenue, exclusive of depreciation, depletion, amortization and accretion expense, increased \$49.7 million from \$152.0 million, or 89% of total revenue, for the nine months ended September 30, 2021 to \$201.7 million, or 78% of total revenue, for the nine months ended September 30, 2022. The increase is primarily due to an increase in cost of revenue for the well completion services division. Cost of revenue by operating division was as follows:

Infrastructure Services. Infrastructure services division cost of revenue, exclusive of depreciation and amortization expense, decreased \$3.2 million, or 5%, to \$67.2 million for the nine months ended September 30, 2022 from \$70.4 million for the nine months ended September 30, 2021. As a percentage of revenue, cost of revenue, exclusive of depreciation and amortization expense of \$12.5 million and \$17.5 million, respectively, for the nine months ended September 30, 2022 and 2021 was 82% and 96% for the nine months ended September 30, 2022 and 2021, respectively. The decrease as a percentage of revenue is primarily due to declines in labor related costs associated with improved efficiency of our crews and equipment rental costs as a percentage of revenue.

Well Completion Services. Well completion services division cost of revenue, exclusive of depreciation and amortization expense, increased \$44.4 million, or 93%, to \$92.2 million for the nine months ended September 30, 2022 from \$47.8 million for the nine months ended September 30, 2021, primarily due to an increase in cost of goods sold as a result of providing sand and chemicals with our service package to customers during the nine months ended September 30, 2022 as well as an increase in activity. As a percentage of revenue, our well completion services division cost of revenue, exclusive of depreciation and amortization expense of \$18.0 million and \$19.7 million for the nine months ended September 30, 2022 and 2021, respectively, was relatively flat at 77% and 76% for the nine months ended September 30, 2022 and 2021, respectively.

Natural Sand Proppant Services. Natural sand proppant services division cost of revenue, exclusive of depreciation, depletion and accretion expense, increased \$4.1 million, or 18%, from \$22.6 million for the nine months ended September 30, 2021 to \$26.7 million for the nine months ended September 30, 2022. As a percentage of revenue, cost of revenue, exclusive of depreciation, depletion and accretion expense of \$6.7 million and \$7.1 million for the nine months ended September 30, 2022 and 2021, respectively, was 71% and 94% for the nine months ended September 30, 2022 and 2021, respectively. The decrease in cost as a percentage of revenue is primarily due to a 60% increase in average sales price.

Drilling Services. Drilling services division cost of revenue, exclusive of depreciation and amortization expense, increased \$2.8 million, or 60%, from \$4.7 million for the nine months ended September 30, 2021 to \$7.5 million for the nine months ended September 30, 2022, as a result of increased activity. As a percentage of revenue, our drilling services division cost of revenue, exclusive of depreciation and amortization expense of \$4.9 million and \$6.2 million, for the nine months ended September 30, 2022 and 2021, respectively, was 95% and 142% for the nine months ended September 30, 2022 and 2021, respectively. The decrease as a percentage of revenue is primarily due to increased pricing and utilization.

Other Services. Other services division cost of revenue, exclusive of depreciation and amortization expense, decreased \$0.1 million, or 1%, from \$12.4 million for the nine months ended September 30, 2021 to \$12.3 million for the nine months ended September 30, 2022. As a percentage of revenue, cost of revenue, exclusive of depreciation and amortization expense of \$8.4 million and \$10.1 million for the nine months ended September 30, 2022 and 2021, respectively, was 73% and 91% for the nine months ended September 30, 2022 and 2021, respectively. The decrease as a percentage of revenue is primarily due to an increase in utilization.

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):

	Nine Months Ended	
	September 30, 2022	September 30, 2021
Cash expenses:		
Compensation and benefits	\$ 9,796	\$ 11,379
Professional services ^(a)	10,067	8,399
Other ^(b)	6,127	7,058
Total cash SG&A expenses	25,990	26,836
Non-cash expenses:		
Bad debt provision ^(c)	(112)	41,650
Stock based compensation	682	827
Total non-cash SG&A expenses	570	42,477
Total SG&A expenses	\$ 26,560	\$ 69,313

a. Certain legal expenses totaling \$5.4 million were reclassified to Other, net for the nine months ended September 30, 2021.

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

c. The bad debt provision for the nine months ended September 30, 2021 includes \$41.2 million related to the Stingray Pressure Pumping and Muskie contracts with Gulfport.

Depreciation, Depletion, Amortization and Accretion. Depreciation, depletion, amortization and accretion decreased \$10.1 million to \$50.5 million for the nine months ended September 30, 2022 from \$60.6 million for the nine months ended September 30, 2021. The decrease is primarily attributable to a decline in property and equipment depreciation expense as a result of lower capital expenditures and existing assets being fully depreciated.

Gains on Disposal of Assets, Net. Gains on the disposal of assets is primarily related to the sale of trucks, land and buildings during the nine months ended September 30, 2022 and trucking assets for the nine months ended September 30, 2021.

Impairment of Long-Lived Assets. During the three months ended September 30, 2021, we began the temporary shut down of our crude oil hauling operations, resulting in impairment of trade names of \$0.5 million.

Operating Loss. We reported an operating loss of \$15.9 million for the nine months ended September 30, 2022 compared to an operating loss of \$106.1 million for the nine months ended September 30, 2021. The reduced operating loss was primarily due to a decline in costs as a percentage of revenue as well as increased activity across all operating divisions.

Interest Expense, Net. Interest expense, net increased \$4.4 million, or 113%, to \$8.3 million for the nine months ended September 30, 2022 from \$3.9 million for the nine months ended September 30, 2021 primarily due to an increase in the interest rate and average borrowings outstanding under our revolving credit facility.

Other Income (Expense), Net. We recognized other income, net of \$30.2 million during the nine months ended September 30, 2022 compared to other expense, net of \$4.5 million for the nine months ended September 30, 2021. During the nine months ended September 30, 2021 we recognized expense of \$25.0 million related to an agreement to settle a legal matter and corresponding legal fees totaling \$5.4 million. We recognized interest on trade accounts receivable of \$30.5 million for the nine months ended September 30, 2022 compared to \$25.1 million for nine months ended September 30, 2021.

Income Taxes. We recorded income tax expense of \$11.4 million on pre-tax income of \$6.1 million for the nine months ended September 30, 2022 compared to an income tax benefit of \$26.4 million on pre-tax losses of \$114.5 million for the nine months ended September 30, 2021. Our effective tax rate was 189% for the nine months ended September 30, 2022 compared to 23% for the nine months ended September 30, 2021. The increase compared to the nine months ended

September 30, 2021 was due to the mix of earnings between the United States and Puerto Rico as well as 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, amortization and accretion, gains on disposal of assets, impairment of other long-lived assets, public offering costs, stock based compensation, interest expense, net, other income (expense), net (which is comprised of interest on trade accounts receivable and certain legal expenses) 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 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

	Three Months Ended			Nine Months Ended	
	September 30,		June 30,	September 30,	
	2022	2021	2022	2022	2021
Reconciliation of Adjusted EBITDA to net income (loss):					
Net income (loss)	\$ 7,726	\$ (40,901)	\$ 1,703	\$ (5,388)	\$ (88,131)
Depreciation, depletion, amortization and accretion expense	15,842	19,148	17,476	50,485	60,559
Gains on disposal of assets	(599)	(3,033)	(2,943)	(3,738)	(4,632)
Impairment of other long-lived assets	—	547	—	—	547
Public offering costs	—	13	—	—	91
Stock based compensation	241	252	200	682	950
Interest expense, net	3,262	1,484	2,659	8,270	3,878
Other (income) expense, net	(10,989)	(7,586)	(10,144)	(30,174)	4,527
Provision (benefit) for income taxes	3,819	(7,187)	3,935	11,442	(26,370)
Interest on trade accounts receivable	10,468	7,963	10,160	30,490	25,138
Adjusted EBITDA	\$ 29,770	\$ (29,300)	\$ 23,046	\$ 62,069	\$ (23,443)

Infrastructure Services

	Three Months Ended			Nine Months Ended	
	September 30,		June 30,	September 30,	
	2022	2021	2022	2022	2021
Reconciliation of Adjusted EBITDA to net income (loss):					
Net income (loss)	\$ 2,630	\$ (2,409)	\$ 571	\$ 3,323	\$ (30,721)
Depreciation and amortization expense	3,969	4,933	4,211	12,495	17,501
Losses (gains) on disposal of assets	73	33	(863)	(795)	(255)
Public offering costs	—	(7)	—	—	38
Stock based compensation	89	100	74	261	401
Interest expense	2,047	979	1,755	5,345	2,312
Other (income) expense, net	(10,304)	(8,852)	(10,061)	(29,948)	2,983
Provision (benefit) for income taxes	3,402	3,947	3,708	10,178	(2,463)
Interest on trade accounts receivable	10,468	9,290	10,160	30,490	26,980
Adjusted EBITDA	\$ 12,374	\$ 8,014	\$ 9,555	\$ 31,349	\$ 16,776

Well Completion Services

	Three Months Ended			Nine Months Ended	
	September 30,		June 30,	September 30,	
	2022	2021	2022	2022	2021
Reconciliation of Adjusted EBITDA to net income (loss):					
Net income (loss)	\$ 8,706	\$ (40,712)	\$ 1,450	\$ 2,357	\$ (53,392)
Depreciation and amortization expense	4,772	6,538	6,747	17,963	19,668
Gains on disposal of assets	(339)	(573)	(157)	(547)	(648)
Public offering costs	—	19	—	—	31
Stock based compensation	104	95	84	275	253
Interest expense	531	215	422	1,324	688
Other (income) expense, net	(345)	1,328	—	(345)	1,844
Interest on trade accounts receivable	—	(1,327)	—	—	(1,841)
Adjusted EBITDA	\$ 13,429	\$ (34,417)	\$ 8,546	\$ 21,027	\$ (33,397)

Natural Sand Proppant Services

	Three Months Ended			Nine Months Ended	
	September 30,		June 30,	September 30,	
	2022	2021	2022	2022	2021
Reconciliation of Adjusted EBITDA to net (loss) income:					
Net (loss) income	\$ (446)	\$ (4,611)	\$ 2,665	\$ 904	\$ (9,186)
Depreciation, depletion, amortization and accretion expense	2,865	2,533	2,058	6,717	7,059
Gains on disposal of assets	—	(21)	(15)	(90)	(41)
Public offering costs	—	—	—	—	12
Stock based compensation	30	32	26	90	163
Interest expense	212	107	178	552	291
Other income, net	(3)	(25)	(4)	(10)	(851)
Interest on trade accounts receivable	—	—	—	—	(1)
Adjusted EBITDA	\$ 2,658	\$ (1,985)	\$ 4,908	\$ 8,163	\$ (2,554)

Drilling Services

	Three Months Ended			Nine Months Ended	
	September 30,		June 30,	September 30,	
	2022	2021	2022	2022	2021
Reconciliation of Adjusted EBITDA to net loss:					
Net loss	\$ (1,457)	\$ (2,579)	\$ (2,272)	\$ (5,482)	\$ (8,717)
Depreciation expense	1,598	1,942	1,651	4,929	6,185
Gains on disposal of assets	(286)	(66)	—	(286)	(192)
Public offering costs	—	—	—	—	2
Stock based compensation	4	6	4	13	71
Interest expense	154	56	121	379	177
Other income, net	—	—	—	—	(9)
Adjusted EBITDA	\$ 13	\$ (641)	\$ (496)	\$ (447)	\$ (2,483)

Other Services^(a)

	Three Months Ended			Nine Months Ended	
	September 30,		June 30,	September 30,	
	2022	2021	2022	2022	2021
Reconciliation of Adjusted EBITDA to net (loss) income:					
Net (loss) income	\$ (1,707)	\$ 9,409	\$ (788)	\$ (6,492)	\$ 13,884
Depreciation, amortization and accretion expense	2,638	3,202	2,809	8,381	10,146
Gains on disposal of assets	(47)	(2,406)	(1,908)	(2,020)	(3,496)
Impairment of other long-lived assets	—	547	—	—	547
Public offering costs	—	1	—	—	8
Stock based compensation	14	19	12	43	62
Interest expense, net	318	127	183	670	410
Other (income) expense, net	(337)	(37)	(78)	128	560
Provision (benefit) for income taxes	417	(11,134)	226	1,264	(23,907)
Adjusted EBITDA	\$ 1,296	\$ (272)	\$ 456	\$ 1,974	\$ (1,786)

a. Includes results for our aviation, equipment rentals, crude oil hauling, remote accommodations and equipment manufacturing and corporate related activities. Our corporate related activities do not generate revenue.

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, and the litigation settlement obligations described in Note 18 "Commitments and Contingencies" of the Notes to the Unaudited Condensed Consolidated Financial Statements and under "Capital Requirements and Sources of Liquidity" below. Our primary sources of liquidity have been cash on hand, borrowings under our revolving credit facility and cash flows from operations. Our primary uses of capital have been for investing in property and equipment used to provide our services and to acquire complementary businesses.

Liquidity

The following table summarizes our liquidity as of the dates indicated (in thousands):

	September 30, 2022	December 31, 2021
Cash and cash equivalents	\$ 10,617	\$ 9,899
Revolving credit facility availability	116,722	118,948
Less long-term debt	(92,776)	(85,240)
Less available borrowing capacity reserve	(10,000)	(10,000)
Less letter of credit facilities (bonding program)	—	(1,000)
Less letter of credit facilities (insurance programs)	(3,389)	(3,890)
Less letter of credit facilities (environmental remediation)	(3,694)	(3,694)
Less letter of credit facilities (rail car commitments)	—	(455)
Net working capital (less cash) ^(a)	334,754	280,651
Total	<u>\$ 352,234</u>	<u>\$ 305,219</u>

a. Net working capital (less cash) is a non-GAAP measure and is calculated by subtracting total current liabilities of \$142.5 million and cash and cash equivalents of \$10.6 million from total current assets of \$487.8 million as of September 30, 2022. As of December 31, 2021, net working capital (less cash) is calculated by subtracting total current liabilities of \$150.2 million and cash and cash equivalents of \$9.9 million from total current assets of \$440.8 million. Amounts include receivables due from PREPA of \$368.3 million at September 30, 2022 and \$337.8 million at December 31, 2021 and corresponding liabilities of \$44.4 million at September 30, 2022 and \$42.3 million at December 31, 2021.

As of October 26, 2022, we had cash on hand of \$10.3 million and outstanding borrowings under our revolving credit facility of \$89.7 million, leaving an aggregate of \$13.0 million of available borrowing capacity under this facility, after giving effect to \$7.1 million of outstanding letters of credit and the requirement to maintain a \$10.0 million reserve out of the available borrowing capacity.

Continued prolonged volatility in the capital, financial and/or credit markets due to the COVID-19 pandemic, volatility in commodity prices and/or adverse macroeconomic conditions may further limit our access to, or increase our cost of, capital or make capital unavailable on terms acceptable to us or at all. In addition, if we are unable to comply with the financial covenants under our amended revolving credit facility, or obtain a waiver of forecasted or actual non-compliance with any such financial covenants from our lenders, and an event of default occurs and remains uncured, our lenders would not be required to lend any additional amounts to us, could elect to increase our interest rate by 200 basis points, could elect to declare all outstanding borrowings, together with accrued and unpaid interest and fees, to be due and payable, may have the ability to require us to apply all of our available cash to repay our outstanding borrowings and may foreclose on substantially all of our assets. Further, we may not be able to extend or refinance our existing revolving credit facility at or prior to maturity on the terms acceptable to us or at all.

Cash Flows

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2022	2021	2022	2021
Net cash used in operating activities	\$ (5,430)	\$ (20,235)	\$ (6,066)	\$ (15,764)
Net cash (used in) provided by investing activities	(3,918)	2,184	(440)	5,107
Net cash provided by financing activities	7,331	14,994	7,388	3,780
Effect of foreign exchange rate on cash	(96)	(28)	(164)	8
Net change in cash	<u>\$ (2,113)</u>	<u>\$ (3,085)</u>	<u>\$ 718</u>	<u>\$ (6,869)</u>

Operating Activities

Net cash used in operating activities was \$6.1 million for the nine months ended September 30, 2022, compared to \$15.8 million for the nine months ended September 30, 2021. Net cash used in operating activities was \$5.4 million for the three months ended September 30, 2022, compared to \$20.2 million for the three months ended September 30, 2021. The change in operating cash flows was primarily attributable to the timing of cash inflows for accounts receivable as well as an increase in legal settlement payments.

Investing Activities

Net cash used in investing activities was \$0.4 million for the nine months ended September 30, 2022, compared to net cash provided by investing activities of \$5.1 million for the nine months ended September 30, 2021. Net cash used in investing activities was \$3.9 million for the three months ended September 30, 2022, compared net cash provided by investing activities of \$2.2 million for the three months ended September 30, 2021. Cash (used in) provided by investing activities is primarily comprised of purchases of property and equipment and proceeds from the disposal of property and equipment.

The following table summarizes our capital expenditures by operating division for the periods indicated (in thousands):

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2022	2021	2022	2021
Infrastructure services ^(a)	\$ 225	\$ 181	\$ 823	\$ 474
Well completion services ^(b)	4,747	2,392	8,048	3,288
Natural sand proppant services ^(c)	34	16	34	429
Drilling services ^(d)	33	4	47	42
Other ^(e)	53	172	275	337
Eliminations	38	—	(128)	(96)
Total capital expenditures	\$ 5,130	\$ 2,765	\$ 9,099	\$ 4,474

- Capital expenditures primarily for tooling and other equipment for the three and nine months ended September 30, 2022 and 2021.
- Capital expenditures primarily for upgrades to our pressure pumping fleet to reduce greenhouse gas emissions and maintenance for the three and nine months ended September 30, 2022 and 2021.
- Capital expenditures primarily for maintenance for the three and nine months ended September 30, 2021.
- Capital expenditures primarily for maintenance for the three and nine months ended September 30, 2022 and 2021.
- Capital expenditures primarily for equipment for our rental business for the three and nine months ended September 30, 2022 and 2021.

Financing Activities

Net cash provided by financing activities was \$7.4 million for the nine months ended September 30, 2022, compared to \$3.8 million for the nine months ended September 30, 2021. Net cash provided by financing activities for the nine months ended September 30, 2022 was primarily attributable to net borrowings on long-term debt of \$7.8 million. Net cash provided by financing activities for the nine months ended September 30, 2021 was primarily attributable to net proceeds received from sale leaseback transaction of \$7.4 million, which was partially offset by net payments on long-term debt totaling \$1.9 million and principal payments on financing leases and equipment financing notes totaling \$1.7 million.

Net cash provided by financing activities was \$7.3 million for the three months ended September 30, 2022, compared to \$15.0 million for the three months ended September 30, 2021. Net cash provided by financing activities for the three months ended September 30, 2022 was primarily attributable to net borrowings on long-term debt of \$9.0 million, partially offset by payments on sale leaseback transactions of \$1.2 million and principal payments on financing leases and equipment financing notes totaling \$0.6 million. Net cash provided by financing activities for the three months ended September 30, 2021 was primarily attributable to net borrowings of long-term debt totaling \$16.4 million, which was partially offset by payment on sale leaseback transactions of \$0.8 million and principal payments on financing leases and equipment financing notes totaling \$0.6 million.

Effect of Foreign Exchange Rate on Cash

The effect of foreign exchange rate on cash was (\$0.1) million and a nominal amount for the nine months ended September 30, 2022 and 2021. 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 \$345.4 million and \$290.5 million at September 30, 2022 and December 31, 2021, respectively, including receivables due from PREPA of \$368.3 million at September 30, 2022 and \$337.8 million at December 31, 2021 and corresponding liabilities of \$44.4 million at September 30, 2022 and \$42.3 million at December 31, 2021. Our cash balances were \$10.6 million and \$9.9 million at September 30, 2022 and December 31, 2021, respectively.

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 facility, as subsequently amended, with the lenders party thereto and PNC Bank, National Association, as a lender and as administrative agent for the lenders. At September 30, 2022, we had outstanding borrowings under our revolving credit facility of \$92.8 million and \$6.9 million of available borrowing capacity under this facility, after giving effect to \$7.1 million of outstanding letters of credit and the requirement to maintain a \$10.0 million reserve out of the available borrowing capacity.

On February 28, 2022, we entered into a fourth amendment to the revolving credit facility (the "Fourth Amendment") to, among other things, (i) amend our financial covenants as outlined below, (ii) provide for a conditional increase of the applicable interest margin, (iii) permit certain sale-leaseback transactions, (iv) provide for a reduction in the maximum revolving advance amount in an amount equal to 50% of the PREPA claims proceeds, subject to a floor equal to the sum of eligible billed and unbilled accounts receivables, and (v) classifies the payments pursuant to our settlement agreement with MasTec Renewables Puerto Rico, LLC as restricted payments and requires \$20.0 million of availability both before and after making such payments.

The financial covenants under our revolving credit facility were amended as follows:

- the leverage ratio was eliminated;
- the fixed charge coverage ratio was reduced to 0.85 to 1.0 for the six months ended June 30, 2022 and increases to 1.1 to 1.0 for the periods thereafter;
- a minimum adjusted EBITDA covenant of \$4.7 million, excluding interest on the accounts receivable from PREPA, for the five months ending May 31, 2022 was added; and
- the minimum excess availability covenant was reduced to \$7.5 million through March 31, 2022, after which the minimum excess availability covenant increased to \$10.0 million.

We were in compliance with the applicable financial covenants under our amended revolving credit facility in effect as of September 30, 2022. For additional information regarding our revolving credit facility, see Note 9. Debt to our unaudited condensed consolidated financial statements included elsewhere in this report.

As of October 26, 2022, our outstanding borrowings under our amended revolving credit facility were \$89.7 million, leaving an aggregate of \$13.0 million of available borrowing capacity, after giving effect to \$7.1 million of outstanding letters of credit and the requirement to maintain a \$10.0 million reserve out of the available borrowing capacity. If we fail to comply with the financial covenants contemplated by our amended revolving credit facility, or obtain a waiver of forecasted or actual non-compliance with any such financial covenants from our lenders, and an event of default occurs and remains uncured, it will have a material adverse effect on our business, financial condition, liquidity and results of operations. In addition, our revolving credit facility is currently scheduled to mature on October 19, 2023. Although we continue to explore various strategic alternatives to extend, refinance, or repay our revolving credit facility on or before the scheduled maturity date, there is no guarantee that such extension, refinancing or repayment will be secured. Additionally, any such extended or new credit facility could have terms that are less favorable to us than the terms of our existing revolving credit facility, which may significantly increase our cost of capital and may have a material adverse effect on our liquidity and financial condition. For additional information regarding our amended revolving credit facility and financial covenants thereunder, see Note 9. Debt to our unaudited condensed consolidated financial statements included elsewhere in this report.

Sale Leaseback Transactions

On December 30, 2020, we entered into an agreement with First National Capital, LLC, or FNC, whereby we agreed to sell certain assets from our infrastructure segment to FNC for aggregate proceeds of \$5.0 million. Concurrent with the sale of assets, we entered into a 36 month lease agreement whereby we lease back the assets at a monthly rental rate of \$0.1 million. On June 1, 2021, we entered into another agreement with FNC whereby we sold additional assets from our infrastructure segment to FNC for aggregate proceeds of \$9.5 million and entered into a 42-month lease agreement whereby we lease back the assets at a monthly rental rate of \$0.2 million. On June 1, 2022, we entered into another agreement with FNC whereby we sold additional assets from our infrastructure segment to FNC for aggregate proceeds of \$4.6 million and entered into a 42-month lease agreement whereby we lease back the assets at a monthly rental rate of \$0.1 million. Under the agreements, we have the option to purchase the assets at the end of the lease term. We recorded a liability for the proceeds received and will continue to depreciate the assets. We imputed an interest rate so that the carrying amount of the financial liabilities will be the expected repurchase price at the end of the initial lease terms.

Aviation Note

On November 6, 2020, Leopard and Cobra Aviation entered into a 39 month promissory note agreement with Bank7, or the Aviation Note, in an aggregate principal amount of \$4.6 million and received net proceeds of \$4.5 million. The Aviation Note bore interest at a rate based on the Wall Street Journal Prime Rate plus a margin of 1%. The Aviation Note was paid off on September 30, 2022.

Capital Requirements and Sources of Liquidity

As we pursue our business and financial strategy, we regularly consider which capital resources are available to meet our future financial obligations and liquidity requirement. We believe that our cash on hand, operating cash flow and available borrowings under our credit facility will be sufficient to meet our short-term and long-term funding requirements, including funding our current operations, planned capital expenditures, debt service obligations and known contingencies.

Our liquidity and future cash flows, however, are subject to a number of variables, including receipt of payments from our customers, including PREPA, and our ability to extend, refinance or repay our revolving credit facility at or prior to its scheduled maturity date of October 19, 2023. As of September 30, 2022, PREPA owed Cobra approximately \$368.3 million for services performed, including \$141.3 million of interest charges. Throughout 2021, we released significant data that we obtained through Freedom of Information Act requests that affirm the work performed by Cobra in Puerto Rico. We believe these documents in conjunction with the current Administration's focus on the recovery of Puerto Rico and our enhanced lobbying efforts will aid in collecting the outstanding amounts owed to us by PREPA. However, 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 Cobra or (iii) otherwise does not pay amounts owed to Cobra for services performed, the receivable may not be collectible, which may adversely impact our liquidity.

We currently estimate that during 2022 our aggregate capital expenditures will be \$20.0 million, depending upon industry conditions and our financial results. These capital expenditures include \$2.5 million in our infrastructure segment for assets for additional equipment, \$16.9 million in our well completion segment for conversion of a portion of our fleet to include Dynamic Gas Blending™ (“DGB”) or “dual-fuel” capabilities and maintenance to our existing pressure pumping fleet and \$0.6 million for our other divisions, primarily for additional equipment for our rental business. During the nine months ended September 30, 2022, our capital expenditures totaled \$9.1 million.

Also, as noted above in this report, in response to market conditions we have (i) temporarily shut down certain of our oilfield service offerings, including coil tubing, pressure control, flowback, crude oil hauling, cementing, acidizing and land drilling services, (ii) idled certain facilities, including our sand processing plant in Pierce County, Wisconsin and (iii) reduced our workforce across all of our operations. We continue to monitor market conditions to determine if and when we will recommence these services and operations and increase our workforce. Any such recommencement and expansion will further increase our liquidity requirements in advance of revenue generation.

In addition, while we regularly evaluate acquisition opportunities, we do not have a specific acquisition budget for 2022 since the timing and size of acquisitions cannot be accurately forecasted. We continue to evaluate acquisition opportunities, including those in the renewable energy sector as well as transactions involving entities controlled by Wexford. 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 any of the above or other reasons, we may do so through borrowings under a revolving credit facility, joint venture partnerships, sale-leaseback transactions, asset sales, offerings of debt or equity securities or other means. Although we expect that our sources of capital will be adequate to fund our short-term and long-term liquidity requirements, 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, our ability to conduct operations, make capital expenditures, satisfy debt services obligations, pay litigation settlement obligations, fund contingencies and/or complete acquisitions that may be favorable to us will be impaired, which would have a material adverse effect on our business, financial condition, results of operations and cash flows. See also Item 1A. Risk Factors included elsewhere in this report.

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.

In March and April 2020, concurrent with the COVID-19 pandemic and quarantine orders in the U.S. and worldwide, oil prices dropped sharply to below zero dollars per barrel for the first time in history due to factors including significantly reduced demand and a shortage of storage facilities. In 2021, U.S. oil production stabilized as commodity prices increased and demand for crude oil rebounded, many exploration and production companies set their operating budgets based on the prevailing prices for oil and natural gas at the time. Despite improvement in the U.S. and global economic activity, easing of the COVID-19 pandemic and related restrictions, rising energy use and improved commodity prices, the budgets for the publicly traded exploration and production companies remained relatively flat throughout 2021, with any excess cash flows used for debt repayment and shareholder returns, rather than to increase production. We have seen improvements in the oilfield services industry and in both pricing and utilization of our well completion and drilling services throughout 2022 and we expect both pricing and utilization to continue to increase throughout the remainder of 2022 and into 2023 as a result of an increase in budgets for publicly traded exploration and production companies and elevated activity levels, driven by strong energy demand and favorable commodity prices. The current Russian/Ukrainian military conflict and related humanitarian crisis in Ukraine, however, could have an adverse impact on the global energy markets and volatility of commodity prices.

Although the levels of activity in the U.S. oil and natural gas exploration and production, energy infrastructure and natural sand proppant industries continue to improve, they have historically been and continue to be volatile. We are unable to predict the ultimate impact of the COVID-19 pandemic, the volatility in commodity prices, any changes in the near-term or long-term outlook for our industries or overall macroeconomic conditions on our business, financial condition, results of operations, cash flows and stock price.

Interest Rate Risk

We had a cash and cash equivalents balance of \$10.6 million at September 30, 2022. We do not enter into investments for trading or speculative purposes.

Interest under our credit facility is payable at a base rate, which can fluctuate based on multiple facts, including rates set by the U.S. Federal Reserve (which increased its benchmark interest rate by 0.75 percentage point on September 21, 2022, a fifth consecutive interest rate hike this year, and may continue to increase interest rates in an effort to counter the persistent inflation), the supply and demand for credit and general economic conditions, plus an applicable margin. The applicable margin is currently set at 4.0%, which can be reduced to 3.5% under certain circumstances specified in our credit facility. At September 30, 2022, we had outstanding borrowings under our revolving credit facility of \$92.8 million with a weighted average interest rate of 10.25%. A 1% increase or decrease in the interest rate at that time would increase or decrease our interest expense by approximately \$0.9 million per year. We do not currently hedge our interest rate exposure.

Foreign Currency Risk

Our remote accommodation business, which is included in our other 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 September 30, 2022, we had \$2.3 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 \$0.1 million as of September 30, 2022. 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.

Customer Credit Risk

We are also subject to credit risk due to concentration of our receivables from several significant customers. We generally do not require our customers to post collateral. The inability, delay or failure of our customers to meet their obligations to us due to customer liquidity issues or their insolvency or liquidation may adversely affect our business, financial condition, results of operations and cash flows. This risk may be further enhanced by the COVID-19 pandemic, the volatility in commodity prices, the reduction in demand for our services and challenging macroeconomic conditions.

Specifically, we had receivables due from PREPA totaling \$368.3 million, including \$141.3 million of interest charges, as of September 30, 2022. 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 FEMA or other sources. See Note 2. Basis of Presentation and Significant Accounting Policies—Accounts Receivable and—Concentrations of Credit Risk and Significant Customers and Note 18. Commitments and Contingencies—Litigation of our unaudited condensed consolidated financial statements.

Seasonality

We provide infrastructure services in the northeast, southwest, midwest and western portions of the United States. We provide well completion and drilling services primarily in the Utica, Eagle Ford, Marcellus, Granite Wash, Cana Woodford and Cleveland sand resource plays located in the continental U.S. 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, 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.

Inflation

Although the impact of inflation has been insignificant on our operations in prior years, inflation in the U.S. has been rising at its fastest rate in over 40 years, creating inflationary pressure on the cost of services, equipment and other goods in our industries and other sectors and contributing to labor and materials shortages across the supply-chain. On September 21, 2022, the Federal Reserve increased its benchmark interest rates by 0.75 percentage point, the fifth consecutive hike this year, and may continue increasing benchmark interest rates in the future. If the efforts to control inflation are not successful and inflationary pressures persist, our business, results of operations and financial condition may be adversely affected.

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

As of September 30, 2022, an evaluation was performed under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15(b) under the Exchange Act. Based upon our evaluation, our Chief

Executive Officer and Chief Financial Officer have concluded that as of September 30, 2022, our disclosure controls and procedures are effective.

Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting (as defined in Rules 13a-15(d) and 15d-15(d) under the Exchange Act) that occurred during the quarter ended September 30, 2022 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, employment related disputes, arbitrations, class actions and other litigation. We are also involved, from time to time, in reviews, investigations, subpoenas and other proceedings (both formal and informal) by governmental agencies regarding our business (collectively, "regulatory matters"), which regulatory matters, if determined adversely to us, could subject us to significant fines, penalties, obligations to change our business practices or other requirements resulting in increased expenses, diminished income and damage to our reputation. 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 18 "Commitments and Contingencies," of the Notes to Unaudited Condensed Consolidated Financial Statements.

Item 1A. Risk Factors

Except as supplemented below, as of the date of this filing, our Company and operations continue to be subject to the risk factors previously disclosed in Item 1A. Risk Factors in our Annual Report on Form 10-K filed with the SEC on March 4, 2022 and our Quarterly Reports on Form 10-Q filed with the SEC on May 10, 2022 and August 2, 2022. For a discussion of the recent trends and uncertainties impacting our business, see also "Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments—Overview of Our Services and Industry Conditions"

Our ability to generate sufficient cash in the next twelve months necessary to repay or refinance our existing revolving credit facility at or prior to maturity is subject to a number of risks and uncertainties.

Our existing revolving credit facility is currently scheduled to mature on October 19, 2023. As of October 26, 2022, we had cash on hand of \$10.3 million and outstanding borrowings under our revolving credit facility of \$89.7 million, leaving an aggregate of \$13.0 million of available borrowing capacity under this facility, after giving effect to \$7.1 million of outstanding letters of credit and the requirement to maintain a \$10.0 million reserve out of the available borrowing capacity. Our ability to extend, refinance or repay our existing revolving credit facility at or prior to maturity will depend on our ability to generate significant operating cash flow in the future and collect our receivables, among other factors. This ability is, to a significant extent, subject to general economic, financial, competitive and other factors that are beyond our control. We cannot assure you that our business will generate cash flow from operations in amounts sufficient to enable us fund these and our other liquidity needs. As a result, we may need to seek additional debt or equity financing, sell existing assets or enter into other strategic transactions. We cannot assure you that we will be able to do so on commercially reasonable terms or at all, or on terms that would be advantageous to our stockholders. Any inability to generate sufficient cash flow, complete any sale transactions, repay or refinance our indebtedness or incur additional indebtedness on commercially reasonable terms or at all could adversely affect our financial condition. If we default under our existing revolving credit facility, the lenders could exercise their rights as described in this report under Note 9. Debt to our unaudited condensed consolidated financial statements included elsewhere in this report, and we could be forced into bankruptcy or liquidation.

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.

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		
3.3	First Amendment to Amended and Restated Bylaws of the Company	8-K	001-37917	6/9/2020	3.1		
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		
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.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.						X
101.SCH	XBRL Taxonomy Extension Schema Document.						X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.						X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.						X
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document.						X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.						X
104	Cover Page Interactive Data File - the cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.						X

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: October 28, 2022 By: **MAMMOTH ENERGY SERVICES, INC.**
/s/ Arty Strachla
Arty Strachla
Chief Executive Officer

Date: October 28, 2022 By: /s/ Mark Layton
Mark Layton
Chief Financial Officer

CERTIFICATIONS

I, Arty Straehla, 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 Straehla
 Arty Straehla
 Chief Executive Officer
 October 28, 2022

**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 quarter ended September 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Arty Straehla, 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.

By: **MAMMOTH ENERGY SERVICES, INC.**
/s/ Arty Straehla

Arty Straehla
Chief Executive Officer
October 28, 2022

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 quarter ended September 30, 2022 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.

By: **MAMMOTH ENERGY SERVICES, INC.**
/s/ Mark Layton

Mark Layton
Chief Financial Officer
October 28, 2022

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 September 30, 2022:

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	—	—	—	—	—	\$ —	—
Menomonie, WI	—	—	—	—	—	\$ —	—
New Auburn, WI	—	—	—	—	—	\$ —	—

- a. The definition of mine under section 3 of the Mine Act includes the mine, as well as other items used in, or to be used in, or resulting from, the work of extracting minerals, such as land, structures, facilities, equipment, machines, tools and minerals preparation facilities. Unless otherwise indicated, any of these other items associated with a single mine have been aggregated in the totals for that mine. MSHA assigns an identification number to each mine and may or may not assign separate identification numbers to related facilities such as preparation facilities. We are providing the information in the table by mine rather than MSHA identification number because that is how we manage and operate our mining business and we believe this presentation will be more useful to investors than providing information based on MSHA identification numbers.
- b. Represents the total dollar value of proposed assessments from MSHA under the Mine Act relating to any type of citation or order issued during the quarter ended September 30, 2022.

Pattern or Potential Pattern of Violations. During the quarter ended September 30, 2022, none of the mines operated by us received written notice from MSHA of (a) a pattern of violations of mandatory health or safety standards that are of such nature as could have significantly and substantially contributed to the cause and effect of mine health or safety hazards under section

104(e) of the Mine Act or (b) the potential to have such a pattern.

Pending Legal Actions. There were no legal actions pending before the Federal Mine Safety and Health Review Commission (the Commission) as of September 30, 2022. 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.